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**Creating an Investor Relations Office: A Step Toward Implementing a Proactive  
Strategy of Investor Relations**

By

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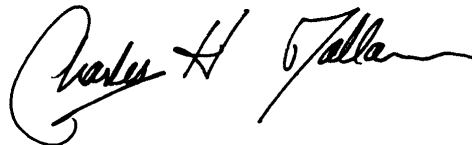
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## Preface

The Institute's Steering Committee on Emerging Markets Finance, composed of senior financiers from IIF member firms, was established in May 1998 to recommend improvements in the international financial system that could help reduce the incidence and severity of financial crises in emerging market economies. In connection with recommendations to prevent crises from occurring, the Steering Committee released a policy paper in April 1999 that sets forth the case for a proactive strategy of investor relations by emerging market authorities with access or seeking access to international capital markets.

Briefly, the Steering Committee concluded that a regular and sustained two-way relationship between emerging market authorities and the private financial community could contribute significantly to financial stability. In particular, through such contact country authorities can better inform market participants about material developments and policy adjustments. At the same time, they can take into account the concerns and likely reactions of investors and lenders. As countries become more reliant on private capital flows they should adopt a more proactive stance by establishing a highly visible investor relations program.

This IIF staff paper follows the Steering Committee recommendation by outlining key elements of a proactive strategy of investor relations based in part on the experience of the Mexican Investor Relations Office (IRO) established in 1995 after the peso crisis. It also includes information about Argentina's Financial Representative Offices and the investor relations activities of 14 other major emerging market economies. The paper is intended to serve as a practical guide for emerging market authorities in establishing a world-class investor relations program.

A handwritten signature in black ink, reading "Charles H. Dallara". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.

Charles H. Dallara  
Managing Director

# **Creating an Investor Relations Office: A Step Toward Implementing a Proactive Strategy of Investor Relations**

## **I. Introduction**

The IIF Steering Committee on Emerging Markets Finance was established in May 1998 to guide a broad review of financial crises in emerging market economies and to recommend steps that could help to prevent and resolve crises in the future. In the year since then, five Working Groups involving representatives of more than 100 IIF member firms have published a series of reports addressing different aspects of the economic and financial crises that began in Asia in 1997. A central aim of these efforts has been to identify steps that could help to avoid and resolve crises in the future.

The Steering Committee initially focused on the role of the IMF in managing financial crises and the potential for increased IMF collaboration with the private sector in crisis prevention and resolution. IMF officials, however, expressed concerns about sharing views with selected firms, disclosing information obtained in confidential discussions with country authorities, and precipitating crises by offering candid assessments of a country's policies. Therefore, the Steering Committee concluded that country authorities should be at the center of any dialogue with private investors and lenders. This approach should ultimately enhance IMF surveillance and give the IMF greater flexibility in crisis management.

During the 1990s, the magnitude and composition of capital flows to emerging markets changed fundamentally. Net private capital flows now far exceed net official financing to the major emerging market economies. Sovereign borrowing from commercial banks has been outpaced by flows of direct and portfolio investment, bond financing, and private sector borrowing. The range of private sector creditors has expanded to include asset management companies, insurance firms, and pension funds. The varieties of debt and equity instruments have likewise multiplied.

In view of these structural changes and the intensity of "contagion" associated with the financial crises in the 1990s, the Steering Committee recommends that emerging market authorities work to build progressively stronger relations with the global community of investors and lenders.

A country-focused approach to crisis prevention:

- recognizes the necessity for, and responsibility of, country authorities to develop direct contact with market participants as their economies become more reliant on private capital flows, and
- helps build a fabric of familiarity and trust between the authorities and the global investment community that can contribute to stability during periods of stress.

The Steering Committee released a policy paper in April 1999 that sets forth the case for a proactive strategy of investor relations by emerging market authorities with access or seeking access to international capital markets. The *Summary Report on the Work of the IIF Steering Committee on Emerging Markets Finance*, issued in June 1999, echoes the recommendation for a country-driven and investor-targeted strategy. The *Summary Report* emphasizes the dual benefits of regular market contact: it can help authorities influence market sentiment and obtain market feedback in response to policy changes.

Proactive strategies of investor relations organized around regular briefings for analysts and institutional investors have been adopted by a growing number of publicly traded corporations. Such briefings assist corporations to contain volatility in their stock prices by providing information that helps investors and creditors focus on fundamentals and differentiate among competing investment choices and by identifying nascent concerns of market participants.

Two major emerging market countries with substantial access to international capital markets, Mexico and Argentina, have likewise sought to actively shape investor sentiment and obtain market feedback. Mexico's investor relations efforts appear to have played a significant role in the relative immunity from contagion enjoyed by Mexico during the Asian crises in 1997, the Russian crisis in 1998, and the Brazilian crisis at the beginning of 1999. Market participants contacted by the IIF report that Mexico has "clearly differentiated" itself among major borrowing countries, especially through its quarterly teleconferences.

Argentina's dialogue with investors over the past several years, conducted through its Financial Relations Offices in Washington and London, has helped to sustain its borrowing program with a minimum of premarketing or special transaction-related activities. (The Argentine program is described in Appendix I.)

