

ASEAN COMMON EXCHANGE GATEWAY

**For 3rd OIC Member States' Stock Exchanges Forum -
October 2009**

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The ASEAN 2015 Vision



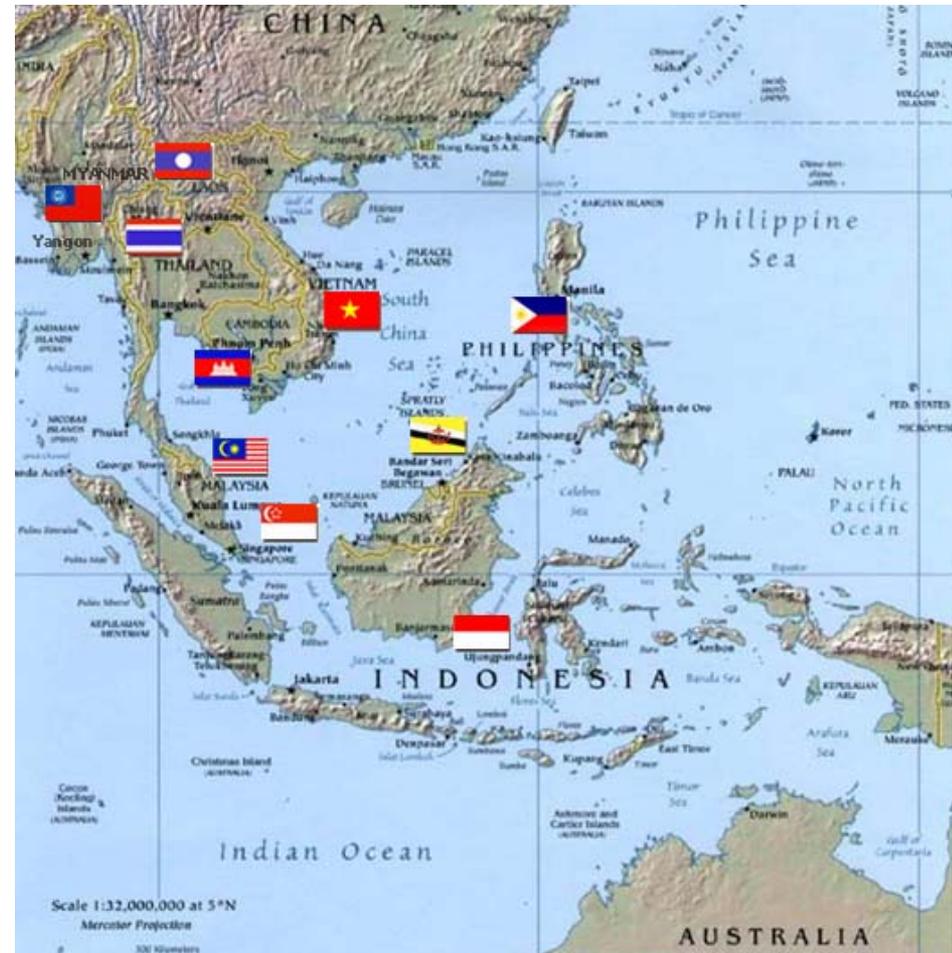
▪The ASEAN Economic Community Blueprint envisions capital market integration by 2015. Through freer movement of capital, ASEAN nations will see an increase in regional economic prosperity and stability, as well as a reduction in the development gaps among member states.

▪ASEAN nations offer a unique blend of opportunities and potential for both regional and international investors:

- an abundance of agriculture and mineral natural resources including rice, cocoa, palm oil, rubber, coal and nickel
- rapidly developing manufacturing and services sectors
- growing consumer base and young and dynamic workforce
- sound macro fundamentals – current account surpluses, low leverage levels

▪Statistics

- A population of 500 million
- Total domestic market capitalization of US\$1.4 trillion
- Over 3,000 listed companies
- Total economic size of US\$1.24 trillion (third largest next to Japan and China)



BACKGROUND - ASEAN EXCHANGES VIA ASEAN ALLIANCE

In 2005 ASEAN Finance Ministers agreed to develop an interlinked ASEAN securities market by 2015 through greater cross-border investments, capital raising and trading and harmonization of equity markets

An ASEAN Exchanges Strategic Working Group (SWG) comprising senior representatives from six participating countries namely Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam was established in January 2008 to work on ASEAN Trading link.

