



The Stock Exchange of Thailand

# Challenges for Asian Exchanges

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26 November 2013

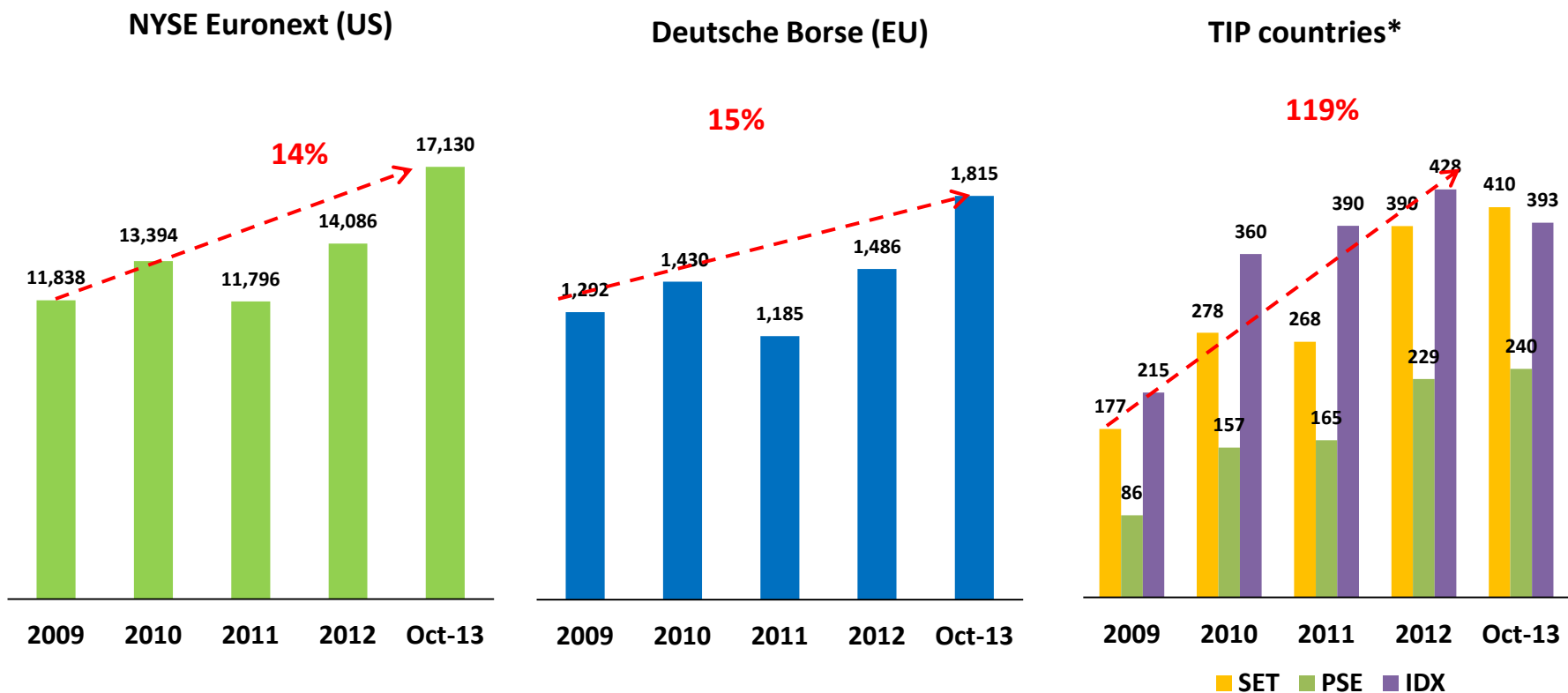
- **Resilience of Thai capital markets amid global turmoil**
- **ASEAN capital market integration**
- **SET's initiatives to grow with the regional market**

# Resilience of Thai capital markets amid global turmoil

Rise of emerging markets: Strong growth of market capitalization at 119% in the past 3 years

## Market capitalization 2009 – Oct 2013

Unit: Million USD



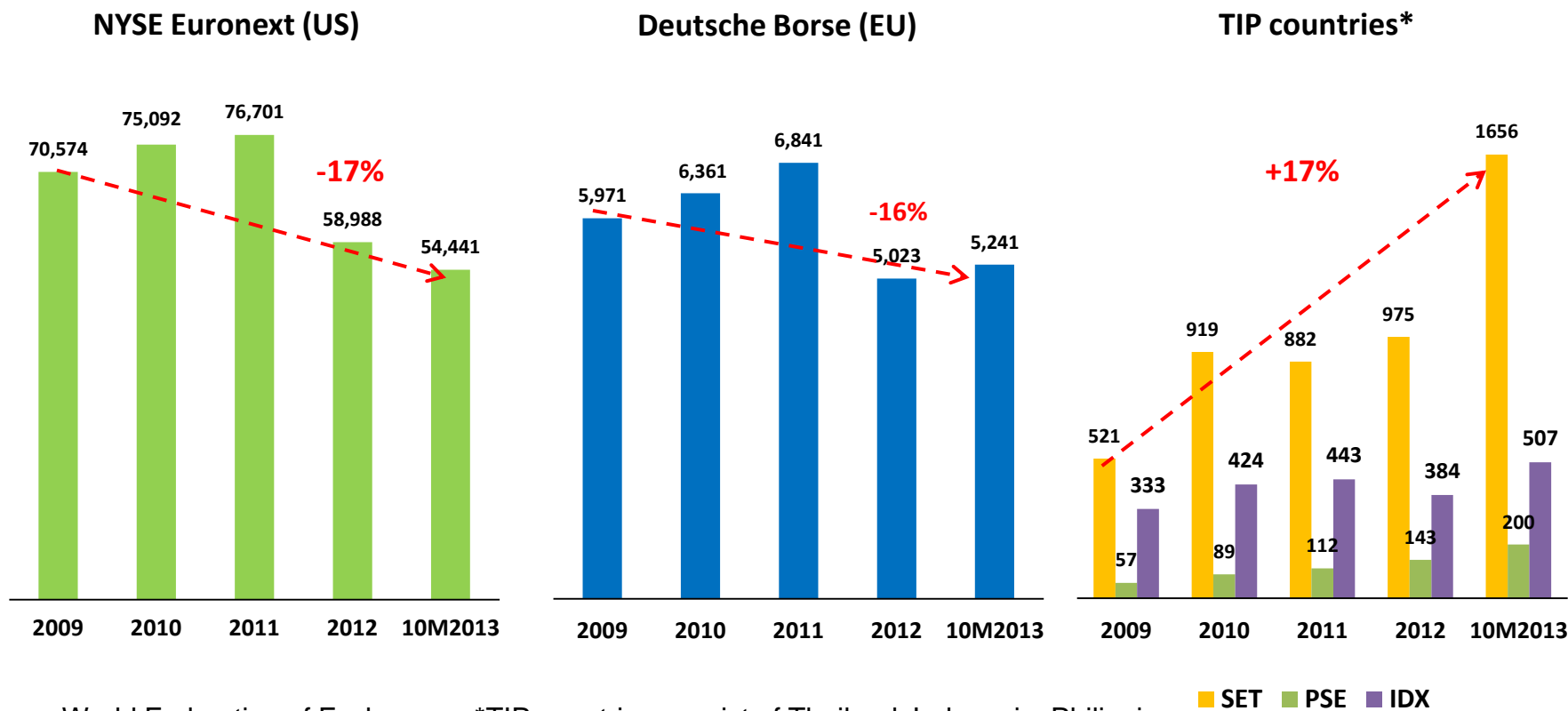
Source: World Federation of Exchanges, \*TIP countries consist of Thailand, Indonesia, Philippines

# Resilience of Thai capital markets amid global turmoil

Rise of emerging markets: Trading growth in emerging markets have been significantly higher than that of the major markets in the US and Europe.

## Average Daily Turnover 2009 – Oct 2013

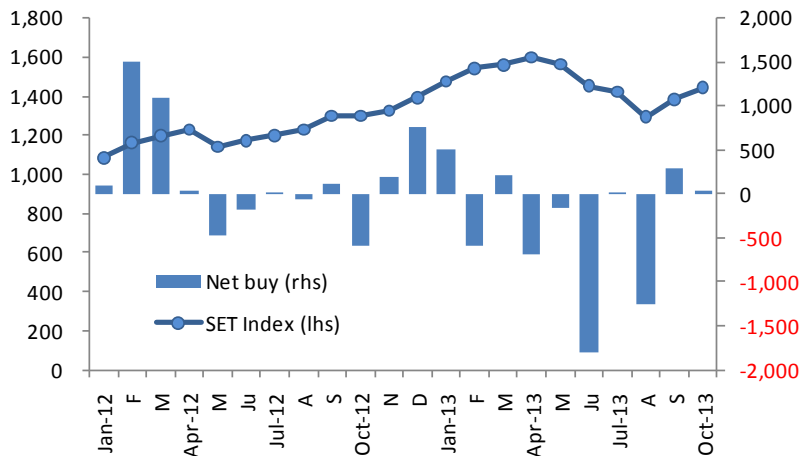
Unit: Million USD



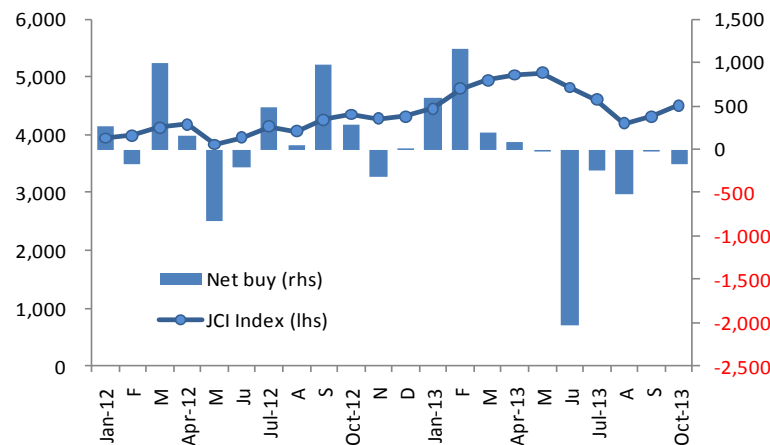
# Resilience of Thai capital markets amid global turmoil

- Fund flow of foreign investors had significant impact around the globe.