The Chilean finance ministry opened a representative office in New York in March 1999. The New York office hosts regular meetings for the investment community.

Other emerging market countries, particularly those that have been active issuers of Eurobonds, have long-standing relations with the investor community. These links are maintained through frequent contacts, often via "road shows," that keep investors informed about specific developments. For example, the National Bank of Hungary conducted frequent road shows in connection with sovereign bond issues beginning in the late 1980s. These road shows, often organized with the help of money-center investment banks and focused on the fixed-income market, gave investors an opportunity to engage officials in dialogue and to establish direct relationships. Responsibility for public debt management shifted to the Ministry of Finance at the beginning of 1999 as refinancing needs declined. Formal contact with markets is now largely maintained through tenders.

In the case of Korea, the International Financial Policy Division in the Ministry of Finance and Economy actively works to keep investors informed via e-mail notification of policy changes, key economic and financial statistics, publications, and speeches by top government officials. The Division also coordinates the visits of credit rating agencies and other interested parties.

Other emerging market economies such as India, the Philippines, South Africa, Turkey, and Thailand also organize road shows in connection with bond issues. Government agencies in Indonesia, Korea, and Thailand maintain very comprehensive websites, which provide key information to investors. The investor relations practices of 16 leading emerging market economies are summarized in Appendix II. This includes a table with descriptive information about the principal websites maintained by the authorities in these countries.

The IIF Steering Committee strongly recommends that emerging market authorities active in international capital markets consider the establishment of an “Investor Relations Office” responsible for organizing quarterly meetings or teleconferences and maintaining close relations with their investor communities.

Part II of this paper examines the Mexican experience as a possible guide for other countries interested in adopting such an approach. Rough estimates of the potential cost of an investor relations program are also provided. Part III describes the major trends in investor relations practices more generally. Part IV presents a number of concluding remarks.

## **II. The Mexican Experience**

In the wake of the Mexican peso crisis of 1994, the government of Mexico (GOM) engaged a leading investment banking firm to identify mechanisms that could assist in avoiding new financial crises. The firm’s study indicated that a critical element contributing to the severity of the peso crisis had been irregular reporting of foreign exchange reserves. Differences in the economic and financial statistics published by important Mexican agencies and the opacity of GOM intentions with respect to debt management also fueled the crisis.

In part on the basis of the study’s findings, in July 1995 the Ministry of Public Finance (Secretaria de Hacienda y Crédito Público, or Hacienda) created the Investor Relations Office (IRO). The primary function of the IRO is to establish active and regular contact with investors, creditors, securities analysts, and ratings agencies to keep them apprised of the status of GOM debt and the government’s financing plans. The IRO is charged with collecting and coordinating economic and financial information, creating a list of interested investors and analysts, designing and maintaining an investor-focused Internet Web page, and conducting regular quarterly economic briefings via teleconferences.

### *A. Organization of the Investor Relations Office*

The IRO works under the direction of the Undersecretary of Finance and Public Credit, who is responsible for debt management. An important characteristic of the IRO is that both within Mexico and outside, it is perceived to be a relatively apolitical and highly reliable source of economic and financial information.

Several challenges had to be met by the newly created IRO. First, close working relations with other government bodies were necessary to collect, harmonize, maintain, and translate the data presented to investors. Key information was available but maintained in varying formats and by separate agencies. Illustrative of the challenge of “speaking with one voice” was the fact that the debt amortization statistics published by different GOM departments used different methodologies that yielded different results. Coordination with the Banco de Mexico (the central bank) and the national statistical agency (the Instituto Nacional de Estadística Geografía e Informática, or INEGI) has been particularly critical in establishing the credibility of the IRO.

A second challenge was that the information needed to be organized in a manner that analysts, investment bankers, fund managers, ratings agencies, and multinational corporations would find intelligible and easy to use. The traditional approach of government reporting—providing statistics with little or no narrative—had to be enhanced by incorporating a “story” designed for sophisticated private investors. The Hacienda committed itself to meeting the presentation standards of world-class publicly traded corporations.

A third challenge was that the degree of disclosure called for was far greater than some officials were initially comfortable with. Because officials at the highest levels of the Hacienda and the Banco de Mexico were convinced that the effort would bring substantial benefits in the long term, attitudes about disclosure changed over time. One considerable benefit of the IRO noted by Mexican officials is that the involvement of a large and growing network of information providers has brought greater transparency and consistency to Mexico’s domestic information process.

The operation of the IRO has produced another unexpected benefit. Initially, the authorities conceived of the IRO solely as a means of providing information to outside investors. This static, one-way model quickly evolved, however, into a dynamic two-way dialogue. The IRO’s ongoing conversation with the investor community has deepened the financial authorities’ understanding of the characteristics of the various sources of capital and helped to anticipate and reduce vulnerability to adverse shifts in market perceptions of Mexico’s creditworthiness.

Feedback from the marketplace has broadened the scope of the information that the IRO provides. As one recent example, queries from investors and analysts alerted the IRO to market interest in the anticipated uses of possible increased government revenue from rising oil prices. Investor feedback has also been useful in confirming market understanding of policy decisions.

