

Stock exchange of thailand



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The modern Thai Capital Market was started in 1961 when Thailand implemented its first five-year National Economic and Social Development Plan. It supports the promotion of economic growth and stability as well as develops the Kingdom's standard of living. After that, the Second National Economic and Social Development Plan (1967-1971) proposed to set up an orderly securities market in order to gather additional capital to support Thailand's industrialization and economic development. The modern Thai capital market can be divided into two phases, " The Bangkok Stock Exchange" which was privately owned and " The Securities Exchange of Thailand".

The BSE finally ceased operations in the early 1970s because of a lack of official government support and a limited investor understanding of the equity market Establishment of the Stock Exchange of Thailand Despite the failure of the BSE, the concept of an orderly security market had attracted a lot of Thai people attention. In 1969, as recommended by the World Bank, the government acquired the services of Professor Sidney M. Robbins from

Columbia University to study the development channels of the Thai capital market.

In 1972 the Government took a further step in this direction by improving the " Announcement of the Executive Council No. 58 on the Control of Commercial Undertakings Affecting Public Safety and Welfare". The changes were allowed Government to control more over the operations of finance and securities companies. After that, in 1974, " The Securities Exchange of Thailand" (SET) was enacted allowing the investment to save in the capital market. By 1975, the basic legislative framework was in place and the Securities Exchange of Thailand officially started trading.

On January 1, 1991 its name was formally changed to " The Stock Exchange of Thailand" (SET). Vision Empowering business and investors through our strengths to match the right financial opportunities Mission Clients and Intermediaries " Expand business issuers and investor base by satisfying their financial needs and strengthening intermediaries for mutual growth and success" Products and Services " Offer a wide range of attractive products and services to create value and match financial opportunities across different segments of business and investors" Operations Operate with flawless execution according to international standards to ensure efficiency, effectiveness, flexibility and global connectivity" People and Culture" Inspire staff to perform up to their fullest potential and create a corporate culture that aims at achieving excellence in matching the right financial opportunities for business and investors" Regulatory Framework of the Capital Market The Securities and Exchange Act of 1992 (SEA), specified the

Securities and Exchange Commission (SEC) as the regulator of the Thai Capital Market.

While the SEC oversees the development of the Kingdom's capital market, the Bank of Thailand (BOT) is responsible for the country's money market.

Primary Market The SEC looked over a company that wants to issue new securities, an initial public offering (IPO) or additional securities to the public.

The company must first apply for SEC approval and comply with its filing requirements. Then, the SEC is required to review the financial status and operations of the company before allowing the firm to issue securities to the public. **Secondary Market**

Securities may be traded in the secondary market once the issuer has applied for and been approved by the SET. **Operations** The Stock Exchange of Thailand is a juristic entity that was set up under the Securities Exchange of Thailand Act, B. E. 2517 (1974). Operations started on April 30, 1975. Its main operations include securities listing, supervision of listed companies and information disclosure, trading, market surveillance and member supervision, information dissemination and investor education. Moreover, its duty is to promote saving and long term financial planning for developing the economy.

SET is a center for trading of listed securities without distributing any profit to members. **Board of governors** **Regulatory Framework** The SET Board of Governors is comprised of a maximum of eleven people, five of whom are appointed by the SEC, and five who are elected by SET members. The SET President, appointed by the Board, is an ex-officio member of the Board. The Board is also responsible for formulating the SET policies. **Management** The

organizational chart of SET can be classified into two major parts which are Exchange Function and CMDF Function.

Each function's organizational structure can be seen below. | | SET's Role The Stock Exchange of Thailand has been continuously improved the management system of listed Thai companies to have good governance. SET was started to study about the roles of audit committee in 1995 before the financial crisis. After that, it issued a listing requirement indicating that all listed companies have an audit committee in early 1998. In that year, the SET also issued a guideline namely " Code of Best Practices for Directors of Listed Companies" to be a guild role of audit committee.