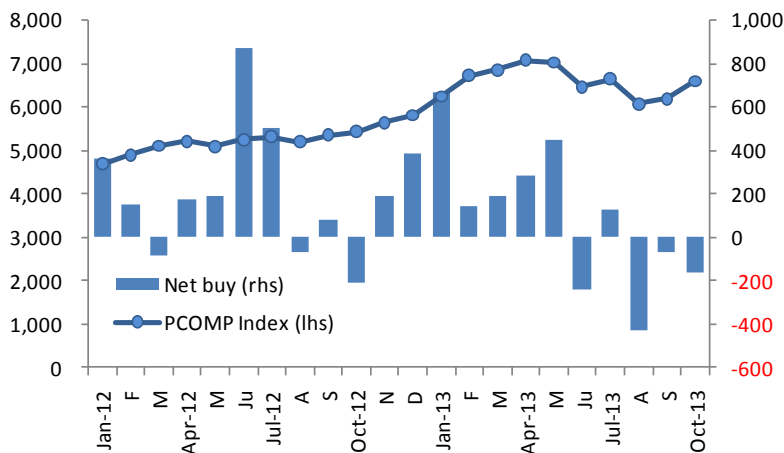
## Fund flow and Index of Thailand in 2012 – Oct 2013



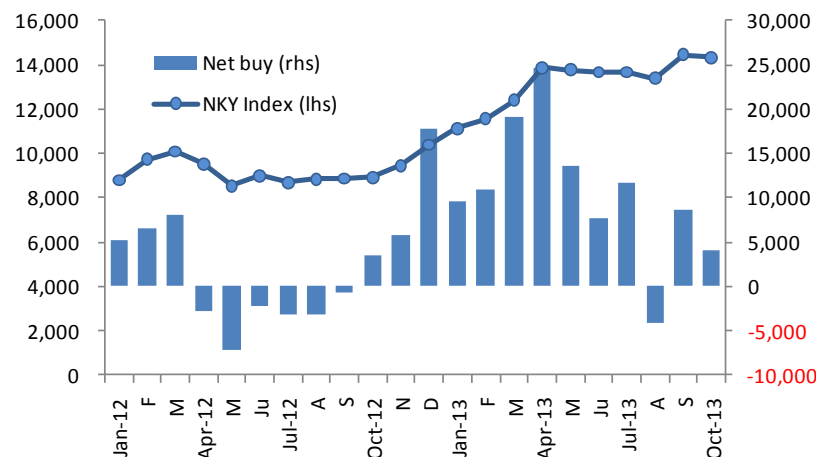
## Fund flow and Index of Indonesia in 2012 – Oct 2013



## Fund flow and Index of Philippines in 2012 – Oct 2013



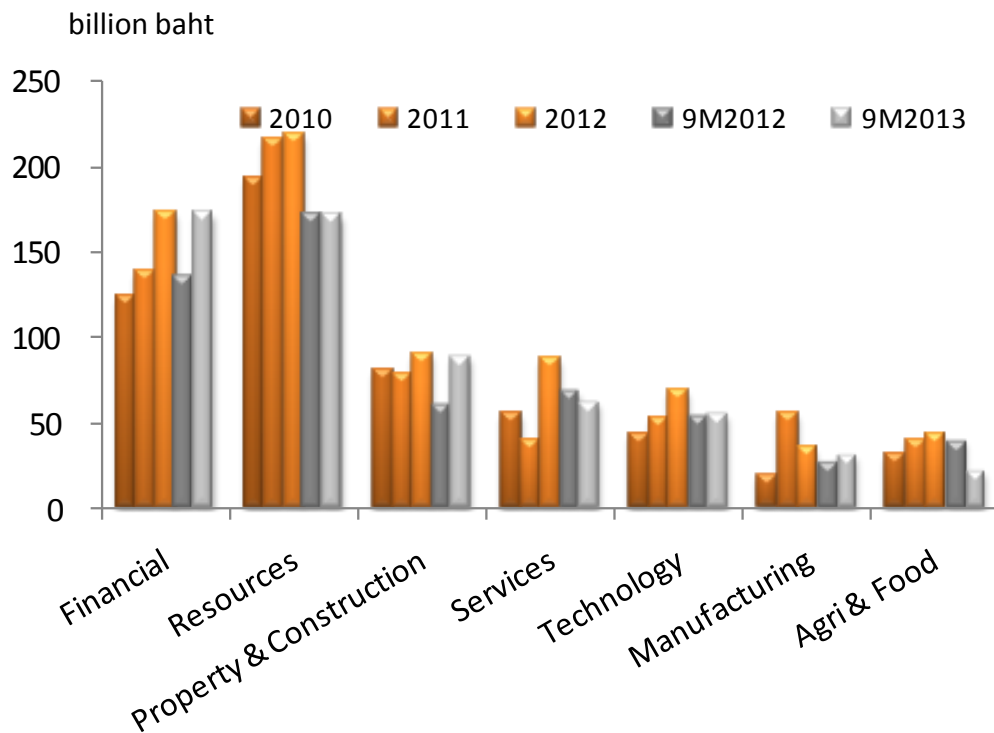
## Fund flow and Index of Japan in 2012 – Oct 2013



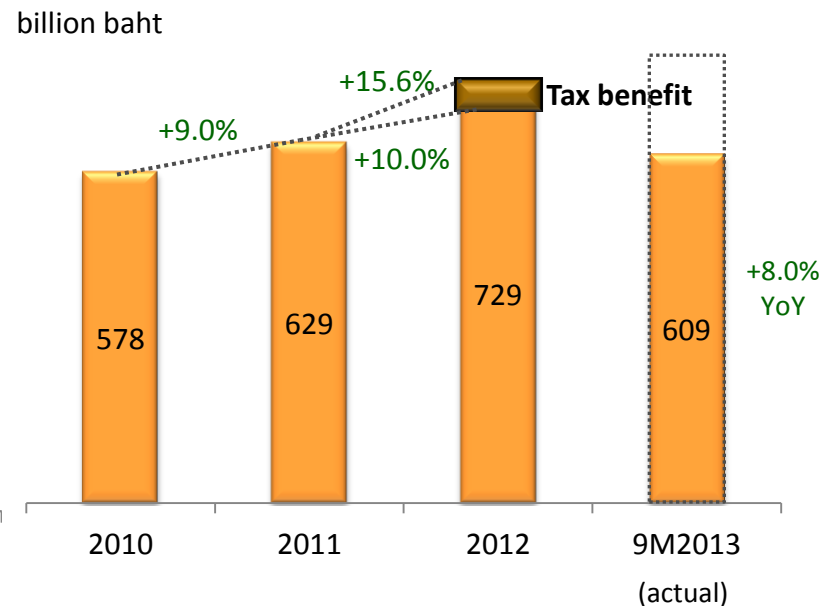
# Thai listed companies

- Net profits of Thai listed companies in key sectors remained strong.
- Thai listed companies benefit from the reduction of the corporate income tax rate from 30% to 23% in 2012, and additional benefit from the reduction to 20% in 2013.

## Net profits of Thai listed companies by sectors



## Net profits of all Thai listed companies



## Thailand's corporate income tax rate

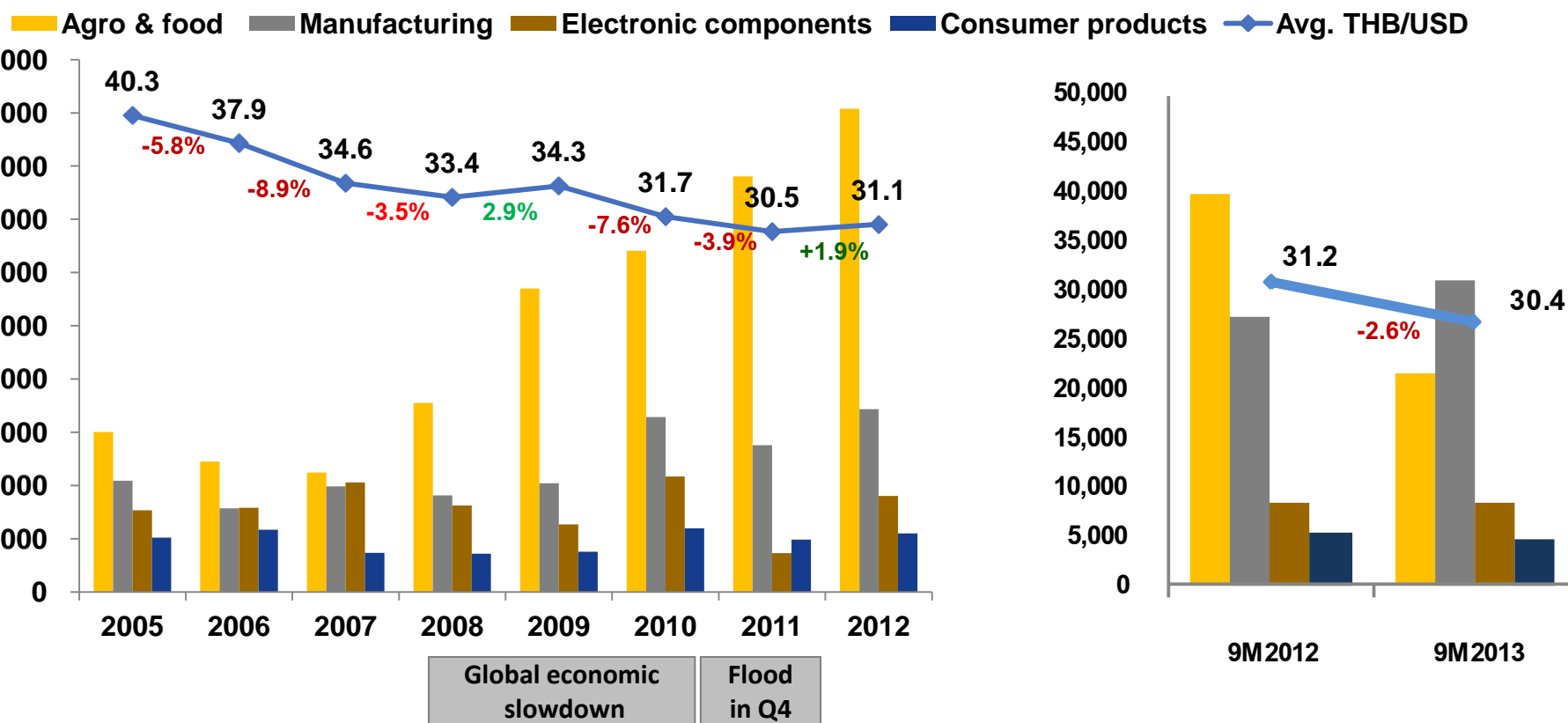
Year	2010	2011	2012	2013
Rate	30%	30%	23%	20%

# Thai listed companies

- Net profits of exporting industries held up well despite THB appreciation against USD.
- Net profit of agro & food sector in 9M2013 fell because raw material price sharply increased (shrimp and tuna).

