



“Thailand: Regional Capital Market Gateway”

by

Dr. Vorapol Socratyanurak

SEC Secretary-General

International Symposium on *Asia: the Dynamic Capital Market Frontier*

July 27, 2012, Plaza Athenee Hotel, Bangkok

Your Excellencies, distinguished guests, ladies and gentlemen:

Good morning. I wish to take this opportunity to welcome you all to our celebration on the SEC’s 20th Anniversary Symposium.

In this session, I wish to share with you our ambition of turning our motherland into a regional capital market gateway and how the SEC, together with all market participants and stakeholders, will join forces to make our dream come true.

Thailand is located at the heart of ASEAN and midway between China and India with borders connecting both the Pacific and Indian Oceans. With its geographical advantage, Thailand is a gateway to more than half of the world’s populations or 3 billion people comprising 1.4 billion in China, 1 billion in India and 300 million in ASEAN.

To strive forward, it has to seriously take into account with prompt action the development of its infrastructure and logistical systems. Priorities are such as road construction from China to Thailand and Singapore, increase of marine and air transportation links, development of rail system link to connect with Myanmar, India, China and Indochina.

It is, therefore, important to assure our business commitment that Thailand is an attractive investment destination with a very diverse economy which is open for business and offers international investors a wide variety of dynamic opportunities.

As the Thai capital market regulator, the SEC wishes to play an even more proactive role in supporting Thailand’s competitiveness in the international arena, particularly now when the country is hard at work preparing for the ASEAN Economic Community or the AEC in 2015.

We trust that Thailand will become a gateway for foreign investment in the region. Our international relations team is playing a stronger role in

promoting the Thai capital market's presence in the globalized financial world.

With global connectivity, the Thai capital market retains a prominent role in the regional and international arenas through our compliance with international standards.

The SEC has put our best efforts into improving our supervisory framework to facilitate multinational securities offerings.

Relations with ASEAN counterparts have also been strengthened, especially with our neighboring countries whose capital markets are being developed and where the SEC has the honor to render assistance in terms of capacity building and sharing of experience and expertise.

To achieve our goal, the SEC has already proceeded many initiatives including the following 10 strategic moves:

Ladies and gentlemen...

Without developing the country's infrastructure for connecting to our neighboring countries, it would be difficult for our geographical advantage alone to turn Thailand into the regional economic bridge.

It is time to take this challenge seriously as a national agenda to expedite infrastructure mega projects such as superhighway linking Thailand Eastern Seaboard to the rising Dawei deep seaport and industrial estate of Myanmar.

Generally, infrastructure development requires large amounts of investment. The SEC approved the infrastructure fund as a financing tool to support economic expansion, national long-term competitiveness, and financial innovation for more investment alternatives.

Both the public and private sectors can participate in the development of the country's infrastructure by investing in the fund, which will ease the government's burdens on budget and public debts.

The SEC regulations on establishment and management of infrastructure funds became effective since last November. Asset management firms and the investing public are encouraged to study the relevant regulations in preparation for such fund application and investment choices.

Types of eligible infrastructure include rail system, expressway, electricity, water supply, airport, seaport, telecommunications and alternative

energy.

In developing the Thai capital market as a gateway for regional investment, holding companies can be a facilitating vehicle because they can hold shares in several companies. The SEC has revised regulations on public offerings of newly issued shares by a holding company whose major business is holding other company stocks.

The amendment specifies that a holding company must hold at least 50 percent of the total voting rights of its core business subsidiaries, no matter if they were established in Thailand or foreign countries. Previously, the requirement was 75 percent of the total voting rights.

The regulations may be relaxed; however, if a holding company has control over the businesses according to accounting standards or is restricted by law or public joint venture.

The relaxed regulations are expected to attract Thai and foreign investors to invest in several businesses in the region more conveniently through a Thai holding company.

This means the Thai capital market will be able to offer diversified financial products, increase its market size, and become a regional investment center.

Ladies and gentleman...

Merger and acquisition is another channel to facilitate business growth, promote product diversification, and offer higher value for shareholders.

We all realize that M&A can bring about synergy and create economies of scale that allow business to manage cost efficiently. But first, we need to address M&A concerns.

On January 4, 2012, the Cabinet approved in principle a draft law on promotion of M&A in the capital market in line with the national capital market blueprint.

In this juncture, the SEC has set up a working group consisting of public and private sectors to study and comment on the draft law to ensure that M&A in any form will be facilitated by taking into account business practices and protection for all stakeholders.

