



KESARA MANCHUSREE

The Stock Exchange of Thailand

The Future of The Stock Exchange of Thailand

SET: To Make the Capital Market “Work” for Everyone

The Stock Exchange of Thailand (SET) has put in place a comprehensive capital market platform for all stakeholders and demonstrated strong performance compared with regional peers. Over the past four decades, SET has contributed significantly to capital formation supporting Thailand's economic growth, while reaching out to all parts of the Thai society in line with its vision **“To Make the Capital Market ‘Work’ for Everyone.”**

SET continued to be **the most liquid market in ASEAN with an average daily trading value of USD 1.41 billion in 2017, maintaining the top ranking for six consecutive years (2012-2017)** (Figure 1) and now ranked 22nd globally in terms of market capitalization. Owing to close collaboration with listed companies, brokers, and fund firms in the capital market, SET continually attracts new investment through the main board, SET, and the alternative board, Market for Alternative Investment (mai), particularly for innovative business with high potential growth. Overall, SET's goal is to support the development of a sus-

tainable startup ecosystem in Thailand.

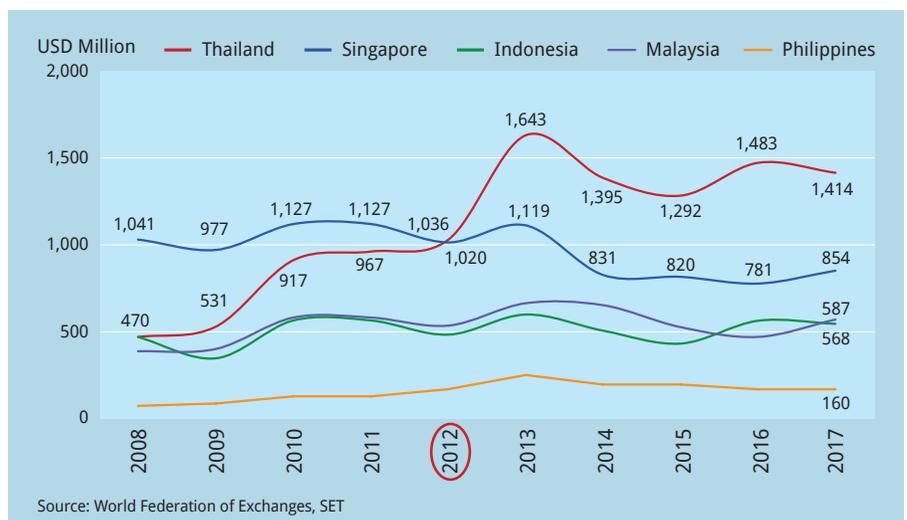
Accordingly, SET has cultivated sustainable culture and corporate governance (CG) which can be applied in all facets of operations in the Thai capital market in embracing the combination of environmental, social, and governance (ESG) aspects. Especially noteworthy were the **17 Thai listed companies in 2017 that became constituents of the Dow Jones Sustainability Indices (DJSI), the highest number in ASEAN.** Meanwhile, SET has also promoted financial literacy and investment knowledge among investors and the general public, while developing the capital market for the benefit of the economy, society, and the

whole country in the long run.

Thanks to high liquidity, strong listed companies' earnings, a large volume of initial public offerings (IPOs), and a variety of products and services, SET today has become a key preferred one-stop marketplace that suits investor demands and the rapidly changing financial landscape.

Going forward, to strengthen the exchange and society, SET has set out the strategic direction **“Towards Sustainable Growth with Innovation”** by developing the financial platform, creating innovative product development, ensuring inclusive growth, and fostering knowledge management.

Figure 1: Average Daily Trading Value of Equity Markets



Strengthen Core Exchange Business with Quality

The achievements have reflected the strength of the Thai capital market over the past years. SET has become **ASEAN's top IPO fundraising venue during the past five years** with the number of IPOs hitting 193, raising a total of USD 19.9 billion (Table 1). In 2017, a total 42 new securities were listed with market

capitalization at IPO of USD 13.05 billion. Market capitalization has grown significantly to USD 549 billion (as of end-2017), a 16 percent increase from the end of 2016, and equivalent to 118 percent of GDP.

