

**THE PHILIPPINE STOCK  
EXCHANGE, INC.**

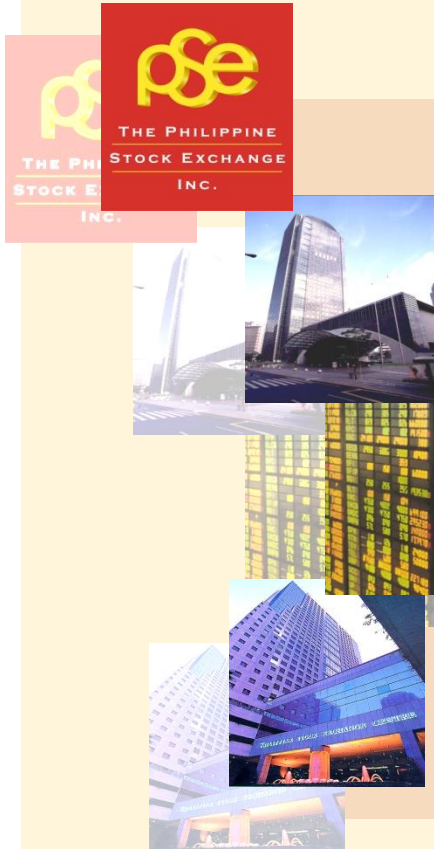
# **Inter-linked ASEAN Securities Market Initiatives**

**OECD-ADBI Roundtable on  
Capital Market Reforms in Asia**

*Francis Lim  
President and CEO*

*Tokyo, Japan*

*27 February 2007*



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# Development of ASEAN Markets

## Average Index Growth

Region	% 06-07
Asia Pacific	34.50%
<b>ASEAN</b>	<b>31.10%</b>
Americas	14.60%
Africa, Middle East	29.50%
Europe	6.20%

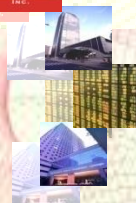
Note: Index averages of BME and OMX ir

## Domestic MCap Growth

Region	% 06-07
<b>ASEAN</b>	<b>42.30%</b>
Africa, Middle East	20.50%
Asia Pacific	53.80%
Europe	14.70%
Americas	7.40%

## Value Turnover Growth

Region	% 06-07
<b>ASEAN</b>	<b>95.25%</b>
Asia Pacific	77.12%
Europe	43.69%
Africa, Middle East	35.76%
Americas	32.74%



# Development of ASEAN Markets

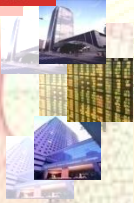
Domestic MCAP (in US\$ million)		
Rank	Exchange	2007
1	<i>NYSE Group</i>	15,650,832.50
2	<i>Tokyo SE Group</i>	4,330,921.86
3	<i>Euronext</i>	4,222,679.82
4	<i>Nasdaq</i>	4,013,650.32
5	<i>London SE</i>	3,851,705.87
6	<i>Shanghai SE</i>	3,694,347.97
7	<i>Hong Kong Exchanges</i>	2,654,416.06
8	<i>TSX Group</i>	2,186,550.15
9	<i>Deutsche Börse</i>	2,105,197.82
10	<i>Bombay SE</i>	1,819,100.51
11	<i>BME Spanish Exchanges</i>	1,781,132.66
12	<i>National Stock Exchange Indi</i>	1,660,096.89
13	<i>*Southeast Asia</i>	1,376,141.97
22	<i>Singapore Exchange</i>	539,176.63
26	<i>Bursa Malaysia</i>	325,290.26
34	<i>Jakarta SE</i>	211,692.97
36	<i>Thailand SE</i>	197,129.36
40	<i>Philippine SE</i>	102,852.74

# Recent Trends on Market Integration

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## Some Mergers/Consolidations/Acquisitions Among Exchanges

- **NYSE-Euronext merger**
- **NASDAQ-OMX**
- **Bovespa** and **BM&F** (Brazil) have entered into exclusive merger discussion
- **TOCOM** and **OSE** (Japan) have signed a MoU to explore the possibility of co-operation in the area of infrastructure, including electronic trading platforms, marketing and new products.
- **Jakarta Stock Exchange** and **Surabaya Stock Exchange** merged to become Indonesia Stock Exchange in 2007



# Recent Trends on Market Integration

## Some Mergers/Consolidations/Acquisitions Among Exchanges

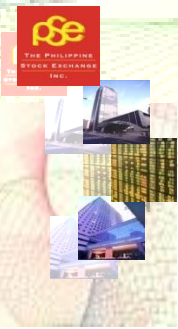
- **Others**
  - **Tokyo Stock Exchange (TSE) acquired less than 5% of Singapore Exchange (SGX)**
  - **SGX acquired 5% of Bombay Stock Exchange**
  - **NYSE acquired 5% of National Stock Exchange of India (NSE)**
  - **SGX acquired 20% of PDS Holdings (fixed Income Exchange) of the Philippines**

# ASEAN Ministers Commitment

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- **9th ASEAN Finance Ministers Meeting (2005) - Roadmap for integration of ASEAN in Finance:**

*“To promote greater integration of our capital markets, we commit to develop an interlinked ASEAN securities market”*