## B. Operations of the IRO

The IRO undertakes a number of interrelated activities to keep investors apprised on a timely basis of the GOM's economic performance and policies. In particular, the release of key economic indicators to the investor community is linked to the fiscal report (*Quarterly Report*) that the Hacienda is required to submit to Congress at the end of each calendar quarter.

In addition, the IRO prepares every quarter an English-language executive summary of recent economic developments. The summary provides highlights for the quarter in a brief narrative and uses graphs to illustrate trends and compare Mexico's position with other economies. The information in the executive summary is based on information provided by the Banco de Mexico, the INEGI, and the Hacienda. The summary is supplemented by tables with information on public finances and the evolution of public sector debt, also provided by the Hacienda. The IRO also publishes annually the *Economic Policy Guidelines*, which is a summary of the budget proposal that the Hacienda sends to Congress.

The IRO posts these documents on its Web page and distributes them by e-mail and fax to its investor list. The Web page address is <http://www.shcp.gob.mx/english/iro>. Furthermore, the IRO disseminates news of important developments in the Mexican economy whenever they occur. IRO staff also answer telephone and e-mail questions from investors.

The IRO is responsible for organizing quarterly teleconferences on the Mexican economy and for arranging meetings with Mexican authorities for visiting executives of investor firms. As part of the dynamic dialogue established by the IRO, staff members regularly contact by phone a group of economists, analysts, bankers, investors, and ratings agencies who follow Mexico most closely to gauge their thinking about general trends and specific concerns. This information is relayed to senior Hacienda officials and plays a part in the shaping of the message the Hacienda seeks to convey. Finally, the IRO organizes road shows as needed.

The IRO is currently headed by Miguel Messmacher, a Ph.D. economist. Its staff consists of three young university graduates with economics degrees and three support staff.

The six main tools of the IRO are described below.

### 1. Investor List

The IRO has developed a list of the names, fax numbers, and e-mail addresses of over 1,900 individuals worldwide who regularly track the Mexican economy. The list includes individuals working for financial institutions, fund managers, ratings agencies, and multinational corporations with interests in Mexico. An important IRO responsibility is maintaining and updating the investor list.



## 2. Mass Distribution

When the Hacienda's *Quarterly Report* to Congress is issued, the IRO sends it by e-mail to the investor list. The IRO also relays the summary from the *Quarterly Report* to a commercial firm that faxes it to the entire investor list at the rate of 1,000 faxes an hour. The summary includes an announcement of the date and time of the next quarterly teleconference call with information about how to participate. The IRO spends between \$8,000 and \$12,000 per quarter for fax services.

## 3. Web Page

The IRO designed its own Web page, with the investor community in mind as the principal audience. The IRO page is one of several included in the website of the Hacienda and has links to the separate Web pages of different Hacienda departments, the Banco de Mexico, the Tax Administration Service, the National Banking and Securities Commission, and other official institutions. The IRO Web page includes an e-mail address to which individuals may submit questions. The IRO is responsible for finding the answers to investor questions and for replying to e-mail queries. This function helps the IRO determine what concerns are brewing in the investor community so they can alert policymakers in the Hacienda and the Banco de Mexico. Since April 1997 the IRO has registered more than 20,000 "hits" to its Web page.

The IRO Web page includes the summary pages from the Hacienda's *Quarterly Report* to Congress, and other information, including the GOM's Economic Policy Guidelines, press releases, special announcements, and historical data that can be downloaded. It also includes a "banner" announcing the latest news release or the next teleconference. By clicking on the banner, a reader can obtain instructions on how to connect to the next teleconference. Recordings of the teleconferences can also be accessed from the website a few days after they have taken place. (A printout of the IRO home page is included in Appendix III.)

The Assistant Director in charge of the website for the Hacienda spent three months on the design and launch of the IRO page. Continuing administration of the Web page is handled by the Hacienda website office. On average, the Hacienda website office spends about two hours each week uploading information on the IRO page. (With the rapidly advancing spread of Internet design skills worldwide, finding local design capability is unlikely to be a major hurdle.)

The IRO uses a UNIX server purchased by the Hacienda in 1993 for between \$10,000 and \$20,000. This computer is dedicated to the IRO page, which uses Windows NT Version 4.0 software. The IRO has a second server dedicated to e-mail traffic.

Hardware connection costs vary by type and availability of high-speed access lines. As a comparison, the IRO uses an E-1 (2 megabytes) line provided by Telefonos de Mexico that connects directly to the Internet. Telefonos de Mexico charges the Hacienda \$3,000 per month for this connection. (Some country authorities may prefer to

outsource the administration of a website and the maintenance of the hardware to a commercial server.)

#### 4. Teleconferences

In the eyes of the investor community, Mexico's regular quarterly teleconferences set its investor relations activities apart from those of other emerging market economies. In the first few teleconferences, participants from financial firms tended to be aggressive and skeptical. Over time, confidence in the information and trust of the spokespersons have grown, and the give and take of the teleconferences has become routine. Thus, the teleconferences help to meet two key objectives: explaining the possible effects of unexpected developments to investors and identifying market concerns that might precipitate a crisis.

