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## **Influence of Globalization on the Regional Capital Markets and Consequences; Evidence from Warsaw Stock Exchange**

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**Abstract:**

*The Warsaw Stock Exchange (WSE) is one of the newcomers on the European stock market and at the same time is one of the fast developing stock exchanges in Europe. The development of WSE could be an example of successful development of a national stock exchange into a regional in a relatively short period of time. This article provides analysis of the main trends of development of the WSE through its history to show how globalization influenced regional stock exchanges and to determine key factors that affected its successful development. The WSE is one of the most popular stock exchanges in the Central and Eastern Europe (CEE). Two main lists: Main List and NewConnect are characterized by types of investors, trading turnover and number of companies listed. The article provides quantitative and qualitative analysis of the official reports and analytical papers of key audit and consulting experts that cover both lists of the exchange. The article provides comparison of WSE key performance parameters with major European stock exchanges through 2001 - 2014 and shows those main characteristics of the stock exchange that were mostly influenced by the globalization. Further, the paper shows main consequences of globalization affecting regional stock exchanges. Collected information and results are presented both in tables and in graphical formats.*

**Key Words:** *Warsaw Stock Exchange, WSE, Main List, New Connect, Regional Stock Exchange, Stock Exchange, Globalization*

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## **1. Introduction**

The Initial Public Offerings (IPOs) market is a part of the securities market where issuers raise capital. Investors, who purchase shares, form market demand: issuers and shareholders, who need funds, form market supply. On the other hand a large number of small national stock exchanges struggle their way to serve regional businesses and local investors. Globalization strongly affects this seemingly stable system increasing a number of international investors and listings of foreign companies on national stock exchanges throughout the world. As a result of globalization, national factors and diversity of local economies tend to have less influence on local securities market than global factors. Certain national stock markets stay stable or decline while others develop into regional stock exchanges and challenge global ones. The Warsaw Stock Exchange (WSE) is one of newcomers on the European stock market and at the same time is one of the fast developing stock exchanges in Europe. The development of regional stock exchanges has a lot in common and the WSE could be an example of successful development of a national stock exchange into the regional in a relatively short period of time.

The purpose of this study is to determine factors that influenced the development of the WSE, which in the short time has evolved from the country level stock exchange into the biggest regional stock exchange. Factors of globalization and regional policies that affect the growth of regional stock exchanges are not well studied. The objective of the study is to provide an updated view of how the globalization influences the development of the local stock exchange and to reflect the WSE's attractiveness for foreign capitals and prospect issuing companies. Determined factors of growth could help to adjust national stock market regulations and practices in order to react better to influence of the globalization.

“A stock exchange's relative attractiveness to a company planning IPO therefore a function of the stock exchange's, sometimes countries' and firms' characteristics.” (Doige et al., 2009). Modern research covers the development of stock exchange and does not give detailed description of the development of the WSE or influence of globalization over the regional stock exchanges. Research often covers the world largest stock exchanges such as NYSE (New York Stock Exchange), LSE (London Stock Exchange), NASDAQ (National Association of Securities Dealers Automated Quotations) and TSE (Tokyo Stock Exchange), and does not pay special attention to the analysis of the particular region. Ross Gendess in “IPO's and the Equity Offerings” (2003) provided two chapters describing LSE and NYSE. The research of an influence of NYSE indexes (DJIA and NASDAQ) and European Stock Exchanges (DAX and FTSE) on the WSE index WiG within a framework of

GARCH model showed an impact of globalization (Wdowinski, P., Zglinska-Pietrzak, A., 2005; Thalassinos *et al.*, 2011; 2013). Stanislaw Kuszuba (2010) analyzed influence of the globalization on stock exchanges of the CEE, however, the research touched only the period of the World Financial crisis. A short analysis and comparison of the Vienna Stock Exchange (VSE) and the WSE – two regional stock exchanges of the CEE region by Anne d'Arcy, Igor Filatchev (2012) – provided quantitative and qualitative analysis of both stock exchanges. Rafat Sieradzki (2005) provided an evidence of short- and long-term performance of investments and pointed out the main determinants of the IPO returns.

This research gives no description of the globalization influence on the IPO returns and its position on the European IPO market. Growing interest of investors in regional markets and particularly in WSE is described in Paleri, S., Redondi, P. (2006). Adam Szyszka and Piotr Zielonka (2013) examined the impact of the disposition effect at the aggregate (market) level. They researched IPOs and emerging markets in Poland to determine general factors influencing the decision of issuers to place their issue at a particular market. Frantisek Sejkora applied these factors to the Prague Stock exchange and Warsaw stock exchange (2013). In the past the decision at which market to issue the shares was not too significant as it was the first place where the company performed its business activities. In several recent years, the situation has changed due to the financial globalization and rapid technological development such as the company can choose the place of issue separately from its place of business. On the global scale, liberalization of the capital flows helped to harmonise the offer of the capital with the demand for financing of the state debt but also with demand from companies.

