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# Improving International Access to Credit Markets



# Introduction



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- Report for the City of London Corporation looking at credit markets around the World
- Developed a model for assessing drivers of well-functioning credit markets
- 11 key countries identified for in-depth analysis
- Developed a wide range of policy suggestions
- Cases on emerging trends and instruments



# Overview



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- Innovation as a source of growth
  - Liquidity and cycles
  - Green bonds
  - P2P Lending
  - Capital Markets Union – A European private placement market

# Innovation as a source of growth



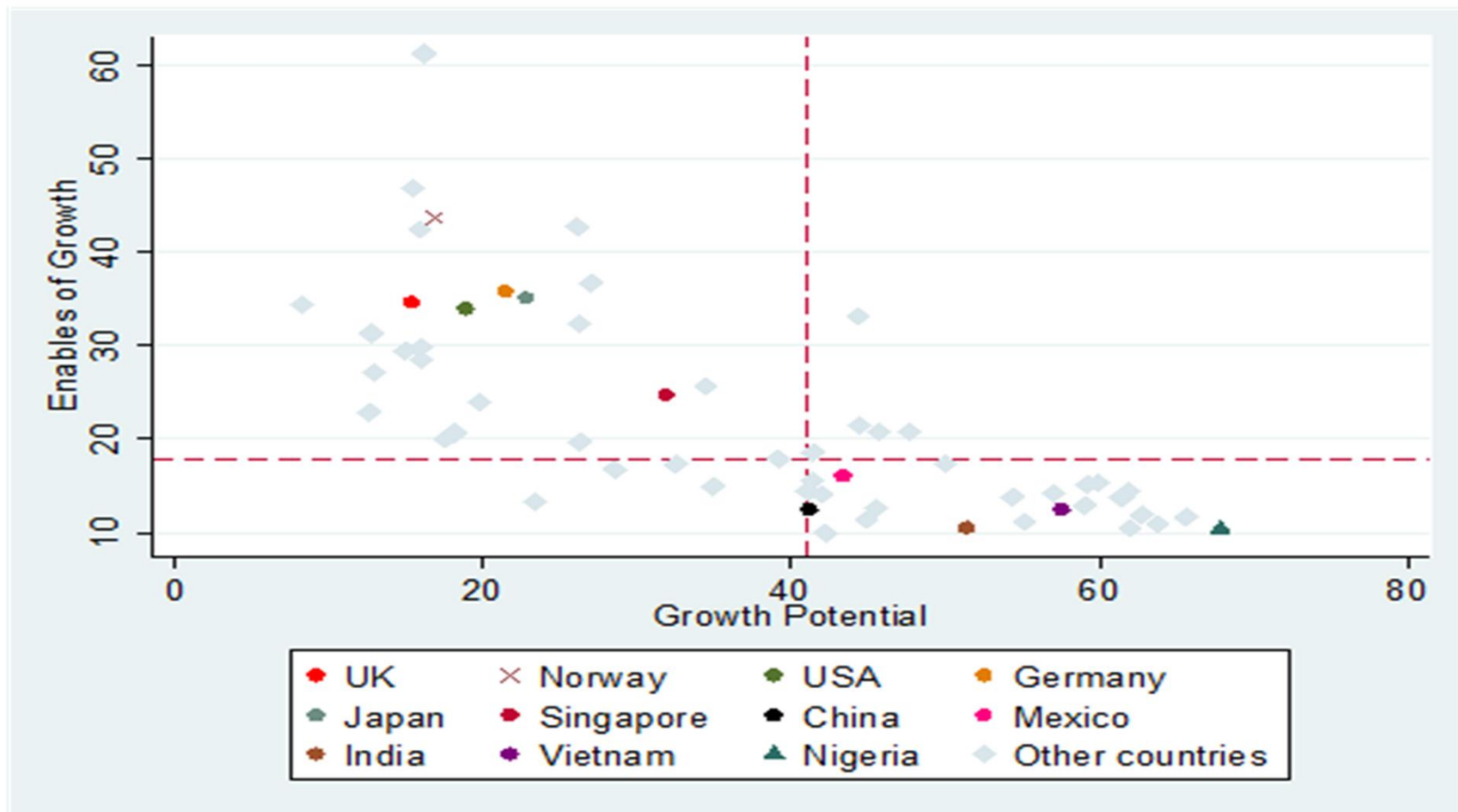
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- Something of a familiar story for developed markets
  - Too much debt be it public, private, or both
  - Potentially looking at a sustained period of low or no growth
  - Ultra low inflation with the spectre of deflation
  - QE has arguably created asset bubbles e.g. equities

# Innovation as a source of growth



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- Is there a problem with liquidity in bond markets?
  - *Well, it depends on who you ask...*
- Do bonds need to trade like equities?