TO FORM ASEAN ALLIANCE, ASEAN EXCHANGES NEED TO AGREE ON KEY OBJECTIVES AND PRINCIPLES

Areas

Details

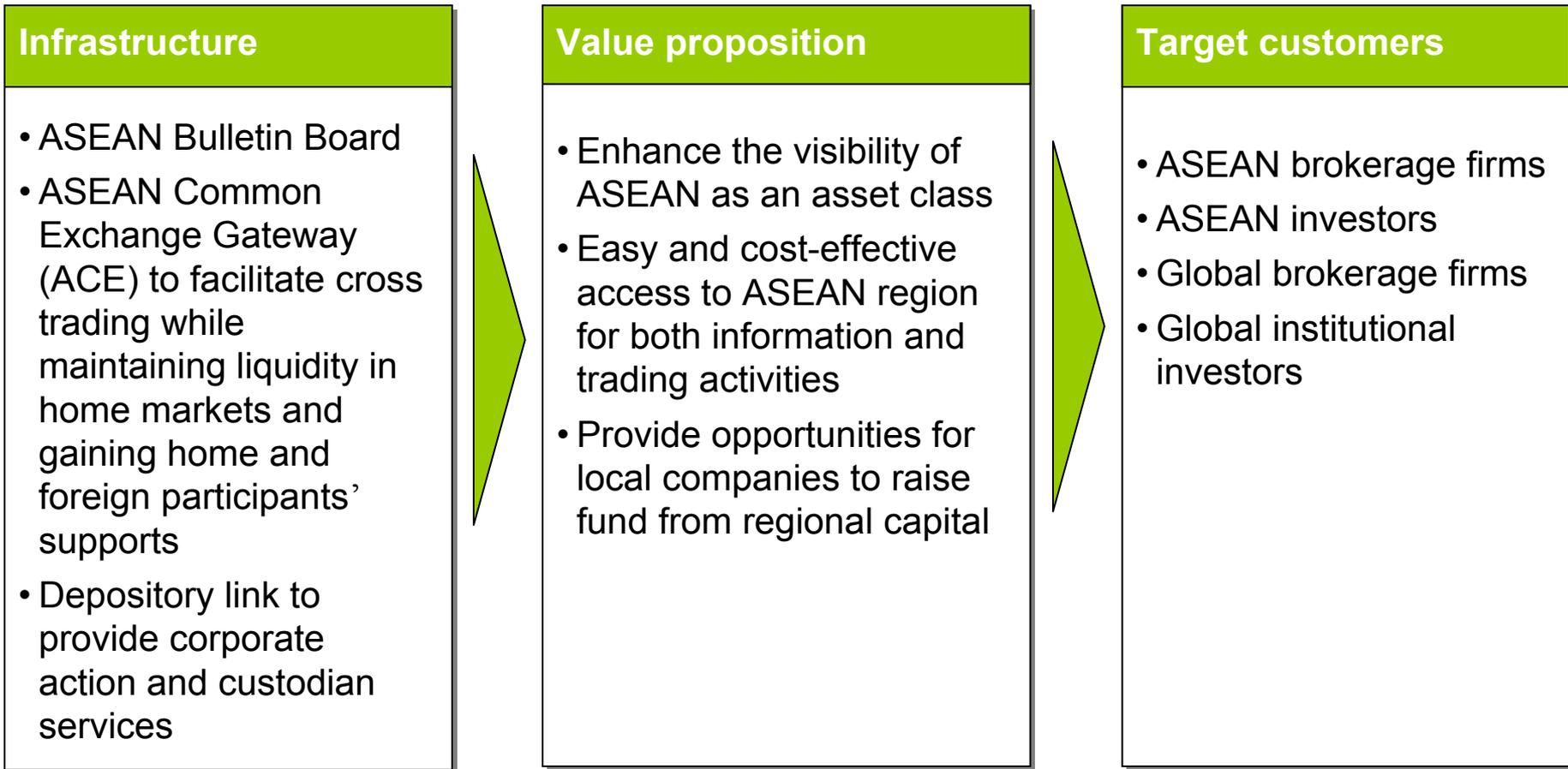
Key objectives

- ASEAN exchanges wish to form alliance in order to :-
- Encourage more intra-ASEAN cross border trading
 - Strengthen ASEAN capital markets' presence and enhance the visibility of ASEAN as an asset class
 - Attract more international funds into ASEAN

