



Euromoney Conferences: The Greater Mekong Investment Forum 2018

“Co-creating the GMS Opportunity Platform”

Speech by Dr. Pakorn Peetathawatchai, President of The Stock Exchange of Thailand

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Excellency Dr. Pichet Durongkaveroj, Minister of Digital Economy and Society;

Mr. Tony Shale, Chief Executive Officer, Euromoney Institutional Investor, Asia;

Distinguished Guests,

Ladies and Gentlemen:

Let me first thank Euromoney for organizing this prestigious investment forum and I also would like to extend a very warm welcome to those of you who traveled from abroad. This is only my second week as the SET President, so it is therefore a very special occasion to speak to you all.

The Greater Mekong Sub-region or GMS is well recognized as one of the fastest growing regions in the world. It has emerged and progressed with high economic growth and increasing level of trade and abundant investment opportunities. Over the past few years, we have seen remarkable progress in the physical infrastructure in the region. This development will greatly improve good and service movement and people-to-people connectivity. However, we still have a lot of works to do in the financial market front, especially in the capital market.

Until recently, the main source of fund for these infrastructures has been from the GMS governments to borrow either through the banking system or foreign countries. And there is a limit to that. Given the sheer size of infrastructure development, funding sources need to be diversified. The well-developed capital market is thus very important to support the economic growth and match long-term funding requirement.

Ladies and gentlemen,

The development in the region will require enormous financial resources. We need to find ways to mobilize fund within the region to bridge these funding gaps.

During the past decade, Thailand's capital market has been fortunate to serve the governments and business sectors in the GMS. One of the very first moves was that EDL-Generation, a subsidiary of Electricite Du Laos, has leveraged the deep liquidity in Thai bond market by issuing Thai baht and USD bonds, setting a precedent for other companies in the region. As a result, issuers from Laos have issued foreign bonds of approximately 80,000 million Baht in total value.

Thailand's experiences have demonstrated that large investment projects, such as the development of Thailand's Eastern Seaboard some 20 years ago, and the recent international expansion of many Thai companies aboard have fueled the growth of the capital market.

However, it has taken Thailand at least 3 decades to grow our capital market. The newly established regional capital markets can learn to fast track the development and avoid mistakes that Thailand has made. By working together, in the near future, I am hopeful that each country will be equipped with the capital market that serves each country at its full capacity as an engine to finance the economy that will improve quality of 330 million lives.

Ladies and gentlemen,

While Thailand's capital market can lend further support to our neighboring friends, there has never been a better time than now to turn the period of regional mega infrastructure investment into the golden opportunity to accelerate the development of the newly established capital markets throughout the region.

GMS countries can co-create the capital market's "Opportunity Platform" to achieve regional inclusive development—one that does not leave anyone behind. In my view, there are three ingredients to what makes a successful opportunity platform.

First: Interoperability of soft and hard infrastructures. Rules and regulations should be harmonized or mutually recognized. This would result in greater product portability and availability. Due to the globalized nature of business, system infrastructure from pre-trade to trading to post-trade should be interoperable.

Second: Diversity and quality of participants. The ecosystem should be equipped with a wide variety of demand, supply, intermediaries and investors. This would result in the network effect that attracts more and more participants.

Third: Flow of capital and information. Our opportunities can be expanded by making capital and information flow as much friction free as possible.

All of these combined will result in the attractiveness of the GMS region as the Opportunity Platform for all.

The opportunities in the GMS are now available through the Thai capital market. We offer a range of GMS products to investors worldwide. Thai holding companies which invest in GMS have been listed for many years. The holding company scheme provides investors with an entry to GMS countries with internationally accepted standards through the Thai stock exchange. Infrastructure trust that invests in Vietnamese asset is listed. The total market capitalization at IPO for foreign assets was approximately 93 billion Baht.

Next month, Thailand's stock market will launch the CLMV Exposure index, allowing investors to tap these growing economies consisting of securities of Thai listed companies with sufficient liquidity and size, generating income from their business operations in CLMV to reflect the price movements of the stocks of listed companies that benefit from the economic growth in these countries, and to be a stepping stone for developing various financial products in the future.

In addition, SET is currently working with the Lao government to create Laos' first infrastructure fund that will securitize hydropower assets.

This investment trust will be listed on the Thai capital market. Another project in discussion is the secondary listing of a Cambodian company, Phnom Penh Special Economic Zone, with the Cambodia Securities Exchange.

Furthermore, SEC and SET's mechanism are ready to facilitate investment in foreign securities listed offshore through **Depository Receipt or DR**, representing deposited foreign securities, including those listed on exchanges in GMS countries.

The Thai Securities and Exchange Commission has also encourage the Thai mutual fund industry to expand abroad by facilitating rules and regulations for offshore investment. Several mutual funds that invest in Vietnamese companies are also available through Thai asset management companies.

Concerning the Baht Bonds, Thailand has developed initiatives to promote itself as a hub for financing and investments in the region. You can issue baht bonds to the domestic market and are allowed to take the funds offshore.

Ladies and gentlemen,

As much as we have tried to promote opportunities in GMS, we still face difficulties and obstacles that still prevent us from co-creating the Opportunity Platform.

Factor #1 is rules and regulations: The main difficulties come from different rules and regulations standard that should be taken into account as a top priority. The key is **how** to focus on mutual recognition and harmonization as a mechanism to foster regional cooperation.

When the alignment of regulatory and legal ecosystem has not been materialized, information disclosure concerning the gap among countries for investors to acknowledge risks should be pointed out clearly and can solve differentiation in rules and regulations.

Factor #2 is Foreign exchange: Another important factor to be considered is FX as it involves transaction costs. Therefore, facilitation of fund transfer mechanism should be enhanced for more efficient and lower transaction costs. One tactical approach to reduce unnecessary transaction costs is to enhance the settlement linkage among the GMS countries. Benefits will be multiplied in real terms of returns of activities.

Factor #3 is intermediaries: In this digital age, new economic landscape, innovative ecosystem and disruptive technology, intermediaries need to be partnered to be able to offer cross border products and provide efficient services. Intermediaries in GMS should be further linked and connected like never before. Opportunities are plenty and benefits are bountiful from economies of scale and scope, leading to improvement and innovative services at lower prices. We need to coordinate and synergize with intermediaries across the region.

Ladies and gentlemen,

The Thai capital market stands ready to co-create the Opportunity Platform with all stakeholders. The Stock Exchange of Thailand is fully committed to promoting the development of the GMS capital markets and to providing a once-in-a-lifetime opportunity for those who would like to make entry into the fast-growing GMS region. Now is the time to lay down the strong foundation in the GMS for the prosperity of the current and future generations to come.

Before I finish my talk today, I would like to thank Euromoney once again for organizing this conference. I wish you all productive and fruitful sessions throughout the conference.

Thank you!

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