EFFECTS OF FINANCIAL SECTOR REFORMS IN SRI LANKA: EVIDENCE FROM THE BANKING SECTOR

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ABSTRACT

Sri Lanka went ahead with its financial sector reforms about three decades ago. As the banking sector is the leading sector in most financial systems, the reforms were mainly directed towards the banking sector. Most of these reforms were mainly advocated by the IMF and the World Bank. The policy package was a part of structural adjustment programme and the implementing agency was the government of Sri Lanka. Among these reforms were recommendations to improve private sector participation significantly in the financial sector, removal of restrictions on banking products such as interest rate and loans, exchange rate relaxation, opening up of financial markets for foreign and domestic competition and to encourage efficient functioning of financial market with less government interferences. Though, the programme of reforms is still not completed, substantial benefits appear to be spreading in Sri Lanka as well as many countries in the region. The objective of this study is to examine what types of reforms are being implemented in the country and whether there are any significant benefits to the general public using examples mainly from the banking sector. Our analysis shows that Sri Lankan banks have evolved to a more efficient and competitive market. However,

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financial market in Sri Lanka needs to go further to improve their efficiencies to bring them up to the standard of international financial markets. Lack of financial literacy among market participants, dominance of state owned banks and lack of clear directives for the government appear to be major issues in the banking sector. Findings of the study also suggest that though there are substantial gains from financial sector reforms however, further reforms are necessary to improve efficiency in the financial sector.

Key words; Financial markets, deregulation, banks, Sri Lanka
JEL classifications: G15 G18 G21

I. INTRODUCTION

In the South Asian region, Sri Lanka was the first country to commence financial sector reforms. The broad idea of implementing such reforms was to enhance economic growth while improving financial market efficiencies to generate more benefits to the general public. Examples from other countries show that reformed economic policies combined with free movement of capital have changed the financial and economic landscape in a noticeable way. For example, empirical evidence from many countries suggests that in particular, financial market reforms have helped in transforming economic behaviour significantly (McKinnon 1973; Shaw 1973; King and Levin 1993). When compared to the financial markets effects in the developed countries however, these new policy initiatives have not fully impacted in emerging market countries as expected. Sri Lanka which is a part of the Indian sub-continent, has also been experiencing mixed impacts due to financial reforms but these have not been comprehensively examined.

A financial sector reform has been introduced in South Asia in early 1980s and still is a continuing process. Sri Lanka was the pioneering country among SAAR2 countries to introduce such reforms in the region. In recent time SAARC countries have also been focusing on reforming the financial sector as an integrated system.

2 South Asian Association for Regional Corporation (SAARC)

The formation of SAARCFINANCE (a discussion group of central bankers and other officials in the South Asian countries) has long term objectives such as possible economic union, possible single regulatory structure, possible single payment system and a possibility of introducing a single currency for the region (www.saarc-sec.org). Among South Asian countries, Sri Lanka has dynamic and vibrant financial markets. While the financial sector reform programme is going on for a number years, there appears to be no significant studies done for the country to examine the effect of such a reform programme. Lack of research on policy implications may not only hinder further reforms in the country but also may deprive benefits to consumers by way of not implementing further reforms due to the uncertainty of effects. Therefore, the main objective of this study is to fill the gap in this area and suggest policy implications for further reforms.

Keeping the above objective in mind, this study attempts to use a number of economic and financial indicators, specifically more banking related indicators, to examine how the reform process has been helping in changing financial environment in Sri Lanka. Implications of studies in this nature could be substantial and may bring far reaching benefits to the industry as well as policy makers, academicians and researchers. The rest of this paper is organised as follows: section two examines the concept of financial reforms in general, section three examines Sri Lanka in comparison with the South Asian Region in details while section four analyses financial sector indicators mainly relating to the banking sector including a discussion on future outlook and a conclusion is given in section five. The discussion will begin with examining the process of financial reforms.

II. FINANCIAL REFORMS

Efficient and healthy financial system is a vital and necessary component for faster economic development. If a financial system is efficient, then it should show profitability improvements, increased funds intermediation, better prices for financial products and quality services for consumers. If the financial system is under tight regulation, financial markets would not function efficiently and the use of resources would not provide desired outcomes. It should also be noted that reforms in other sectors have less impact on the overall economic development if the financial sector is under control. Most of the leading international financial markets including the United States, Great Britain, Japan, Australia and other European countries have introduced financial reforms in order to improve financial market efficiencies and competitiveness and to provide a better service to consumers. This process is now being implemented in the emerging markets of the developing world. Although Sri Lanka and other South Asian countries have began their process later than other countries, significant reform measures have already been taken in many aspects of financial markets. Major financial market reforms are concentrated on the banking sector in comparison to other sectors of the financial services industry. Apart from banking, sectors such as equity markets, capital markets, electronic finance and rural and microfinance sectors have been touched by financial reforms.