## Net profits of exporting industries (only companies listed since 2005)

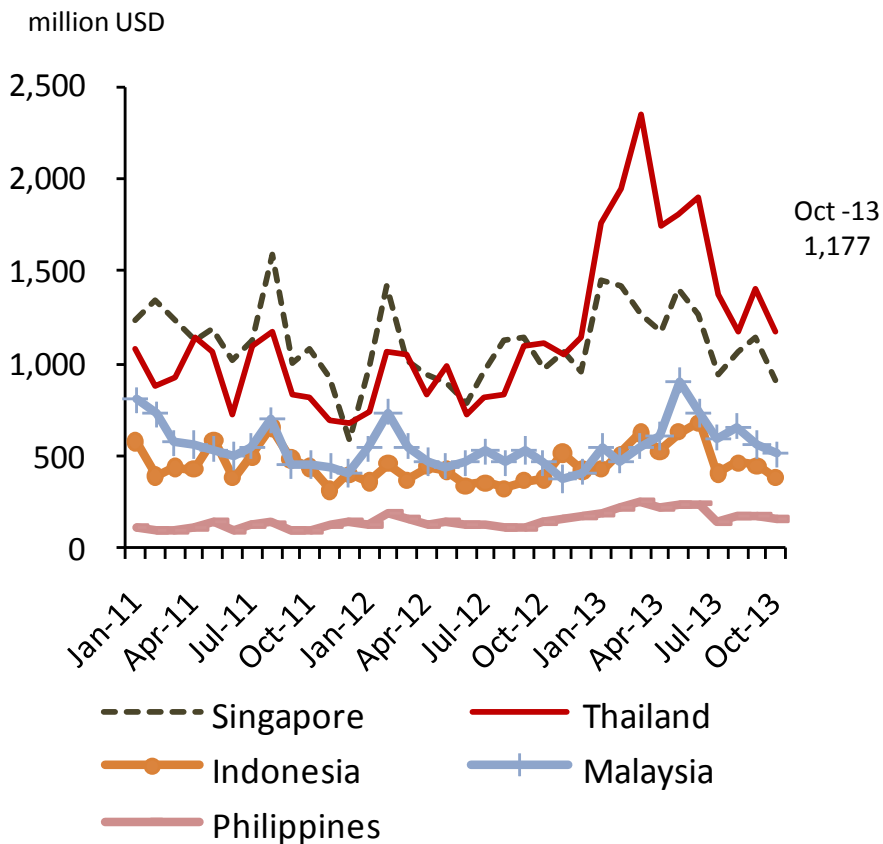
million baht



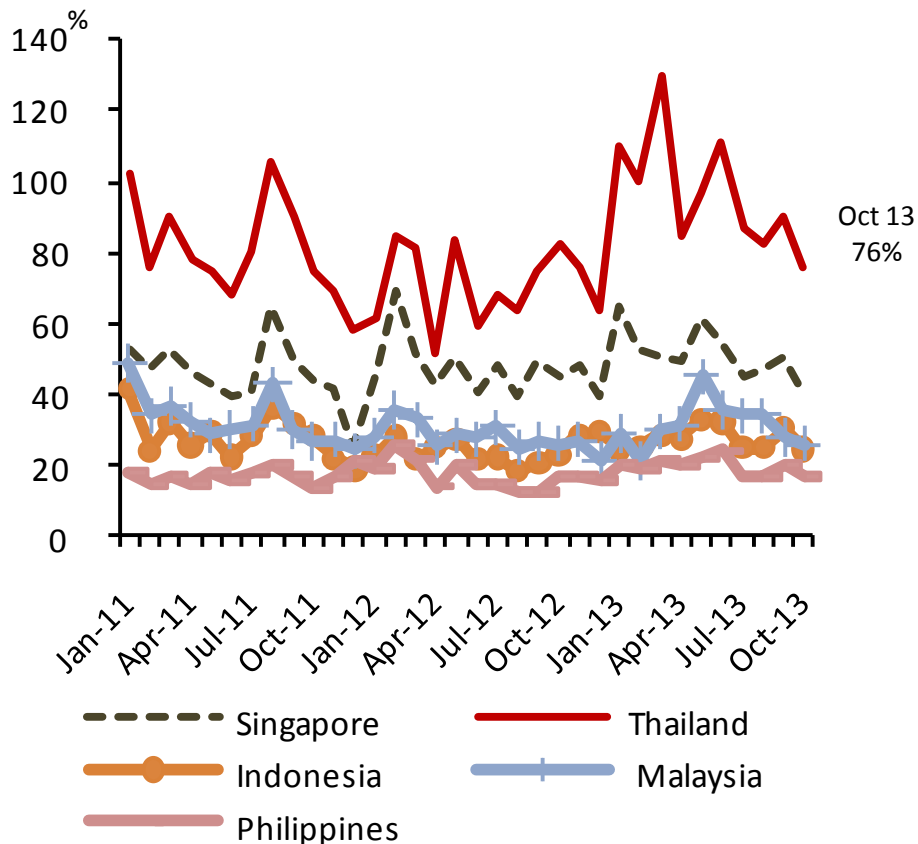
# Resilience of Thai capital markets amid global turmoil

- SET's average daily turnover is around USD 1,177 million, up from USD 1,000 million in 2012.

### Average daily turnover (2008 – Oct 2013)



### Share turnover velocity\* (2008 – Oct 2013)



Source : World Federation of Exchanges (WFE)

\*Share turnover velocity is calculated by (Monthly EOB Domestic Share Turnover / Month-end Domestic Market Capitalization) \*12

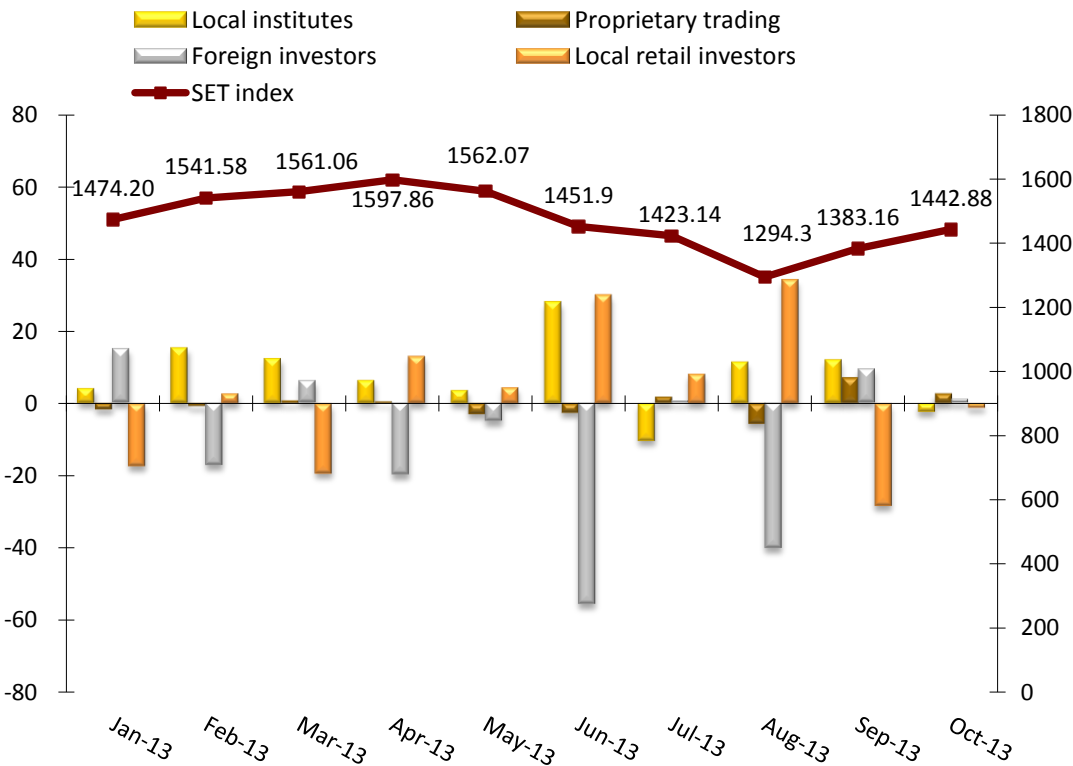


# Resilience of Thai capital markets amid global turmoil

- SET has a well diversified investor base.
- Local retail investors have played a key role in providing liquidity to SET and stabilizing SET index amid volatile international capital flows.