Two years later, the Good Corporate Governance Committee, consisting of representatives from a variety of professional organizations, disseminated a report on corporate governance which set a framework to be used by organizations in the Thai capital market for developing good corporate governance systems and practices. The Thai government designated the " Compass for Good Corporate Governance" and set up the National Corporate Governance Committee (NCGC). In the same year, SET also proposed fifteen principles of good corporate governance for listed companies to implement.

The listed companies have to apply the fifteen principles and are required to demonstrate in their annual registration statement (Form 56-1) and annual reports starting from the accounting period ending December 31, 2002. In July 2002, the SET has established the Corporate Governance Center to help listed companies develop their corporate governance system. The Center provides consulting services to and exchanges ideas about corporate

governance practices with directors and executives of listed companies, as well as those of firms preparing to be listed companies.

Corporate Governance Center Background The SET has established the Corporate Governance Center to support listed companies. It encourages the company to have good corporate governance and stakeholders include shareholders, suppliers, customers, creditors, employees, and the community etc. Corporate Governance Center builds to have confidence investment in Thai capital market which support the knowledge about corporate governance including the developing good corporate governance system and practices. . The Center of consulting service Giving advises and exchange idea about corporate governance practices with directors and executives of listed companies as well as those of firms preparing to be listed companies. 2. Corporate Governance Self Assessment Evaluation was followed by the rule of listing company 3. Producing and disseminating a variety of information and materials as guidelines. 4. Holding activities to help educate listed companies' directors and executives. Products and Services

One of the SET's missions is to " Offer a wide range of attractive products and services to create value and match financial opportunities across different segments of business and investors. " SET has continuously developed new products and services and improved the system to satisfy needs of the investors. SET group supervises trading activities and market participants to ensure that the market is fair, orderly, and transparent. The products and services of SET are as following. Product The products that SET

offers can be classified into 5 major categories; equities, bonds, derivatives, exchange-traded fund (ETF), and derivative warrants.

The more details of each type are discussed as following. 1. Equities Equity trading is the trading of securities issued by public companies where shareholders have a direct stake in the company as well as the right to vote in shareholders' meetings. The secondary markets for equities trading are The Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI). Types of equities are ordinary shares, preferred share, warrants, unit trusts, non-voting depository receipt, and depository receipt (DR). SET and MAI are different in terms of the types of equities traded.

On SET, investors can trade all types of equities, whereas on MAI preferred shares and depository receipt (DR) are not traded. Market for Alternative Investment or MAI was established in June 1999 in order to encourage the smaller firms with potential high growth and innovation. MAI serves as a new fund-raising source for such firms and new alternative investments for investors who are interested. The vision of MAI is " We strive to be the right and efficient exchange creating value for high potential, innovative and ventures companies in ASEAN. " The core values of MAI are to be focus, accountable, networking, zealous, and innovative. . Bonds After a bond is issued and sold in the primary market, the bond can be electronically traded through Bond Electronic Exchange (BEX), where investors can buy and sell bonds. The market was first launched on November 26th, 2003, and its goal is " to develop all facets of the Thai bond market to reach an international standard, on par with other mature bond markets in the rest of the world". 3. Derivatives Derivatives are traded through Thailand Futures Exchange or

TFEX which was established on May 17th, 2004. TFEX play a big role in Thailand economy in stabilizing and sustaining financial market and corporates.

Derivatives are used to protect companies from unanticipated change of underlying assets which might be the raw material of the company. In other words, TFEX allows investors to hedge their risk by utilizing derivative products. TFEX has continuously introduced new products to be traded on the market. Up to the present, TFEX has a total of 11 products in 5 categories, which are equity, interest rate, precious metal, energy, and currency. First category, equity derivatives have a total of 4 types, which are SET 50 Index Futures, SET 50 Index Options, Sector Index Futures, and Single Stock Future.

Second, derivatives that are traded on interest rate are 3-Month BIBOR Futures, 6-Month THBFIX Futures, and 5-Year Government Bond Futures. Third, derivatives for precious metal are 10 Baht Gold Futures, 50 Baht Gold Futures, and Silver Futures. Forth, derivative on energy price is Brent Crude Oil Futures. Fifth, the currency derivative is USD Futures. 4. ETF Exchange-traded fund or ETF is an open-ended mutual fund which is traded on the stock exchange. Through brokers, ETF investors can buy and sell at any time during the trading hours at the prevailing price when the order is executed.