Following the release of each *Quarterly Report* to Congress, the IRO arranges for the Undersecretary of Finance and Public Credit (Undersecretary) and the General Director for Macroeconomic Policy of the Ministry of Finance (General Director) to discuss via teleconference the highlights of the report. The Undersecretary generally makes the formal presentation and focuses on the performance of the overall economy. The General Director handles questions about monetary policy and inflation tracking.

The presenters are almost always the same two individuals, who have gradually established a rapport and "fabric of trust" with the investor community. The Undersecretary's formal presentation follows the *Quarterly Report* fairly closely, underscoring those items that tell the story. The presentation takes an average of 20 minutes. Following the presentation, the teleconference is opened for questions. Each questioner is identified by name and organization by the teleconference operator. Questions are answered by either the Undersecretary or the General Director, depending on his area of responsibility. A typical teleconference includes 10 to 15 questions and concludes within an hour.

Each report and teleconference is designed to "tell a story." The summary and the presentation ideally supply a narrative context that helps participants understand how each quarter's results relate to the previous period. The presentation is designed to address any problems on the horizon and to provide information about adjustments in the GOM's policy stance. Questions posed by listeners are a source of important feedback to GOM officials. Representatives of IIF member firms that regularly track Latin American economies have described the teleconferences hosted by Mexico as "a very powerful weapon."

The teleconferences are arranged by a commercial firm specializing in this service. Pricing is generally determined by the volume of calls, the percentage of callers who can access the call via a toll-free number for conference call replay, and the length of the teleconference. The IRO estimates that its average cost per teleconference is about \$3,500, and the maximum cost can reach \$5,000.

A typical teleconference service provides an operator at the central call-in number who sets up the call, records the name and firm of each participant, introduces the speakers, and sets out the procedure for the question-and-answer period. Some services will provide a fax notice of the teleconference to a presubmitted list of investors. For a one-hour teleconference including 50 listeners using a toll-free number, the basic price could be from \$1,000 to \$1,800. Services frequently send a list of the participants to the sponsor of the teleconference immediately after it ends. For additional fees, ranging from \$25 to \$500, an audiotape of the teleconference can be made available for 24 or more hours after the conference so that those unable to participate “live” can hear the exchange afterward. This is especially useful for listeners in distant time zones. A transcription of the teleconference can be e-mailed or sent in hard copy for an additional fee. Some services offer a polling option that returns to the organization a customer satisfaction report based on a survey of listeners.

## 5. Road Shows

The IRO organizes road shows in foreign financial centers patterned on the presentations that corporations make to the investor community. In 1995-96, the IRO organized two global road shows a year, with approximately 12 meetings during each cycle and an average of 50 attendees at each meeting. In addition, the IRO undertook three to five regional presentations in each of those years, consisting of five meetings in each road show, also with an attendance averaging 50 people per meeting. Since then, as the depth and breadth of the Mexican outreach effort has expanded, the frequency of road shows, both global and regional, has declined. Most often, the Undersecretary, the Governor of the Banco de Mexico, or the Head of the IRO makes the road show presentation.

The IRO also arranges investor meetings with GOM officials from the Banco de Mexico, the Hacienda, and other agencies, both in Mexico and abroad. In the first two years, Mexican officials focused on establishing personal contact between themselves and the investor community to lay the foundation for an ongoing dialogue.

Road shows are relatively expensive and time consuming, typically lasting a week. A myriad of administrative details must be arranged. The Mexican authorities rely on professional firms in the cities they visit to handle the local requirements. Invitations are sent to a large number of interested investors in each city on the tour; some 200-300 people attend each presentation. The typical presentation on the Mexican economy lasts about 30 minutes, followed by 30 to 60 minutes of questions and answers.

Regular meetings are also organized for the principal economists of major investment banks and institutional investors, with an average attendance of 15-30 people, in conjunction with road show activities. Usually, either the Undersecretary or the Head of the IRO conducts these meetings. In addition, these trips frequently allocate substantial time for one-on-one meetings with key investors. The individual meetings encourage questions that might not be asked in a public forum and are useful in establishing the officials as trustworthy and reliable sources of information.

## 6. Press Relations

Following the practice of most publicly listed corporations, a clear distinction is made between investor relations and press relations. The press is rarely invited to participate in analysts' briefings or road show presentations. Press conferences are always preceded by a rehearsal of the possible questions and prepared answers. In preparing for a press conference, the feedback role of the IRO is critical. Substantial resources were devoted to training Hacienda spokespersons for interacting with the press in television and radio press conferences.

### **III. Current Trends in Investor Relations Practices**

The state-of-the-art for investor relations is evolving to take advantage of technological advances and the growing diversity of the investor base. Authorities beginning now to design a proactive investor relations program have opportunities to leapfrog obsolete techniques, but they will need to adapt their programs continuously to keep up with global best practices. Four aspects that merit particular attention are the growing importance of a two-way dialogue, the roles of teleconferences and the Internet, and the link to transparency.