Principles

- Maintain liquidity in home markets
- Gain support from local brokers in both home and foreign markets
- Provide ways to monitor trading volume for central bank and/or relevant authorities

BUSINESS MODEL SHOULD DERIVE FROM AGREED OBJECTIVES, PRINCIPLES, CLEAR AND STRONG VALUE PROPOSITION

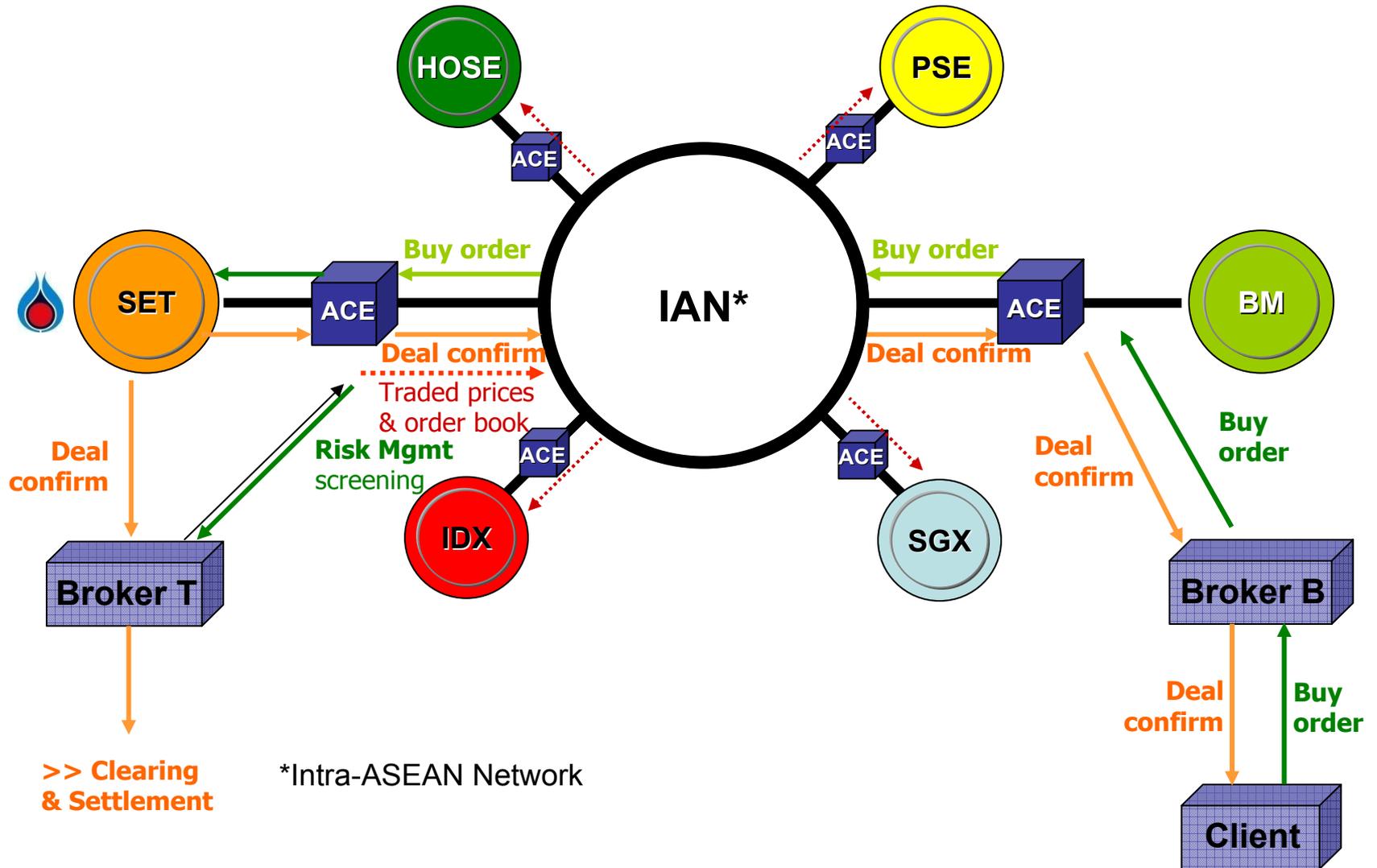


STRATEGIC OBJECTIVES

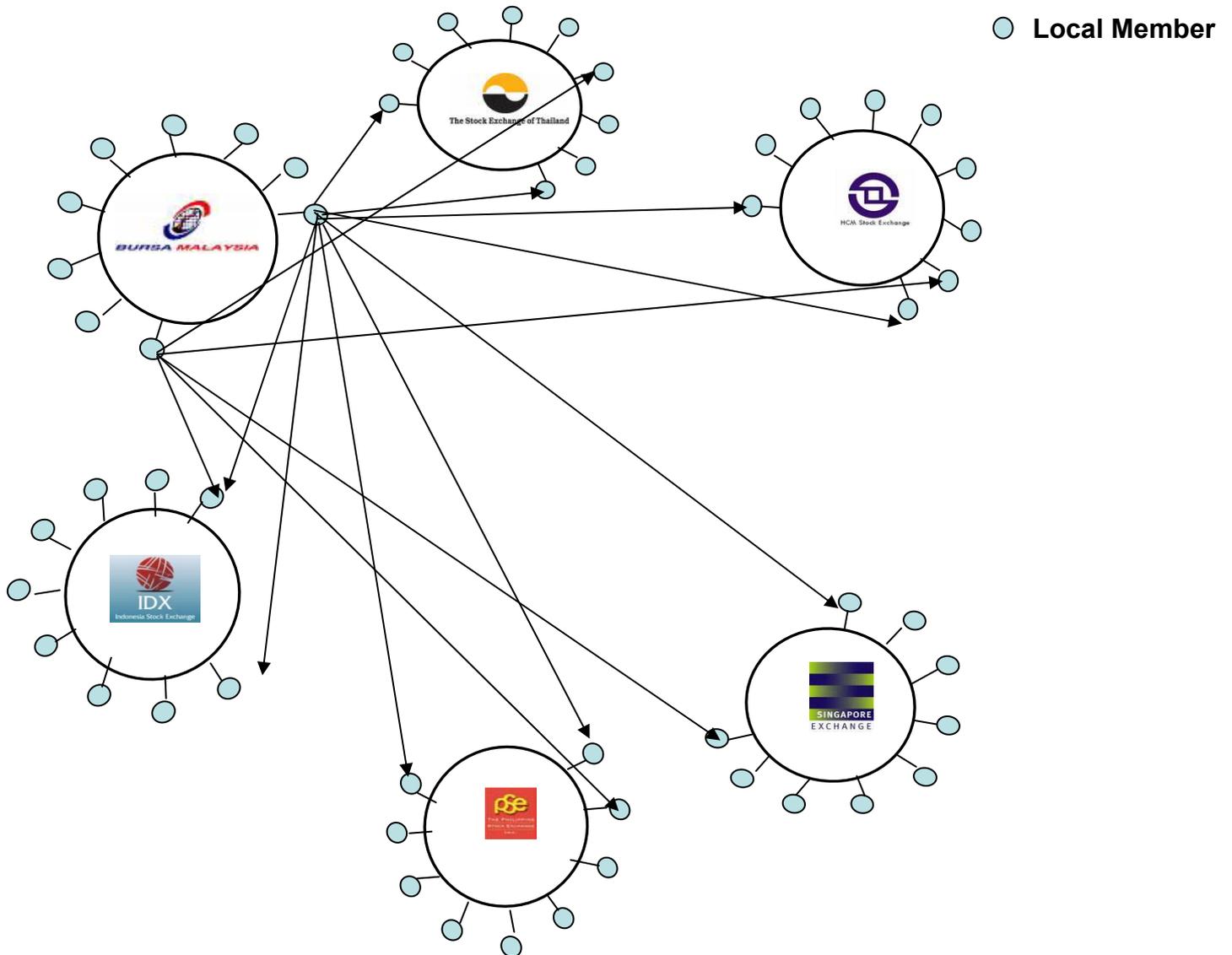
- Make ASEAN exchanges grouping a significant player among the exchanges
- Decrease overall cost of operations and technology by creating common gateway
- Facilitate exchange member access across exchanges especially mid-tier stock brokers
- Increase value of listed companies to prevent drift to other markets
- Collaborations help achieve some benefits of M&A and still maintain individual exchange's identity
- Cross-border corporate action services