In relation to the banking sector, deregulation of interest rates on deposits and advances has brought Sri Lankan banks under severe competition recently. This competitive pressure has come from private banks, foreign banks and other newly formed financial institutions. Financial reforms encouraged private sector to participate in the financial services industry where the state sector had been dominating for many years. Foreign banks were also allowed to compete with state owned and private sector financial institutions in varying degrees. There are two aspects of financial reforms in Sri Lanka. Firstly, it is difficult to examine the outcome of financial reforms taking only the economic perspective since it has links with social as well as political issues.[3] Secondly, since there are claims of gains as well as losses to the Sri Lankan economy as a result of financial reforms it may be necessary to examine the reforms process vary clearly.

[3] These issues may not be important for economists up to a certain extent.

Financial reforms were mainly directed towards relaxing the regulatory measures and reducing state's grip on the system. Most of the reforms were introduced as a part of structural adjustment programmes. One notable point is that compared to emerging markets, developed markets were easily able to adjust to new reforms. This was not so easy in emerging market countries like Sri Lanka due to many reasons. In the case of Sri Lanka, political interferences, corruption, bureaucratic rigidities, political ideologies, social ideologies, ethnic issues, illiteracy and many other reasons have hindered policy initiatives brought by different governments to reform financial markets. Due to these reasons, the major objectives of financial sector reforms could not be easily achievable in the Sri Lanka. The achievable objectives may be divided very broadly into two categories. Firstly, reforms in financial markets are expected to promote a more efficient allocation of resources. Secondly, reforms will ensure that financial intermediation occurs as efficiently as possible (Sanders, 1994). Even though the impact of reforms on the country is still not fully visible, some remarkable changes within financial systems and financial institutions have emerged.

There is a possibility that some temporary economic destabilisations may occur at the beginning of certain reforms. Study on seven countries[4] conducted by the IMF to examine linkages between financial sector reforms and financial crisis has identified a number of destabilisation factors (Sundararajan and Balino, 1991). For example, due to lack of prudential supervisory measures, political interferences and internal ethnic issue in Sri Lanka, the introduction of financial sector reforms may have failed to bring expected benefits. Higher level of social rigidities is one of the dominant factors affecting the Sri Lanka financial market and this has slowed down the benefit of financial reforms significantly. Furthermore, there is a common belief that government banks are better and safer than other foreign and private banks. As a result,

[4] Argentina, Chile, Malaysia, Philippines, Spain, Thailand and Uruguay

new financial products introduced by non-government owned banks take a longer time to become popular.

One of the notable points with regard to Sri Lanka is the existence of established violent secessionist organisations in the Northern part and also to a certain level in the Eastern part of the country. In addition, there was a similar violent political movement until the early 1990 in the South of the country. These organisations have been fighting governments in brutal ways to establish either their own separate states or provinces or just to change the existing government. Since financial reforms in other parts of the world have relaxed regulations relating to the movement of funds in and out of county, political organisations in the North have been able to raise funds from developed countries. They transferred these funds to their organisation's accounts in local or international banks. As a result, these organisations have not only become financially very strong but also have been able to continue their struggles with existing governments. Sri Lankan experience shows that relaxation of financial regulations allow extreme or terrorist linked organisations to become viable in the long run with the help of overseas finance. This is one of the problems associated with financial sector reforms.

Table 1 shows new products introduced in Sri Lanka after introducing financial reforms during the last decade.

Table 1
Major Products Introduced after Deregulations in South Asian Countries

Electronic Funds Transfer at Point of Sale (EFTPOS)
Credit Cards and Debit Cards
ATM Facilities have become common
Daily Interest Payments
Combined Deposit/Checking/Cash Management Accounts
Mortgage Originators
Phone Banking
Internet Banking
ATM for International Credit/Debit Cards
Stock Buying and Selling via Banks
Bill Payments via Mobile Phones