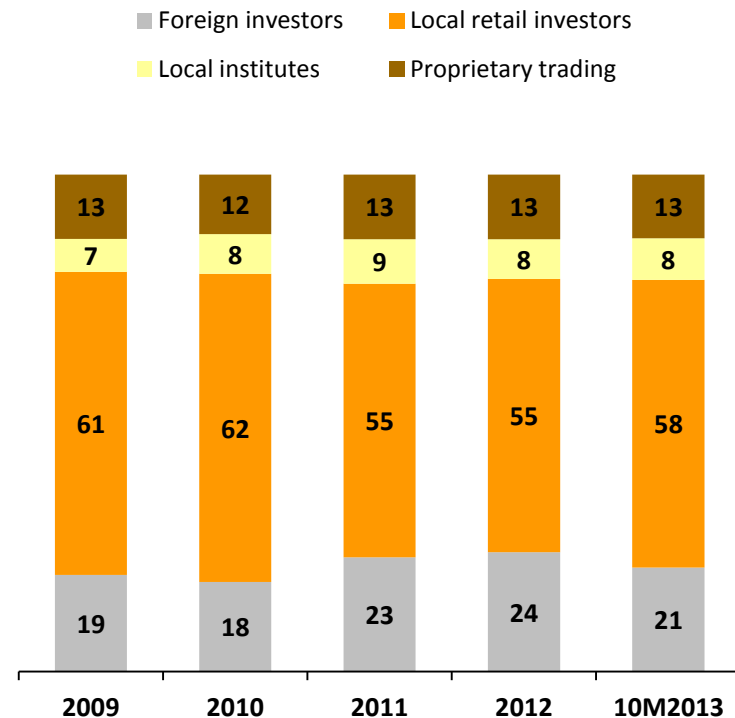
## SET index and net buying position in SET and mai

Unit: billion baht (LHS), index (RHS); as at end October 2013



## Transactions by investor type

percent

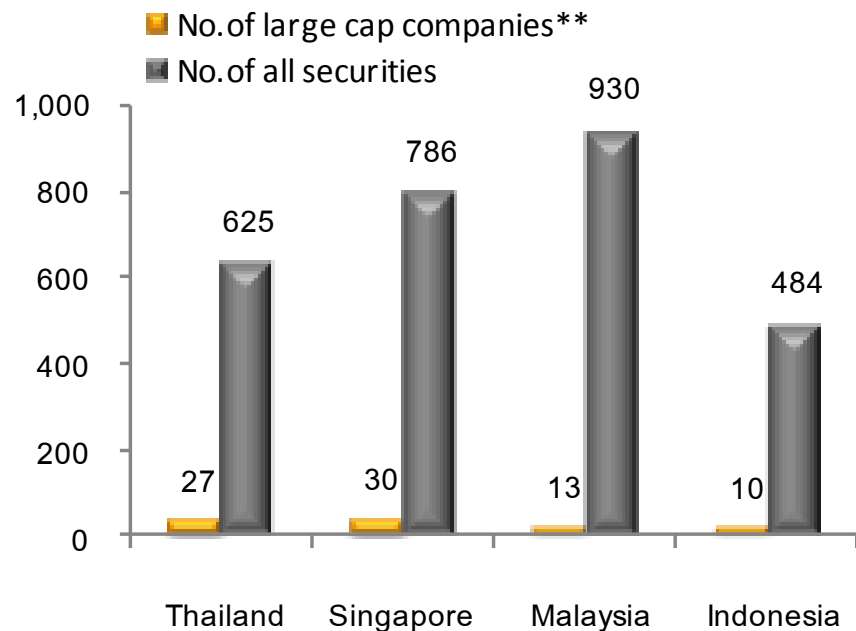


# Resilience of Thai capital markets amid global turmoil

- SET has a relatively larger number of large-cap liquid listed companies than peers.
- Trading activity is mainly in SET50 and SET100 which represents to 60% and 80% of total market capitalization respectively.

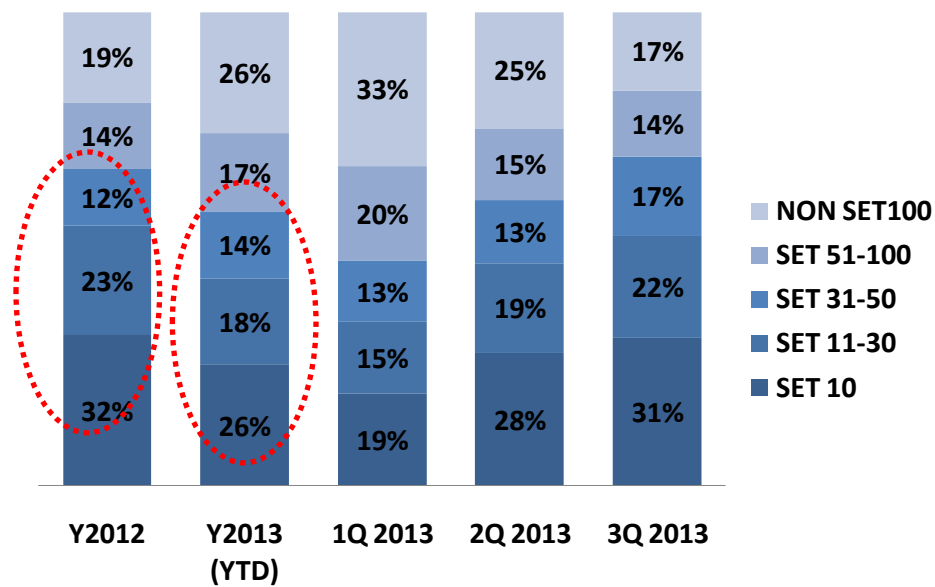
## Number of listed companies having market capitalization >= \$1 billion and daily average trading value\* >= \$10 million

data as at Sep 2013



## Trading value by market capitalization

Unit : %, data as at September 2013



Source : World Federation of Exchanges (WFE), Bloomberg

\*Average daily trading value during Mar 2012 – Sep 2013

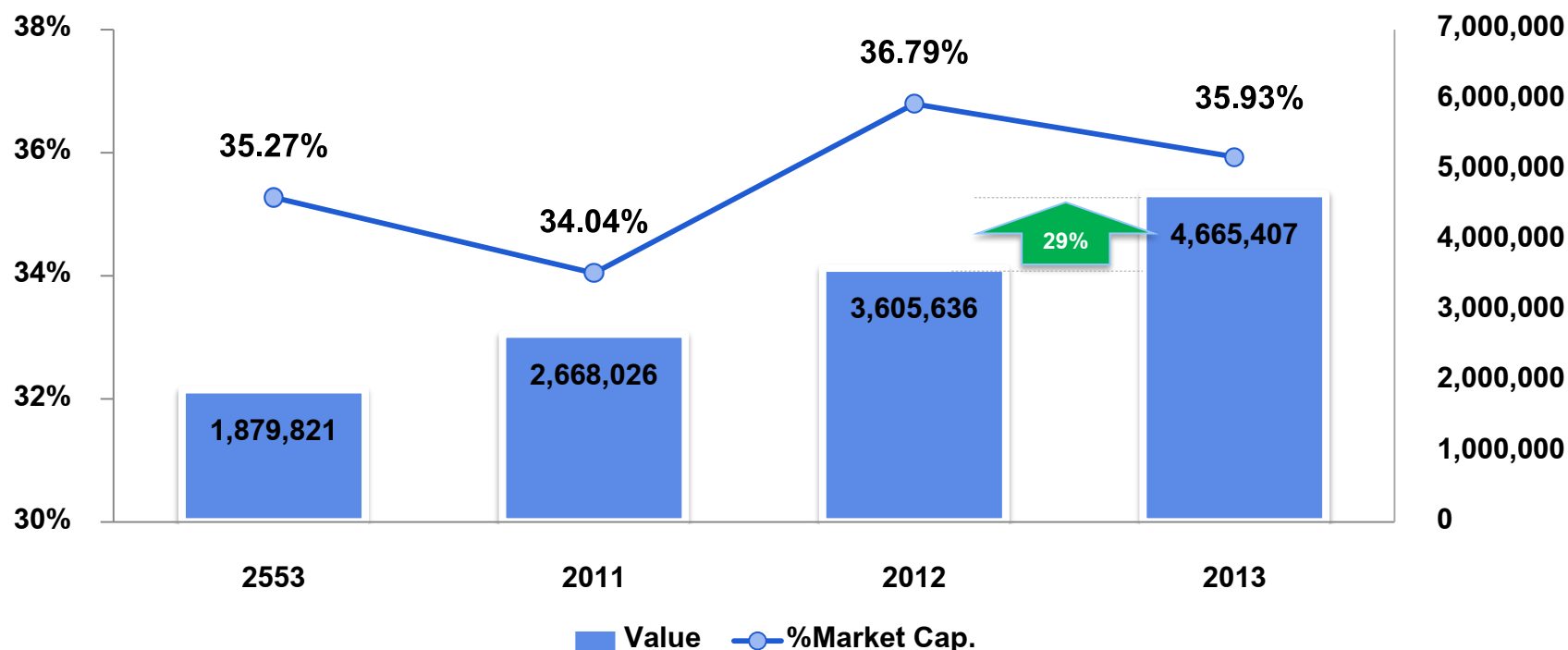
\*\*Large-cap listed companies mean companies having market capitalization >= \$1 billion and daily average trading value >= \$10 million

# Resilience of Thai capital markets amid global turmoil

- Value of foreign holding is at a high of 4.67 trillion baht, increasing 29% from the previous year which accounted for 35.93% of total market capitalization.

Foreign holding by trading value and market capitalization  
 May 2012 – Apr 2013

unit: %Market Cap, million baht



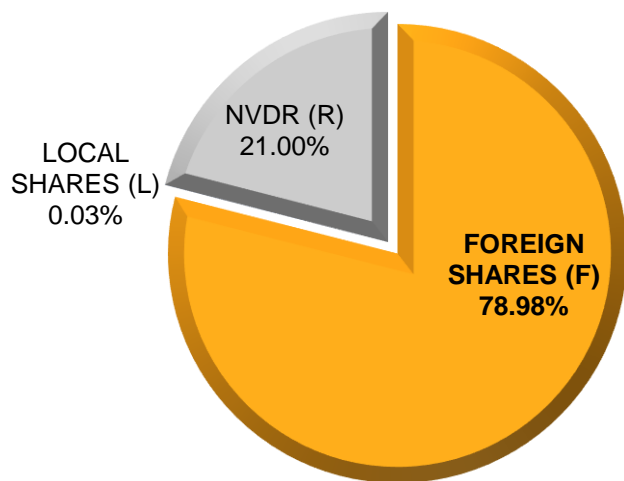
# Resilience of Thai capital markets amid global turmoil

- 79% of foreign shares are held by foreign investors because of the beneficiary in voting rights whereas trading activity is mainly focused on local shares and NVDR.