Let's move on to another investment alternative called REIT or the Real Estate Investment Trust. The new product offers a flexible fundraising framework and real estate investment channel in line with international practice.

Generally, REIT regulations are similar to those governing listed firms' issuance and offer for sale of securities, information disclosure and investor protection. But REIT regulations are more flexible than property funds rules.

For example, real estate expert companies are allowed to set up and manage REIT. And any type of property may be invested locally and overseas. In addition, up to 10 percent of the total property can be invested in a project under construction.

Apart from product innovations, the SEC is working hard to ensure that businesses from a variety of industries can make use of the capital market to the fullest extent.

As of now only 7 percent of securities issuers and companies listed on the Stock Exchange of Thailand are located outside Bangkok and nearby provinces. This is too bad as a lot of provincial businesses have potential and capability to go public but have not yet done so due to lack of knowledge and understanding.

This is how the Pride of the Provinces Project came in.

The project is a group effort among the SEC, the Ministry of Interiors, the National Science and Technology Development Agency (NSTDA), the Stock Exchange of Thailand, the Federation of Thai Industries, the Thai Chamber of Commerce, the Investment Banking Club, and auditors.

The "Pride of the Provinces" project promotes those provincial stars to go public and become listed on the Stock Exchange. Participating businesses will enjoy support and assistance in adding competitive edge.

By the time the AEC takes off, we hope Thai businesses around the country will have been ready to rise in the ASEAN region and exercise their venture potential with global firms. This, in turn, will increase employment opportunities and raise awareness of knowledge and benefits of capital market.

The three-month campaign for the "Pride of the Provinces" Project has attracted more than 100 companies from all around Thailand. They are from a wide variety of sectors such as agriculture, food, property, construction, petrochemicals, energy and automobile.

Ladies and Gentlemen...

I think we all agree that SMEs are the backbone of the economy and they must be more responsive to rapid changes and ready for regional connectivity as the upcoming AEC will bring both opportunities and challenges.

Unfortunately, as SMEs are usually perceived as high risk business, it is difficult for them to finance their business growth. Despite continuing development in the primary and secondary markets over the past two decades, SMEs have had little financing access through these channels.

As private equity and venture capital are an efficient means for SMEs, the SEC has proposed tax incentives for private equity and venture capital funds investing in the strategic sectors identified by the government.

Ladies and gentlemen...

Promoting innovations is also important as they can add values to businesses. But first, they need funding for research and development before being able to commercialize their finished products.

The SEC will issue regulations governing fund raising to facilitate SMEs business expansion by such means as private equity fund in the form of trust.

Also, the SEC proposed that the Revenue Department consider tax incentives on venture capitals in the promoted sectors and remove the minimum holding period to ease the founder's exit. Tax exemption for capital gains and dividends meanwhile should remain in place.

Meanwhile, the SEC is also studying the possibility for creating trading venues for SMEs.

Supporting SMEs will be done in parallel with the introduction of an accredited investor or the AI regime to expand investor base for instruments issued by SMEs.

Under the AI regime, investors will be grouped by their risk profile. In other words, those having financial and investment experience may invest in higher risk instruments.

The regime will allow business operators to offer instruments with a wider range of risk spectrum, while accredited investors will have more investment alternatives.

To accommodate sophisticated investors in the AI scheme, the SEC allows issuers and intermediaries to offer for sale complex or high risk instruments. Certain AI products may also be offered to retail investors if they comply with the SEC requirements on complexity and risk level.

Sustainable growth of the Thai capital market requires a strong base of competent and well-informed investors. The SEC has taken a big step to set up a comprehensive framework for the development of investor competency.

The developments are classified into three levels.

They are: first, **financial literacy** aiming at giving fundamental knowledge on income expense saving and investment to the general public; second, **investor education** emphasizing on new investors; and third, **investment sophistication** leading to investment competency.

We wish to see a lasting outcome that will benefit not only investors in the capital market but also the population nationwide.

To allow public investors to learn more about financial products, the SEC has adopted a disclosure rule requiring issuers of all types of securities for public offering to present a clear and concise fact sheet of the key characteristics and associated risks and attach the fact sheet to the registration statement and the prospectus.

The responsible underwriter must hand out the fact sheet and the subscription form at point of sale, while securities firms must conduct the suitability test before letting clients make an investment as specified by the SEC regulation.

This fact sheet rule is one of many measures for supporting the launch of complex products and development of financial innovations without compromising investors' rights to accurate and timely information for making investment decisions suitable for their demands.

Ladies and gentlemen...