Source: Author's own research

III. THE SOUTH ASIAN REGION AND SRI LANKA

The South Asian region comprises some of the poorest as well as highly populated countries in the world. The region also has the largest democracy in the world and is fast becoming the most populous region in the world. Although some negative factors such as communal conflicts and terrorism have slowed down the economic growth of the region, South Asian countries have been developing economically as well as socially in different degrees during the last few decades. India which is the largest country in the region has achieved remarkable development during the recent past. A significant contribution by the financial sector reforms carried out during the 1990s has helped these countries to grow faster and achieve higher growth rates. Financial reforms policies have also contributed substantially towards establishing a more integrated financial system in the region. Apart from this, significant increases in private capital inflows and foreign direct investments in these countries are the direct results of deregulatory measures. It is noticeable from Table 2 that not only in Sri Lanka but also in other countries in the region, domestic savings have increased with the financial liberalisation. Furthermore, capital formation (Table 2) has also increased in all countries but India and Pakistan. This proves that financial sector reforms have contributed positively towards economic growth in these countries including Sri Lanka

Table 2
Domestic Saving and Capital Formation as a % of GDP

Country	Domestic Saving			Capital Formation		
	1990	2000	2003	1990	2000	2003
Bangladesh	12.9	17.9	18.2	17.1	23.0	23.4
Bhutan	28.0	19.5	32.4	32.0	48.4	53.3
India	23.1	23.7	24.2	26.3	24.4	23.3
Nepal	7.9	15.2	11.4	18.4	24.3	26.6
Pakistan	13.5	16.1	17.3	18.9	17.4	16.7
Sri Lanka	13.2	17.4	15.7	21.2	27.9	24.1

Source: Asian Development Bank

As a result of financial sector reforms, there has been an unprecedented growth in the banking sector in South Asian countries. The sector's presence among the largest 500 banks in Asia is a remarkable achievement. For example, in 2001 India had 55 banks among 500 largest banks in Asia while this figure for Bangladesh was 16 banks, for Pakistan, it was 14 banks, for Sri Lanka, the number of banks were 5 and for Nepal there were 3 banks. However, the largest bank in the South Asian Region is the State Bank of India which accumulated assets worth 160 billion dollars by 2006. In 2003, the State Bank of India ranked 82 in the global ranking and 18th in the Asian ranks which include Japanese as well as Australian banks (www.asiaweek.com).

As noted before, Sri Lanka was the first country to implement financial sector reforms in the South Asia region. In 1977, Jayawardane government began to dismantle the regulatory structure that existed for decades. A number of policy changes were introduced since then and the process has been continuing. Among the significant measures taken during this time to deregulate the financial sector include interest rate deregulation, introduction of market based credit policies, relaxation of market entry for foreign and local banking firms and improved supervisory measures including appropriate legislative measures to safeguard the financial system. This financial market deregulation policy package could be regarded as the most comprehensive package among all South Asian countries. The establishment of the Colombo Stock Exchange (CSE) in 1984 could be regarded as another most significant outcome of financial sector reforms in Sri Lanka. The CSE has opened its public trading floor for the ordinary public and modern share trading has now become a normal day to day activity for many ordinary people in the country. Currently there are around 238 companies listed on the CES and market capitalisation is around Rs 500 million.

The financial market reforms brought substantial changes in money market, capital market, electronic market activities and micro-financial market activities throughout the country. Modern facilities such as telephone banking including mobile phones, widespread automatic teller machines, and Internet banking are now common in

Sri Lanka. Major utility users such as electricity or telephone facilities, have now capability to pay their bills using mobile phones showing society wide benefits to the country. With financial reforms, the banking sector of Sri Lanka has made substantial gains within the Asian Region. As a result of relaxed market entry conditions a number of new domestic and foreign banks have been operating in Sri Lanka, competing against the dominant state owned banks. Currently there are 14 financial institutions doing commercial banking activities. See Table 3. However, state owned Bank of Ceylon and the People's Bank still dominate the banking sector in Sri Lanka. Currently, Sri Lankan banking sector has more than 57% of total assets in the financial sector and two state owned banks have almost 40% of Sri Lanka's commercial banking system assets5. There are 1,319 bank branches in Sri Lanka and branch density is 20.41 for 1,000 sq kilometres. Sri Lanka has the highest ATM penetration in the South Asian region in which 10.91 ATMs per 1,000 sq kilometres and number of ATMs per 100,000 people are 3.67 at the end of 2003.