## Foreign holding classified by security type

May 2012 – Apr 2013

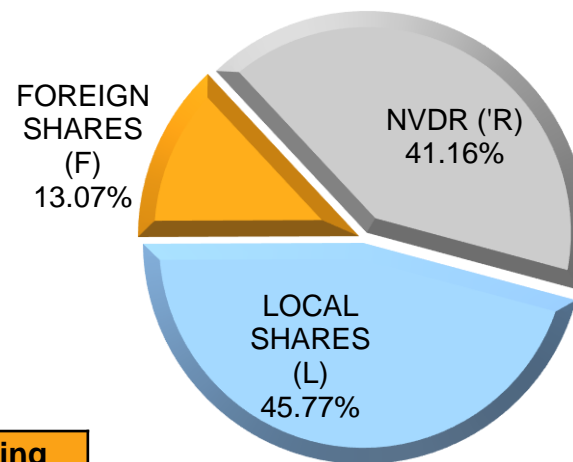
unit: % of holding value



## Foreign trading classified by security type

May 2012 – Apr 2013

unit: % of trading value



Voting rights

	Holding Proportion	Trading Proportion
F	78.98%	13.07%
R	21.00%	41.16%
L	0.03%	45.77%

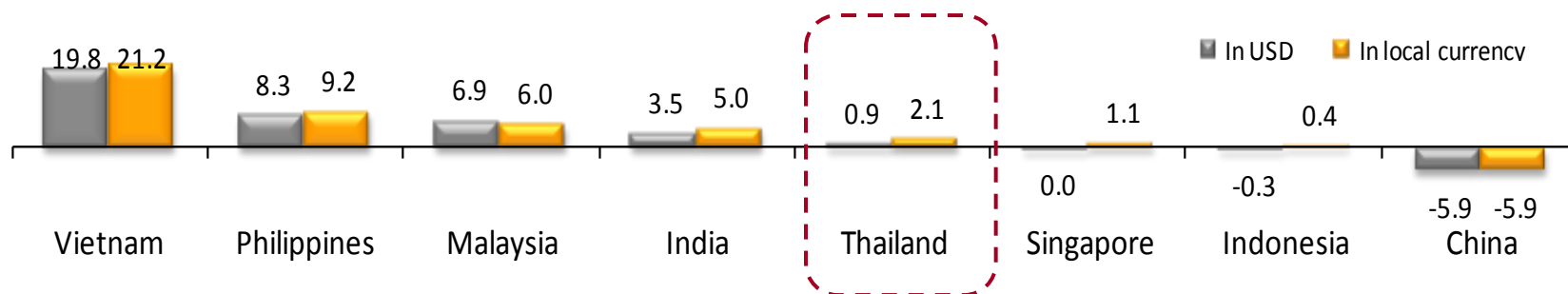
Liquidity

# Resilience of Thai capital markets amid global turmoil

- In 2013, SET index increases 2.1% in local currency.
- SET 2010-2012 index performance was among the best in the world.

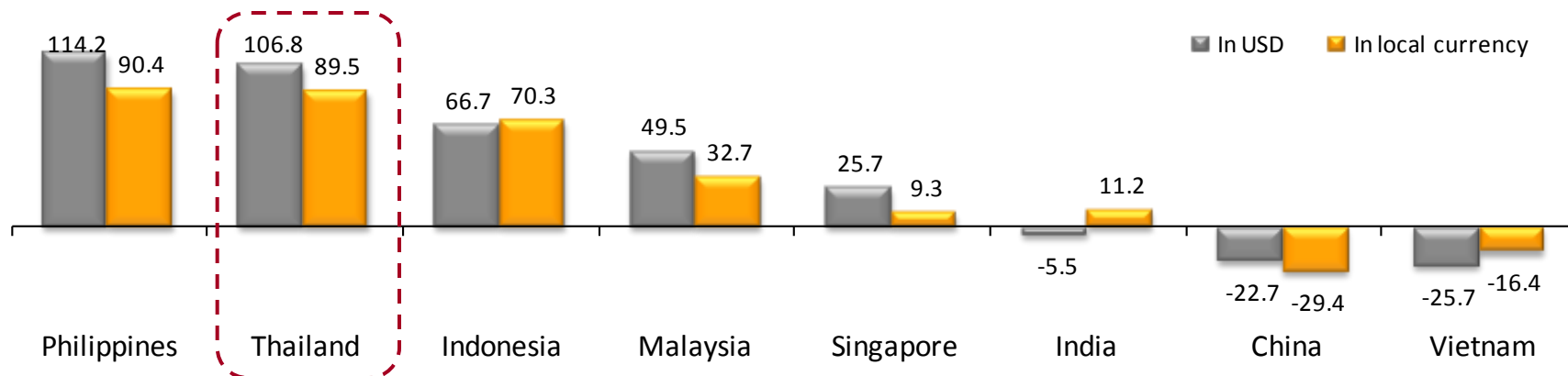
## YTD index performance

percent; as at 15 Nov 2013



## 3-year (2010-2012) index performance

percent; data as at end December 2012



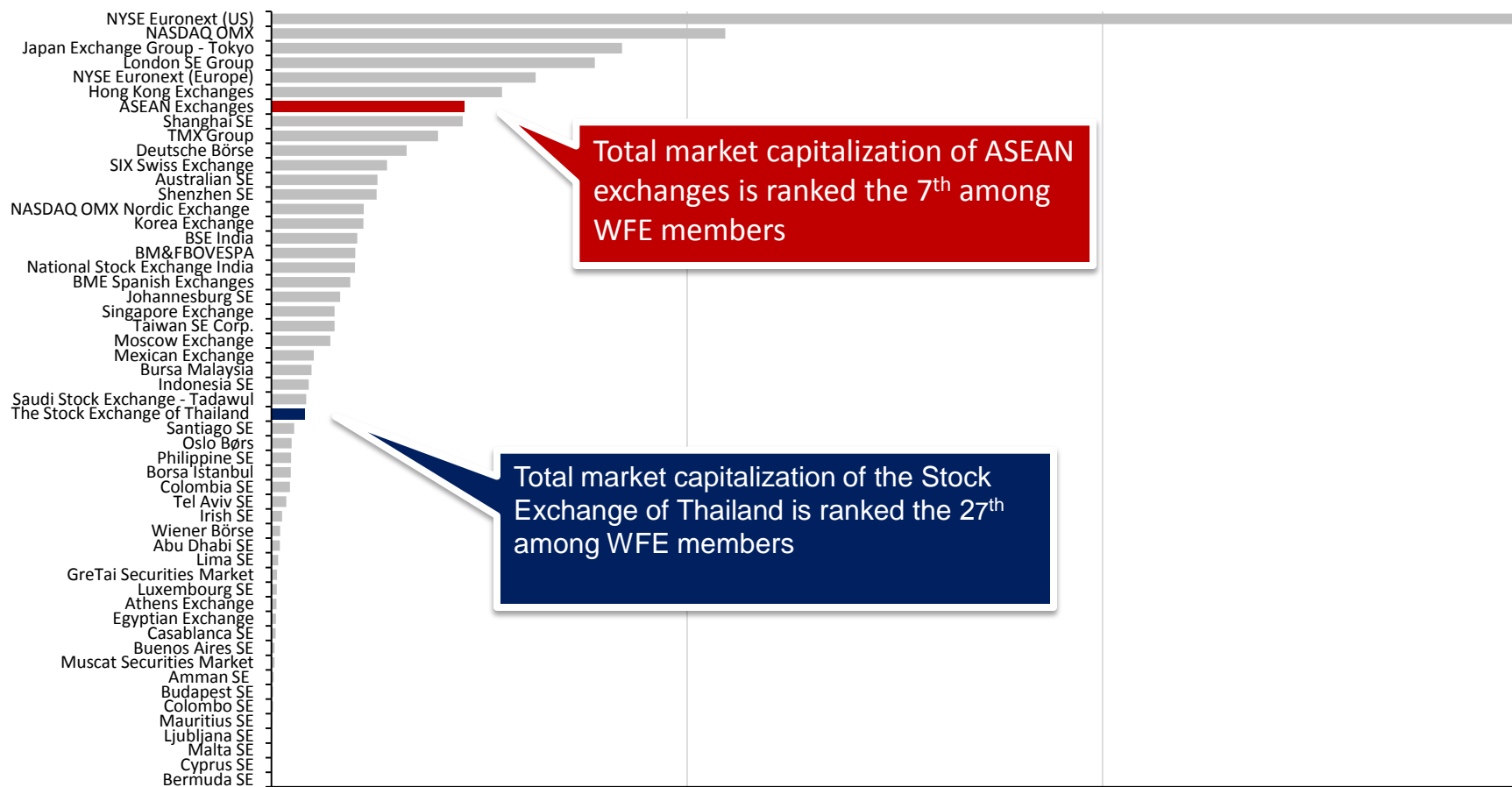
- **Resilience of Thai capital markets amid global turmoil**
- **ASEAN capital market integration**
- **SET's initiatives to grow with the regional market**

# ASEAN capital market integration

- Market capitalization of each individual ASEAN exchange is relatively small, but once combined, ASEAN exchanges are gaining more visibility and making higher impact.

## Rank of market capitalization of ASEAN exchanges

Updated as at 31 July 2013; Unit: Billion USD



# ASEAN capital market integration

ASEAN Exchanges work in tandem to enhance the competitiveness of ASEAN Capital Market.