At the same time, international capital markets also provide monthly investment opportunities for smaller investors from various countries of the world by means of collective investment. The study of Doige, Karloyi and Stulz (2011) points out the number and volume of the global IPOs. A global IPO is a public offering of shares performing in a capital market other than the domestic country of the issuing institution and is an important element of the whole market of public emission. J. Flod mentioned that capital markets are markets that drive global economy in which money moves around the world at the press of a button. Billions of dollars, pounds, deutschmarks and yen move between financiers every day. The e-economy is pushing these billions even faster. This may be through issuers of stocks, bonds, securitization of debt or loans. In turn, Janna Lizinska and Leszek Czapiewski (2011) investigated in their study the price behavior after IPO is listed on the WSE from 2004 to 2009. The most full study of financial globalization is the paper of Galina Hale (2011). It discusses the effect of financial crisis on foreign capital raised during the 2007-2009 global financial crisis. For large firms in emerging markets foreign issuance of equity is more of a necessity than a choice given that in many of

them domestic stock markets are shallow and underdeveloped. On one hand, firms that cross-list on foreign stock exchanges or issue ADRs (American depository receipts) are likely to show an example of international disclosure standards and also provide a good base for domestic stock markets, since they are likely to issue domestically as well. Moreover, some literature conjectures that competition with the foreign equity markets.

On the other hand, the fact that large amounts of equity are raised on the foreign, rather than domestic, markets by never letting them to get deep enough into one equilibrium, where large firms issue domestically and domestic markets develop, or into another equilibrium, where large firms choose to issue equity abroad and domestic markets never reach the trading volume that would allow them to attract large domestic issuers. The study concerning exactly the WSE was made by Urszula Mrzyglod and Sabina Nowak (2013). The purpose of their study was to assess the financial market reaction on the IPO of the WSE. In recent years stock exchanges coming from transition and emerging markets decide to undertake this process. The impact of the IPO of the Polish stock exchange either on the activity of the WSE Company itself or on the performance of the whole finance market is not easy to assess unambiguously.

The WSE public offering was broadly anticipated by the market making it impossible to treat that IPO as a precisely defined "event" in terms of event studies. The fraction of the world's IPOs accounted for by US firms has fallen sharply (Craig Doige, G. Andrew Karlyi Rene M. Stlyz, 2012). This decrease is attributed to higher IPO activity outside of the US. They show that financial globalization has played a major role in the growth outside of the US. Report "Trends in IPO Listings by SME's in the EU", that was prepared for the City of London Corporation and the City UK by Colin Hason of the University of the Strathclude (2011), studies the flow of external capital into growing companies and the routes by which its suppliers obtain an exit. He looks particularly at the role of IPOs across the EU structural and cyclical changes in recent years and what can be done to extend the market.

According to Tomas Meluzin, Marek Zinecker and Justyna Lampinska (2014) their study indicates the influence of local macroeconomic factors: GDP growth rates, the reference interest rate, industrial production growth rates, Warsaw Stock Exchange Index (WIG) returns and the volume of the private equity investments on the number of IPOs in the emerging market of Poland. According to their research GDP influences the IPO number. Also, the attractiveness of the capital market for investors, measured by annual index returns, appears to be an important factor of going public activities.

This paper, on the other hand, covers the development of WSE starting from 2004 up to 2013 and provides an analysis of its key characteristics: investor types and traded shares; the total number of companies listed; the share of foreign companies of all listed companies; stock-trading turnover and dynamics of the main indices in comparison with the leading global stock exchanges. The studies of this paper refer to the data sourced from the stock exchange's reports and papers of respectable audit and consulting companies such as Ernst&Young (E&Y), PricewaterhouseCoopers (PwC) and KPMG. The collection of PwC reports on the European IPO market activity, published from 2008, provides market description by its key characteristics. These reports provide factual information but rarely cover globalization factors.

The quantitative analysis of the data is taken from several sources and qualitative method is used to interpret different characteristics and dependencies. Furthermore, the comparative analysis is used to indicate the influence of globalization on the WSE, its investor types and listings of foreign companies on WSE. Additional information was used from European IPO Report by the European IPO task force (2015). Alternative markets are catering for need of smaller companies. They serve a very important function by helping smaller and growing companies to raise the capital they need for expansion.

In this research the latest officially available data was used causing the variance in dates of the study. Data and results of analysis are presented in this paper in graphical and table formats. Different methodology is used to indicate the main trends of the globalization on the WSE. The first part of the study gives the description of WSE development and outlines its attractiveness. It is followed by the description of WSE general market – the Main List, and the alternative market – the New Connect and results of influence of Global stock exchanges over them. The final part covers the development of WSE from the national stock exchange into the regional one and outlines particular results of its self-promotion in Ukraine.

