

The Greater Mekong Investment Forum - Euromoney Conferences

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“Connecting to Thailand, Connecting to GMS”

Introduction

Excellency Dr. Supachai Panitchpakdi, Former Deputy Prime Minister of Thailand, Former Director-General, WTO and Former Secretary-General, UNCTAD;
Mr. Tony Shale, Chief Executive Officer, Euromoney Institutional Investor, Asia;
Distinguished Guests, Ladies and Gentlemen:

On behalf of The Stock Exchange of Thailand (SET), I would like to express our special thanks to Euromoney for organizing this prestigious investment forum which has been going on for over a decade.

It is an honor for me to have this opportunity to share with our vision at SET on 2 main issues. The first issue is on how Thai capital market can become a springboard to GMS economic development. And, the second issue is on the impact of digital technology on capital market and how we will respond.

Issue 1: Thai Capital Market as a Springboard to GMS Economic Development

While the global economic growth is slow, the Greater Mekong Sub-region (GMS) is shining as a bright spot. 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 investment activities.

Regional collaboration has been one of the keys to improve economic opportunities and living standard of GMS Members. With closer regional integration, national boundaries are blurred and as such businesses and people of GMS benefit from greater intra-regional trade, investment, and tourism that transcend nations.

1) Thai listed companies with exposure in GMS

(Invest Outside)

As an example, out of 545 companies listed in SET main board, 231 companies invest abroad. Not surprisingly, given our connectedness, 144 companies invest in GMS region, representing 62% of total investment abroad amount. GMS has consistently been the top destination for outward foreign direct investment. We can see that the fund raised from Thai capital market has been supporting GMS development.

(Revenue from Outside)

On the other hand, out of 545 companies listed on SET main board, 264 companies have revenues from abroad with 64% of foreign revenues from Asia, including GMS. On this, we can see that the results of these Thai companies' involvement in GMS region have been supporting Thai economy.

2) SET CLMV Exposure Index as a vehicle to GMS investment

Building on these facts, The Stock Exchange of Thailand has launched our SET CLMV Exposure Index, consisting of top 31 Thai listed companies with business exposures in GMS region. This index, which can be used as a benchmark for funds, allows Thai-based investors to benefit from the growing GMS economies.

3) DR as a win-win solution for cross border investment

In addition to the CLMV index that contains Thai listed companies with GMS exposure, the Stock Exchange of Thailand has been collaborating with other exchanges in promoting cross border investment products.

We have recently had a listing of a Depository Receipt (DR) on Vietnam's Exchange Traded Fund (ETF) that not only broadens investment opportunity for Thai-based investors, but also increases liquidity in Vietnam's markets. We found that since the launch of this DR project on December 18, last year, the average trading volume of Vietnam's ETF increases by 110% and 66% of trading value comes from Thai-based investors.

Our experience with the DR product confirms our belief that capital market integration could be structured in a way that is a win-win for participating countries. It is SET's vision and my passion to continue promoting the connectivity among GMS exchanges through DR and other mechanism, which I truly believe that will help uplift liquidity in regional capital markets and benefit the economy of the region.

4) ACMECS Infrastructure Fund to help develop regional infrastructure

Capital market can also help accelerate infrastructure development. As an example, during the past few years, Thailand has been leveraging on our capital market to improve infrastructure throughout our country.

Currently, there are 7 infrastructure funds—6 private and 1 public, ranging from telecommunication, energy, and transportation sectors listed on our exchange. The most recent one is Thailand Future Fund that was launched in 2018 as an alternative funding vehicle for Thai government. Specifically, revenues from two

motorways in Thailand were securitized and packaged for investors, thereby allowing the Thai government to use the proceeds for construction of additional public infrastructures without relying on public budget. The infrastructure fund not only save public money but also allow investors to participate in bankable public projects.

Building on this experience from Thailand, Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or ACMECS Ministers have agreed in the Bangkok Declaration to set up ACMECS Infrastructure Fund as an alternative financing for key infrastructures in GMS region. I truly believe that ACMECS Infrastructure Fund will help accelerate infrastructure development in GMS the same way that Thailand Future Fund and other infrastructure funds have help Thailand.

Issue 2: The Impact of Digital Technology and how SET responds

Now, I will move to my second subject on how SET will react to the change in technology and how regional capital market could benefit from that. We have identified the disruptive technology especially digital assets as one of the main challenges when planning the three-year (2019-2021) strategic direction. We believe that digitization can be used not only to improve efficiency of traditional products and services but also to enable new products and services that have the potential to be the future of our business.

SET is building infrastructures to promote efficiency. We see room for improvement in financial system infrastructures to support digital transformation. We have worked with stakeholders to develop utility infrastructure to address common needs to digitize and streamline the end-to-end processes. One example is our FundConnex service which is an open-architecture platform connecting investors and funds locally and internationally to domestic and foreign asset

management companies. This will widen local investors' opportunities to connect to overseas markets, and paving the way for Thai-based asset management companies to access overseas customers.

In addition, SET is working towards setting up a digital asset platform in Thailand. We collaborate with stakeholders to build the digital asset platform, which is expected to be launched in 2020. This new ecosystem to support digital assets will create new opportunities and transform the Thai capital market landscape in the future. We focus on building a one-stop digital market that will open new investment opportunities and levelling up investment experiences for more convenience at higher speed.

SET strongly believes that collaboration with all stakeholders in enhancing the existing infrastructures that are a backbone of the current ecosystem and in building the new digital asset ecosystem. And SET is more than willing to utilize our digitized platform in connecting to GMS if opportunities allow in the future; for example, hypothetically we can think of using a stable coin to ease the pain points of cross-border settlement.

Building on digital moves, trust remains at the center of the ecosystem. SET will leverage our assets and know-how including technology, human capital, finance, risk management, corporate governance and investor protection, underpinned integrity and quality products in the ecosystem.

Ending notes

To end my remarks today, please allow me to reiterate that regional connectivity is as an essential foundation for growth and the increasing interconnection among the GMS countries can help expand economic potential and opportunities. In addition, in the world of digitalization, business cannot be run alone in the digital

age. SET stands ready to cooperate and connect to our GMS friends in moving our capital markets forward.

I am convinced that the conference today will help generate more food for thoughts, which would help smooth our journey towards the sustainable growth of the region.

Thank you.