## Members of ASEAN Exchanges' collaboration



## ASEAN Capital Market Opportunity

**6 Countries**  
**7 Exchanges**  
**3,778 Listed Companies**  
**590 million peoples**  
**USD 2 trillion market cap.**



**6% GDP growth projected**  
**in ASEAN-6**  
**2011-2015**



# ASEAN capital market integration

I. Promoting ASEAN as an asset class by creating regional products and organizing marketing activities.

## ASEAN Products

- ASEAN indices
- ASEAN ETFs
- ASEAN Research Center

## International Roadshow (Invest ASEAN)

- Intra ASEAN and Outside ASEAN. Hosted by ASEAN Exchanges and Co-hosted with partners, especially brokers

## ASEAN Exchanges' website

- Integrated source of information on
  - ASEAN Listed Companies
  - Securities Companies
  - ASEAN Exchanges

ASEAN Exchanges are working with an index provider to develop regional indices eg. broad based index, ASEAN Stars, and sectoral indices. This would lead to opportunities for regional products such as Exchange-Traded Funds (ETFs), Contract for Difference (CFDs), Listed Derivatives .

# ASEAN capital market integration

- Thai Star's companies and ASEAN Star's companies are well diversified and complement each other.

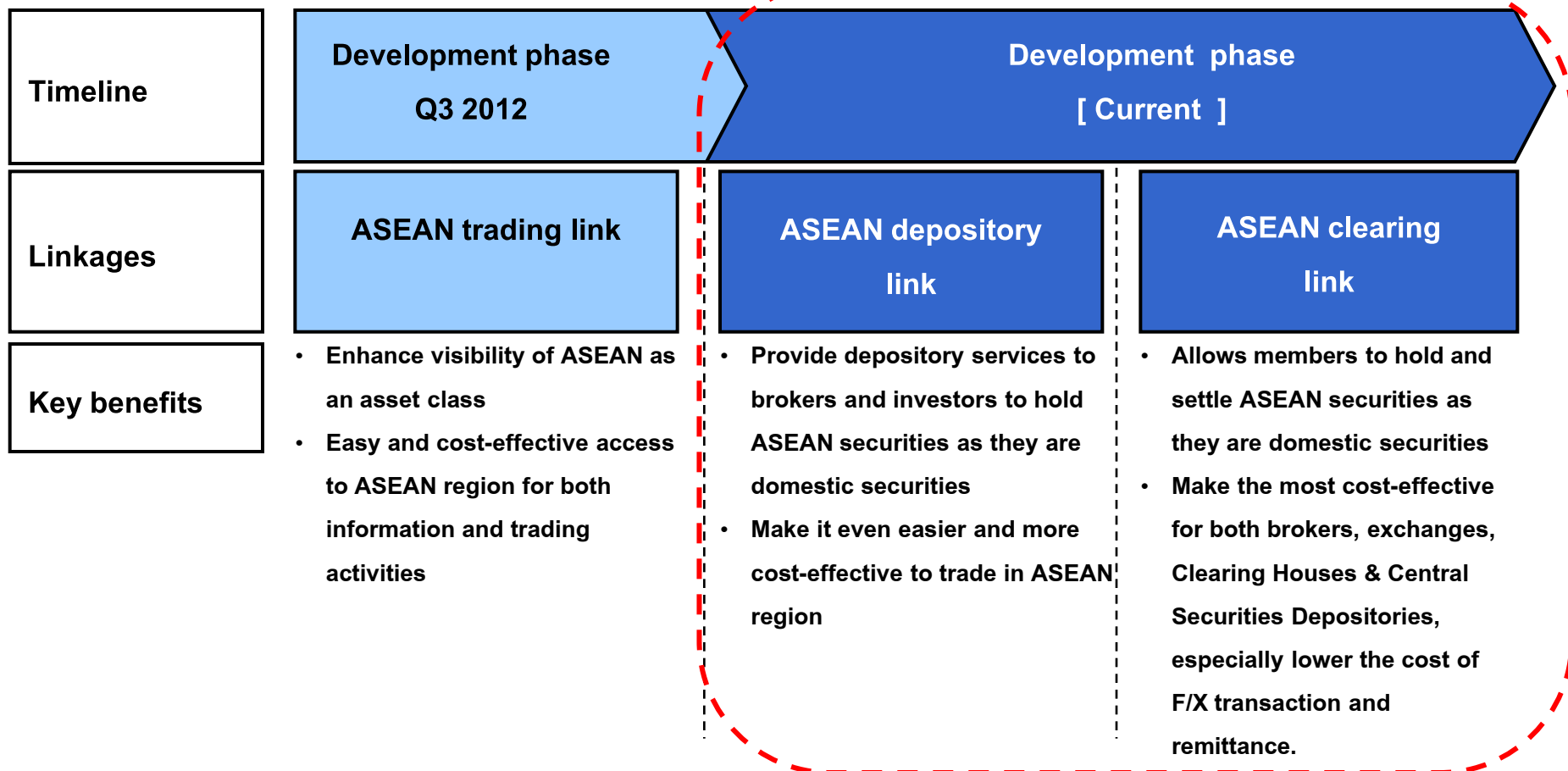
Sector	Number of listed company						Market Cap	% by Market Cap. In each Sector					
	Thailand	Singapore	Malaysia	Indonesia	Philippines	Total		Thailand	Singapore	Malaysia	Indonesia	Philippines	Total
Automobiles & Parts			1	1		2	2.3%	0.0%	0.0%	13.3%	86.7%	0.0%	100.0%
Banks	9	3	7	9	8	36	22.7%	21.6%	23.1%	18.8%	27.2%	9.2%	100.0%
Basic Resources	1			5	6	12	1.9%	10.9%	0.0%	0.0%	53.0%	36.1%	100.0%
Chemicals	3		2			5	2.2%	47.7%	0.0%	52.3%	0.0%	0.0%	100.0%
Construction	3		3	3	2	11	3.6%	43.1%	0.0%	12.5%	38.0%	6.3%	100.0%
Financial Services		1		2	1	4	0.7%	0.0%	50.6%	0.0%	39.5%	9.8%	100.0%
Food & Beverage	3	6	8	7	4	28	9.0%	8.4%	29.7%	27.0%	20.1%	14.8%	100.0%
Health Care	2		1	1		4	1.6%	40.7%	0.0%	36.8%	22.5%	0.0%	100.0%
Industrial Goods	3	9	4	3	4	23	7.9%	7.9%	37.5%	25.1%	10.0%	19.4%	100.0%
Insurance	2	1				3	0.7%	44.4%	55.6%	0.0%	0.0%	0.0%	100.0%
Media	1	1		3		5	1.2%	21.9%	27.5%	0.0%	50.5%	0.0%	100.0%
Oil & Gas	4	3	4		2	13	7.1%	49.5%	26.6%	20.0%	0.0%	3.9%	100.0%
Personal Goods			1	3		4	4.3%	0.0%	0.0%	8.1%	91.9%	0.0%	100.0%
Real Estate	3	17	3	4	10	37	8.7%	9.5%	53.8%	5.5%	7.2%	23.9%	100.0%
Retail	5	1	3	2	2	13	4.7%	40.9%	19.0%	7.0%	7.5%	25.6%	100.0%
Telecommunications	5	3	4	6	2	20	12.5%	22.6%	24.0%	25.1%	18.9%	9.4%	100.0%
Travel & Leisure	3	5	5		2	15	4.2%	10.0%	45.2%	35.0%	0.0%	9.8%	100.0%
Utilities	3		4	1	7	15	4.6%	12.5%	0.0%	32.4%	19.3%	35.9%	100.0%
Grand Total	50	50	50	50	50	250	100.0%	20.4%	24.4%	19.9%	22.6%	12.8%	100.0%

Note: Market Capitalization value as 1Q 2013 from the top 50 listed companies (in term of mkt. cap) of 5 ASEAN countries

Source : Bloomberg (Using ICB super-sector names)