The main difference between normal mutual funds and ETF is that mutual fund is normally traded via asset management company or a fund issuer at the end of the trading day while ETF has real-time NAV or Indicative NAV which is calculated throughout the trading hours. With the help of designated market maker or liquidity provider, it allows investors to trade at the market

price at any time. ETF is a passive management fund since it basically invests in a basket of underlying stocks which can be SET 50 Index, a stock sector index, commodity index and commodity price such as gold price and oil price.

Mostly, ETF is the replicate of a stock index, making the expense and management fee lower for ETF. In contrast, mutual fund is more active making the cost of management more expensive as well. 5. Derivative Warrants (DW) Derivative Warrants give the holder right to buy a stock or an underlying security at the pre-determined price within the stated period for certain quantity. The issuer of derivative warrant is a third party, not the issuer of the underlying securities. Warrants and Derivative Warrants are different in many aspects, as shown in the following table Services 1.

Information service

Due to SET comprehensive, accurate and up-to-date source of Thai listed companies information, SET provides information service for customers who would like to access and disseminate trading or listed company information either with commercial or non-commercial purpose. Major customers of this service are member companies, data vendors, presses, academic institutes, mutual funds, governmental agencies and general investors. SET Information Service is classified into 3 categories; a. Datafeed (raw data for further application) b. SETSMART or SET Market Analysis and Reporting Tool c.

IR website service for SET listed companies 2. Listing service on SET Companies that are interested in listing itself on SET have to meet many rules and regulations. Being a listed company gives the company many advantages. The company will have a larger source of long-term capital that

is crucially important to enhance its operation, expansion and competitiveness. The company will obtain a better and positive public image due to its high standard and transparency giving the company with higher bargaining power and company's credibility. Application fees| Initial fees| Annual fees| | THB 50, 000| 0. 5% of paid-up capital (With minimum and maximum of THB 100, 000 - THB 3, 000, 000)| Regressive rate varies with the level of paid up capital as follows: | less than| THB 200 M. | at 0. 035 % of paid-up capital| THB 200 M. | < Capital <| THB 1, 000 M. | at 0. 030% of paid-up capital| THB 1, 000 M. | < Capital <| THB 5, 000 M. | at 0. 025% of paid-up capital| THB 5, 000 M. | < Capital <| THB 10, 000 M. | at 0. 020% of paid-up capital| | more than| THB 10, 000 M. | at 0. 010%of paid-up capital| (With minimum and maximum of THB 50, 000 - THB 3, 000, 000)| 3.

Institutional service

Normally, investors can trade through Internet trading and ordering via marketing, but SET also provides a special service of institutional investors. With a Direct Market Access or DMA, a member can allow its customers to use this securities trading method. First, member has to receive permission from the Exchange, and then the member will be able to allow their customers to trade through the DMA system. Only Automatic Order Matching or AOM is allowed to use in DMA system. Besides from DMA, institutional investors can also trade through Program Trading that is trading software that can automatically create and send orders.

Brokers are allowed to use this program to follow various strategies such as market-making strategy, arbitrage strategy, VWAP, TWAP, Volume Inline, Price Inline. Revenue Structure Financial Events that Affect SET Believe it or

not, there is a saying that economic and financial crisis will happen somehow somewhere every 10 years. So far, we have seen many of these crises within the last decade whether it was the Great Depression in 1929, the Oil Crisis in 1973, the Latin American Debt Crisis in 1980s, the Collapse of the Japanese Asset Price Bubble in 1990s, the Asian Financial Crisis in 1997, and the U.

S. Subprime Mortgage Crisis in 2007 that led to the Global Financial Crisis nowadays especially in the Euro Zone. All of these are major events that would no doubt affect the performance of SET and other stock markets around the globe. We will discuss the effect of the financial crisis after the year 1972 which was when the initiative to form SET was started. The Oil Crisis in 1973 did not affect SET that much since the institution was not established yet but the crisis rather made the Thai government to think about the energy security of the country.