Table 3
Commercial Banks in Sri Lanka*

Bank Name	Total Assets US$ '000
Bank of Ceylon	2,578,825
Central Finance Company Limited	168,468
Commercial Bank of Ceylon Limited	1,355,509
DFCC Bank	453,090
DFCC Vardhana Bank Ltd	38,030
Hatton National Bank Ltd.	1,546,398
National Development Bank of Sri Lanka - NDB	563,778
Nations Trust Bank Limited	207,655
NDB Bank Limited	161,971
Pan Asia Banking Corporation Limited	86,496
People's Bank	2,224,817
Sampath Bank	667,349
Seylan Bank	938,158
Union Bank of Colombo Limited	62,569

* At the end of 2004;Source: BankScope Database

5 Central Bank of Sri Lanka

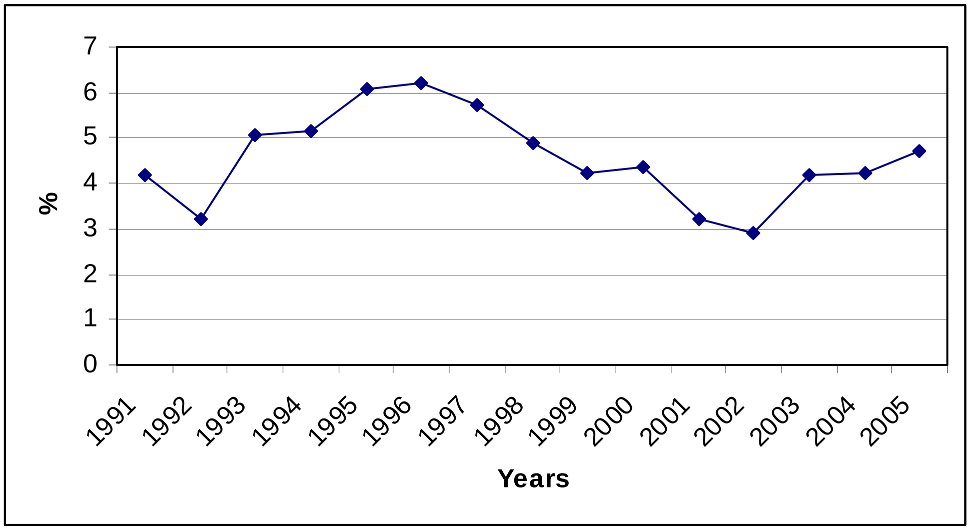
IV. FINANCIAL SECTOR INDICATORS

The interest spread or interest margin of banking institutions which is the difference between interest income and interest expenditure is one of the commonly used measures to evaluate benefit from financial sector reforms. Theoretically, interest margin or spread declines as competition between banks gets pace and momentum. As Figure 1 shows interest margins of Sri Lanka's commercial banks have been declining since the mid 1990s. The major reason for this decline is the competition among banks. However, since 2002, bank interest margins have begun to increase again. This change is somewhat puzzling. There are two explanations we could provide on this. First, even though the Central Bank of Sri Lanka has reduced the official interest rate continuously from 2001-2003, commercial banks have not given the full benefits of reduced rates to consumers. Second, rapid credit growth due to low interest rate and the market dominance of two largest state owned banks have not helped in reducing interest margins but have helped banks to earn more interest income. This situation implies that further deregulations are necessary to improve efficiency of Sri Lankan banks. Another important factor in Sri Lanka is that the significance of monetary policy measures that could be somewhat less effective. Sri Lanka is a developing country and the impact of monetary policy may not be effective as in developed countries. The central bank of Sri Lanka, though regarded as independent, historically had some political bias and as a result policy rates could not always be representing market directions.

In particular, two largest banks which are publicly owned have a dominant role in the financial system of the country. Loan loss provisions of these two banks are the highest in Sri Lanka and appear to be less efficient compared to foreign and private banks. Figure 2 shows loan loss reserves of all commercial banks in Sri Lanka as a ratio of gross loans provided by banks. State owned Bank of Ceylon and People's Bank which are the largest two banks in Sri Lanka have the highest loan loss reserves compared to other banks.