Listed companies have averaged 10 percent annual growth in earnings during the past five years, double the 5 percent average annual growth in GDP. Their numbers have been on the rise and several have ventured overseas, building presence on the regional and global stages. Another positive factor that has become a competitive edge is the varied sizes of Thai listed companies, from small to large companies, grouped under main sectors as well as newly-created sectors initiated to match today's lifestyles like hospitality,

logistics, resources, agro & food industry and technology.

Thai listed companies' outstanding performance has been internationally recognized in terms of size and liquidity attractiveness for foreign investors. **In 2017, as many as 33 Thai listed companies were included in the MSCI Standard Index, marking the highest net addition in ASEAN region for five consecutive years** (Figure 2).

In addition to developing and strengthening listed companies to reach their highest potential, SET also plays an important role in providing knowledge for small and medium-sized enterprises (SMEs), including businesses with readiness for listing. IPO domestic roadshows, which presented listing regulations and opportunities, were held nationwide for potential SMEs and family businesses to help prepare them for listing. Moreover, SET has developed knowledge and enhanced creativity in new business ideas for entrepreneurs, so as to move towards an innovation-driven economy, under the government's Thailand 4.0 policy.

SET also aims to incubate high-potential startups to enhance their business capabilities, and will facilitate matching scheme between the startups and investors to promote business linkages and funding opportunities. Moreover, **SET will launch a new over-the-counter trading platform, called "LIVE," to help startups access capital and to provide accredited investors with alternative investment opportunities.**

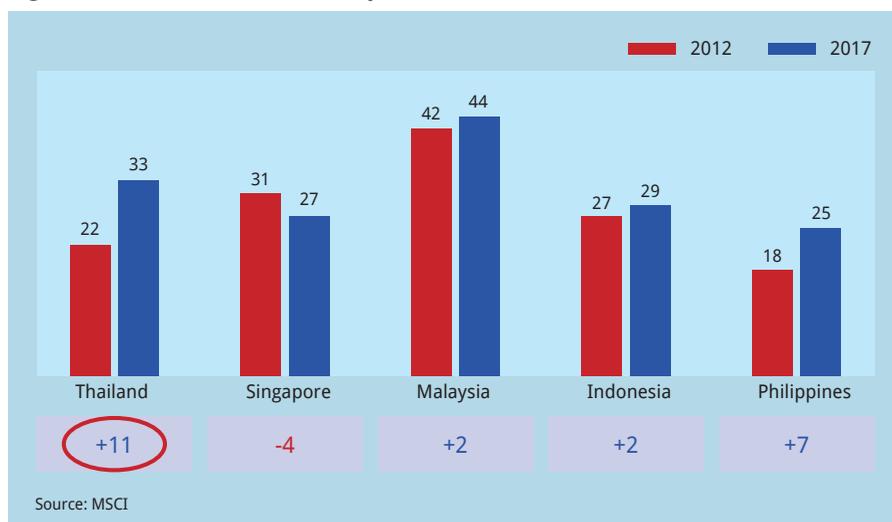
In addition, a wide range of products, such as REITs, derivative warrants, and infrastructure funds, are provided in order to create value and offer plenty of opportunities for investment. In the future, foreign companies, including those in Cambodia, Laos, Myanmar, and Vietnam, or CLMV, are expected to list their securities on the capital market.

Table 1: Size of IPO Issued in ASEAN Exchanges

	2013	2014	2015	2016	2017	2013 - 2017
Thailand	6,552	4,024	4,350	1,503	3,428	19,857
Singapore	5,201	2,577	374	1,664	3,294	13,110
Malaysia	2,835	1,251	1,312	299	1,718	7,415
Indonesia	1,669	768	878	1,043	714	5,072
Philippines	1,369	316	116	1,017	455	3,273

Note: As of December 2017
Source: Bloomberg

Figure 2: Number of Listed Companies in MSCI Standard Index



Enhance quality of listed companies

Presently, SET's ultimate goal is to elevate the **quality of listed companies** to achieve international recognition. The exchange was ASEAN's first exchange and the 13th in the world to join the United Nations Sustainable Stock Exchanges (SSE) Initiative, becoming publicly committed to working with stakeholders to promote long-term sustainability.