Five years later Petroleum Authority of Thailand was founded to solve this concern. The Latin America Debt Crisis in 1980s severely affects the economy of the countries in that region and did post some effect on the economy in our region. The market capitalization of SET went down from THB 33.08 billion in 1978 to THB 23.47 billion in 1981 before it rebounded back to THB 34.79 billion in 1983 where it continued to expand rapidly. In fact the market capitalization of SET triple during 1988-1989. The next major financial crisis is the Collapse of the Japanese Asset Price Bubble in 1990s that is very likely to impact our economy.

Surprisingly the Japanese crisis did not have a negative impact on Thailand but rather provide us with the opportunity. SET statistics shows that during the early 1990s, the market capitalization continuously expanded from THB

613.5 billion to THB 3.56 trillion. This resulted from the fact that Thailand was one of the five tigers at that time so having Japan falling; investors moved their capital to Thailand where it was safer. Thailand continued to grow in terms of GDP and capital investment until 1997 when the Asian Financial Crisis took place.

SET lost 28.19% of its market capitalization in 1996 and lost 55.7% more in 1997 when the government announced to float the currency. SET could not recover to its original prosper period until 2003. In 1990, Southeast Asia was an attractive region for foreign investor who looked for a high rate of return. As a result, there is a large capital inflow of money and an increasing in asset price. The growth rates in the early 1990s were as high as 12% of GDP, leading analysts to refer to the phenomenon as the "Asian Tigers" and "Asian Economic Miracle. Thailand's economy developed into a bubble fueled by hot money. At the same time, Thailand ran huge deficits. They borrowed quite a bit of money externally and keep their own interest rates fixed which led to excessive exposure to foreign exchange risk. Foreign investors turned away from Asia. Higher US interest rates valued the dollar up, which in turn made Southeast Asia's exports less competitive. International investors withdraw credit; therefore, ASEAN governments increased interest rates and bought up excess domestic money using foreign reserves.

As a result, the governments' central banks started running out of foreign reserves because they want to keep the region look attractive. However, in 1997, Thailand's government decided to float the baht. Regional currencies depreciated so liabilities denominated in terms of foreign currency grew even more expensive in domestic terms. Entire economic sectors melted

down and people fell into poverty. Stock markets and currencies rapidly devalued. In 2008, the bursting of the U. S. housing bubble which peaked in 2006 caused the values of security tied to U. S. real estate pricing to plummet affecting financial institutions globally. The financial crisis was incurred because of a complex of government policies that encouraged home ownership. Government provided an easy access to loans to subprime borrowers and overvalue of sub-prime mortgages based on the theory that housing prices would continue to escalate. There is a lack of adequate capital holdings from banks and insurance companies to back the financial commitments. As a result, Banks were solvency and declines in credit availability which damaged investor confidence.

Economies worldwide slowed during this period and international trade declined. Since the U. S. is one of the largest economies in the world, it leads to a global crisis where Europe is now in a big trouble. U. S. has been trying very hard to recover where Greece and many countries in the European Community are experiencing difficulty. Although, our economy is relying on those regions, we are quite immune to their fallback. SET market capitalization is still growing despite some fluctuations from time to time in response to world events and news. Today SET market capitalization stands at THB 10.8 trillion. From important events I point out above, there is a link between Thai economy and a world economy. If there was a world economic crisis, it would have effect in the SET index. We should learn from our experience and try to prevent the crisis beforehand. However, in the present, Thai economy is started to improve a bit by a bit because of a stability of political situation, which make investors feel more confidence. Moreover, in

2015, there is an AEC that will support Asian economy and the SET index will believe to be increased then. SET and the World Stock Exchange

Stock Exchange of Thailand (SET) is considered to be very young given it was founded in 1975 comparing to the oldest stock exchange that was founded in 1602. The oldest is the Amsterdam Stock Exchange established by the Dutch East India Company for dealings in its printed stocks and bonds. It was subsequently renamed the Amsterdam Bourse and was the first to formally begin trading in securities. It is now known as Euronext Amsterdam after it merged with the Brussels Stock Exchange and the Paris Stock Exchange. Obviously, stock exchange has been around for a long time so as its developments.