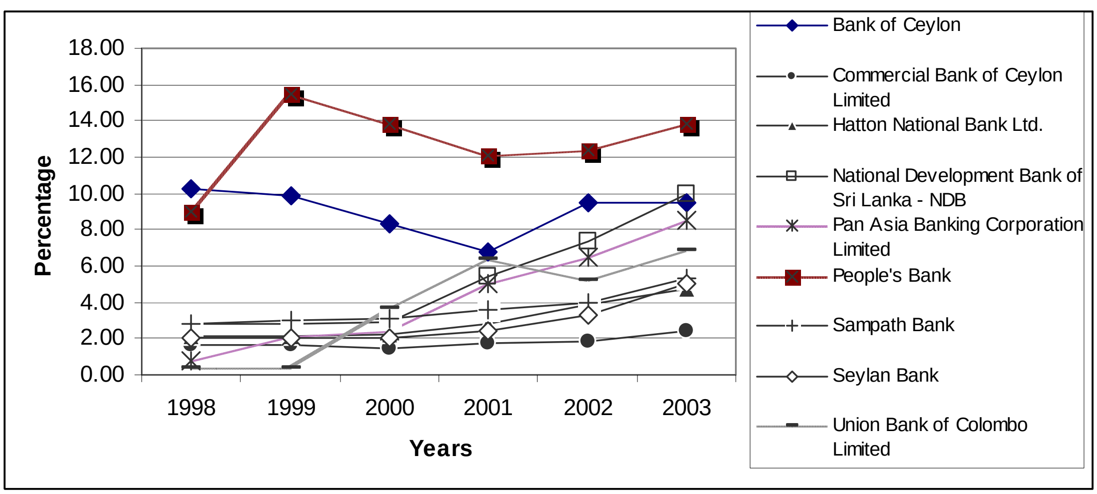
Figure 1

Net Interest Margins of Sri Lankan Commercial Banks



Source: BankScope database

Figure 2
Commercial Banks' Loan Loss Reserve / Gross Loans (%)

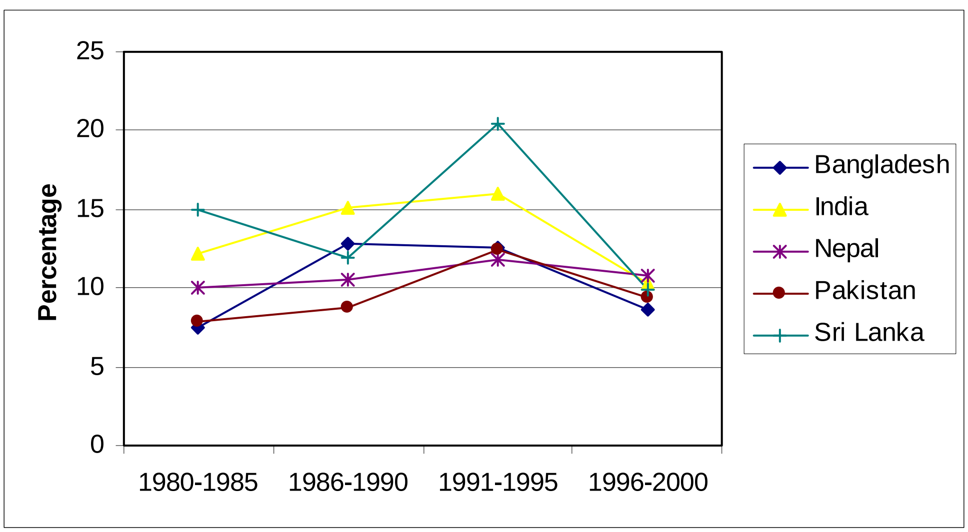


Source: BankScope database

One of the notable benefits of financial deregulation to Sri Lanka is that levels of liquidity in commercial banks are now consistent with international levels. For example, reforms banks' liquid reserve ratios have also been declining since mid 1990s dramatically showing an increase in lending activities. Figure 3 shows that not only Sri Lanka but other major countries in the South Asian region are approaching to less than 10% liquid reserve levels. Liquid assets level of Sri Lankan banks was the highest among South Asian countries during 1980-1985 period (Figure 3). However, with further reforms, the level has been declining substantially since 1995 See Figure 3. On one hand this shows that banking industry has been integrating in the region while they are also broadly following Basel capital adequacy requirement guidelines. As a result of financial integration, there are substantial benefits to the region by way of reducing transaction costs and increase in efficiencies.