## **2. Basic Description of the Warsaw Stock Exchange**

Poland is the largest economy in the CEE region. It joined the European Union (EU) in 2004. WSE, one of the most popular CEE stock exchanges, was established in 1817 when Grand Duke Constantine Pavlovich of Russia decreed to establish stock exchange for trading goods and securities. In 1874 Warsaw stock separated trade of goods and securities. In recent history WSE ceased its operations during World War I and reopened when Polish state became independent. In the period from 1921 to 1939 stock exchange carried out about 130 placements and was by far the largest stock in Poland. It accounted for 95% of the volume and 65 to 85% of transactions traded on the Polish capital market. During the World War II the WSE stopped its operations again and re-created in the form of the WSE after the fall of the

communist regime when Poland started conversion towards market economy in 1989. In April 1991 the stock held its first trading session and offered shares of five companies. WSE started its partnership with the Federation of the European Stock Exchanges (FESE) in 1992, became an associate member in 1999, and a full member in 2004. In October 1994 WSE became a member of the World Federation of Exchanges (WFE), which unites all the major exchanges and in 1997 received the status of DOSM, the status assigned by the Securities and Exchange Commission (SEC), first among exchanges in CEE.

Initially WSE was specialized in the trade of commodities. In the course of its developing the stock increased a range of trading instruments like shares, bonds and debentures. Its turnover in 1994 exceeded \$5 billion. By the end of 1995 WSE listed 65 types of shares and government bonds. That fact allowed the WSE to become the member of the International Federation of Stock Exchanges. In six years of the development the WSE has ballooned to a market capitalization of approximately \$200 billion. While creating the Polish capital market the, the WSE took into account the experiences of other countries, especially the United States and France. Such efforts made WSE one of the most popular regional stock exchanges. Its main characteristics include strong supervision of stock activities, high requirements for information disclosure, and dematerialized electronic trade system. To organize public securities trading WSE provides a concentration of buy and sell offers in one place and at one time, which allows prices to be established and transactions to be carried out. Instruments such as shares, bonds and various derivative products are traded electronically on the exchange. WSE tends to provide a transparent, effective and high liquidity market by concentrating on Polish securities, to provide the highest quality of service to meet clients' needs, to provide a mechanism for capital allocation and financing the development of the Polish economy and Polish capital market.

In just a few years, an emerging stock market of Poland became one of the most developed among regional stock markets. A number of changes and reforms were taken to achieve such results. First of all, an industrial privatization was carried out – government introduced a three-level pension system that allowed public money to be invested into the Polish economy. The Polish government initiated the campaign of financial education for the population; as a result, people in Poland became active participants and investors of the stock market. Special attention was paid to the attraction of foreign investors, as well as creating a safe economic environment. The WSE is among the fastest-growing exchanges in Europe, holding an unquestionable leadership role in Central and Eastern Europe in terms of key market indicators: market capitalization, trading value and number of listed companies. The WSE is a medium-sized European stock exchange that owes growth to state-of-the-art

infrastructure, in line with more mature markets, as well as sound regulations and highly active market participants.

The main feature of the WSE is its investors' perception of it as a regional market, dedicated to listings of small and mid-sized companies. London and New York stock exchanges, on the other hand, are targeted for offerings of large international companies. One of the advantages of the WSE is the transparency of its operations, efficiency of decision-making and high liquidity. Polish stock market is characterized by significantly lower costs for issuers compared to other stock exchanges. The cost of the average volume offering at the WSE is about 5-6% of the raised funds, while at the LSE the price of the listing can rise up to 20% of the attracted funds. If the placement on the WSE's Main List amounts to under 10 million Euros, the cost of raised funds is 6%, and if the placement is over 250 million Euros, the cost is 0.8% ("IPO Watch Europe Survey: I quarter 2012").

It is also worth mentioning that the cost of placement on the WSE alternative market, the New Connect, is much lower than on the Main Market. There was no single IPO transaction, the cost of which, according to the reports from issuers, would have exceeded 500 thousand Euros on the New Connect market in 2007-2010. ("IPO Watch Europe Survey: I quarter 2012") The process of going public usually takes less than nine months, the majority of respondents of KPMG research indicated a period of 7 to 12 months. ("Direction - Warsaw Stock Exchange") In addition, benefits of listing on a stock exchange include increase of company's confidence and awareness. ("Direction - Warsaw Stock Exchange") During 2012 the WSE had 54.2% of total stock trading turnover in CEE region. Capitalization of issuers' shares listed at the WSE accounted to 47.2% of the whole regional market, the WSE accounted to about 77.4% of trading futures on individual stocks, index futures and options. (WSE Annual report, 2012). During 2011 and 2012 the WSE had the largest number of IPOs in CEE that have influenced investor's interest. Foreign investors, encouraged by Poland's development prospectuses, account for approximately 35% of investor turnover on the WSE. The long-term trend suggests a steady increase in the number of deals since 2009, with 2011 being the exception due to an unusual high number of small transactions on the New Connect platform of the WSE. (IPO Transactions 2014: European Overview Deal Volume and value. CFW research Experian)