TRADING LINK: BUSINESS REQUIREMENTS

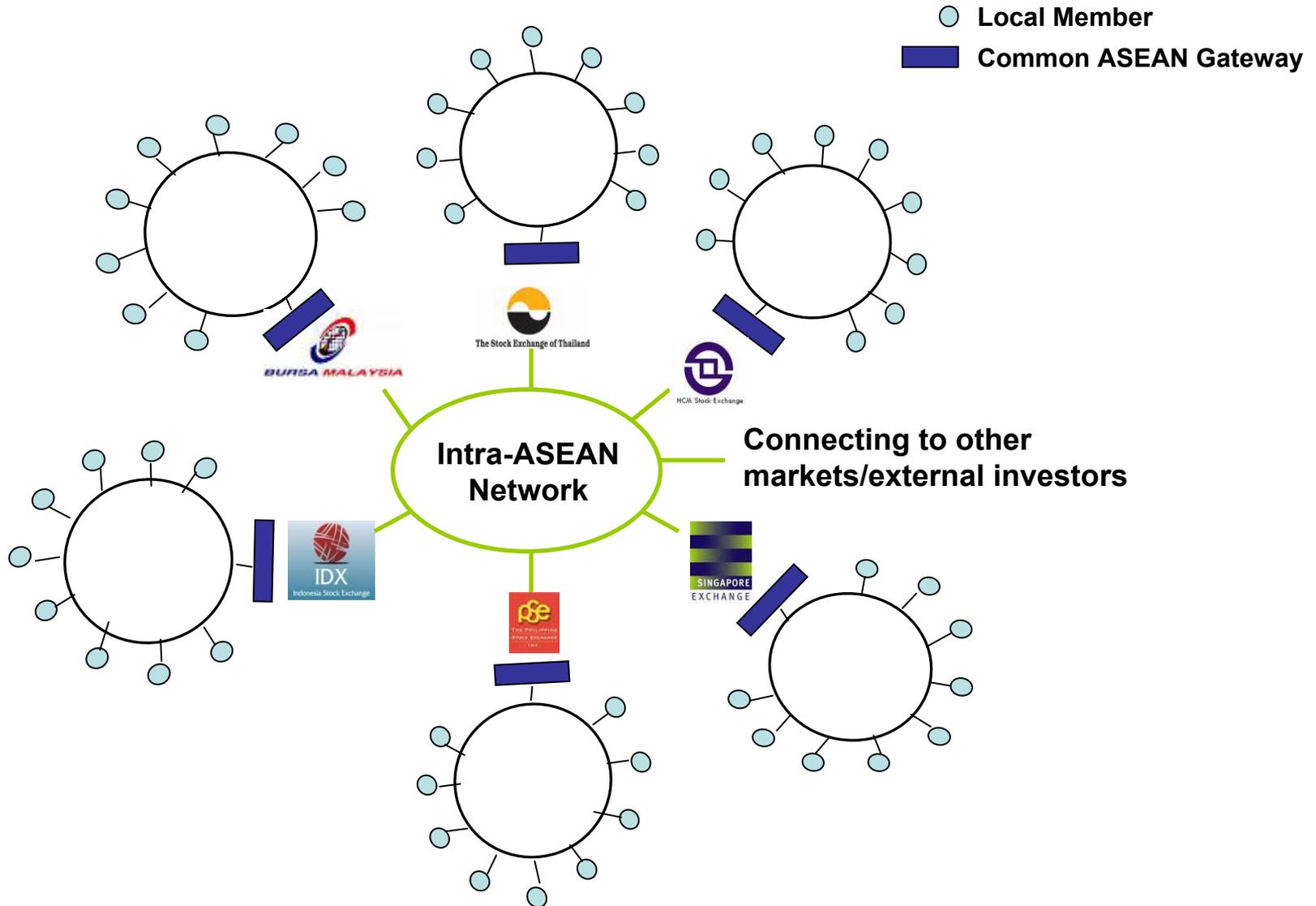
Order flow and data dissemination



ASEAN EXCHANGES WITHOUT ACE GATEWAY....