Figure 3

Bank Liquid Reserves to Bank Assets Ratio in South Asian Countries

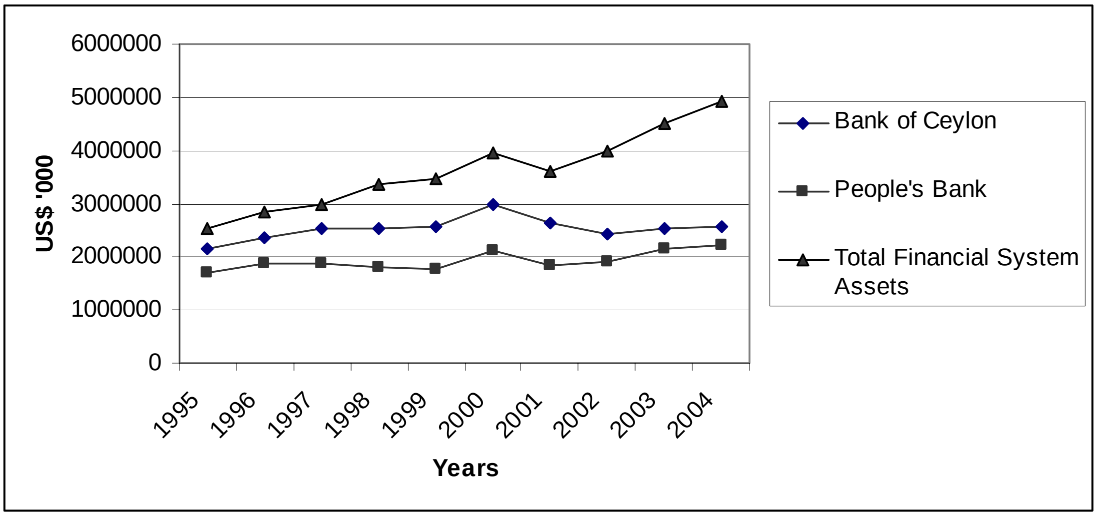


Source: World Bank

Another way to examine the impact of reforms is to analyse the assets concentration ratio of major banks. Using data from 1995 – 2004, it is possible to examine the level of assets of two largest state owned banks in Sri Lanka. See Figure 4. Financial deregulation has improved competition in Sri Lanka and as a result, market leading banks have been losing their share to newly entered banks. Declining concentration ratio indicates that the banking system is becoming more competitive due to financial reforms. Figure 4 shows an increasing trend of total financial sector assets level. However the two largest banks' assets level has a declining trend since 2000 due to increase pressure from other domestic private banks and foreign banks. This shows clear benefit of financial sector reforms in the country.

Figure 4

Assets of two largest banks as a share of assets of all Banks in Sri Lanka



Source: BankScope database

Table 4 provides much broader banking performance data for Sri Lankan commercial banks. For example, the first row (below the heading) of Table 4 gives net interest revenue as a percentage of average assets for all banks. As a result of increased competition theoretically, net interest revenues should decline gradually. While there has been a gradual decline of net interest revenue as a percentage of average assets, since 2002, there appears to be an increase. Reasons for this increase have been already discussed before. This implies that further reforms are necessary to make loan and deposit related products to become more efficient. The second row shows other operating income as a percentage of average assets.

Financial reforms should increase banks' other operating income due to the fact that banks are now able to engage in many business activities. More specifically, off-balance sheet businesses should show impressive improvement after reforms were introduced. Sri Lankan banks do not show significant improvement in this regards though there are some increases here and there. Similarly, in other cases such as pre-tax operating profit, non-operating income, return of average equity and dividend pay-out ratios should show improvements while cost to income ratios should decline. In the case of Sri Lanka many of these indicators show mixed results. Specifically, the increasing trend in cost to income suggests that further efficiency improvements are necessary sooner rather than later to generate more benefits to the general public. Most of the mixed results are due to the dominant role of two state owned banks.

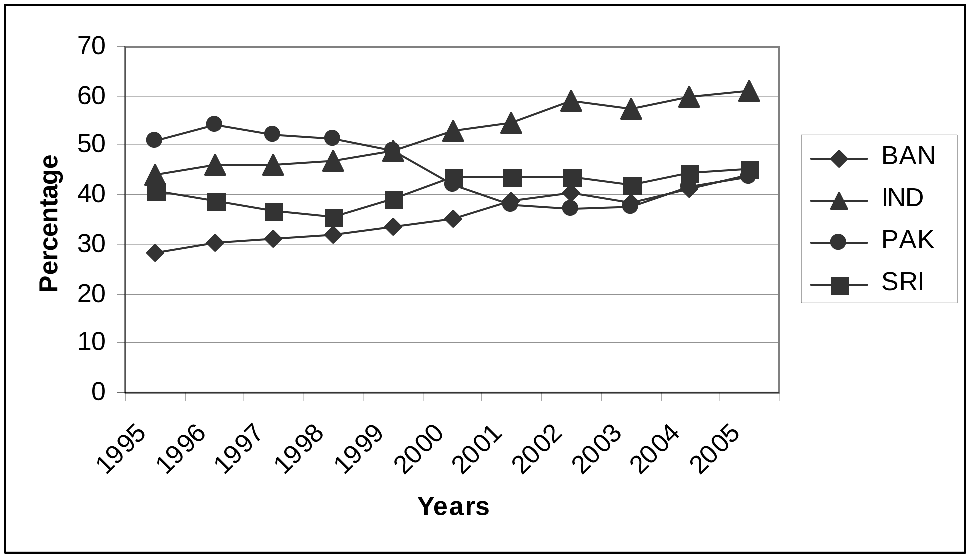
One essential point to note is that in the period immediately after the banks were being deregulated, performance variables would not be able to show any significant improvements. However, after a year or two profitability and efficiency levels begin to improve since there is a time lag for improvements to take place. In the case of Sri Lanka, exogenous factors have contributed to the changes in performance of banks and other financial sector activities to a larger extent. For example, government policy changes, political interferences and lack of supervisory measures have contributed to the above situation (Edirisuriya, 2004). Another point to note is that two state owned banking institutions are leading employment providers under the directions from governments in power. For example, a private sector bank such as Seylan Bank has an average of 29 people employed for a branch where as state owned People's Bank, the number of average people per branch is more than 44.

