



# Regional Integration of Capital Markets – The ASEAN Experience



Central Asia Regional Economic  
Cooperation (CAREC)  
Capital Market Regulators Forum  
29 –30 August 2019,  
Islamabad, Pakistan


# ASEAN ...

> USD2.4 trillion

Market capitalization (2018)


 > 645  
million people  
(2018)

> 3700  
listed companies (2018)

 Islamic  
finance hub



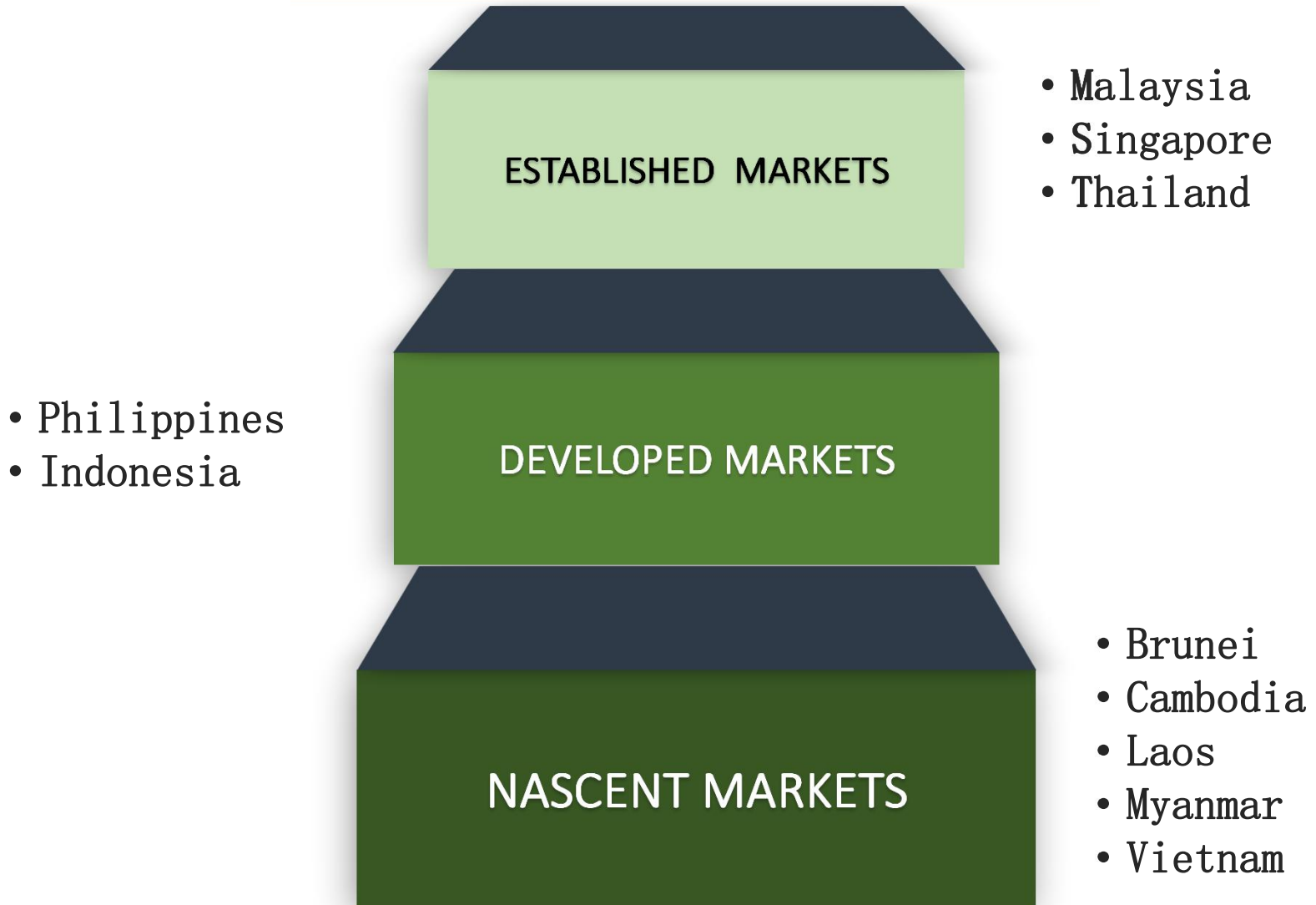
 offshore shared  
service centers

 offshore  
manufacturing centers

 Financial and  
hi-tech industrial  
hub

 price discovery for  
Crude Palm Oil

# A Diverse Marketplace...





# ASEAN' s diversity (cont)

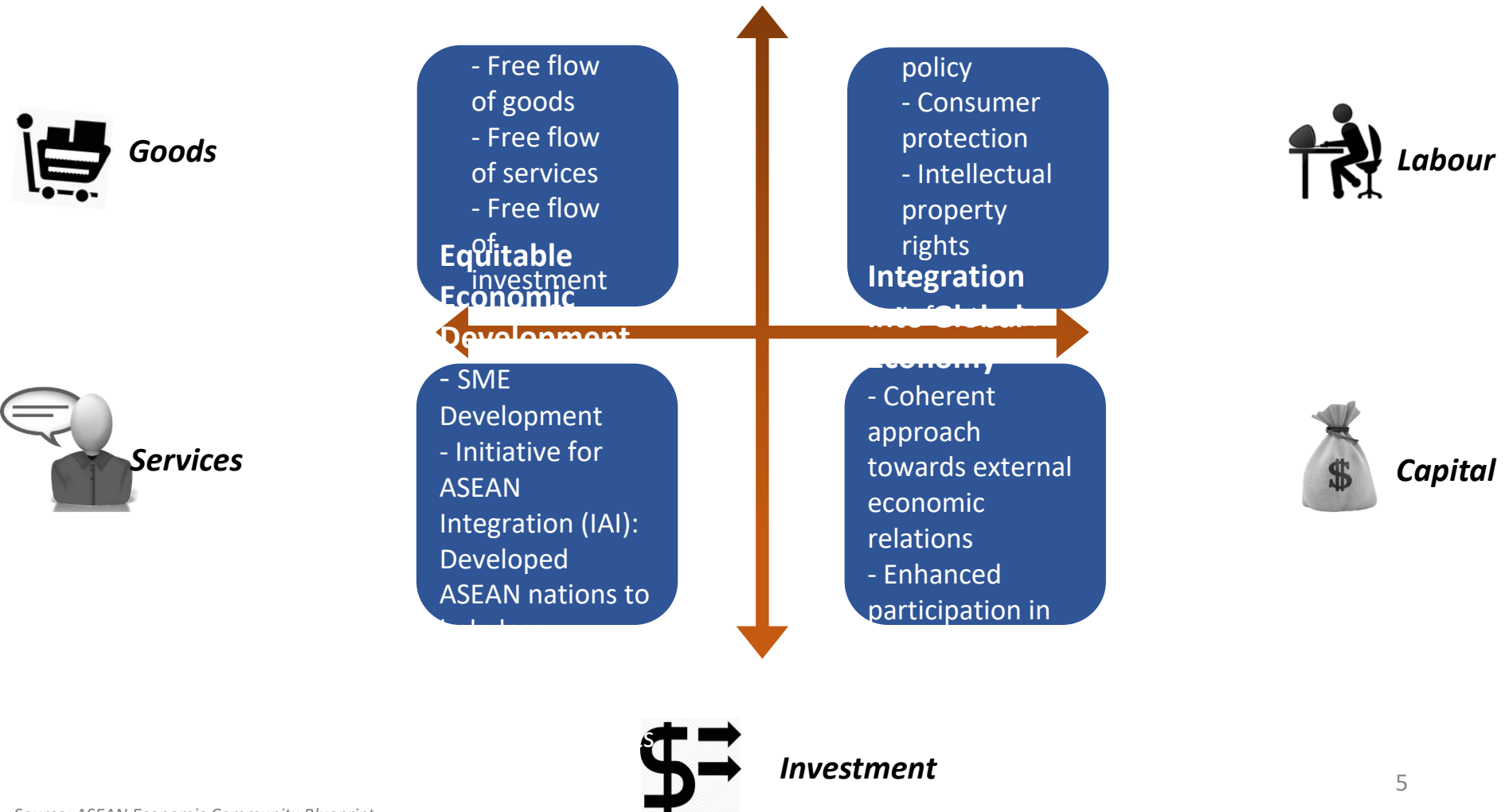
1. **Land Area** - The largest is Indonesia which at 1.86 million square kilometers is 2,605 times the size of Singapore (714 square kilometers).
2. **Population**- Brunei is home to only 423,000 people, ASEAN' s archipelagos such as Indonesia and the Philippines are inhabited by 238 million and 96 million people, respectively. Viet Nam is also highly populated with 87.8 million people.
3. **GDP per capita** - Singapore' s GDP is more than 30 times higher than in Laos and more than 50 times higher than in Cambodia and Myanmar.
4. **Religion** - Indonesia is almost 90 percent Muslim, while the Philippines is more than 80 percent Roman Catholic, and Thailand is more than 95 percent Buddhist.
5. **Language** - Each ASEAN country has their own official languages and wide ranging list of dialects. English, however, is the official business language of majority of ASEAN countries.

