

Bond market is still small, but has a growing trend



Bond market is dominated by government bonds



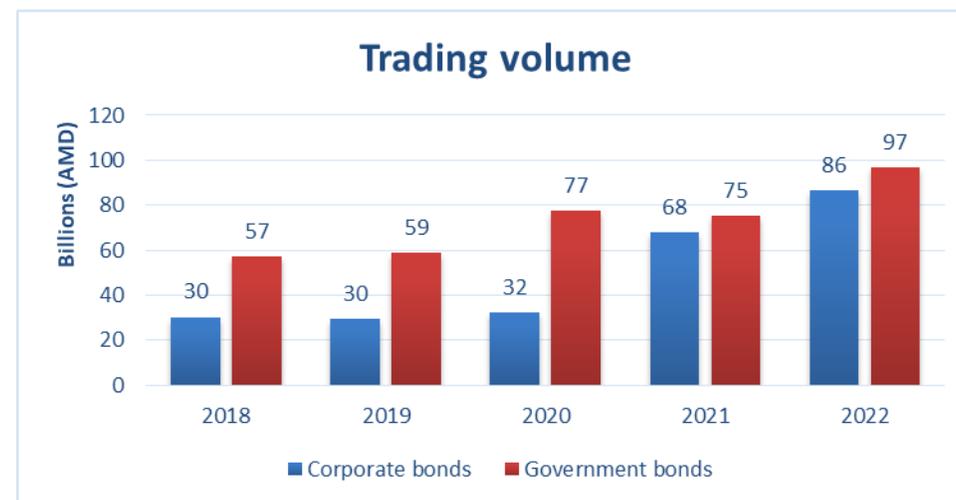
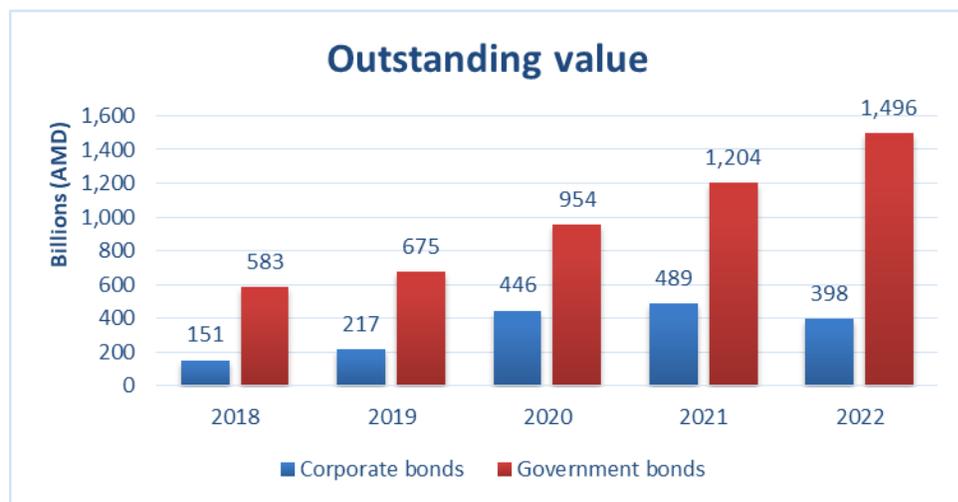
Banks are the main investors in government bonds followed by pension funds



The volume of corporate bonds has increased in recent years (70% issued in foreign currency)



However, it lags behind government bonds in trading volumes, investor base and tenors



Investment funds have a potential to become one of the major players in providing finance to the economy

Private funds



- Private funds are of great importance in creating an alternative source of financing for the economy
- Regulation should promote properly structured private funds

65 funds with NAV of 44B AMD (110M USD)

Pension funds



- Fast-growing sector
- Major institutional investor in the capital market
- Increasing appetite for investments

6 funds with total NAV of 600B AMD (1.5B USD)

Development initiatives: Sequencing is important

Comprehensive Roadmaps

- Capital Market Development Strategy (2020)
- Money, FX, GBs and Derivatives Markets Development Action Plan (draft)

Key Initiatives

- Introduction of a centralized overnight repo platform to derive a reliable MM benchmark rate
- Promoting the development of a deep and liquid government bond market to ensure proper pricing and a large investor base
- Standardization of financial instruments to attract more global liquidity into the domestic market and open up new opportunities (GMRA, ISDA MA, legal opinions)
- Facilitating the establishment of a liquid FX market with low entry/exit costs for foreign institutional investors