#### *A. From Regulation to Dialogue*

For many years, market regulators in North America, Japan, and Western Europe have required publicly held firms to publish financial information on a regular basis and with varying degrees of disclosure and specificity. Globalization and advances in telecommunications technology, however, have expanded the audience for and the uses of company information. The availability of new and relatively inexpensive communications media with virtually universal reach has provided a platform for companies not only to publish financial information, but also to establish and maintain an ongoing dialogue with investors, lenders, ratings agencies, and other market participants.

Increasing numbers of publicly held corporations convene quarterly or semi-annual meetings with large audiences of securities analysts to provide a context for their financial results and greater detail than is made available to the press. The utility of such voluntary meetings was recently underscored by a senior executive of a prominent firm involved in a takeover. The company being acquired had long conducted regular analyst briefings, whereas the acquiring company had never done so. The acquiring firm quickly concluded that there was much more to be gained by continuing these briefings and considerable risks in ending them.

The largest and most sophisticated corporate borrowers segment their audience further into buy-side and sell-side institutional investors, bankers, and ratings agencies, providing each group a tailored presentation that highlights past performance and offers carefully crafted projections of future plans.

### *B. Role of Teleconferences*

Increasingly, in both North America and in Europe, face-to-face briefings with analysts are supplemented by regular teleconferences that enable corporations to maintain real-time communications channels with analysts, ratings agencies, investors, and lenders. Sustaining a “rhythm in the market” is a primary objective of these teleconferences. By consistently providing the investor community with information and the “story” they want to tell, corporations can differentiate themselves from their competitors and weave a “fabric of trust” with the investor community. Continuity and frequency of contact strengthen the connection in good times and help to narrow the volatility of market reactions in times of stress.

### *C. Role of the Internet*

The Internet has become integral to the activities of financial institutions worldwide and is likely to play an increasingly important role in investor relations activities in the future. Borrowers compete for investor attention through the availability, timing, and content of financial information they provide on the Internet. Investors and lenders rely increasingly on information obtained from Internet websites and through e-mail bulletins.

The Internet is also increasingly used for financial transactions. On-line trading in equities is long established; the electronic auction of municipal bonds was a recent addition to Internet commerce. Some market participants anticipate on-line issuance of emerging markets debt instruments in the not-too-distant future. Hundreds of companies conduct quarterly presentations with sound and graphics via the Internet. Dozens of service providers use “push” e-mail to alert investors about corporate announcements and financial information.

The Internet has also opened new avenues of competition among market participants. As software and hardware developers continually expand the possibilities of what can be seen and heard via a computer screen, new pressures arise to keep pace with these innovations. The simplicity of website design, the ease of use, the utility of links to other sites, and the timeliness of information can all affect an analyst’s comparative assessment of a company or a country.

The opportunities created by the Internet are associated with new types of risk as available technology continues to outpace established industry boundaries and legal and regulatory frameworks. These risks need to be taken into account in the process of creating an investor relations program. (The Securities and Exchange Commission in the United States expects to issue an interpretive release in the fall of 1999 covering the uses of the Internet and how to strike a balance between making information available to the public and protecting investors from fraud.)

#### *D. Transparency*

The IIF has spoken forcefully about the need for greater transparency among all those engaged in emerging markets finance. In 1995, an Institute Working Group developed benchmarks of best practices for data coverage, periodicity, and timeliness for emerging markets authorities. Subsequent IIF reports in 1996 and 1997 monitored performance against these standards. Most recently, the *Report of the Working Group on Transparency in Emerging Markets Finance*, published in March 1999, included recommendations for strengthened standards of macroeconomic transparency and better information on the health of financial sectors.

Building an investor relations program will need to go hand-in-hand with improvements in data transparency to achieve credibility. In some cases, initiating an investor relations program may facilitate improvements in transparency. This was an unexpected benefit in the Mexican experience. Preparations for investor briefings prompted improvements in consistency and timeliness of data release by the various Mexican agencies involved. These improvements also enabled the authorities to make more informed decisions.

#### **IV. Conclusions**

Practical steps have been made in strengthening the foundations and reinforcing the flexibility and adaptability of the international financial system over the past two years. Important understanding has been gained about the interlinkages between the public and private sectors. More is yet to be learned, and there are areas for further exploration and consideration, but preliminary evidence suggests that global financial markets tend to react positively to proactive strategies of investor relations adopted by emerging market officials.

As the IIF's Steering Committee stated in its *Summary Report*, when strains in the international financial system begin to be manifest or when crises occur, "cooperation between the public sector and the private sector can accelerate the recovery process... [and] can be especially effective if it is built on a history of active investor relations by the crisis country during normal times." Mexico, in particular, appears to be benefiting from its efforts over the past few years to strengthen the dialogue with private investors and lenders.

The application of active investor relations programs is not limited to sovereign states in emerging markets. Both subsovereign entities and private corporations that raise funds from global capital markets can benefit from the same approach. As financial markets become increasingly global and pressures for transparency mount, national authorities are likely to find that their efforts to attract funds will be affected by both public and private competitors for financial resources. Countries that are sophisticated providers of timely financial information in an easily digestible electronic format may have a competitive edge. In addition, by making their officials available on a regular basis to explain past performance, project future plans, and outline strategies to cope with

future challenges, countries are more likely to establish a fabric of trust with the global investor community.