# ASEAN's Goal in Regional Economic Integration...

Single

ve  
Economic

*The AEC is based on four key characteristics ...*





# The ASEAN Capital Markets Forum (ACMF)



Autoriti Monetari Brunei Darussalam



Securities and Exchange Commission of Cambodia



Otoritas Jasa Keuangan Indonesia



Lao Securities Commission Office



Securities Commission Malaysia



Securities and Exchange Commission of Myanmar



Securities and Exchange Commission Philippines



Monetary Authority of Singapore



Securities and Exchange Commission Thailand

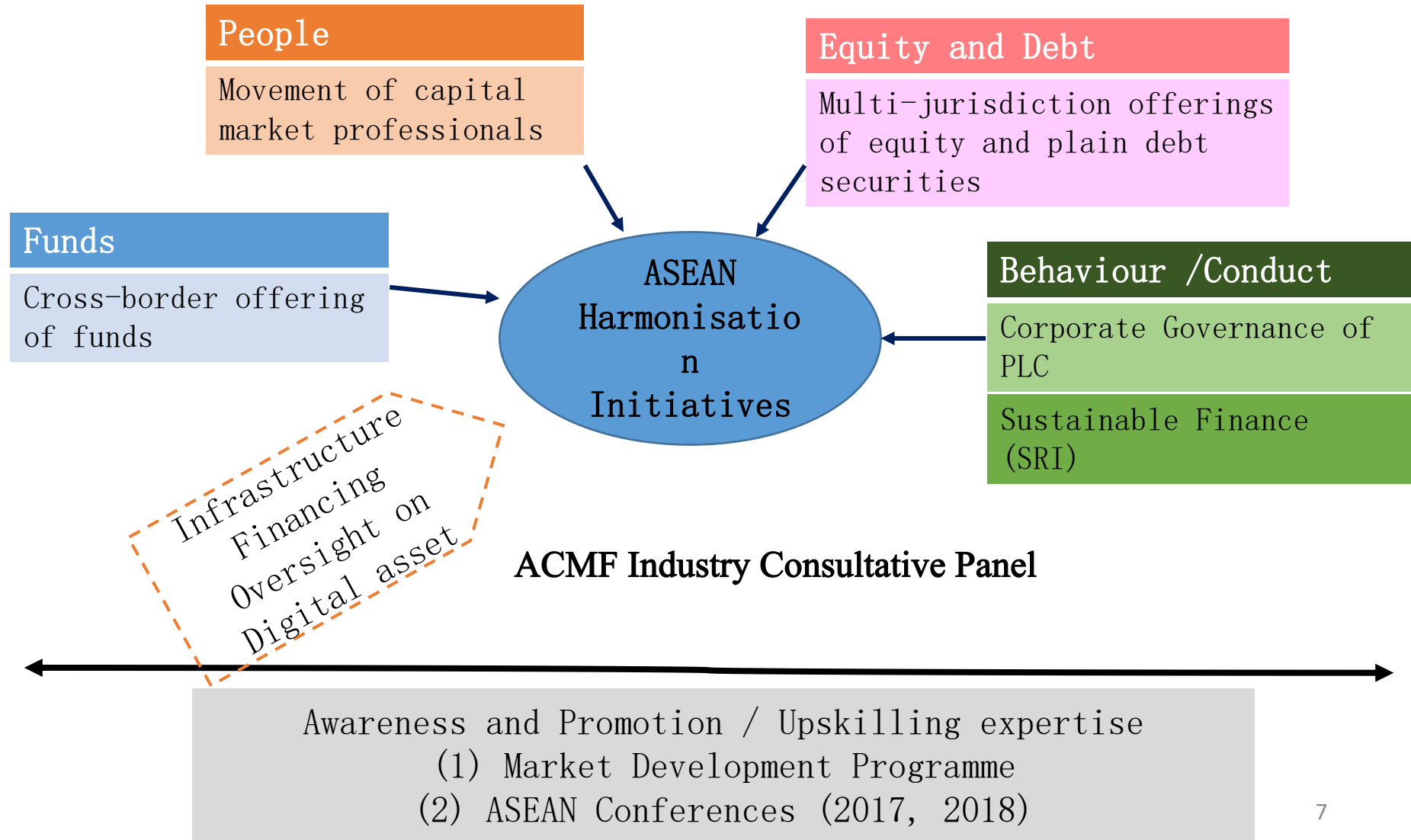


State Securities Commission of Vietnam


- Established in 2004 under the auspices of the ASEAN Finance Ministers
- Objective – to develop a deep, liquid and integrated regional capital market.
- Pragmatic approach in implementing its capital market initiatives – member countries opt-in to join the initiatives based on their market readiness.
- Current Chair: Ms Ruenvadee Suwanm<sup>6</sup>ngkol, Secretary General, SEC



# Scope of initiatives...



# Summary of initiatives...

- 01 Facilitate movement of capital market professionals within ASEAN
  - 02 Promote sustainable finance in ASEAN
  - 03 Networking on Digital Asset Oversight
  - 04 Enhance multi-jurisdiction offerings of equity and plain debt securities to retail investors within ASEAN
  - 05 Corporate Governance standards for ASEAN PLCs
  - 06 Cross-border offering of Collective Investment Schemes
  - 07 Accelerate infrastructure financing and mobilisation of private capital
  - 08 Market Development and Capacity Building
  - 09 ACMF Industry Consultative Panels
  - 10 ASEAN Capital Market Conference