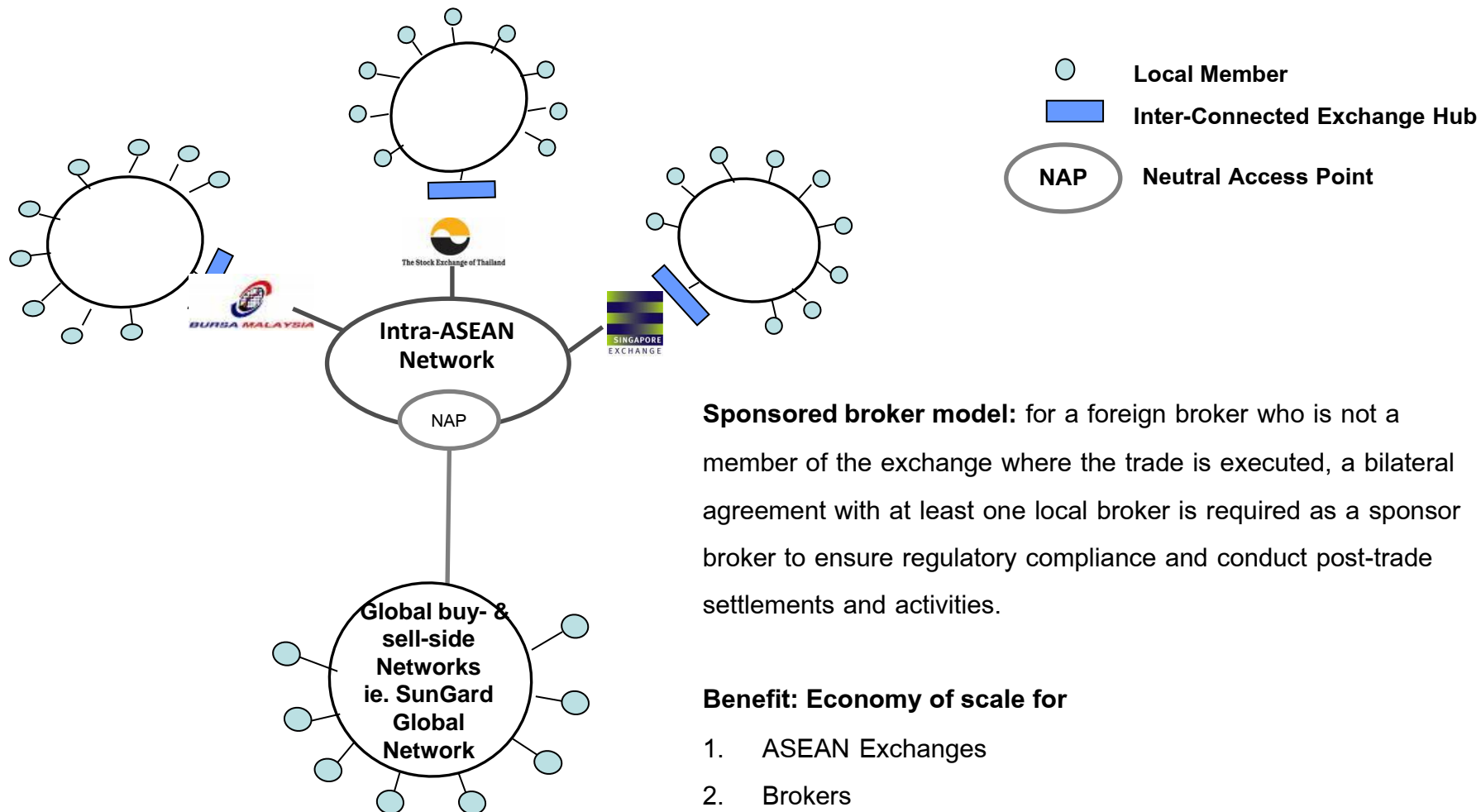
# ASEAN capital market integration

II. Developing trading and post-trade infrastructure linkages to facilitate access to ASEAN Exchanges and to mitigate counterparty risk.



# ASEAN capital market integration

**ASEAN Trading Link: Bursa Malaysia, SGX and SET already connected to the link since Q3 2012.**



- **Resilience of Thai capital market amid global turmoil**
- **ASEAN capital market integration**
- **SET's initiatives to grow with the regional market**

# SET's initiatives to grow with the regional market

**1. Infrastructure development:** SET improves its services to stakeholders with global standard systems on both trading and post-trading systems.

## Present

SET launched an equity trading system, called "SET Connect" since September 2012. SET Connect improves performance in 3 main functions: reduce latency time down to 150 microseconds, market data system, and market surveillance system. It is able to cover the increase in no. of transactions by 10 times as well as to serve algorithmic trading transactions.

### Latency time

Tokyo Stock Exchange

1 Milliseconds

The Stock Exchange of Thailand

150 Microseconds

Singapore Exchange

90 Microseconds



Note: 1 Microsecond = 1 /1,000,000 second, 1 Milliseconds = 1/1,000 second)

## 2014 - 2015

SET is upgrading its IT infrastructure to handle **multi-currency and multi-market products**.

- New trading system for derivatives market is expected to be launched by 2014
- New clearing system for both equities and derivatives markets plan to launch in 2015

# SET's initiatives to grow with the regional market

## 2. Diversify investor base

- Organize inbound annual flagship event, “**Thailand Focus**”, which can be extended to “**GMS Focus**”



- Attract new group of investors via outbound roadshow in the new investment cities and major financial hubs. For example, Scandinavian, Australia, and the Middle East.
- Enhance access for DMA/program trading

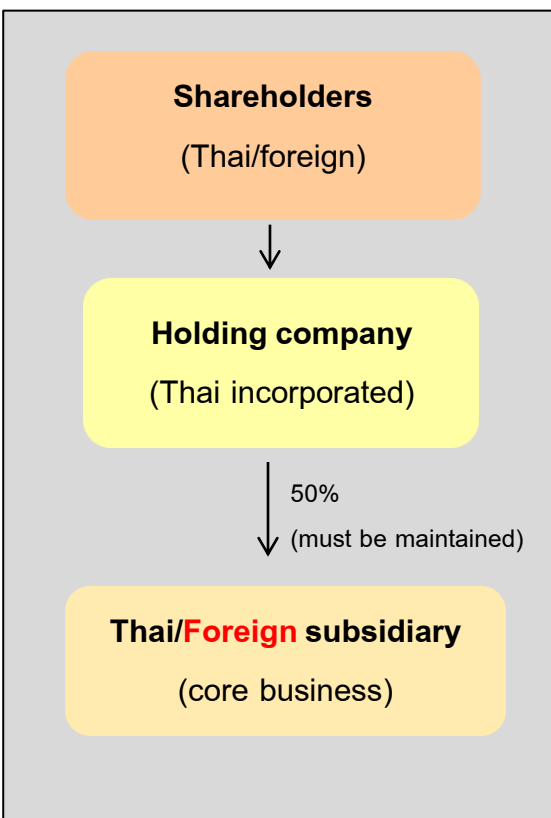
# SET's initiatives to grow with the regional market

## 3. Variety of products: Holding Company

- Holding company, new investment vehicles to match investors in SET to business operating abroad.

### Holding company listing

#### The first two holding companies operating abroad to be listed on SET



#### CK power (CKP)

- CKP acquired majority of shares in South East Asia Energy Co.,Ltd. (SEAN), the major shareholder of Nam Ngum 2 hydro power plant in Lao PDR, making its core asset.
- CKP also invested in solar power and cogeneration power plant in Thailand.
- Initial Public offering 220 million shares at 5 baht par.
- Listed on SET in July 2013

#### AMATA VN

- **AMATA VN** invest in industrial estate and commercial project in Vietnam.
- On filing process.



# SET's initiatives to grow with the regional market

## 3. Variety of products: Infrastructure Funds

- Infrastructure fund, new investment vehicles in SET to support infrastructure development.

### Infrastructure fund listing

#### The infrastructure funds listed on SET:

##### 1. BTS rail mass transit growth infrastructure fund (BTSGIF)

- The first infrastructure fund listing in Thailand
- 60 billion baht IPO size (approx. USD 2 billion) : the largest IPO in Thailand
- Revenue from the operation of the original BTS sky train system.

##### 2. Amata B.Grimm Power (ABPIF)

- 6.3 billion baht IPO size (approx. USD 203 million)
- Operates power plants for industrial sector in Thailand and Vietnam

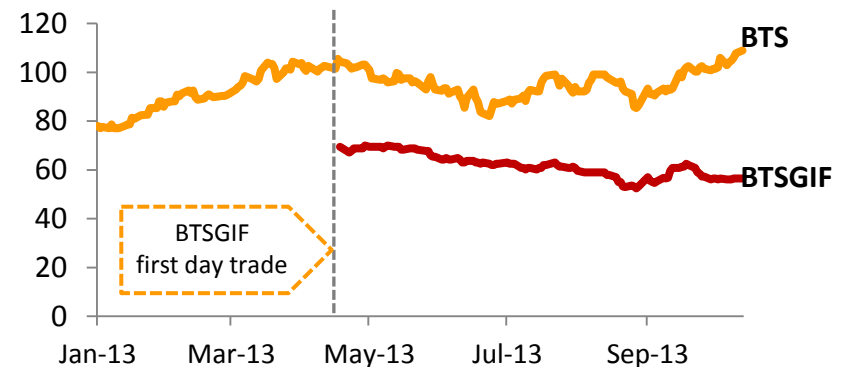
#### Potential businesses to utilize infrastructure fund:

**Private sector:** telecommunication, electricity co-generation

**State own enterprise:** Metropolitan Waterworks Authority, Provincial Waterworks Authority, Electricity Generating Authority of Thailand

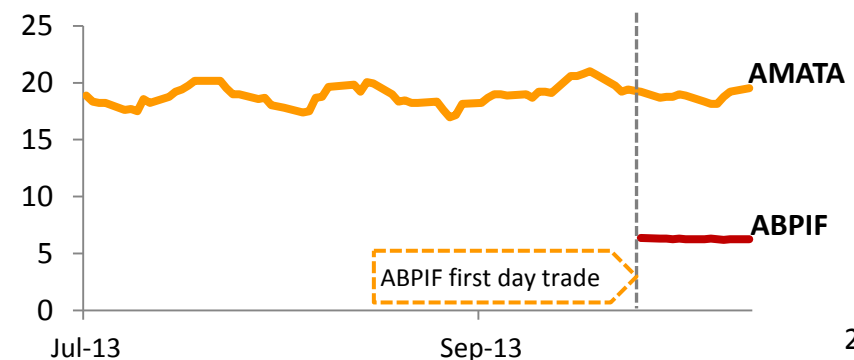
#### Market capitalization of BTS and BTSGIF

billion baht; data as at Oct 11, 2013



#### Market capitalization of AMATA and ABPIF

billion baht; data as at Oct 11, 2013



# SET's initiatives to grow with the regional market

## 3. Variety of products: Baht Bond

- Baht Bond Issuance, new investment vehicles to develop Capital Market development in the region

<b>Issuer</b>	Ministry of Finance of the Lao People's Democratic Republic ("MOF Lao PDR")
<b>Offering Format</b>	Thai Baht Bond
<b>Use of Proceeds</b>	General purposes in the ordinary course of its role as the MOF Lao PDR
<b>Amount</b>	THB 1,500 million
<b>Tenor</b>	3 Years from the Issue Date
<b>Coupon</b>	Per annum
<b>Coupon Payment</b>	Semi-annually
<b>Listing</b>	Thai BMA
<b>Lead Arranger</b>	TMB Bank Public Company Limited ("TMB")
<b>Investor type</b>	Institutional Investors and High Net Worth Investor

# Disclaimer

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# Appendix: Non-Voting Depository Receipts (NVDRs)

2 options to get all benefits from investing in Thai stocks.