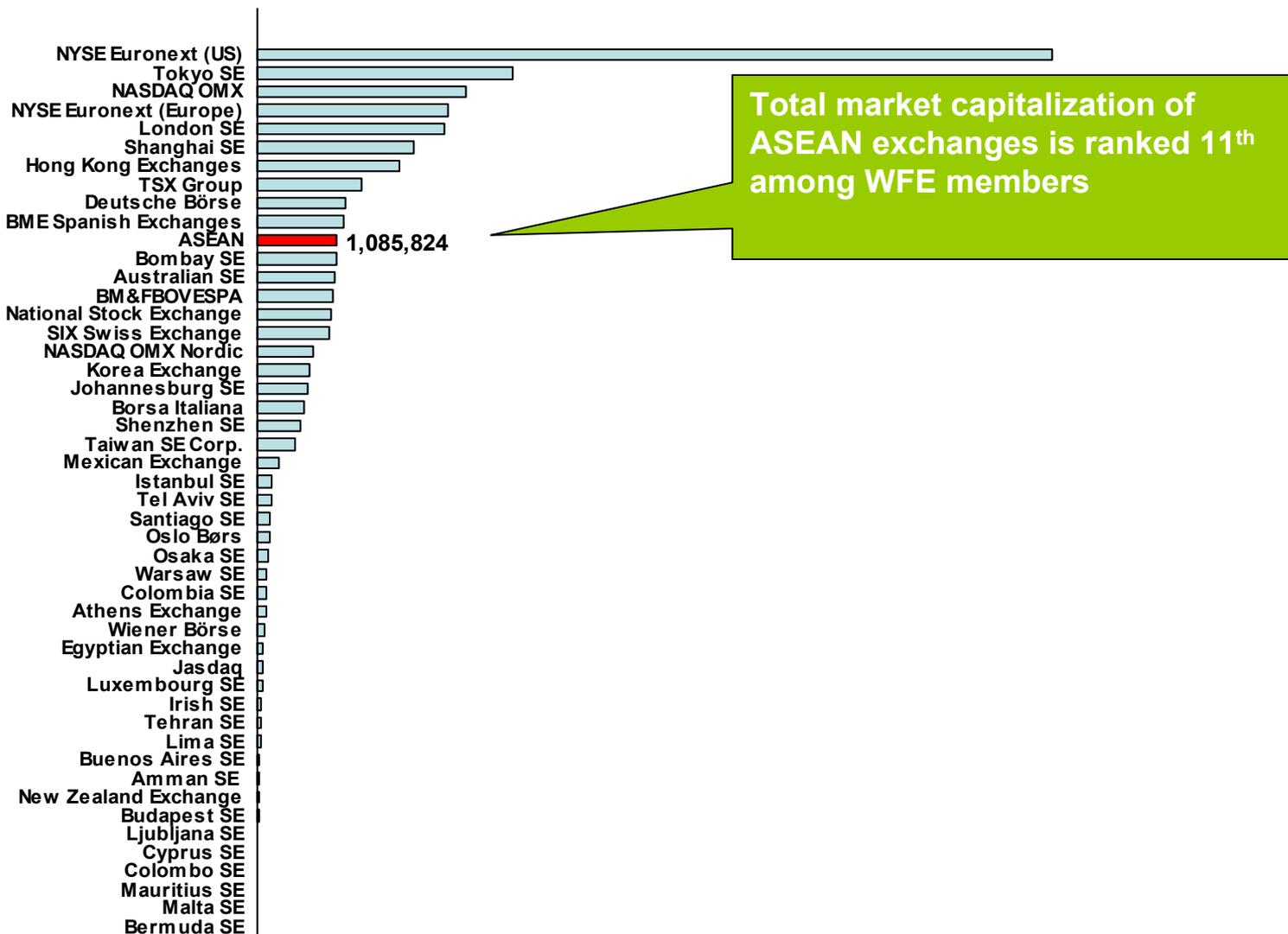
... AND WILL LOOK LIKE THIS AT THE END STAGE



ENHANCE VISIBILITY OF ASEAN MARKET (1/2)