Underpinning this is His Majesty the Late King Bhumibol Adulyadej's Sufficiency Economy Philosophy which consists of three key components: moderation, reasonableness, and self-immunity, based on

Figure 3: Number of Listed Companies in DJSI



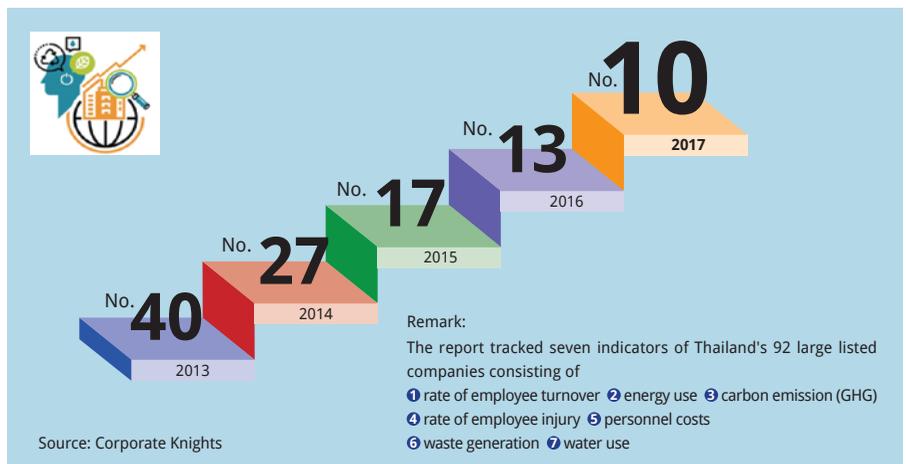
knowledge and ethics. SET has followed the path of this philosophy, while encouraging all Thai companies to conduct business with a keen sense of responsibility and ethics, always bearing in mind the best interests of their stakeholders, as well as adhering to sustainability principles to ensure the ESG balance in all dimensions of operation, and the balance in the use of material resources. In fact, SET embarked on the sustainability journey over 20 years ago after the 1997 financial crisis. Efforts prioritized to promote CG have improved corporate policies which are keys to promoting stakeholders' trust and disclosure, while further promoting sustainability as the key mechanism that adds long-term value for the capital market as a whole.

In addition to the 17 listed Thai companies recognized internationally by inclusion in the DJSI, 35 Thai listed firms have been included in the FTSE4Good ASEAN 5 Index, the highest number of companies among the ASEAN 5 (Figure 3). According to a 2017 report by Corporate Knights,^{*1} the **Thai stock market scored among the world's top 10 stock exchanges in terms of the sustainability disclosure reports of listed companies.**

This was a substantial jump from the exchange's 40th place ranking in 2013. The report noted the strong all-around performance of large listed Thai companies in terms of their disclosure rates, disclosure growth, and timeliness (Figure 4).

This progress and recognition echoes SET's moves in strengthening listed com-

Figure 4: SET Ranks World's Top10 Stock Exchanges on Sustainability Disclosure Reporting in 2017



panies' financial growth with a focus on ESG issues and impact. SET has been encouraging listed firms to recognize the importance of CG and to instill a CG culture. SET has been providing consultation in addition to introducing responsibility and Sustainability Reporting Guidelines. Since 2015, the exchange launched the Thailand Sustainability Investment list which now covers 65 sustainability-oriented companies.

At the regional level, almost half of the top 50 companies in ASEAN were Thai companies which presently were awarded ASEAN CG scorecard, a program assessing the corporate governance performance of listed companies that was initiated by the ASEAN Capital Markets Forum (ACMF) and is supported by the Asian Development Bank (ADB) (Figure 5).

Strengthening investor base with quality

Liquidity and various products have resulted in the diversity of investors in SET. The ratio of local retail investors and institutional investors is well balanced in terms of trading value and holdings (Figure 6). With the **retail investor base growing to 1.43 million accounts**, the exchange has implemented projects to develop financial knowledge and skills to ensure that these investors understand alternative investment products and risks. SET, together with capital market partners, **has encouraged retail investors, especially the younger generation and new investors, to invest in securities and mutual funds regularly on a long-term basis using the Dollar-Cost Averaging (DCA) technique**

through cutting-edge investment tools. SET has continued to expand the investor base via various activities and to enhance the quality of investors by developing learning channels for investors and the general public. Today, SET offers a variety of digital platforms allowing investors to plan their investments to best suit their lifestyle and risk appetite for long-term savings and goals.

