

How Thailand's Capital Markets Can Adapt to the Changing World – Part 2

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IDENTIFYING AREAS OF GROWTH

Improving Quality of IPOs and Strengthening Shareholder Value

Thailand can explore the value-up program in Korea modeled after Japan's and its JPX 150 program.

Company takes concrete actions to **boost shareholder value**, disclosing <u>key metrics</u> to the stock exchange

If successful, the company is selected to be on the JPX 150 or the KRX Value-Up Index

 Increased accessibility for investors

More transparent corporate governance

Market cap

Return on capital

Effectiveness

Nomura among large banks that have started **ETF tracking** the JPX 150 Index Generally **outperforms the TOPIX**, an important index in the Tokyo Stock Exchange that tracks domestic stocks

Targets P/B Ratio > 1





Improving long term growth: pension reform

NISA: US\$45bn YTD

SIP: US\$1-2bn/month inflow

Incorporate NISA and SIP strong suits (e.g. flexibility, investment options, tax benefits) into SSF or NPF model

NPF bill currently pending parliamentary approval

	NISA (Japan)	SIP (India)	NPF (Thailand)	SSF (Thailand)
Туре	Voluntary	Voluntary	Mandatory	Voluntary
Flexible holding period	5-20 years <mark>flexible</mark>	5-20 years flexible , including flexible frequency, initial amount	Inflexible, no withdrawal until 60 years of age, set frequency	Inflexible 10 year holding period
Investment Products	Wide selection, including foreign investments	Wide selection, but focus on mutual funds	No control over investments	Limited selection , but different asset classes
Tax benefits	 Capital gains and dividend tax exemption Investments capped at US\$25k/yr or \$125k total. 	 Mutual funds have 30% taxable income capped at US\$1.8k/year Capital gains tax lower to 10% 	None	30% taxable income capped at US\$5.8k/yr, but only claimable after 10 years of holding
AUM/ Coverage	US\$190bn Covers 30% of total working force	US\$157bn Covers 14% of total working force	US\$2.1bn Covers 22% of total working force	\$US11bn Est. < 7% of total working force





Diminished participation by quant funds and electronic market makers reduce liquidity

Quant funds generally trade via market-neutral strategies and market makers step in to take the other side of the trade. Both contribute high quality institutional liquidity to the market and help to improve price discovery. Hong Kong and India have been welcoming quant funds, whilst China and Korea have been putting up barriers.



Explore relaxing FOL



To address fragmented liquidity across domestic/foreign/



Tighten spreads and improve pricing for investors



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