



To Monica McKnight, PRE/EM

From/Location J. Richard Breen *J. Richard Breen*

Date October 5, 1992

Re Stock Market Observation Tour

As promised, this is the memo prepared by Karim Solh from Price Waterhouse, who accompanied the Tunisians on the Stock Market Observation Tour in New York, Montreal, and Washington, D.C. We are very pleased with the results of this engagement. The participants learned many lessons, and established a strong network of contacts in North America which have the potential to develop into relationships and information sharing opportunities in the future.

A brief background on each participant is provided below. An itinerary of the organizations they visited appears on the last page.

- Mohamed H'Maidi Tunisian Stock Exchange, President.
- Laroussi Bayouth Tunisian Stock Exchange, Board of Directors.  
Central Bank of Tunisia, Director of Credit and Banks.
- Hassine Doghri Tunisian Stock Exchange, Board of Directors.  
CARTE (Tunisian-European Insurance Company), President.
- Mohsen Taleb Tunisian Ministry of Finance, Director of Credit.
- Ahmed Abdelkefi Tunisia Securities Company, President.
- Ali Bouzidi Bank of Tunisia, Director of Asset Management and Capital.
- Mohamed Alaya Tunisia Milk Company, President.
- Raouf Bouassida Poulina (Agribusiness), President.

Aside from the contacts made in North America, one of the most beneficial results of the tour was the cementing of ties and identification of common interests within the Tunisian team itself. Mr. H'Maidi, President of the Tunis Stock Exchange, was particularly optimistic regarding the opportunities for moving ahead, now that members of business and

government communities share a common foundation of knowledge about the benefits of building a more dynamic securities market in Tunisia.

The Tunisians were able to see and understand how capital markets work and operate. After visiting four exchanges (NYSE, AMEX, NASDAQ, and the Bourse de Montréal), two surveillance authorities (SEC and Commission des Valeurs Mobilières), three brokerage houses (Merrill Lynch, Salomon, and Scotia McLeod), and the clearing/settlement institutions in New York and Montreal, they obtained a strong and thorough understanding of the financial systems in North America. Specific feedback from the participants regarding the knowledge they acquired includes the following:

1. The financial market systems in the United States are generally much more advanced and complex than the Tunisian market requires. The number of companies listed on the Tunisian exchange (currently sixteen) does not justify, for example, the independent processing, clearing, and depository institutions like those which exist in New York. The Tunisian team realized that they have to adapt what they learned to the Tunisian setting. In this respect, the Montreal Stock Exchange provided a better example because it demonstrated how all of these functions can be housed in a single institution.
2. Many participants from the private sector were initially afraid that listing on the stock exchange would mean losing control of their companies. This fear was subdued when they realized that by spreading ownership over a large number of equity holders, they can maintain effective control, and also gain access to quick financing and liquidity. This would represent a welcome change from the high costs associated with borrowing and the long, difficult procedures involved in the bank lending process.
3. One of the key lessons learned was the concept of paperless trade. Currently, all stock and bond holders in Tunisia possess the actual titles, and brokerage houses spend most of their time cutting coupons and mailing them to the owners of the bonds. Needless to say, this is a very tedious process, and the risk of losing titles during processing and mailing is great. By depositing titles at a single location and doing book entries when a sale or purchase is made, efficiency and security are greatly improved. The paperless transaction is a new concept to the Tunisian Stock Exchange and one that will greatly enhance the operations of the system. This is similar to projects Price Waterhouse is performing in countries such as India and Indonesia.

In conclusion, the participants were very satisfied with the tour and positive about new directions in which to proceed with development of the Tunis Stock Exchange. The public sector participants look forward to developing and strengthening their financial markets and institutions based on the models observed on the tour. The private sector participants are now considering taking their companies public on the Tunis exchange. This will not only contribute to an increase in the supply of shares on the market in the short term, but will also encourage other firms to list.

Mr. Solh recently received a warm letter of thanks from Mr. H'Maidi. A copy of it (in French and translated into English), follows for your reference.

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Monica McKnight, PRE/EM  
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**Itinerary**

**New York (August 31- September 3)**

New York Stock Exchange  
Securities Industry Automation Corporation  
New York Mercantile Exchange  
American Stock Exchange  
International Securities Clearing Corporation  
Merrill Lynch  
Depository Trust Company  
Salomon Brothers  
Securities Industry Association

**Montréal (September 4 - September 9)**

Commission des Valeurs Mobilières du Québec  
Coopers & Lybrand  
Bourse de Montréal  
Scotia McLeod

**Washington, D.C. (September 10 - September 11)**

US Securities and Exchange Commission  
Federal Reserve System, Board of Governors  
Price Waterhouse Reception  
International Finance Corporation  
Commodity Futures Trading Commission  
National Association of Securities Dealers

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Tunis. le 18 SEP. 1992

Monsieur Karim SOLH  
Price Waterhouse  
International Privatization Group  
1801 K Street, N.W.

WASHINGTON, DC 20006

Cher Karim,

De retour à Tunis, autant j'ai été heureux de retrouver le pays natal, la famille, les amis et les collègues, autant j'ai déjà de la nostalgie pour les deux semaines passées aux USA et au Canada en votre compagnie.

Grâce à votre amabilité, à votre générosité dans l'effort, à votre disponibilité à servir, vous nous avez donné l'impression de vous connaître depuis très longtemps.

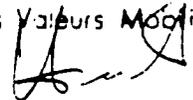
Votre vaste culture et votre sens de l'hospitalité, font que nous soyons fiers d'un jeune arabe comme vous.

En nom mon personnel et au nom de tous les membres de la délégation qui m'a accompagné, je vous renouvelle mes remerciements à vous même, à vos collègues de Price Waterhouse pour la bonne et efficace organisation et à toute la famille SOLH pour son hospitalité exemplaire.

Avec l'espoir de vous rencontrer bientôt à Tunis, je vous adresse un grand salut.

*Bien cordialement*

Le Président de la Bourse  
des Valeurs Mobilières

  
Mohamed Salah H'MADI

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Tunis, September 18, 1992

Mr. Karim Solh  
Price Waterhouse  
International Privatization Group  
1801 K st., N.W.  
Washington, D.C. 20006

Dear Karim,

I am back in Tunis and very happy to see my family and friends, yet I already feel nostalgic about our trip in the U.S. and Canada in your company.

Thanks to your kindness, generosity, and availability to help, you have given us the impression we have known you for a very long time.

Your extensive knowledge and sense of hospitality make us proud of a young Arab like you.

On my behalf and in the name of all the members of the delegation, I repeat my thanks to you, your colleagues at Price Waterhouse for their good and efficient organization, and to all the SOLH family for their exemplary hospitality.

I hope to meet you soon in Tunis.

Yours truly,

Mohamed Saleh H'maidi  
President of the Tunisian Stock Exchange