



Interlinked ASEAN Securities Market initiative

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Presentation Outline

1. AEC Blueprint
 - Earlier Initiative : Exchange Linkage Task Force (ELTF)
 - Challenges

AEC Blueprint

Single market & production base

- Free flow of
 - Goods
 - Services
 - Investment
 - Skilled labor
- **Freer** flow of capital

AEC Blueprint

Free flow of trade in financial services

Guiding Principles

- Liberalization process should allow members to ensure orderly financial sector development and financial and socio-economic stability, with due respect to each country's national policy objectives and level of development
- ASEAN Minus X formula, i.e. countries that are ready can proceed first

AEC Blueprint

Free flow of trade in financial services

Actions

- Liberalize progressively by 2015 in sub-sectors identified by each member (Annex 1), except those restrictions which members agree can be maintained (pre-agreed flexibilities) after 2015
- Liberalize progressively by 2020 in the remaining sub-sectors, except those pre-agreed flexibilities which members agree can be maintained after 2020



AEC Blueprint
Annex 1 Financial services (capital market)
Sub-sectors already identified (under ASEAN Framework Agreement on Services: AFAS)
for liberalization by 2015

Sub-sectors	Member countries									
	Bru	Cam	Indo	Lao	Malay	Myan	Phil	Sing	Thai	Viet
Trading for own account or for account of customers	X		X		X		X	X	X	
Participation in issues of all kinds of securities			X				X			
Asset management	X		X				X	X	X	
Settlement and clearing services for financial assets			X				X	X	X	

Note1: Members can still exclude from liberalization the restrictions under pre-agreed flexibilities list which will be developed and agreed upon between 2008-2011.

Note2: Members will later develop list of pre-agreed flexibilities which can be maintained after 2020.

AEC Blueprint

Freer flow of capital

Guiding Principles

- Strengthening ASEAN capital market development and integration by achieving
 - greater harmonization of standards,
 - mutual recognition,
 - greater flexibility in language & legal requirements,
 - enhanced withholding tax structure, and
 - facilitation of market linkages

AEC Blueprint

Freer flow of capital

Guiding Principles

- Allowing greater capital mobility while ensuring
 - orderly capital account liberalization,
 - adequate safeguard against potential macroeconomic instability and systemic risk, and
 - benefits of liberalization to be shared by all ASEAN countries

AEC Blueprint

Freer flow of capital

Actions

- Remove or relax restrictions to facilitate flows of payments and current account transfers, where appropriate and possible
- Remove or relax restrictions on capital flows to support foreign direct investment and capital market development, where appropriate and possible

Blueprint is just a general framework

- Each member can still schedule its own liberalization plan
- There is no timeframe indicated on capital market development and integration
- Each member may develop its own plan for liberalization of portfolio investment

To achieve intended integration objectives under AEC Blueprint, members need to:

Come up with a clear, common vision of what level of integration can be realistically achieved at specific points in time, e.g.

1. Ability for companies in one country to raise financing in another through wholesale/retail market in debt/equity securities
2. Ability for intermediaries in one country to offer services in another country (commercial presence vs cross-border supply, wholesale vs retail)
3. Ability for brokers and investors to access ASEAN markets from a single point of entry of their choice

Earlier Initiative : ELTF

The Exchange Linkage Task Force (ELTF) started from 2004 ,aiming to establish linkage among exchanges of ASEAN members by 2010