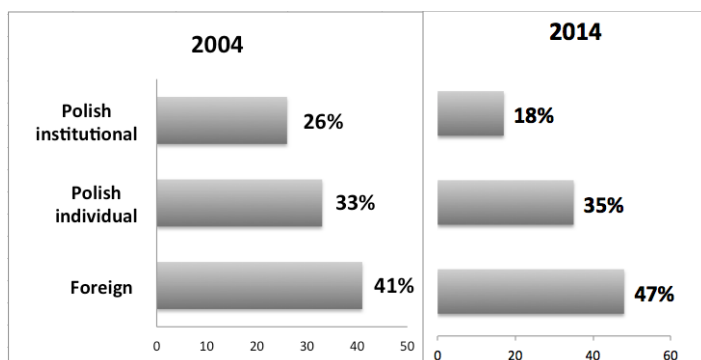
All transactions on the WSE are realized at two parts: the Main List - the main market, and the New Connect - an alternative market that was established in 2007. The laws of Poland and European Union (EU) govern the Main List. It was established to list the largest and most developed companies that already exist on the market for several years. The New Connect, in turn, is governed by the rules that are

established by the WSE. This market lists shares of smaller and younger companies, particularly of the new technologies sector.

### 3. Globalization at the Main List

The proportion of investor types on the Main List of the WSE changes over time.

**Fig. 1. Shares of Different Types of Investors, Main List, WSE, 2004 and 2014**



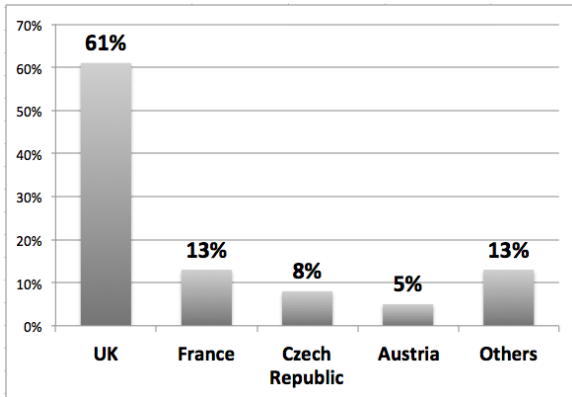
*Source: adopted by the author, based on WSE Annual reports. [2,7, 11,13,14,15]*

The structure of the investor categories presented at the WSE changed since 2004: the proportion of foreign investors and of Polish individual investors has increased thanks to the public promotion of the stock market among the Polish population, as a result, the proportion of Polish institutional investors has decreased quite significantly. (Fig. 1) The structure of foreign investors could be of interest: investors from UK hold 60%, France - 13%, Austria - 8%, Czech Republic - 6%, and the remaining 13% is divided among other countries. (Fig. 2) Also worth mentioning that the smallest group of investors is Polish institutional investors (18%) - 45% of these are represented by the investment funds and 21% by the pension funds. (Fig. 3)

That trend of increasing proportion of foreign investors is a result of the globalization. Issuers going to the Main List are looking for foreign capital and investors that can help company to get international status. The majority of foreign investors on the Polish market are from the UK, where the largest European stock exchange, LSE, is located.

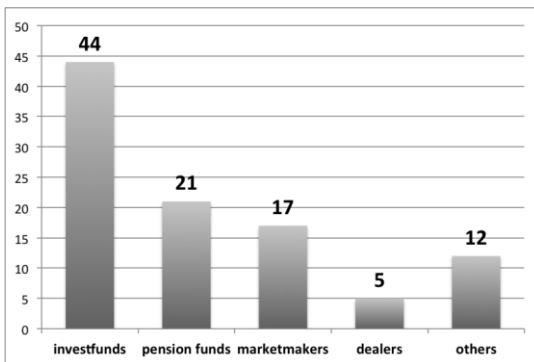


**Fig. 2. Shares of Foreign Investors by Country, Main List, WSE, 2014.**



*Source: adopted by the author, based on the WSE Annual reports [2,7, 11,13,14,15]*

**Fig. 3. Institutional Investors by Industry, Main List, WSE, 2014**



*Source: adopted by the author, based on the WSE Annual reports [2,7, 11,13,14,15]*

As of January 2013, 438 companies were registered at the Main Market of the WSE: 395 of which are Polish (domestic) and 43 are foreign. Table 1 shows that the popularity of the WSE is growing among foreign issuers – 10% by 2013 of all WSE listed companies.