Thus, SET still has a long way to go in developing itself and to educate Thai investor about hundreds of financial products available in the market. Comparing SET to other stock exchanges around the world, especially those with long establishment, we can see one big difference. Our record high market capitalization (THB 9.44 trillion) is much smaller due to the fact that we only have 545 companies listed on the exchange. This basically means that there are fewer big companies in Thailand that are well-established and needed to raise fund through the capital market.

However, this number has been increasing steadily as our economy expands. Other than the size, we can say that SET has the operating system that meet the international standard, which enables trading to be efficient, equitable and fluid. However, the way each stock exchange operates internally is different and this has nothing to do with size. Established stock exchanges usually offer many financial products other than stock such as options,

derivative, and bonds. These financial products have their own market where investor can trade such as TFEEX or AFET.

Since these are relatively new products in Thailand and a few investors really know how to trade them correctly, SET is continuously holding session to educate Thai investor about these products. At present, the volume traded on these products is still low and not very liquid. Therefore, SET has been acting like a school to teach new investor in whatever product they want to trade. In Thailand, all markets are subsidiaries of SET except the Agricultural Futures Exchange of Thailand (AFET). SET and Asian Stock Exchanges

We already compared SET to the world stock exchange in the previous section. Now we will further compare SET to other stock exchange in East Asia. The oldest stock exchange in this region is the Tokyo Stock Exchange (TSE) which was established in 1878 followed by Stock Exchange of Hong Kong (SEHK) which was established in 1891. These two stock exchanges are among the top 10 of the world in term of market capitalization. Another stock exchange that was established early in this region is the Philippines Stock Exchange (PSE) in 1927.

Since the main economy has been in either the United States of America or Europe, the stock exchanges in those regions are established earlier than those in Asian countries. Later on, the economy was slowly shifting toward the Asian countries where labor cost is much lower and there are more natural resources to explore and exploit. Growing economy in Asian region bring many big multinational companies into the region as well as bringing in more capital and technologies for the local companies to expand their

business in the region and in the global level. Stock exchanges then develop according to this economic shift.

Thailand started the initiative back in 1962 with the Bangkok Stock Exchange. Despite its well-intended foundation, the BSE was rather inactive and fail to succeed its mission. Later on, the Second National Economics and Social Development Plan were proposed and studies were conducted about the capital market in Thailand. By 1975, Securities Exchange of Thailand officially started trading before the name was changed to Stock Exchange of Thailand. Comparing the history of the stock exchange in the region, SET was founded at about the same time as the Singapore Exchange (1973).

According to the market development in this region, Thailand is among the second group of countries that has a formal stock exchange. Surprisingly, the youngest stock exchanges in the region are the Ho Chi Minh Stock Exchange (2005), the Laos Stock Exchange (2011), and the Cambodia Securities Exchange (2011). As we already mentioned that the development goes hand in hand with the economic development of each country, SET is more clearly more developed comparing to the Vietnamese, Laos, or Cambodian counterpart. Comparison of SET, SGX and NYSE

After we have discussed about the general viewpoint of stock exchanges of Thailand and those of other countries, a more detailed information about different stock exchanges is showed in the comparison table below. Here, we choose to compare SET with Singapore Exchange and New York Stock Exchange in different aspects including trading hours, listing fee, numbers of listed companies, listing requirement and instruments. | SET| SGX| NYSE| Trading hours| 9. 30-T1(anytime from 9. 55-10 am)T1-12. 30: Trading12. 30-

14. 00: Break 16. 30: Trading 16. 30-T3 (anytime from 16: 35-16: 40) 17. 0-
 Close Trading hours : approx. 3 hours | 9 am - 5 pm No breaks in between
 Trading hours : 8 hours | 9. 30 am - 4. 00 pm EST Trading hours : 7. 5 hours |
 Listing fees | Mainboard Application fees: THB 50, 000 Listing Fee: Minimum:
 THB 100, 000 Maximum: THB 3, 000, 000 Annual Fee: Minimum: THB 50,
 000 Maximum: THB 3, 000, 000 Fees : Cheapest | Mainboard: Minimum: SGD
 50, 000 Maximum: SGD 100, 000 Annual Fee: Min: SGD 25, 000 Max: SGD 100,
 000 Fees : Moderate | Mainboard: Min: USD 100, 000 Max: USD 150, 000 Annual
 fee: Min: \$30, 000 Max; \$85, 000 Fees : Most Expensive | Number of listing
 firms | 591 | 774 | More than 8000 |