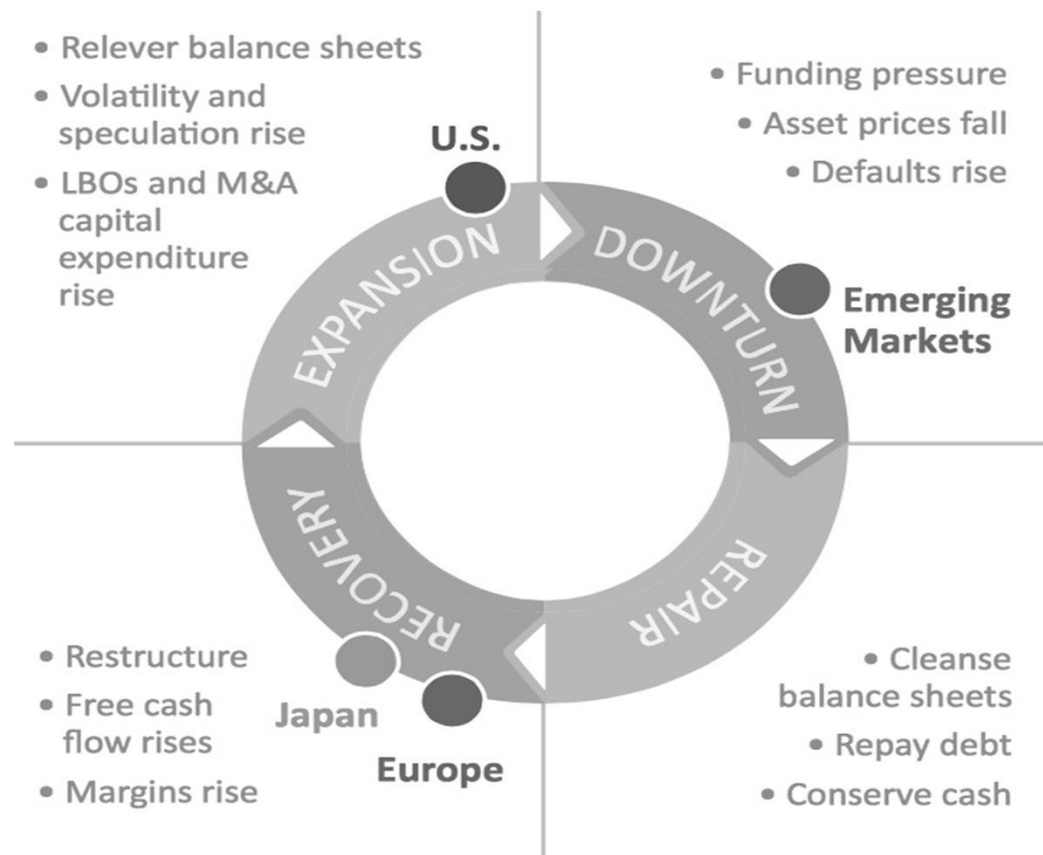
*“There is a general sense that bonds should trade like equities and that type of immediacy is good. However, bonds trade differently, liquidity concentrates in particular assets, and there is a lack of fungibility in bonds”*

Head of Fixed Income at Major International Exchange

# Credit cycles



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Source: US Office of Financial Research, 2015

# Green bonds



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- Increasing numbers of ESG mandates - particularly in pension funds
  - Transitioning to a low-carbon World
  - What is a green bond?
  - Green bond issuance tripled between 2013–2014
  - Where will growth in these instruments occur?



# P2P lending



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- Re-establishing connections with investments
  - Investing locally as well as globally?
  - Sector is gaining momentum
    - Business loans of £749m
    - Personal loans of £547m
  - Regulatory challenges
  - Scale...

# CMU: A Pan European Private Placement Debt Market



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- CMU – a genuine game changer with huge potential benefits
  - Schuldschein – an old idea whose time may be coming
  - Regulatory challenges (quite a list)
  - Further innovations...



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Thank you and questions