

**AMANI BOURESLI**

**Kuwait University, Kuwait**

## **NEW MARKET REFORMS AND STOCK EXCHANGE LIQUIDITY; THE CASE OF KUWAIT**

### **Abstract:**

In this paper, we attempt to add to the existing literature related to the cost-benefit analysis of new financial regulations. We tested common trends observed following new market reforms in Kuwait (Capital Market Authority Law (CMA)) 2010, such as lower market liquidity, decreased trading volume, corporate delisting wave and decreased market capitalization. The CMA law imposed many provisions to control all kind of market abuse and manipulation such as insider and other illegal practices. "Liquidity: If an exchange loses it..... it is dead" Ch. Cox & D. Michael 1987. This research is motivated by the fact that the main economic function of a stock exchange is to create liquidity for traders and investors. By introducing several measures of market liquidity, we documented significant decline in liquidity following the new CMA law enactment. And concluded that overstated regulations in developing markets can have adverse effect on market efficiency.

### **Keywords:**

Market liquidity, Corporate governance, Market reforms, Market efficiency.