Continuity of contact between country officials and the investor community has an equally important ancillary effect for the future stability of international financial markets. With a strong network of well-informed market participants and analysts already in place, a country faced by unanticipated shocks or imminent crisis has a broad basis for cooperative efforts that can in some cases avert crises. If a crisis cannot be headed off, consultations with investor/creditor groups can lessen the severity of crisis by facilitating arrangements to maintain trade or interbank lines of credit and other market-friendly support mechanisms.

Establishing a pattern of regular contact with private investors and lenders can be a key element of crisis prevention. Surveillance by the IMF and other official bodies can also, of course, help prevent financial crises and reduce the severity of those that do occur. IMF involvement in investor briefings or meetings organized by emerging market authorities may be appropriate and useful in some cases. Authorities in other countries may follow the Mexican model of engaging an investment advisor attuned to the expectations of private capital markets to create an investor relations function that is consistent with global best practices. Drawing on expertise from both official and private sectors for different aspects of creating an investor relations function might work for yet other authorities.

The salient features of successful proactive investor relations, as reported both by officials and by private sector market participants, include the following:

- **Continuity and frequency of contact through calm and turbulent periods.**
- **Transparency, consistency, and accessibility of data.**
- **Commitment of senior government officials to maintain regular contact with market participants.**
- **Insulation of the investor relations function from political pressures.**
- **Feedback mechanisms that convey market concerns and reactions promptly and clearly to economic policymakers.**
- **The design of strong messages (“stories”) to explain policy adjustments.**
- **Sufficient financial and human resources to establish and maintain state-of-the-art communications.**

Instituting a state-of-the-art investor relations program will probably not require a large-scale effort for most countries active in international capital markets. It may

require a redirection of efforts across institutional boundaries, however, and the involvement of institutions not previously called upon to collect, manage, and make easily intelligible economic data.

The IIF stands ready to assist emerging market authorities wishing to engage the global financial community through proactive investor relations programs.



## Appendix I

### Argentina's Investor Relations Program

Argentina's Ministry of Economy has maintained overseas Financial Representative Offices (FROs) in London and Washington, DC, since the 1960s. The primary responsibility of the FROs is to maintain contact with the funding sources for the Federal Treasury. The Washington FRO is responsible for relations with the United States, Canada, and Japan; the London office covers Europe. Until a few years ago, the FROs focused chiefly on the links between the financial and economic authorities of Argentina and their foreign government and multilateral counterparts. During the 1980s and early 1990s, the FROs became actively involved in the negotiation and implementation of refinancing exercises for both official and commercial debt.

As the Argentine economy stabilized in the early 1990s, the Argentine authorities recognized that an expanded dialogue with the private investment community was needed in addition to maintaining relations with bilateral and multilateral creditors. To support the Public Credit Office at the Ministry of Economy, which is responsible for implementing the government's borrowing program on world markets, the FROs have focused increasingly on developing and sustaining relationships with investors through the dissemination of information, presentations, road shows, occasional teleconferences, and dialogue with economists and analysts. The FROs also organize one-on-one meetings between key officials and individual investor representatives in tandem with the road shows.

Each FRO maintains and updates postal and e-mail addresses of investment bankers, fund managers, economists, and financial analysts in its respective area of responsibility. The Washington FRO remains in close touch by phone and in person with key market participants, keeping the Undersecretary of Finance in Buenos Aires apprised of current investor concerns. Economic information is regularly published in Buenos Aires and made available on the Web page of the Ministry of Economy (<http://www.mecon.ar>). The Washington FRO maintains its own subpage (<http://www.infoarg.org>) tailored to fixed-income investors. Queries can be addressed by e-mail to the "Webmaster" of this subpage. The Web page includes, among other information, presentations by the Minister of Finance and policy memoranda for the IMF.

## Appendix II

### Investor Relations Activities of Major Emerging Market Economies

**Argentina:** Argentina maintains Financial Relations Offices (FRO) in Washington and London. The offices are directed by the Public Credit Office within the Ministry of Economy. The FROs organize road shows and teleconferences and maintain a database of investors. The FROs, the finance ministry, and the central bank maintain comprehensive websites.

**Brazil:** The External Relations Office in the central bank is responsible for relations with investors. Road shows in connection with debt issues are conducted by the central bank but also involve senior officials from the finance ministry. The finance ministry, central bank, and statistical agency maintain comprehensive websites.

**Chile:** The finance ministry opened a representative office in New York in March 1999. The New York office hosts regular meetings for the investment community. Chile issued its first sovereign bond in several years in April 1999. The issue was promoted by road shows in New York and London, led by the Minister of Finance and the president of the central bank. The finance ministry and the central bank maintain comprehensive websites.

**China:** The Debt Management Department of the finance ministry is responsible for China's external borrowing. China conducts road shows in connection with debt issues, led by senior finance officials including the Minister of Finance. The finance ministry maintains a comprehensive website, which is in Chinese only.

**Czech Republic:** The Foreign Exchange Department of the central bank manages relations with investors. Debt recently issued by the Czech government has been placed in the Prague capital market without any road shows. Websites maintained by the Czech finance ministry and the central bank are comprehensive.