## Option 1: Mostly for strategic shareholders

### Trade stock-F

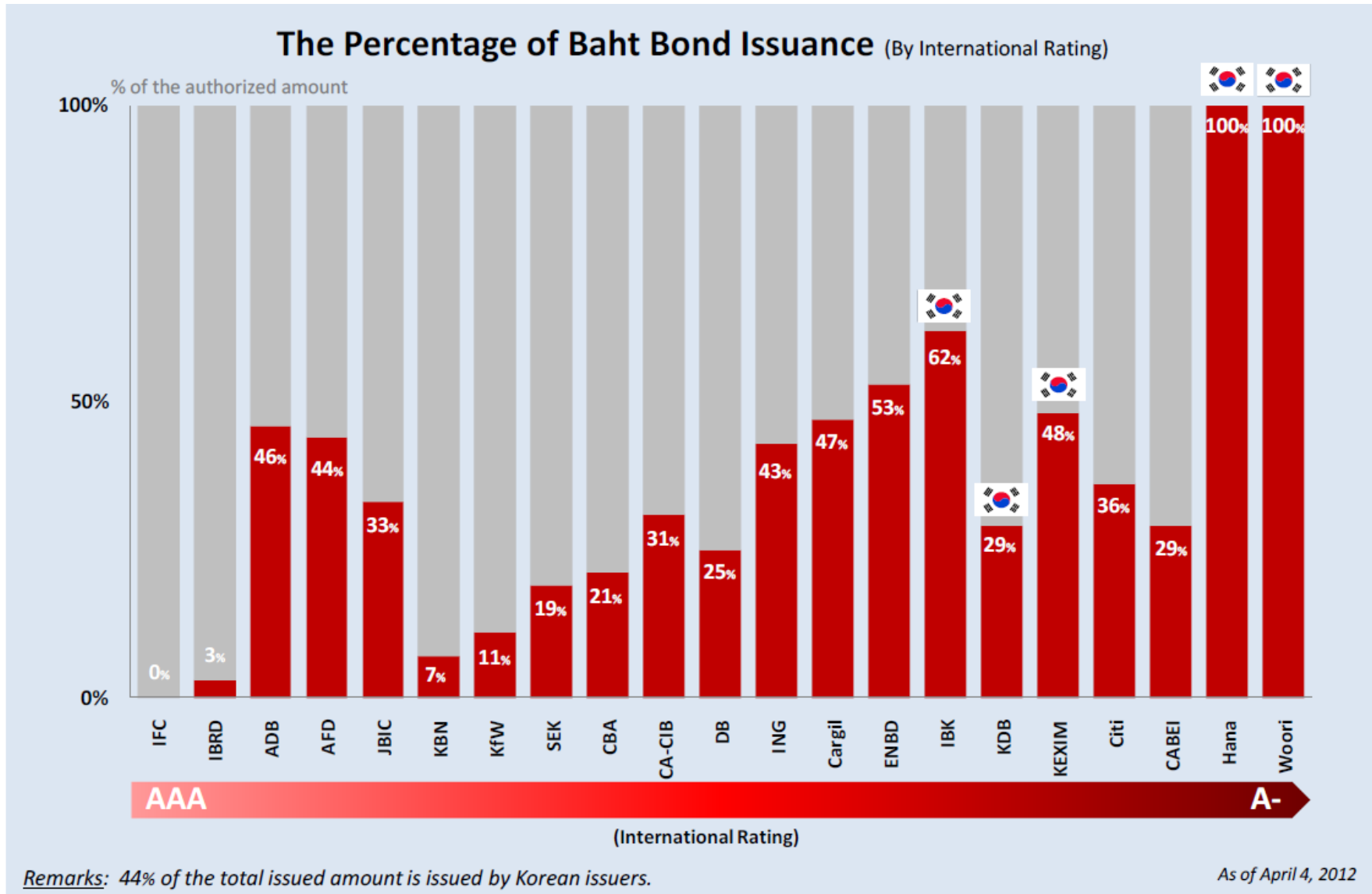
Most SET-listed Thai companies have foreign ownership restriction. Check out foreign ownership restriction of each stock via [www.set.or.th](http://www.set.or.th) >> company/securities info >> equity >> then select your preferred company.

## Option 2: Popular option

### Trade NVDR stock or stock-R

- Another option is to trade NVDRs. (Non-Voting Depository Receipts)
- Obtain all financial benefits with the exception of voting rights.
- Gain greater efficiency, flexibility and convenience as if you are local investors.

# Appendix: Baht Bonds



# Appendix: IPO 2013

Year	Total Number of Listed Companies/Securities					Issued Size (M.Baht)	Market Capital at IPO Price (M.Baht)	
	SET				mai			
	Stock	IFF	PFUND/REIT	Total	Stock			Total
2013	10	2	4	16	12	28	110,199.06	239,129.75

Symbol	Industry Group	IPO			First Trading		
		Issued Size (M.Baht)	Mkt. Cap. (M.Baht)	Price	Close Price	% Change	Date
<b>SET</b>		102,505.82	195,447.25				
<b>Stock</b>		23,928.15	116,869.58				
THREL	FINCIAL	95	5,700.00	9.5	9.9	4.21	9/10/2013
CSS	SERVICE	600	2,100.00	3	2.12	-29.33	3/9/2013
M (the biggest IPO)	AGRO	9,106.65	44,386.65	49	53	8.16	15/08/2013
PACE	PROPCON	2,100.00	7,189.93	3.5	2.7	-22.86	7/8/2013
CKP	RESOURC	2,340.00	14,300.00	13	16	23.08	18/07/2013
MC	SERVICE	3,000.00	12,000.00	15	16	6.67	4/7/2013
NOK	SERVICE	3,250.00	16,250.00	26	26.5	1.92	20/06/2013
PTG	RESOURC	1,638.00	6,513.00	3.9	4.6	17.95	30/05/2013
CHG	SERVICE	1,386.00	6,930.00	6.3	8.7	38.1	16/05/2013
PPP	PROPCON	412.5	1,500.00	5	12.3	146	14/02/2013
<b>IFF</b>		68,810.40	68,810.40				
ABPIF	RESOURC	6,300.00	6,300.00	10.5	10.6	0.95	27/09/2013
BTSGIF	SERVICE	62,510.40	62,510.40	10.8	12	11.11	19/04/2013
<b>PFUND/REIT</b>		9,767.27	9,767.27				
SPWPF	PROPCON	2,001.83	2,001.83	10	10	0	8/8/2013
CRYSTAL	PROPCON	4,134.00	4,134.00	10.6	10.2	-3.77	27/06/2013
KPNPF	PROPCON	1,800.00	1,800.00	10	10.3	3	3/5/2013
ERWPF	PROPCON	1,831.44	1,831.44	10.4	10.7	2.88	4/4/2013

# Appendix: IPO 2013

Symbol	Industry Group	IPO			First Trading		
		Issued Size (M.Baht)	Mkt. Cap. (M.Baht)	Price	Close Price	% Change	Date
<b>mai</b>		7,693.24	43,682.50				
<b>Stock</b>		7,693.24	43,682.50				
FVC	MAIIND	71.04	240	1.2	2.74	128.33	29/10/2013
WINNER	MAIIND	176	800	2	4.9	145	3/10/2013
BKD	MAIIND	270	1,050.00	1.5	4.5	200	25/09/2013
SEOIL	MAIIND	241.5	621	3.45	3.9	13.04	5/9/2013
AUCT	MAIIND	220	1,100.00	2	2.88	44	9/8/2013
MONO	MAIIND	2,793.00	15,960.00	11.4	11.9	4.39	6/6/2013
CHO	MAIIND	360	1,296.00	1.8	2.9	61.11	13/05/2013
SANKO	MAIIND	57.2	286	1.3	2.8	115.38	9/5/2013
ECF	MAIIND	144	624	1.2	2.42	101.67	26/03/2013
EUREKA	MAIIND	112.5	382.5	2.25	6.75	200	1/3/2013
AKP	MAIIND	168	808	2	6	200	7/2/2013
EA	MAIIND	3,080.00	20,515.00	5.5	7.6	38.18	30/01/2013

1. Mkt. Cap. as of first listing date
2. "Issued Size" calculated from total common stocks sold to public (included new issued shares, and greenshoe) and ESOP

# Appendix: Tax summary

## 1. Taxation of Thai or foreign investors doing business in Thailand

Types of Income (From direct investment in SET/TFEX)	Tax Rate
<b>Capital Gains</b>	
<ul style="list-style-type: none"> <li>• Individual Investor</li> <li>• Juristic Investor</li> </ul>	<ul style="list-style-type: none"> <li>• Tax exempt</li> <li>• Pay corporate income tax but no withholding tax</li> </ul>
<b>Dividends</b>	
Individual Investor	<ul style="list-style-type: none"> <li>• Pay 10% withholding tax on dividends from listed or limited companies.</li> <li>• Pay 10% withholding tax on dividends from a mutual fund if the taxpayer decides not to include the dividends with other income at year-end.</li> <li>• Dividends from any Board of Investment-supported company are tax-exempt.</li> </ul>
Juristic Investor	<ul style="list-style-type: none"> <li>• Pay 10% withholding tax if the taxpayer is not a listed company.</li> <li>• Tax-exempt if the taxpayer is a listed company and holds the related shares or investment units for three or more months before and after the date of dividend payment.</li> <li>• Tax-exempt if (a) the taxpayer is a juristic entity holding 25% or more of the votable shares of the firm issuing dividends and (b) the issuing company does not hold any shares issued by the taxpayer. However, the taxpayer must hold the related shares or investment units for three or more months before and after the date of dividend payment</li> <li>• Tax-exempt if the dividends in question are from any company promoted by the Board of Investment</li> </ul>
<b>Interest Income</b>	
Individual Investor	<ul style="list-style-type: none"> <li>• 15% withholding tax</li> </ul>
Juristic Investor	<ul style="list-style-type: none"> <li>• 1% withholding tax.</li> <li>• No withholding tax on interest from a commercial bank paid to a financial, securities or credit foncier business.</li> </ul>



# Appendix: Tax summary

## 2. Taxation of Foreign Investors

Types of Income (From direct investment in SET/TFEX)	Tax Rate
<b>Capital Gains</b>	
Individual Investor	•Tax exempt
Juristic Investor	•15% withholding tax
<b>Dividends</b>	
Individual Investor	•10 %withholding tax.
Juristic Investor	•10 %withholding tax.
<b>Interest Income</b>	
Individual Investor	•15% withholding tax
Juristic Investor	•15% withholding tax