**Table 1. Number of listed foreign companies at the Main List (WSE), 2003-2013**

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Foreign companies	1	5	7	12	23	25	25	27	39	43	44

*Source: adopted by the author, based on the WSE Annual reports [2,7, 11,13,14,15]*

The first foreign company was listed on the Main List in 2003, and in 2004 this number increased to 5. The capitalization of all listed companies on the Main List in 2004 was 754.5 billion zlotys (244.18 billion U.S. dollars) – with 69% of domestic companies and 41% of foreign companies. Only 43 foreign companies are accountable for 41% of the capitalization that reflects the fact that these companies are much larger than listed Polish companies. 2011 was the year of significant market volatility due to Eurozone instability. This was the year when the turnover of shares and rights to shares achieved a historical maximum of 268.1 billion zlotys (78.4 billion U.S. dollars). Also during this year the drop of the stock index was accompanied with a record rate of the stock turnover.

Currently the Main List of the WSE calculates and publishes seven stock indexes, including main indexes WiG and WiG20. WIG20 includes 20 largest by market capitalization companies (blue chips) traded on the exchange. WiG was introduced in 1991. It is the oldest index of the WSE and includes all publicly listed companies (438 as of January 2013). Its calculation takes into account an income from dividends and subscription rights. WiG reached its peak in 2007 – 55,648.54 points. In general, the movement of this index is consistent with the movement of WiG20. Foreign investors are the biggest group on the Main List. The fact that a growing number of international corporations offer their shares on the capital market of Poland proves that foreign companies and investors increasingly consider Poland to be an attractive market.

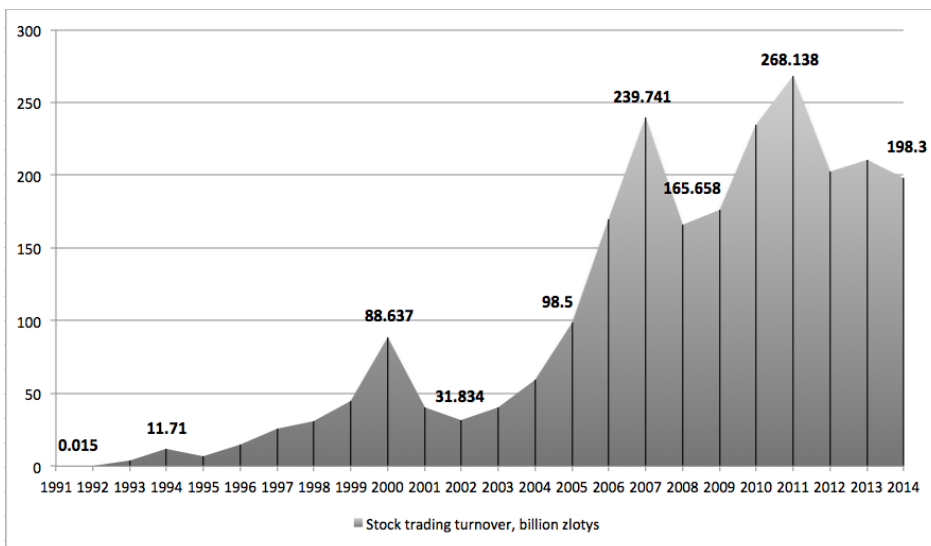
Moreover, the increasing numbers of foreign investors stimulates issuers to choose WSE. Due to the WSE final announcement, the blue-chip WIG20 index will be gradually replaced by the WIG30 launched on September 23, 2013 which will become the stock exchanges' main index. The WIG20 will however continue to be published until 2015. (Poland A.M. "The main index will be expanded by 10 new listings", 7<sup>th</sup> August, 2013)

Long-lasting bull market periods, periods of dramatic falls of equity prices and times of literal trend can be observed on the WSE during periods from 1994 to 2013. Three bull market periods can be well distinguished: 1991-2000; 2003-2007 and 2008-2011. (Fig. 5.) From the end of 2003 to the beginning of summer of 2007 the stock prices were rising and reached their historical heights. In four years market