-  To be explained further



# Corporate Governance ...

1. Initiative began in 2011, funded by the ADB and has the participation of 6 ASEAN countries – Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.
2. Objectives –
  - To raise the corporate governance standards and practices of ASEAN publicly listed companies (PLCs)
  - To give greater international visibility to well-governed ASEAN PLCs and show case them as an investable companies; and
  - To complement other ACMF initiatives and promote ASEAN as an asset class.
3. The capital market regulator of each participating country appoints its Domestic Ranking Body (DRB) to conduct the assessment. The biennial CG Scorecard assessment involves the following :
  - The DRB assesses the top 100 PLCs of its country using the Scorecard;
  - Cross country peer review process is conducted by an external independent party (Validation process was introduced in 2017)
4. Publication of the ASEAN CG Country Report and Assessment 2012–2013 & 2013–2014
5. In 2017, Inaugural ASEAN CG event held in Manila and in November 2018, the 2<sup>nd</sup> ASEAN CG Annual Event was held in Kuala Lumpur.

# ACMF CG Assessment...

## LEVEL 1

Items indicating the law, rules, regulations and requirements of each country and basic expectations of OECD Principles

Covers five areas of the OECD Principles: (A) Rights of Shareholders; (B) Equitable Treatment of Shareholders; (C) Role of Stakeholders; (D) Disclosure and Transparency; and (E) Responsibilities of the Board

## LEVEL 2

Bonus items reflect other emerging good practices and Penalty items reflect actions and events that are indicative of poor governance