Little progress made until now



Earlier Initiative : ELTF

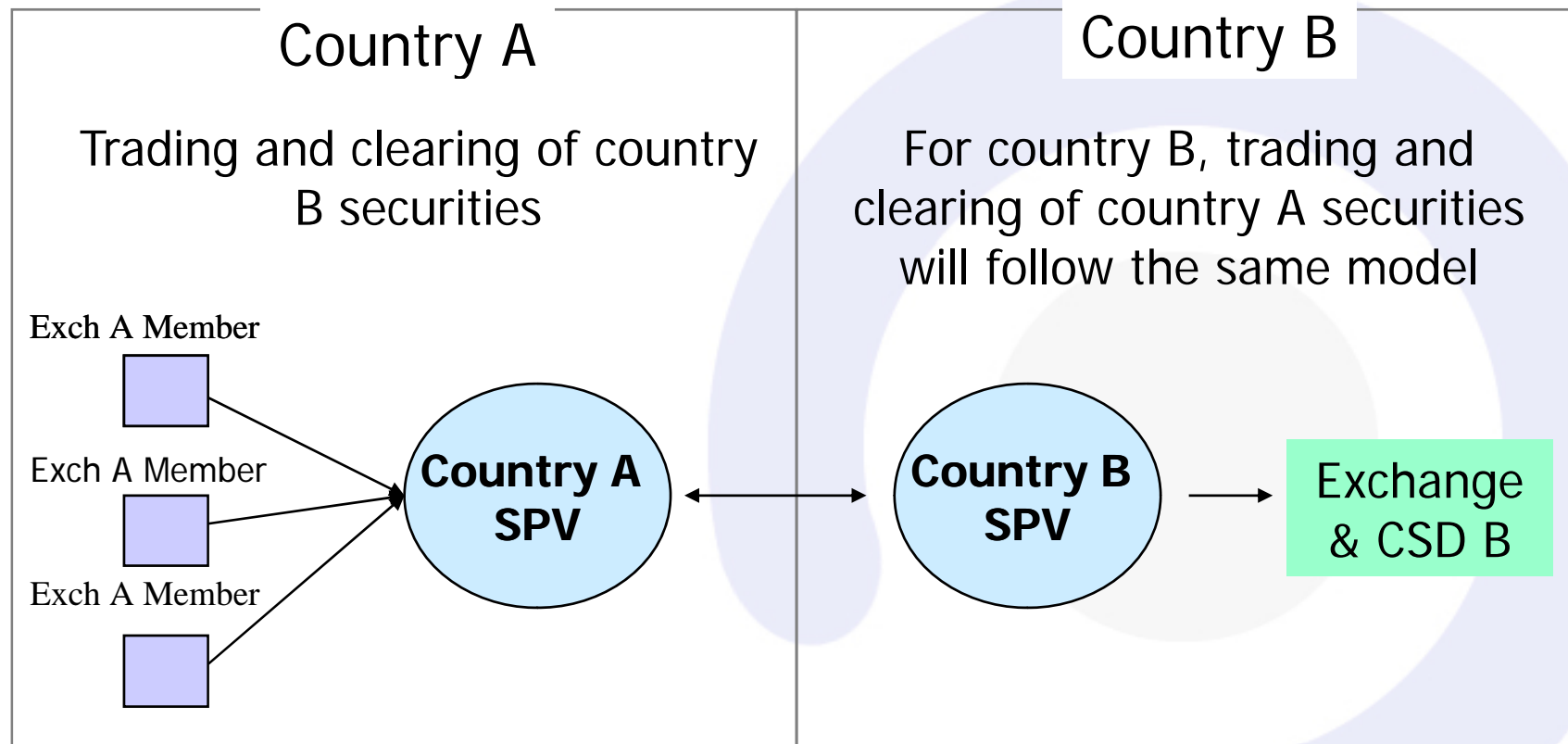
2004

- ❑ Studied possible collaboration models for forging trading, clearing and settlement linkages
 - Dual/cross listing of securities
 - Depositary receipt instrument
 - Offshore trading
 - Unilateral exchange to foreign broker link (i.e. remote membership)
 - Bilateral trading linkage
 - Multilateral trading linkage
 - Many-to-one Inter-brokerage linkage
- ❑ Proposed questionnaire on regulatory issues to gather members' views on regulatory impediments

Earlier Initiative : ELTF

2005

Proposed model ("Bilateral Trading Linkage")
& endorsed by AFMM





2006

Earlier Initiative : ELTF

- ❑ AFMM requested member to confirm the timetable for meeting the pre-requisites such as;
 - Local investors are able to invest in securities listed on a foreign exchange via an exchange linkage
 - Investors are able to settle trades done via an exchange linkage
 - All investors receive material corporate information and announcements in a fair and timely manner
 - Investors of the foreign jurisdiction trading through the trading linkage are subject to similar market misconduct rules as the local investors. The local exchange and regulator are able to act on market abuses committed by foreigners in the local market
- ❑ MAS circulated the questionnaire to identify impediments and to draw up a timetable to overcome the impediments

Earlier Initiative : ELTF

2007

- Questionnaire responses showed difficulties in meeting the first two pre-requisites
- No timetable confirmed as impediments are beyond authority of capital market regulator

Earlier Initiative : ELTF

2008

- ❑ Parallel development emerged
 - Private sector participation
 - Collaboration with ADB
 - Joint study on enhancing cooperation among ASEAN equity market
 - Conferences
 - ADB's technical assistance : proposed exchange alliance model –"pipe"
(a purely technical IT link between exchanges to facilitate cross border trading between brokers in the home & host exchanges)

Challenges

Difficulty in agreeing on a common vision due to differences among individual members in:

- Macro economic conditions
 - Level of savings & int'l reserves
 - Exchange control policy
 - Growth of domestic investment
 - Relative competitiveness of local intermediaries
 - Sophistication of investors
 - Capabilities of cross-border enforcement
- etc.



Overview of ASEAN Equity Markets : Size and development level

	SGX (Sing)	MAS (Malay)	SET (Tha)	JSX (Indo)	PSE (Phil)	HOSE (Viet)
Market cap (bil. USD)	533	325	197	211	103	0.8
Avg. daily turnover (mil. USD)	1,526	689	487	473	118	63
# listed securities	762	986	523	383	244	112
Avg. market cap of top 10 listed company (mil. USD)	15.6	9.5	6.7	7.6	4.6	0.5

As of Dec 2007, source : www.world-exchange.org, annual report of exchanges

Where should we go from here?

- Outcome on integration will be highly uncertain as pace of liberalization is determined by each member
- Group of advisers comprising visionary experts at the highest level of each country is needed, to help form an overall bird's-eye view independent of domestic concerns