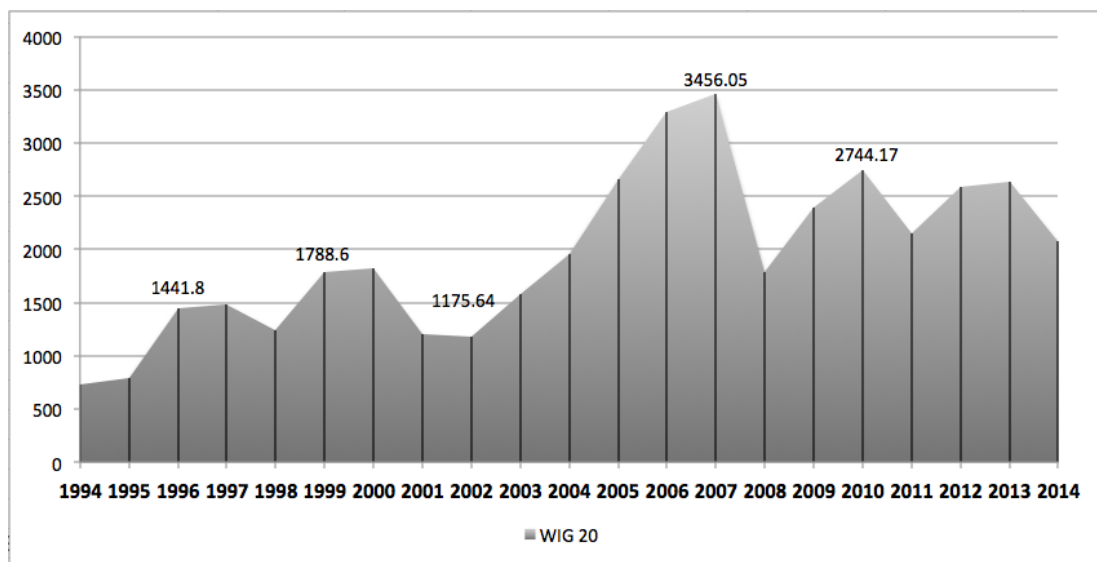
index WiG increased four-times. The process of the increasing equity prices contributed to rising interest of companies in obtaining capital due to issuing shares on the stock market. In 2007 as many as 81 companies introduced their shares on the WSE. Then, at the end of summer of 2007, the IPO market slowed down due to the news coming from the U.S. subprime mortgage market. In six weeks the broad market index WiG decreased by almost 18%.

Market confidence was quickly restored and stock prices went up. In 2007 WiG20 reached its maximum value of 3,456.05 points, though the yield of this year was quite low at only 5.19%. After WiG20's plunge of 48% in 2008, which can be attributed to the global financial crisis, index continued to grow until 2011. During this period WiG20 rose almost 100%. (Fig. 5) In 2011 the European economy was going through a difficult period of time - some countries of the European Union were on the verge of default. This situation also affected WSE and its top largest companies. As a result, the yield of WiG20 fell almost 22%. From 2012 to early 2013 WiG20 showed a positive trend.

**Fig. 4. Warsaw Stock Exchange Stock Trading Turnover, Yearly**



Source: prepared by the author, based on the WSE web site [http://www.gpw.pl/root\\_en](http://www.gpw.pl/root_en) [2,7, 11,13,14,15]

**Fig. 5. Dynamics of WiG20, 1994 – 2014**

Source: prepared by the author, based on the WSE web site [http://www.gpw.pl/root\\_en](http://www.gpw.pl/root_en) [2,7, 11,13,14,15]

#### 4. Globalization at the New Connect

The New Connect is a market of the WSE that is based on an alternative trading system. It was introduced to attract developing companies primarily of the new technologies sector. The New Connect followed the chain of other alternative stock exchanges such as AIM (the Alternative Market of the London Stock Exchange) or First North (Scandinavian group OMX). Listing on the New Connect could become a step on the way to the Main List of the WSE for the issuer. As of January 2013 a total of 431 companies were registered at the New Connect: 423 Polish and 8 foreign. (Table 2) It should be noted that alternative market is not so popular among foreign issuers and the first placement was held only in 2008, one year after foundation of the market. Total capitalization of the companies listed on New Connect is 11.11 billion zlotys (3.64 billion U.S. dollars) with 10.787 billion zlotys of Polish companies and 0.323 billion zlotys of foreign companies.

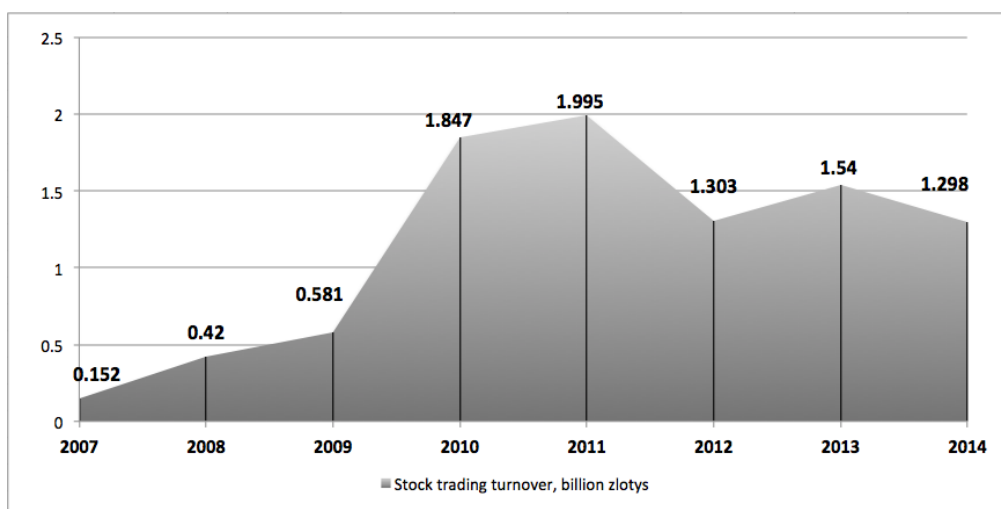
**Table 2. Number of Listed Foreign Companies at the New Connect (WSE), 2008-2014**