## ASEAN Corporate Governance Scorecard

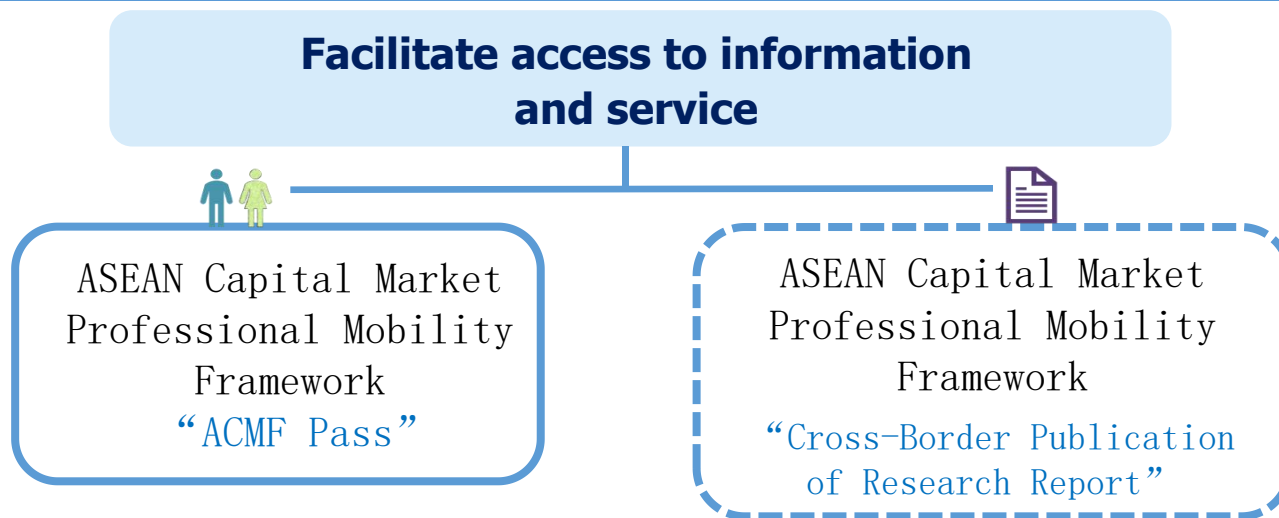
Assesses the compliance of a **PLC** with the OECD Principles of Corporate Governance

... based on **publicly available** and **accessible information**, sourced from:

- Annual reports
- Company websites
- Announcements of AGM
- Articles of association
- Minutes of AGM
- Corporate Responsibility / ESG Report

# Cross-border offering of CIS

1. Provide **qualified fund managers** with a direct and efficient channel for cross-border distribution of CIS through streamlined authorisation process.
2. Participating Member countries are Malaysia, Singapore and Thailand with Philippines working towards becoming a signatory of the ASEAN CIS Framework.
3. 14 funds recognised since operationalisation in 2014, with 6 funds successfully launched in signatory countries (Malaysia, Singapore & Thailand). (As at 31 J  2019)
4. In February 2018, Signatories signed the revised ASEAN CIS MoU. Key enhancements include:
  - Enabling wider range of fund managers to participate by lowering qualifying criteria to US\$350 million AUM from US\$500 million.
  - Shortening the time-to-market for the launch of funds.
  - More flexibility to delegate the investment management of a fund by increasing from 20% to 100% the proportion of the fund's assets that can be sub-managed by a manager that is not regulated by a signatory
5. Framework for the Cross-Border Offering of ASEAN CIS available from [https://www.theacmf.org/images/downloads/pdf/Attachment\\_1\\_standards\\_of\\_Qualifying\\_CIS\\_20180223.pdf](https://www.theacmf.org/images/downloads/pdf/Attachment_1_standards_of_Qualifying_CIS_20180223.pdf)



1. Initiative, commenced in Sept 2016 with the objective of developing common standards on universal skills to allow for cross-border recognition of professionals and movements of those **individuals and services**.
2. The two components under the framework are:
  - **ACMF Pass** – a fast-track approval for licensed/registered professional from recognised ASEAN countries to carry out the regulated activity of investment advice in a host country ( “ACMF Pass” ); and
  - Cross border publication of research reports in a host jurisdiction.