**Hungary:** Sovereign borrowing was managed by the National Bank of Hungary until recently, when the Government Debt Management Agency at the Hungarian State Treasury took over the function. Road shows, almost always connected with new debt issues, are led by senior finance officials including the Hungarian Finance Minister. Hungary's latest road show presentation was "telecast" on Bloomberg. The central bank maintains a very comprehensive website.

**India:** The External Commercial Borrowing Department of the finance ministry is responsible for external borrowing. Road shows conducted for new issues are led by senior finance officials including the Minister of Finance. The finance ministry and the Reserve Bank of India maintain comprehensive websites.

**Indonesia:** The finance ministry manages external borrowing, but Indonesia has not issued sovereign debt since August 1996. The finance ministry and the central bank maintain very comprehensive websites.

**Korea:** The International Financial Policy Division in the Ministry of Finance and Economy keeps investors informed via e-mail about important policy changes, key economic and financial statistics, publications, and speeches by top government officials. The Division also coordinates the visits of credit ratings agencies and other important investor groups. The finance ministry, central bank, and the statistical agency maintain very comprehensive websites.

**Mexico:** See paper. The Investor Relations Office in the finance ministry was established in 1995. It arranges quarterly teleconferences, conducts road shows, and maintains a very comprehensive website. The central bank also maintains a comprehensive website.

**Philippines:** The finance ministry manages external borrowing and arranges road shows for new issues in collaboration with the central bank. The central bank maintains a comprehensive website.

**Poland:** The finance ministry is responsible for external borrowing, but the last sovereign issue was two years ago. The central bank and the statistical agency maintain comprehensive websites.

**South Africa:** The Asset and Liability Department of the finance ministry is responsible for external borrowing. Road shows are organized for bond issues, led by senior officials from the finance ministry, including the Minister of Finance. The websites for the finance ministry, central bank, and statistical agency are comprehensive.

**Thailand:** The finance ministry manages external borrowing and arranges road shows for new issues. The road shows involve senior officials from the finance ministry and central bank. The finance ministry and the central bank both maintain very comprehensive websites.

**Turkey:** The Foreign Relations Department of the Turkish Treasury is responsible for sovereign borrowing. Fairly extensive road shows are conducted in connection with debt issuance. The investor base includes an important retail component with underwriting performed by several German banks. The central bank's website is comprehensive.

**Venezuela:** The Public Credit Department in the finance ministry manages external borrowing. Road shows are conducted in connection with new issues and involve staff from both the finance ministry and the central bank. The central bank maintains a comprehensive website.

## Principal Financial and Economic Websites

Country and Agency <sup>1</sup>	Second Language Available	Intra-governmental Links Available	Data Accompanied by Explanatory Narrative	Policy Announcements Available	Hyperlink from IMF SDDS <sup>2</sup> site
<b>ARGENTINA</b>					Yes
ME: <a href="http://www.mecon.ar">http://www.mecon.ar</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.bcra.gov.ar">http://www.bcra.gov.ar</a>	English	No	No	Yes	
<b>BRAZIL</b>					No
MF: <a href="http://www.fazenda.gov.br">http://www.fazenda.gov.br</a>	English/ Spanish	Yes	Yes	Yes	
CB: <a href="http://www.bcb.gov.br">http://www.bcb.gov.br</a>	English	Yes	Yes	Yes	
STAT: <a href="http://www.ibge.org">http://www.ibge.org</a>	English	No	Yes	Yes	
<b>CHILE</b>					No
MF: <a href="http://www.minhda.cl">http://www.minhda.cl</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.bcentral.cl">http://www.bcentral.cl</a>	English <sup>3</sup>	Yes	Yes	Yes	
STAT: <a href="http://www.ine.cl">http://www.ine.cl</a>	No	No	No	No	
<b>CHINA</b>					Non-subscriber to SDDS
MF: <a href="http://www.mof.gov.cn">http://www.mof.gov.cn</a>	No	No	No	No	
CB: <a href="http://www.stats.gov.cn">http://www.stats.gov.cn</a>	No	No	Yes	No	
<b>CZECH REPUBLIC</b>					No
MF: <a href="http://www.mfcr.cz">http://www.mfcr.cz</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.cnb.cz">http://www.cnb.cz</a>	English	No	Yes	Yes	
STAT: <a href="http://www.czso.cz">http://www.czso.cz</a>	English/ French	Yes	Yes	No	
<b>HUNGARY</b>					No
MF: <a href="http://www.meh.hu/pm">http://www.meh.hu/pm</a>	English	No	Yes	Yes	
ME: <a href="http://www.ikm.iif.hu">http://www.ikm.iif.hu</a>	English/ German	Yes	Yes	Yes	
CB: <a href="http://www.mnb.hu">http://www.mnb.hu</a>	English	No	Yes	Yes	
STAT: <a href="http://www.ksh.hu">http://www.ksh.hu</a>	English	No	No	No	
<b>INDIA</b>					No
MF: <a href="http://www.nic.in/finmin">http://www.nic.in/finmin</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.rbi.org.in">http://www.rbi.org.in</a>	English	No	Yes	Yes	

<sup>1</sup> MF: Ministry of Finance Website  
CB: Central Bank Website

ME: Ministry of Economy Website  
STAT: Statistical Bureau Website

<sup>2</sup> The Special Data Dissemination Standard (SDDS) has been established by the IMF to guide members seeking access to international capital markets in the provision of their economic and financial data to the public. Subscribing countries are committed to providing information about their data and data dissemination practices consistent with the standard. The SDDS website address is <http://www.dsb.imf.org/country.htm>

<sup>3</sup> Minimal English content in English version of website.