Year	2008	2009	2010	2011	2012	2013	2014
Foreign companies	1	2	3	7	8	9	9

Source: adopted by the author, based on the WSE Annual reports [2,7, 11,13,14,15]

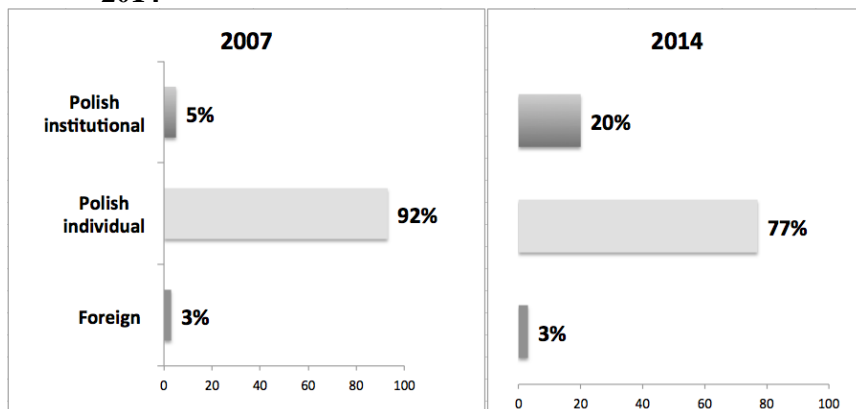
The number of foreign companies on the New Connect is much lower than on the Main List of the WSE since the New Connect is a much “younger” market than the Main List. New Connect was created for smaller companies, as all current international issuers fit better for the main site of the stock exchange. However, the number of foreign companies listed on the New Connect is slowly increasing. This shows the increasing interest of international companies in listing at the WSE, which reflects growing influence of globalization on regional stock markets. Turnover of shares reached its peak in 2011 (1.995 billion zlotys) and then began a gradual decline that can be attributed to the unstable situation in the European market. It is worth mentioning that the market showed the most active growth from 2009 to 2010 with the shares turnover growth from 0.581 billion to 1.995 billion zlotys (almost 350%). (Fig. 6)

**Fig. 6. Stock Trading Turnover, New Connect, WSE, billion zlotys, (2007-2014)**



Source: prepared by the author, based on WSE web site [http://www.gpw.pl/root\\_en](http://www.gpw.pl/root_en) [2,7, 11,13,14,15]

The mix of investors at the New Connect differs from the main floor of the WSE. In 2007, when the market was only introduced, the Polish individuals were accounted for 92% of the stock exchange and represented its main investor group. With the development of the market their number decreased slightly and in 2011 they represented only 77% all investors. Reduction of the shares of Polish individual investors on a “young” site can be attributed to increased popularity of the main floor of the WSE. (Fig. 7)

**Fig. 7. Shares of Different Types of Investors, the Main List, WSE, 2007 and 2014**

Source: prepared by the author, based on the WSE web site [http://www.gpw.pl/root\\_en](http://www.gpw.pl/root_en) [2,7,11,13,14,15]

The mix of investor groups on the New Connect differs from the Main List. Foreign investors make the smallest group of investors on the New Connect and prefer to invest in the most attractive and promising companies on the market that are mainly traded on the Main List. That shows that the influence of the globalization is higher on the Main List than on the New Connect.

## 5. Transition of WSE from the National into the Regional Stock Exchange

World stock exchanges compete with each other for issuers, capital and for being “the first” on the world securities market. Stock exchanges provide different terms of listing and reporting rules that are based on local regulation standards and norms. Companies choose particular stock exchange that corresponds to the purpose of the public offering and can promote the attractiveness of the issuer shares to investors. While choosing the stock exchange for the placement an issuer usually takes into account various factors like market liquidity, capital cost, geographical location and others.

