

FSAP : Point of View of the Capital Market

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1. Joining the Financial Sector Assessment Program is a thankless task. It will create a lot of difficulties for all relevant government agencies. It will be time consuming for the private sector involved. And the initial results are almost certain to disappoint us. So why bother? Is it for the benefit of the foreign investors in our market?
2. For the capital market, the tasks are indeed extensive. FSAP will cover - - the appropriateness of our regulatory structure, the effectiveness in enforcing the rules, the strength of our market infrastructure and mechanism, the robustness of our corporate governance, the adequacy of investors' protection, our accounting standards as well as our disclosure rules.
3. Foreign investors of course will appreciate FSAP. The results will tell them in an instance how risky their exposure to a particular market is. FSAP gives confidence to financial analysts. As a result, foreign investors can compare easily across international markets, and allocate their asset allocation accordingly. FSAP is therefore very, very important to global investors, especially professional fund managers.
4. However, even though foreign investors are important to Thailand, it should not be at the front of our consideration. Instead, it should be the interest of our very own domestic investors that should govern our decisions. It should be their benefits, as well as the advantages towards market development that we should consider.
5. Joining FSAP will identify our weaknesses, if they exist. We can then put them right. We can upgrade to international best practices and standards. Domestic investors will definitely stand to benefit from such improvements. It can only add to their comfort to know that the place where they keep their life savings is well regulated and well managed.
6. It will also help develop our capital market. Do you know how much of the nation's pension fund money is currently invested in the stock market? I was very much surprised myself when I saw that it was as low as 15 per cent of their funds.
7. I don't know how can you provide for your retirement adequately without investing in equity. Especially with people living longer and longer, with the help of modern medicine!
8. The best way to provide for your old age is to have a stake in businesses that grow with the economy, both of Thailand and the world. The businesses in the right sectors! But of course, the businesses must also be well run. The capital market must also be well run.

9. Joining FSAP can help to give assurance to pension fund committees, and the employees, regarding equity investments. The bigger presence of investment through collective investment schemes will help offset the present overly large influence of individual day traders.

10. Finally, there is also another advantage in the lowering our financial transaction costs. When international banks do business with our local banks, they do set counterparty limits for our banks. This covers everything - - correspondence banking balances, foreign exchange trading balance, and other treasury account balances, even limits for the balances pending settlement when they order local banks to buy and sell securities.

11. These limits are set at two levels. One for the individual banks, and another global limit for all banks in each country! The foreign banks do rely on FSAP in their analysis for setting these limits.

12. Without FSAP, the limits that they give to Thailand will be smaller. Our financial costs in doing international businesses will be higher than should be. This will be bad, not just for our banks, but the higher costs will in one way or another be passed on to all Thai businesses large and small.

13. The case is therefore very clear. Joining FSAP will definitely be to our advantage.