# ... (b) Cross Border Publication of Research Report

1. Participating countries signed an MOU to collaborate and cooperate on a framework to allow the cross-border publication of research report in the signatories' jurisdictions.
2. Hosting platform in signatory jurisdictions will be able to publish research reports and required to comply with the following conditions:
  - research report is produced by the Authorised Person and **already made available** to the retail investor in Home Jurisdiction;
  - obtain **consent for publication** of the research report from the Authorised Person who is the owner of the research report;
  - **not exercise editorial control** or modify the contents of the research report, the Hosting Platform is considered as a conduit; and
  - include a disclaimer stating that the research report is produced by the Authorised Person **supervised by the Home Regulator.**

# Sustainable Finance in ASEAN

## – Malaysia's commitment to SRI



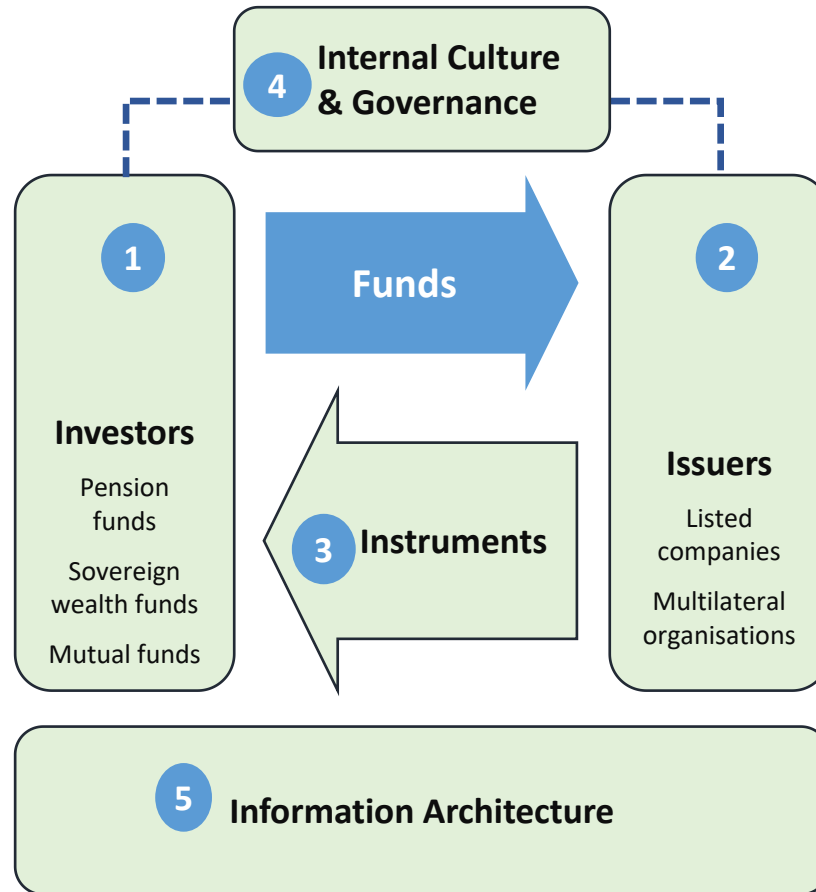
UN SDGs

Malaysia is committed to support and implement the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (or SDGs)



Paris Agreement

Malaysia adopted the international climate agreement to limit global warming to below 2°C



*5i strategy to develop the Sustainable and Responsible Investment (SRI) ecosystem*

# SC' s Role in the Development of the ASEAN Green, Social and Sustainable Bond Standards

SC, as the Co-Chair of the ASEAN Capital Markets Forum' s Sustainable Finance Working Group, has introduced the **ASEAN Green Bond Standards** (Nov 2017), **ASEAN Social Bond Standards** and **ASEAN Sustainability Bond Standards** (October 2018), to create a sustainable asset class in ASEAN, particularly in meeting the region' s infrastructure and social development financing needs

## Key Features:



Issuers must have a geographical or economic connection to ASEAN region



Specific exclusions of certain projects:

- Fossil fuel power generation projects are excluded from AGBS to mitigate green washing of projects and to protect the ASEAN Green Bond label
- Projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN Social Bond Standards. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable



Issuers are required to disclose information not only in the issuance documents but throughout the tenure of the bonds on a public website designated by the issuer



Issuers are encouraged to provide more frequent periodic reporting to increase transparency on the allocation of proceeds



The external reviewer must have the relevant expertise and experience in the area, which they are reviewing. The external reviewer' s credentials and scope of review must also be publicly disclosed



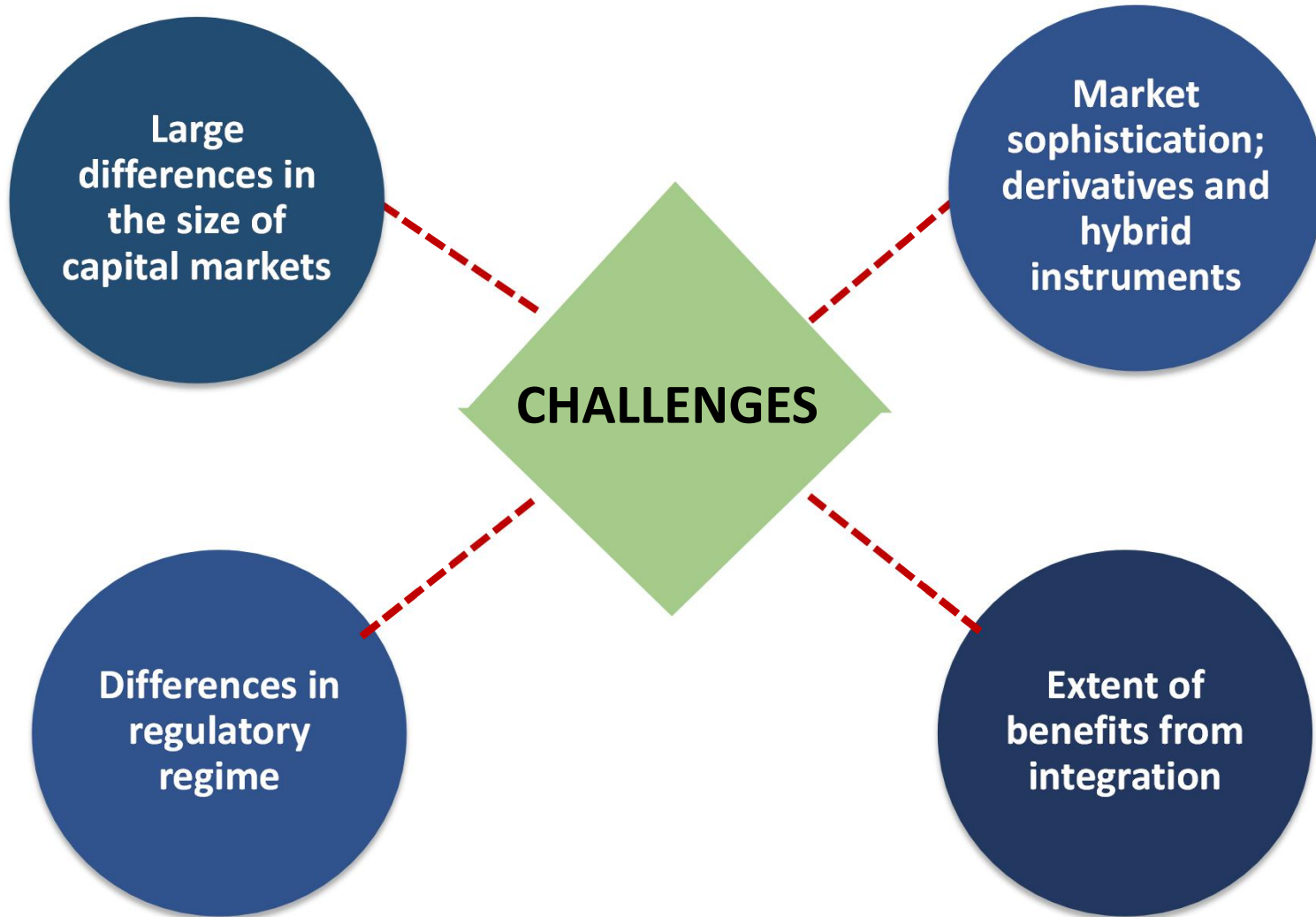
1. Following the launch of the suite of ASEAN standards, there have been 13 issuances from Malaysia, Singapore, Thailand and Philippines carrying the ASEAN Green and Sustainability Bond labels amounting to USD 1.75 billion, as of 6 August 2019.