The overall financial performance of Sri Lanka may have not improved substantially as expected between the years 1995-2004. For example, pre-tax operating income to average assets has declined from 2.5 in 1995 to -0.11 in 2002. One of the reasons for this change is that banks were making higher profits before reforms and the reform measures have closed such opportunities. This situation compelled banks to generate more efficiency while losing profits than before. Another factor that contributed towards unsatisfactory performance is that state owned banks were highly inefficient due to privileges they enjoyed before reforms.

There were several factors that have contributed to the weak financial performance of the public banks. First, government ownership and intervention in their operations have weakened their commercial orientation. Second, the regulatory, supervisory, and legal structures were inadequate. The central bank which has the major role of implementing monetary policy has become unable to regulate and supervise sophisticated commercial banking system. For example, there were some occasions in which newly established banks collapsed (e.g. Pramuka Bank). Third, corruption and inefficient economic activities faced by the country have resulted in banking inefficiency and as a result an increase in loan defaults. Fourth, structural reforms introduced since the crisis have affected the viability of companies which were the protected industries of the economy and this contributed to an increase in non-performing loans. There are many instances where state owned banks were unable to collect defaulted loans due to political interferences.

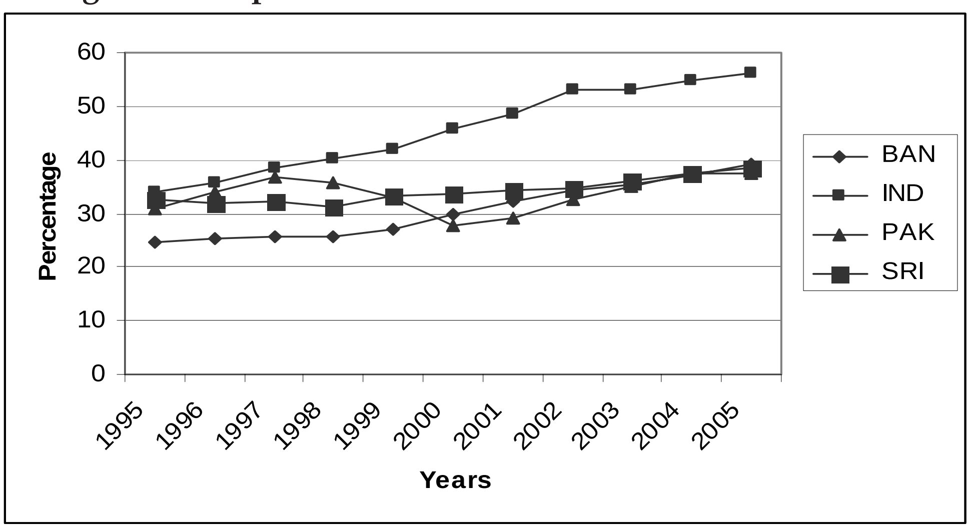
However, it is noticeable that financial reforms in Sri Lanka had been supporting financial market integration in the South Asian region. As other major countries such as India, Pakistan and Bangladesh also reforming their financial markets to become more competitive in the region as well as globally, data from the region show that all countries are heading in the same direction. Figures 5 and 6 show that average domestic credit to GDP and average bank deposit to GDP ratios are converging in the South Asia region. All countries in the region show some similarities in recent times. This could be interpreted as some indication of attempting to achieve long term objectives of becoming a single financial market.