As of August 2009

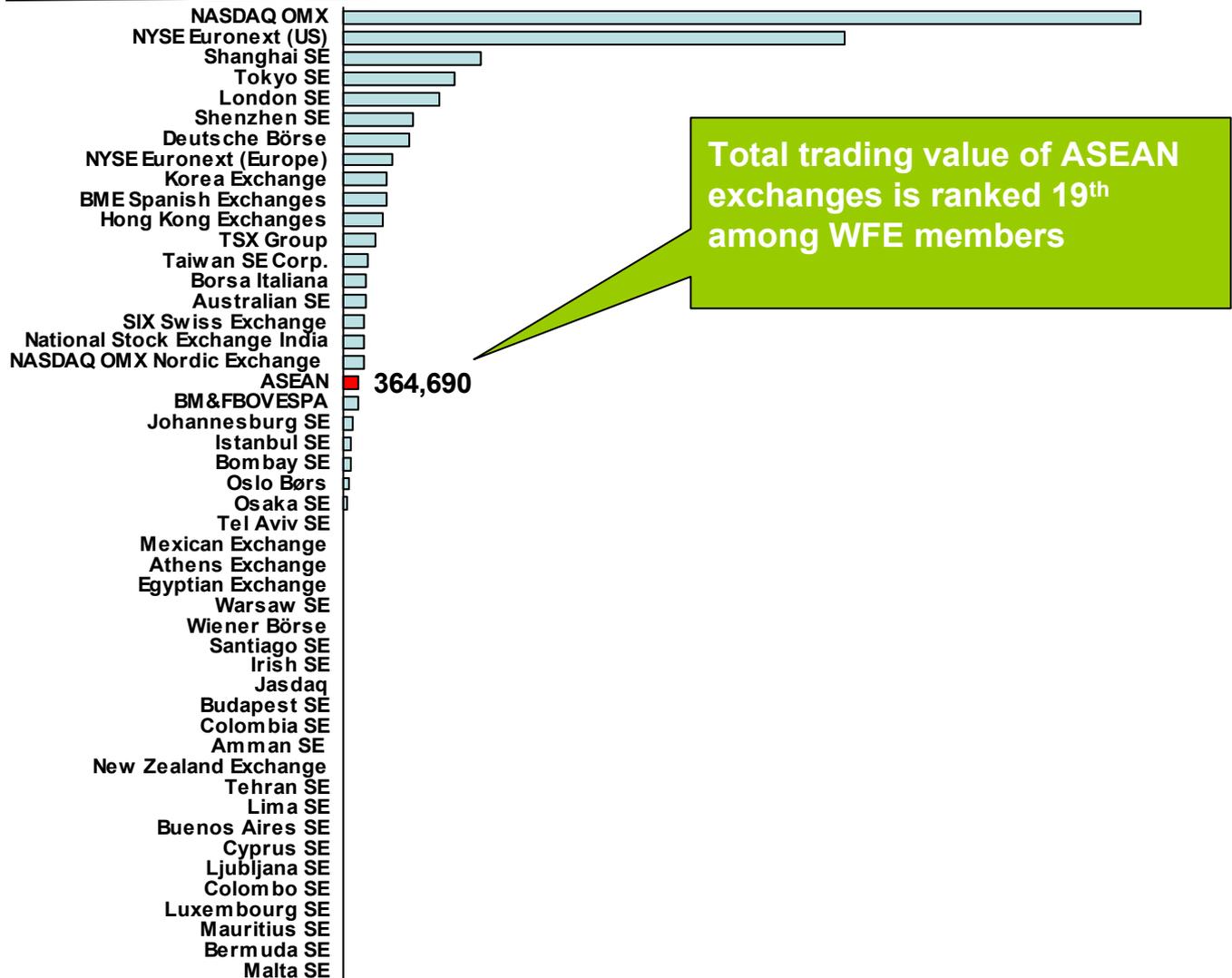
Rank of market capitalization of ASEAN exchanges (USD million)



ENHANCE VISIBILITY OF ASEAN MARKET (2/2)

As of August 2009

Rank of trading value of ASEAN exchanges (USD million)



CHALLENGES

- Different market sizes
- Different trading systems
- Different pre & post trading rules
- Different readiness level for infrastructures e.g DMA
- Different languages
- Geographical & time difference
- Cross-border regulation

BILATERAL TRADING LINK MODEL

1. Allows Home Exchange and Participating Exchange investors to buy and sell securities from the other country via their trading networks
2. Home market rules prevail:
 - (a) observe home market rules
 - (b) regulatory enforcement and investigation
 - (c) preserve home jurisdiction and minimises duplication of regulation
3. Single order book – Liquidity within the home market
4. Clearing and settlement are intermediated by Home Exchange participants
5. Home Exchange participants set the trading limit and manage the risk management

CRITICAL SUCCESS FACTORS

- Government backing
- Harmonization of rules
- Proactive pilot group
- Promotion & Marketing
- Active participation from the industries
- Successful bilateral follow by multi-lateral linkage
- Keep the scope simple first; expand later

THANK YOU