Competing stock exchanges react to the issuer’s demand to reduce costs associated with the placements, as a result, “top” stock exchanges create new alternative markets with milder listing terms. Currently IPOs are not only linked to the developed regions of the world like USA, Eastern Europe and Asia, but also cover the emerging markets. Investments in Russian, Indian and Chinese stocks become a part of the investors’ strategy. At the same time, LSE and WSE became the most attractive stock exchanges for the companies from the CIS region. For example, WSE works hard on self-promotion and, therefore, opened its representation in

Ukraine. To date 12% out of listed 52 Ukrainian companies preferred WSE to other stock exchanges (Table 3). WSE is geographically located close to Ukraine and this fact facilitates business contacts and makes stock exchange attractive for issuers. Listing on WSE enables Ukrainian companies to reach international investors, especially Polish, who know the specifics of Ukrainian business. The requirements for the prospect issuers on the WSE are very similar to the requirements of the Ukrainian legislation that eases preparations needed for an IPO.

**Table 3. IPO of Ukrainian Companies on WSE, 2006 – 2013**

Year	Company	Industry	Raised capital (\$mln)	Year	Company	Industry	Raised capital (\$mln)	
2006	Astra-Kiev	Agriculture	32	2011	Black Iron	Metals and mining	36	
2007	Kernel	Agriculture	220		KSG Agro	Agriculture	39	
2010	Agricola	Agriculture	1,4		Ovostar Union	Agriculture	33	
	Agroton	Agriculture	535		Industrial Milk Company	Agriculture	30	
	Milkilend	Food processing industry	78		VESTA	Industrial Production	48	
	Sadovaya Group	Metals and mining	31		Continental Farmers Group	Agriculture	24	
					2012	Coal Energy	Metals and mining	79

*Source: adopted by the author, based on "An overview of Ukrainian IPO's", PwC. [2,7, 11,13,14,15]*

Turmoil in the region that started in 2014 is likely to break previous pattern of development on the IPO market of Ukraine. New business realities could be evaluated only after political stability is achieved. No doubt that WSE will be taken into the consideration as one of the reliable regional sources of finance for issuers.

## 6. Conclusion

The study was carried out with the purpose of finding the changes in the regional stock exchange, namely WSE, that were influenced by the global capital market and global changes in the economy – all that is called in general a globalization. It is also an attempt to look systematically at the factors that drive national stock exchange to become regional on the example of the WSE and to filter out factors of globalization

that support that transition. The key instrument of this study is an analysis of the WSE over the previous 15 years of its operation.

Influence of the globalization on a regional stock exchange can be seen in adoption of international rules and aspiration to correspond to international standards, increase in number of foreign investors and practice of placement of local issuers at the global stock exchanges. Various factors of globalization contributed to this influence including wide spread of advanced trading technologies and remote access, emergence of the new international financial institutions and availability of financial services regardless of geographical jurisdictions, trends of liberalization and removal of restrictions used to be imposed on the foreign ownership and capital movement. Regional stock exchanges, in particular WSE, show greater vulnerability to global economy turmoil. Studies show deeper levels of negative impact and longer periods of recovery of regional stock exchanges when compared with global stock exchanges. This could be partly explained by the mobility of the global companies on the global stock exchanges that operate worldwide and can leverage losses at depressed markets with greater effort on the active markets. Regional companies cannot avoid following general trend of the economy of the depressed region. This fact can also cause deeper and longer crisis period on regional stock exchanges. Sometimes national stock exchange is more attractive from the point of its location – company does not need to do additional presentations and promotions to familiarize market with their products and development plans.

It could be noticed that key characteristics of WSE and terms of listings do resemble terms set by regional stock exchanges. The fact that investors perceive WSE as a regional stock exchange, focused mainly on mid-cap companies, became the key reason of the success of the WSE. Thus, WSE became an option for regional companies that are not ready to comply with terms of listing required by global stock exchanges and have strong connection with the region. Issuers prefer WSE for placement due to the opportunities that it provides to the listed companies: opportunity to access the capital of the largest foreign investors, the legal protection and the simplified listing conditions. The development of the WSE trading sites and the number of the international investors and issuers reflects the higher globalization influence on the Main List. On the other hand, the New Connect is a newer market that has not yet promoted itself. International investors' interest is growing thanks to two factors: globalization - international investors are now interested in high return of the emerging market companies, and want to have a direct access to regional stock markets. This fact influences the attractiveness of the WSE to all of the issuers.

In fact, other local and regional stock exchanges do experience globalization to some extent and are more likely to develop under the influence of the discovered



factors of the WSE. Same factors of growth could be applied to other local stock markets and their development could follow the same pattern. On the other hand, recognized factors of development could add value to institutional changes of other national and regional stock exchanges. The comparison of factors of the influence of the globalization on other nation stock exchanges and study of common features in their development could enhance the understanding of the influence that globalization is making on the stock markets.

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