## Promotional Efforts

- ❖ The first AGBS Roundtable was held in Vietnam in March 2018 to engage with market participants.
- ❖ Following launch of the ASEAN SBS and SUS, the ADB and ACMF held a series of engagements with investors and related stakeholders in Japan from 27 - 29 November
- ❖ Members promote the ASEAN GBS, SBS and SUS and raise awareness of overall ASEAN sustainable finance initiatives through speaking engagements in various regional and global conferences



# Challenges to regional collaborative efforts





# Key takeaways on regional integration

*A chain is no stronger than its weakest link.*

*For the region, it is important that ...*

1. Policy direction and support from the Government [*Report to Finance Minister*]
2. Promotional and educational efforts require funding support [*Conferences and Engagements*]
3. Adoption of an approach contextualizing the nuances and level of readiness of member countries [*opt-in when ready*]
4. Private sector buy-in to ensure commercial viability [*Industry Consultative Panel*]
5. Market development programs based on regional priorities for capacity building [*ASEAN Young Regulators Program, Bond Market Development*]

# Thank You

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# Funds approved and launched under ASEAN CIS Framework (as at 31 July 2019)

No	Country	CIS Operator	Name of CIS	Date Approved	Host Jurisdiction	Date of Launch in Host Jurisdiction
1	Singapore	Nikko Asset Management Asia Limited	Nikko AM Shenton Horizon Investment Funds – Singapore Dividend Equity Fund	29/10/14	Malaysia	8/3/16
2	Malaysia	CIMB-Principal Asset Management Berhad	CIMB-Principal ASEAN Total Return Fund	26/2/15	Singapore	9/9/15
3	Malaysia	Maybank Asset Management Sdn Bhd	Maybank Greater China ASEAN Equity-I Fund	26/2/15		
4	Thailand	ONE Asset Management Limited	ONE STOXX ASEAN Select Dividend Index Fund	11/6/15	Singapore	5/4/17
5	Singapore	Nikko Asset Management Asia Limited	Nikko AM China Onshore Fund Series – Nikko AM China Equity Fund	15/6/15		
6	Malaysia	CIMB-Principal Asset Management Berhad	CIMB-Principal Asia Pacific Dynamic Income Fund	29/6/15	Singapore	9/9/15
7	Malaysia	CIMB-Principal Asset Management Berhad	CIMB-Principal Malaysia Equity Fund	29/6/15	Singapore	18/2/16
8	Malaysia	CIMB-Principal Asset Management Berhad	CIMB Islamic DALI Equity Theme Fund	29/6/15	Singapore	18/2/16
9	Malaysia	CIMB-Principal Asset Management Berhad	CIMB-Principal Asia Pacific Dynamic Growth Fund	10/2/16		
10	Malaysia	CIMB-Principal Asset Management Berhad	CIMB-Principal Asia Pacific Dynamic Mixed Asset Fund	30/9/16		
11	Singapore	Schroder Investment Management (Singapore) Ltd	Schroder International Choice Portfolio – Schroder Asian Equity Yield Fund	20/6/18		
12	Singapore	Schroder Investment Management (Singapore) Ltd	Schroder Singapore Trust	20/6/18		
13	Singapore	UOB Asset Management Ltd	United Global Healthcare Fund	17/8/18		
14	Singapore	UOB Asset Management Ltd	United Greater China Fund	17/8/18		

# Public-listed companies and Market Capitalization

Country	# Listed Cos	Market Cap (USD bill)
Malaysia	902	398.02
Singapore	482	687.26
Philippines	264	258.16
Thailand	704	500.74
Indonesia	619	486.77
Vietnam	749	124.34
<b>TOTAL</b>	<b>3720</b>	<b>2445.29</b>

<https://www.theglobaleconomy.com/economies>