

CONTENTS

LIST OF FIGURE, BOX AND TABLES	9
1. INTRODUCTION	11
2. FINANCIAL SYSTEMS, INSTITUTIONAL INVESTORS, AND ECONOMIC DEVELOPMENT	13
2.1 Functions and Evolution of Financial Systems	13
2.2 Financial Development and Economic Growth	14
2.3 Recent Trends of Financial Systems in OECD Countries	16
3. BENEFITS FROM PROMOTING CONTRACTUAL SAVINGS INSTITUTIONS	19
3.1 Impact on Saving and Long-term Savings	19
3.2 Effects on Capital Markets	22
3.3 Other Effects	25
4. THE EVOLUTION OF PRIVATE PENSION FUNDS AND OF THE INSURANCE INDUSTRY	27
4.1 Trends in Industrial Countries	27
4.2 Private Pension Funds in Latin America and Asia	36
4.3 Performance of the Life Insurance Industry in Emerging Economies	40
5. PRIVATE PENSION FUNDS AND CAPITAL MARKET DEVELOPMENT IN CHILE	47
6. BARRIERS FOR DOMESTIC AND FOREIGN INSTITUTIONAL INVESTORS	53
6.1 Political and Economic Instability	53
6.2 Imperfections in Stock and Information Markets	53
6.3 Insufficient Legal, Regulatory and Supervisory Framework	56
6.4 Inflow Restrictions	57
7. PREREQUISITES FOR STRENGTHENING THE INSTITUTIONAL INVESTMENT BASE	59
7.1 Promotion of National Savings	59
7.2 Deepening and Widening of Investment Opportunities	59
7.3 Adequate Legal, Regulatory and Supervisory Framework	60
7.4 Direct Measures to Promote Contractual Savings Schemes	61

APPENDIX I: Private Pension Funds in Latin America	67
APPENDIX II: Insurance Industry in Latin America	73
APPENDIX III: Characteristics of the Life Insurance Industry in Selected East Asian Countries, 1990	77
APPENDIX IV: Restrictions on Foreign Investors in Selected Emerging Economies	79
APPENDIX TABLES	81
REFERENCES	89

LIST OF FIGURE, BOX AND TABLES

Figure:	Savings Rates and Pension Fund Assets	20
Box:	The Deregulation Path of a Big OECD Pension Fund - ABP	31
Table 1	Pension Fund and Life Insurance Assets in Selected OECD Countries, 1970, 1990 and 1995 (as a percentage of GDP)	28
Table 2	OECD Pension Funds' Exposure in Equities and Foreign Assets, 1970, 1990 and 1994 (as a percentage of total assets)	29
Table 3	Institutional Investors' Holdings of Foreign Securities, 1980-1993	33
Table 4	Pension Fund Real Return, 1984-1993	34
Table 5	A Pension Fund Investment Scenario for the Year 2000	35
Table 6	Characteristics of Private Pension Schemes in Selected Latin American Countries, 1992-1995	37
Table 7	Portfolio Structure of Pension Funds in Chile, Peru and Brazil 1994/95 (per cent)	38
Table 8	Selected National Provident Funds Assetsa in Developing Countries (per cent of GDP)	39
Table 9	The Provident and Pension Funds Industry in Malaysia, 1995 (end of June)	40
Table 10	World Market Shares of Life Insurance Business,a 1993 (in per cent)	41
Table 11	Insurance Premium Development in Selected Regions, 1971-1990 (average annual real growtha in per cent)	42
Table 12	Asset Composition of the Long-term Insurance Business in South Africa, 1970 - 1994 (per cent of total assets)	44
Table 13	Distribution of Assets of Life Insurance Funds in Singapore, 1970 - 1994 (in per cent)	45
Table 14	Capital Market Developments in Chile, 1980-1992	48

Table 15	Portfolio Composition of Chilean Pension Funds, 1981-1995 (in per cent)	49
Table 16	Country Credit Rating for Top Developing Countries, 1995	53
Table 17	Characteristics of Stock Markets in Selected Emerging Economies, 1984-1996	55
Table 18	Market Concentration in Selected Emerging Stock Markets, End-1992 and 1996	56
Table 19	A Summary of Investment Regulations, Operational Risk Benchmarks and Withholding Taxes in Selected Emerging Markets (as of end 1996, in per cent)	58

APPENDIX TABLES

Table A-1:	Financial Assets of Institutional Investors in OECD Countries 1990 and 1995 (as a percentage of GDP)	83
Table A-2:	Allocation of Assets of US Life Insurance Companies 1920-1993	84
Table A-3:	Investment Allocation of Provident Funds in Pacific Countries, early 1990s	84
Table A-4:	Life Insurance Diffusion in Selected Emerging Economies, 1980, 1987 and 1994	85
Table A-5:	Life Insurance Density in Selected Emerging Economies, 1980, 1987 and 1994	86
Table A-6:	Net Private Capital Flows to Asia and Latin America, 1980-1995 (in billion of US Dollars)	87
Table A-7:	Institutional Investors' Holdings of Foreign Securities, 1980-1993 (in per cent of total assets)	87