## Principal Financial and Economic Websites

Country and Agency	Second Language Available	Intra-governmental Links Available	Data Accompanied by Explanatory Narrative	Policy Announcements Available	Hyperlink from IMF SDDS site
<b>INDONESIA</b>					Yes
MF: <a href="http://www.depkeu.go.id">http://www.depkeu.go.id</a>	English	Yes	No	Yes	
CB: <a href="http://www.bi.go.id">http://www.bi.go.id</a>	English	No	Yes	Yes	
<b>KOREA</b>					No
MF: <a href="http://www.mofe.go.kr">http://www.mofe.go.kr</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.bok.or.kr">http://www.bok.or.kr</a>	English	Yes	Yes	Yes	
STAT: <a href="http://www.nso.go.kr">http://www.nso.go.kr</a>	English	Yes	Yes	Yes	
<b>MEXICO</b>					Yes
MF: <a href="http://www.shcp.gob.mx">http://www.shcp.gob.mx</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.banxico.org.mx">http://www.banxico.org.mx</a>	English	Yes	Yes	Yes	
STAT: <a href="http://www.inegi.gob.mx">http://www.inegi.gob.mx</a>	English	Yes	No	No	
<b>PHILIPPINES</b>					No
MF: <a href="http://www.finlink.mozcom.com">http://www.finlink.mozcom.com</a>	English	No	No	No	
CB: <a href="http://www.bsp.gov.ph">http://www.bsp.gov.ph</a>	English	No	Yes	Yes	
STAT: <a href="http://www.nscb.gov.ph">http://www.nscb.gov.ph</a>	English	Yes	Yes	Yes	
<b>POLAND</b>					No
MF: <a href="http://www.mst.gov.pl">http://www.mst.gov.pl</a>	No	No	No	No	
CB: <a href="http://www.nbp.pl">http://www.nbp.pl</a>	English	No	Yes	Yes	
STAT: <a href="http://www.stat.gov.pl">http://www.stat.gov.pl</a>	English	Yes	Yes	No	
<b>SOUTH AFRICA</b>					Yes
MF: <a href="http://www.finance.gov.za">http://www.finance.gov.za</a>	English	Yes	Yes	Yes	
CB: <a href="http://www.resbank.co.za">http://www.resbank.co.za</a>	English	Yes	Yes	Yes	
STAT: <a href="http://www.statssa.gov.za">http://www.statssa.gov.za</a>	English	Yes	Yes	Yes	
<b>THAILAND</b>					Yes
MF: <a href="http://www.mof.go.th">http://www.mof.go.th</a>	English	Yes	No	Yes	
CB: <a href="http://www.bot.or.th">http://www.bot.or.th</a>	English	Yes	No	Yes	
<b>TURKEY</b>					Yes
MT: <a href="http://www.treasury.gov.tr">http://www.treasury.gov.tr</a> <sup>4</sup>	English	Yes	Yes	Yes	
CB: <a href="http://www.tcmb.gov.tr">http://www.tcmb.gov.tr</a>	English	No	Yes	No	
STAT: <a href="http://www.die.gov.tr">http://www.die.gov.tr</a>	English	No	No	No	
<b>VENEZUELA</b>					Non-subscriber to SDDS
MF: <a href="http://www.mh.gov.ve">http://www.mh.gov.ve</a>	Under Construction				
CB: <a href="http://www.bcv.org.ve">http://www.bcv.org.ve</a>	No	No	Yes	Yes	

<sup>4</sup> Ministry of Treasury Website.

## Appendix III



### Overview

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Mexican financial authorities are convinced that providing the market with appropriate and timely information is a key ingredient for the success of any economic program.

The relevance of the role that enhanced disclosure of economic data can play in improving the efficiency of financial markets and in the implementation of economic policies is simple: for competitive markets to be conducive to efficient outcomes, economic agents must have access to adequate information.

[Banco de México](#), [INEGI](#) and [Hacienda](#) have taken major steps in expanding the coverage and improving the timeliness of economic data releases.

As part of this effort, Hacienda hosts quarterly [conference calls](#) in which an update and outlook on the Mexican economic program is presented.

Mexico has subscribed to the International Money Fund's [Special Data Dissemination Standard](#) and has made a commitment to observe the standard and to provide information about its data and data dissemination practices -metadata- for the DSSB. [Documents](#) for the discussions, [presentations](#), [press releases](#), and all relevant [economic and financial information](#) are available through this web site.

If you would like to be included in Hacienda's mailing list, please submit an [order form](#) to the [Investor Relations Office](#).

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