Figure 5
Average Domestic Credit-to-GDP Ratio – South Asia



Source: ADB

Figure 6
Average Bank Deposits-to-GDP Ratio – South Asia



Source: ADB

Table 4
Performance of Banks – Sri Lanka

Operation	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Net Interest Revenue / Average Assets	4.52	4.27	4.1	4.12	3.78	3.21	2.59	2.86	3.83	3.80	*4.41*
Other Operating Income/ Average Assets	2.14	2.3	2.29	2.23	1.96	1.77	1.82	1.88	2.61	2.32	*2.23*

Non Interest Expenditure / Average Assets	4.18	4.09	4.28	4.95	4.17	4.08	3.76	4.85	4.81	5.57	*4.91*
Pre-Tax Operating Income / Average Assets	2.5	2.5	1.67	1.48	1.62	0.99	0.71	-0.11	1.63	2.61	*1.13*
Non Operating Items & Taxes / Average Assets	0.35	0.65	0.34	0.59	0.44	0.28	0.16	-2.20	-1.66	-1.78	*0.12*
Return On Average Assets (ROAA)	2.15	1.85	1.33	0.89	1.18	0.71	0.55	0.71	1.32	0.99	*1.22*
Return On Average Equity (ROAE)	24.4	21.06	15.72	12.09	16.63	10.16	8.43	92.69	18.53	8.23	*33.02*
Dividend Pay-Out	21.82	25.09	50.21	72.57	30.46	42.01	43.31	25.30	20.46	52.94	*38.92*
Non Operating Items / Net Income	0.5	0.47	-17.16	4.23	2.01	6.18	5.95	4.19	3.12	-8.02	*8.68*
Cost To Income Ratio	51.62	54.96	54.82	60.32	60.34	66.13	67.64	47.75	45.03	63.14	67.00

Source: Bankscope Database;

Another notable fact is that in Sri Lanka there was a kind of slowness in implementing important reforms due to political reasons as well as internal conflict in the Northern and Eastern part of the country. For example, developed countries have implemented their reform programmes at a much faster speed and as result the financial sector has become more competitive. Though Sri Lanka and South Asian countries have a programme (For example, SAARCFINANCE) to establish a common financial market platform, these programmes have not been able to progress in this regard.6

Irrespective of some problems discussed above, future outlook for Sri Lankan financial markets appears to be more promising compared to current situation. Sri Lanka and other countries in the South Asian region are heading toward complying Basel II capital accord and risk based supervision guidelines. It is expected that more integrated debt and equity market activities and technologically advanced services and products would be provided in coming years. Although the Central Bank of Sri Lanka is not a member of the Bank for International Settlements, the country is following minimum capital adequacy requirements used by all banks in the developed world. While there is remarkable progress being made, there are unattended issues as well. For example, measures are to be taken against bank collapses as happened with Pramuka Bank. There should be some policy initiatives to improve prudential supervision by supervisory authorities. One possibility is to create a separate

6 Please see the Terms of Reference of SAARCFINANCE (http://www.saarc-sec.org/main.php)

body to oversee the performance of the banking sector in a more efficient way. Higher loan loss ratios especially, in the two state owned banks are a notable problem. Financial integration within the South Asian region is still not significant and banking sector should explore possibilities of integrating their services to bring more benefits. In this regard, more joint work needs to be done as a team. Political directions must be clear for such a move and regular dialogues are to be carried out more frequently.

V. CONCLUSION

The financial services industry in Sri Lanka has been subjected to changes due to the reform measures taken by the government and the industry. Changes in the national and international market environments, pressure applied by international organizations such as the IMF and the World Bank and the introduction of new technologies have forced authorities to relax controls making the financial sector more competitive and efficient. Beginning with reform policies introduced in early 1980s Sri Lankan banks have evolved to a more efficient and competitive market. However, financial market in Sri Lanka needs to go further to improve their efficiencies to bring them up to the standard of international financial markets. One major issue is the dominating role played by the two state banks within the financial system of the country. Lack of financial literacy among the people of Sri Lanka and lack of clear directions from the government to the financial market has hampered improving efficiencies further. It is obvious that changes are progressing but slowly towards a more competitive financial services industry in the country. Furthermore, substantial empirical studies are needed to examine the impact in a more robust way however, lack of necessary micro as well as macro level data has been a major obstacle. For instance, more analysis on debt and equity markets, electronic services markets and micro finance markets in Sri Lanka would have been more useful to identify competitive improvements within the financial markets. This would have resulted in identifying areas where further reforms are needed to ensure the operation of an efficient financial market.

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