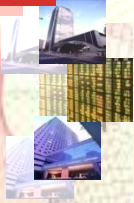


# ASEAN Ministers Commitment

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## **ASEAN Economic Community Blueprint (2007) Strengthening ASEAN Capital Market Development and Integration.**

1. Achieve greater harmonization in capital market standards in ASEAN in the areas of offering rules for debt securities, disclosure requirements and distribution rules;
2. Facilitate mutual recognition arrangement or agreement for the cross recognition of qualification and education and experience of market professionals;



# ASEAN Ministers Commitment

## **ASEAN Economic Community Blueprint (2007) Strengthening ASEAN Capital Market Development and Integration.**

3. Achieve greater flexibility in language and governing law requirements for securities issuance;
4. Enhance withholding tax structure, where possible, to promote the broadening of investor base in ASEAN debt issuance; and
5. Facilitate market-driven efforts to establish exchange and debt market linkages, including cross-border capital raising activities.



# ASEAN Exchanges Initiatives Under Consideration

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## **1. ASEAN Exchanges CEOs Group -**

serves as governing body for policy direction for ASEAN Exchanges

## **2. ASEAN Strategic Working Group -**

discussions include various models for exchange alliance framework

## **3. ASEAN I.T. Working Group – I.T. best**

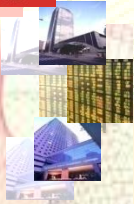
practices, sharing of I.T. services

# ASEAN Exchanges Initiatives Under Consideration

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**4. ASEAN Marketing Working Group-**  
formulates and executes joint ASEAN  
marketing program to attract more  
international funds

- a. Investor road shows for ASEAN  
listed companies and  
Exchanges
- b. ASEAN Exchanges Website



# ASEAN Exchanges Initiatives Under Consideration

5. **ASEAN Joint Product Development Group** – explore joint products
  - = **ASEAN Index**
  - = **High Yield Islamic Index**
6. **ASEAN Clearing Working Group** - develops framework to facilitate clearing and settlement for inter-linked ASEAN markets
  - = **ASEAN Clearing Utility** – clearing of trades done thru an ASEAN Clearing House rather than local brokers having multiple inter-broker relationships with foreign brokers.

# ADB Initiatives

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## Background

- To support the agreement of ASEAN Finance Ministers to develop an interlinked securities market
- Three conferences were held in 2007

# ADB-Inspired Models for Exchange Alliances

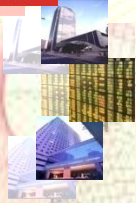
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- 1. Asia Alliance** – Exchanges remain independent but aligned market practices and processes coordinated; membership and infrastructure remain independent
- 2. ASEAX** – Exchanges remain independent; membership and infrastructure remain independent but some form of convergence for infrastructure

# ADB-Inspired Models for Exchange Alliances

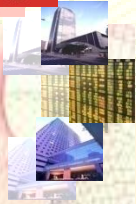
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3. **Asia Next** – Exchanges owned by a single holding company; one management team and single trading platform )
4. **“Pipes”** – purely bilateral or multilateral technical linkage (“pipe”) between exchanges to facilitate cross-border trading between brokers in the home and host exchanges (**ASEAN Board**)



# Other Models for Exchange Alliances

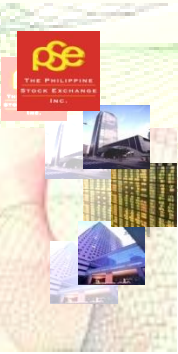
1. **Capital Alliance** – Exchanges invest in each other's share capital
2. **Share-for-property/services swaps** – e.g., share payment for infrastructure and consultancy services



# Issues and Constraints

1. Various development stages
2. Local legal framework – e.g., 5% share ownership limit
3. Regulatory differences - tax issues, capital controls, listing and disclosure requirements
4. Nationalistic policies
5. Cost/Benefit to brokers and other constituencies





# Concluding Observations

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1. Fear of the unknown is still an impediment for integration
2. Political will indispensable for integration to work – may require government “intervention” in some cases
3. Exchange involvement crucial for integration

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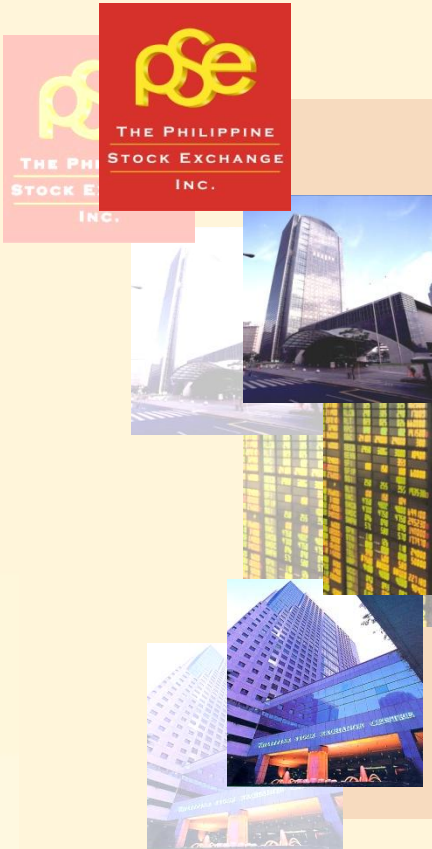
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