

# **Progress and Issues in Capital Markets Integration: ASEAN Experience**

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# Background

- In 2007, ASEAN leaders agreed on ASEAN Economic Blueprint 2015
- ACMF proposed the comprehensive plan for regional capital markets integration (known as **Implementation Plan**) to the ASEAN Finance Ministers' Meeting (AFMM) in 2009 and received endorsement.
  - ACMF (ASEAN Capital Markets Forum) comprises securities regulators from 10 ASEAN jurisdictions, namely Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
  - Currently, the SEC Thailand is chairing the ACMF

## 2 Main tasks of ACMF

- Implementing works specified under the Implementation Plan:
  - Harmonization of standards
  - Mutual recognition and related liberalization
  - Infrastructure relating to exchange linkages
  - Legal area work
- Deliver common messages to local players to secure buy-ins

# Challenges in obtaining buy-ins from all stakeholders

- Concerns from local market players threatened by increased competition
- Concerns on the effectiveness of cross border legal enforcement and dispute resolution
- Concerns for retail public lacking sophistication and financial literacy
- Failure to see the need for intra-ASEAN integration before global integration

# Rationale for regional integration

- Improve global competitiveness of ASEAN markets *vs.* other regions
- Prevent marginalization of individual markets
- Improve market efficiency and choices for local investors and issuers
- Expand business opportunity for local market players, hence increase economy of scale

# Strategies of ACMF

**1. Build brand recognition for ASEAN asset class**

Create brand awareness and recognition for ASEAN products and increase visibility in global market

**2. Lift ASEAN standards of regulations and practices**

Harmonize ASEAN members standards and converge to global standards

**3. Build mutual and global trust in ASEAN standards through MR regime**

Build global and mutual trust through mutual recognition regime in ASEAN which facilitates cross-border offerings of products

**4. Facilitate flow and access into ASEAN markets**

Allow global players access into any ASEAN markets from one single access point of their choices

# Implementation approach of ACMF

- Adopt phased approach
- Convergence to international standards to the greatest extent possible
- Gradual liberalization starting with offers to NRI first

# Key initiatives

## 1. Products :

- Equity**, allow dual listings of equity products
- Mutual recognition (MR) scheme for **debt securities/CIS offering**, starting with offers to non-retail investors

## 2. **Market professionals:** MR scheme for market professionals involved in cross-border offerings

## 3. **Exchange infrastructure:** link ASEAN exchanges through ACE gateway, create clearing and settlement and depository network

## 4. **Legal area:**

- Guidelines for dispute resolution mechanism
- Cooperation between home and host regulators to enforce home country laws in host country, and
- Home country liability regime for compensating aggrieved investors



# General approach to cross-border offering of products and services under mutual recognition regime

## Sequence

- Allow product offerings through local intermediaries first
- Apply to offers to NRI (non-retail investors) before RI (retail investors)

## Basic facts

- Two underlying constraints in ASEAN emerging capital markets:
  - Low level of sophistication and financial literacy among retail public
  - Difficulties in cross-border enforcement and dispute settlement
- Need to rely on local intermediaries at point of sale to:
  - Assess investor suitability
  - Be accountable for misconduct

## **Based on this, two key initiatives may not be achievable in 2015:**

- Single passport regime for market intermediaries (brokers/dealers)
- Bypassing local intermediaries when soliciting local RI

# Major milestones

## **1. Harmonization of standards**

- Disclosure Standards: completed and adopted in 3 jurisdictions
  - Next step: Phase out "Pluses"
- Listing and CG standards: by 2012

## **2. Mutual recognition**

- Market professional (financial advisor) by 2012
- Cross-border product offerings:
  - Equity: dual listing of top tier companies to be allowed by 2010 (*expected*)
  - Debt securities and CIS (*to be finalized with ACMF*):
    - MR for offers to NRI by H1 2012
    - MR for plain products offers to RI by 2012
    - MR for complex products offers to RI by 2013

## **3. Infrastructure linkages**

- Participants to go live first are Bursa Malaysia and SET by 2011
- Settlement linkages by 2012

# Thank you

More info can be found at  
[www.theacmf.org](http://www.theacmf.org)