Institutional investors are vital in fostering equilibrium in the Thai capital market. At the end of the first half of 2017, the number of mutual fund accounts stood at 5.39 million, up by 1.5-fold from 3.55 million in 2012 (Figure 7). To continue this growth, SET has cooperated with asset management companies and relevant agencies to promote the asset management industry and expand investment via mutual funds, including continuous development of all services concerned. **FundConnex** was launched as a platform for trading mutual funds, to enhance the efficiency of distribution channels and increase access of retail investors.

While Thailand is becoming an aging society, SET has also launched several initiatives to improve financial literacy about old age, such as a financial planning project which helps people prepare for their retirement. SET has also encouraged employers to offer provident funds with an employee-choice asset allocation scheme, enabling employees to better select an investment plan that matches their long-term investment targets and risk profiles. In addition, **the value of foreign holdings has recently hit a historical record, at USD 143 billion in August 2017, representing 31 percent of total market value.**

Towards Growth with Innovation

The work on transforming SET into a “**Digital Exchange**” has been ongoing. SET employs the best technology all across its operation and service areas, turning office-wide operations to “online-based service.” The exchange emphasizes the adoption of technology for improvement of SET services and preparing the capital market

Figure 5: Number of Top 50 Companies in ASEAN Awarded 2015 ASEAN GC Scorecard



Figure 6: Average Daily Trading and Holding Value by Investor Type

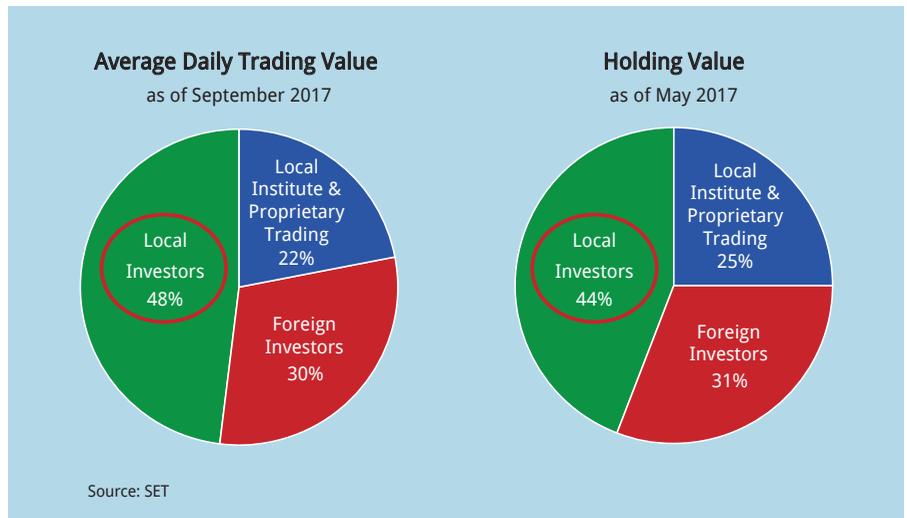
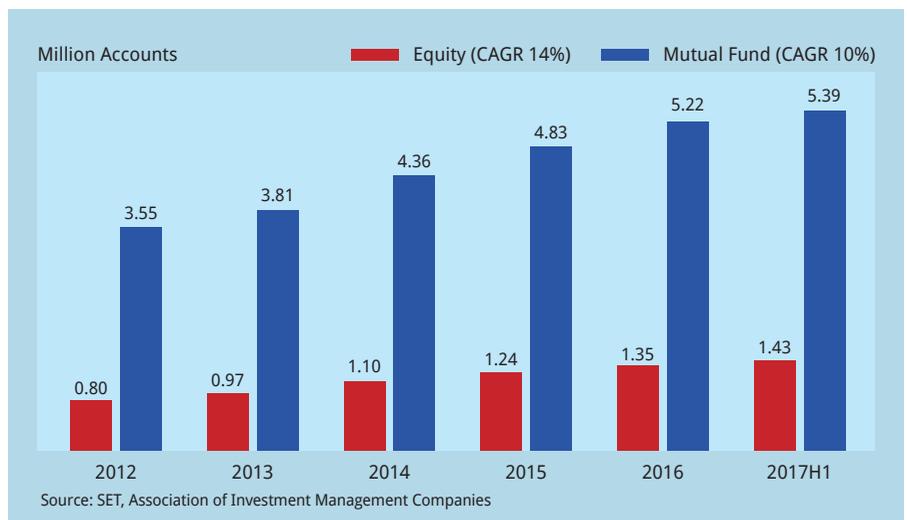