There is no denying that today technology is changing our lifestyles. Technology is a fast and effective means to reach investors and the general public.

This is why the SEC has developed the 'Start-to-Invest' mobile application for users of smartphones such as iPhone and iPad. Designed with

new investors in mind, the application offers easy-to-use functions but is fully equipped with comprehensive knowledge and information on financial products.

To make the right decision, investors must have easy access to reliable information and a helping tool for investment planning. The Start-to-Invest app is part of our strategy towards modernization and friendliness to all.

The SEC has always been committed to intermediaries by facilitating their business expansion supporting personnel competency improvement and strengthening their competitive edge and responsiveness to the fast changing global economy.

The SEC and the Association of Thai Securities Companies or the ASCO agreed on quality enhancement for investment analysts and research as well as securities professionals to build investor confidence and strengthen business competitiveness.

Lack of investment research on listed firms with small to medium market cap was a concern of the SEC and the ASCO as a number of potential listed firms would become virtually invisible to the investing public.

The ASCO therefore agreed to further its study to address the concern and was of the view that cooperation among all market participants will bring about production of higher quality investment research with wider coverage, particularly listed companies where investor relations unit and top executives play a key role in feeding information to analysts.

The SEC strongly supports an ASCO plan to enhance securities companies' efficiency where quality of personnel in securities business either investment consultants or back office staff will be strengthened to cope with the fast changing environment.

I believe that all respective market participants must seek closer cooperation to improve research quality and extend coverage to small and medium-sized companies. The investor relations unit of listed companies must be able to provide analysts with information.

Other than the ASCO, the SEC holds regular meetings with the Association of Investment Management Companies or the AIMC to discuss the policy on business development to support continuing growth of the mutual fund industry. Asset management companies should develop funds with

innovative investment policies in response to the needs of investors who nowadays are becoming more familiar with such product group.

Generally, current funds have low-risk policies but returns may be less than expected. The SEC encourages the industry to introduce funds for specific investment purposes or target groups. For example, mutual funds for savings, mutual funds for post-retirement, and mutual funds for child education.

Over the past years, the ASEAN capital regulators have prepared for the upcoming AEC under the ASEAN Capital Markets Forum or the ACMF. The ACMF Implementation Plan for ASEAN capital markets integration endorsed by the ASEAN Finance Minister in 2009 consists of initiatives aiming to integrate capital markets in the ASEAN by 2015.

Key initiatives include those intended to promote the ASEAN as an asset class and mutual recognition and harmonization of regulations to streamline cross-border transactions. The common ASEAN Disclosure Standards have been adopted to facilitate multi-jurisdiction offering of plain debts and equity securities in ASEAN.

Recently, securities regulators and stock exchanges of Malaysia, Singapore, and Thailand signed a Memorandum of Understanding on Expedited Review Framework for Secondary Listings to speed up the processing of secondary listing applications together with the relevant disclosure documents. The framework will shorten the review period from the normal time of up to 16 weeks down to 35 business days.

With regard to cross-border trading, the ASEAN linkage will make it possible among participating exchanges. This will not only promote visibility and attractiveness of the Thai stock exchange, but also connect the ASEAN capital markets to the rest of the world.

Products traded on the Thai exchange must become visible to global investors. The SEC urges Thai listed firms to focus on clear and complete disclosure of information in documents and reports in preparation for assessment of the ASEAN Corporate Governance Scorecard or the ASEAN CG Scorecard. This is another ACMF initiative under the Plan for ASEAN Capital Markets Integration.

The assessment will be conducted by CG experts based on publicly disclosed information including notice of shareholders' meeting and annual report. Listed firms will benefit from putting more focus on information disclosure in support of the assessment.

We do hope that corporate governance standards and practices among listed firms will continued to be improved to attract worldwide investors to the Thai market.

Ladies and gentlemen...

Over the past 20 years, the SEC has been devoted to our roles as the regulator and developer of the Thai capital market. I have given you a brief account of our recent progresses.

Thanks to all parties, I am confident that Thailand can become a regional capital market gateway in the very near future. Together we can overcome all obstacles and make lasting contributions to the national growth and competitiveness.

Please be assured that the SEC is committed to taking on new challenges and acting as the private sector's visionary partner to promote sustainable growth of the Thai capital market and the regional market as a whole. Let us build on our mutual strengths and expedite our efforts towards our goal of becoming the Regional Capital Market Gateway.

At the dawn of the Age of Asia, the golden era of the Thai Capital Market has begun.

Thank you very much.

#####