Figure 7: Number of Equity and Mutual Fund Accounts



for disruptive technology. This includes developing IT infrastructure to be an open architecture, embracing innovative ideas, and introducing blockchain as part of SET's "LIVE" platform.

Notably, **SET will be a pioneer in Asia in introducing T+2 for shortening the clearing and settlement cycle to two days from three days, starting from March 2, 2018.** SET's risk management measures have also met the regulatory standards of the Principle of Financial Market Infrastructure and European Markets Infrastructure Regulation.

Strengthen international recognition and regional collaboration

On top of products and services, SET is synergizing its strengths to boost its regional and international presence. SET will further expand and create business linkages with other capital markets in the region. SET plans to introduce an index for CLMV to be derived from a number of Thai listed companies generating revenue from or investing in CLMV countries. **SET is committed to cooperating with other exchanges in the region to create cross-border products and a regional trading system.** A financial literacy project has already been created for exchanges in CLMV. Furthermore, programs to strengthen the members of the World Federation of Exchanges are in process following its annual meeting in Bangkok in September 2017.

Conclusion

SET continues to work on enhancing both quantity and quality of the capital market from all aspects as well as building a stronger foundation. **The Thai exchange aims to maintain its leadership position as the highest liquidity market and preferred fund-raising venue in the region.** SET is striving to support listed companies' progress for international recognition. At the same time, it has launched a funding platform to support startups, which are expected to become a vital force for Thailand's economy in the future. SET also offers well-diversified instruments to investors via a variety of products and services while educating investors nationwide, expanding foreign investment, developing technology to meet international standards.

SET focuses not only on market value but also on quality, innovation, and sustainability. The exchange aims to promote a culture of sustainable investment among retail investors, developing savings

channels and promoting investment knowledge so investors can generate returns from the capital market sustainably.

All in all, SET stands ready to support all sectors and stakeholders to access and benefit from the capital market effectively. Managing these transitions and the interconnected risks they entail will require long-term thinking, investment, and cooperation, to meet SET's vision of **"To Make the Capital Market 'Work' for Everyone."**

Notes

- *1 Corporate Knights, "Measuring Sustainability Disclosure," September 2017.

KESARA MANCHUSREE

President, The Stock Exchange of Thailand

Kesara Manchusree, SET President since June 2014, is committed to fulfill the SET vision "To Make the Capital Market 'Work' for Everyone". She aims at pioneering new products and services to advance the Thai capital market and its ecosystem forward, with the ultimate goal of developing the exchange on all fronts for the benefit of all stakeholders.

Her stewardship has led SET to become the most appealing fund-raising platform for IPOs, with newly-developed products and services, the creation of a social impact platform and a startups platform, as well as being the most liquid exchange in ASEAN. Specifically, her focus on sustainability has steered SET to strengthen awareness among listed companies on ESG. Being a pioneer has been Kesara's natural strength during her 30-year-long career in the capital market. Kesara is a well-rounded and well-versed executive in the capital market. She was instrumental in establishing Thailand Futures Exchange (TFEX), which today ranks No.2 in ASEAN, after successfully overseeing the bond market at Thai Bond Dealing Center.

Kesara is the first SET President to be elected to the Board of Directors of the World Federation of Exchanges (WFE) in 2016. She won the Outstanding Women Award 2016 from the National Council of Women of Thailand, and an Outstanding Women Leaders for Green Growth Awards 2016 from the Federation of Business and Professional Women in recognition of her leadership and achievements in developing SET at the regional and international levels.