Listing requirements | Public offering: * In operations for at least 3 years *
 Same management for at least one year * Combined minimum net profits
 from operations of THB 50 million over the last 2 or 3 years * Net profit from
 operations of THB 30 million Min shareholder equity THB 300 million | Public
 Offering: * Cumulative pre tax profit of at least SGD 7. million over last 3
 years with a pre-tax profit of at least SGD 1 million in each of those 3
 years OR * Cumulative pre-tax profit of at least SGD 10 million for the latest 1
 or 2 years OR * Market Cap of at least SGD 80 million at the time of IPO based
 on issue price * Operating track record of 3 years * Continuity of
 management of 3 years. 1-2 years of cumulative pre-tax profit of at least
 SGD 10 million Mainboard listing: * Be profitable in the latest financial year *
 Have a track record of at least 3 years, a market value of not less than
 \$150 million OR * Generate an operating revenue and have a market value of not
 less than \$300 million at the time of listing * Min issue share price for IPO now
 50 cents | For US company listing: * Round lot holders: 400 Public Shares: ,

100, 000 Outstanding * Market value of public shares: \$40 mil * IPO: \$100million
 Stock price criteria: * Issuers have \$4 stock price at the time of listing
 Financial criteria:(Example) * Earnings test: Aggregate pre-tax income for the last 3 years: \$100 million * Min in each of the 2 most recent years \$2 million, 3rd year positive. | Instruments| EquitiesIndicesBondsDerivatives| Securities including indexesFixed IncomeDerivatives CommoditiesInterest rates swapsFX forwards| Stocks Indices BondsCommodities (not physical commodities)| Index Composition Comparison between SGX and SET

Index composition is the breakdown information of how much market capitalization is in each sectors such as agriculture, commerce, construction, properties, etc. We pick Singapore Exchange or SGX to be compared with SET because the two markets are quite related and both are in the same region. However, since Singapore is a more developed country, it will be interesting to see the market capitalization of each sector. Sector| Values (\$)| | SGX| SET| Agriculture| 27, 517, 506| 3%| 7, 918, 292. 00 | 7%| Commerce| 69, 394, 052| 8%| 20, 358, 152. 00 | 17%| Construction| 17, 386, 961| 2%| 9, 114, 948. 00 | 8%|

Electricity/Gas/Water| 610, 896| 0%| 13, 141, 024. 00 | 11%| Finance| 99, 576, 196| 11%| 1, 296, 380. 00 | 1%| Manufacturing| 146, 824, 937| 17%| 13, 525, 888. 00 | 12%| Mining| 6, 120, 755| 1%| 12, 524. 00 | 0%| Properties| 149, 550, 876| 17%| 11, 592, 832. 00 | 10%| Services| 197, 412, 201| 22%| 16, 606, 076. 00 | 14%| Etc| 171879479| 19%| 22, 895, 636. 00 | 20%| Total| 886, 273, 859| 100%| 116, 461, 752. 00 | 100%| From the table, we can see that SGX has the highest market capitalization in services, properties, and

manufacturing, while for Thailand, the highest ones are commerce, services, and manufacturing.

Therefore, the sector that Singapore has high volume in is the properties sector. We can infer that properties sector contributes big flow of investment into the economy. Since in Thailand the property sector has recently been the sector with the highest growth rate, we believe that soon enough the properties sector will take a big stake in the SET market capitalization. Stock Index Comparison Stock index can be used to indicate the price movement of the entire stock exchange and roughly indicate the performance as well. Below are the world's top 10 stock exchange index year on year and the ASEAN+3's stock exchange index.

Top 10 Stock Exchange YoY Country| Index| Last| Monthly Chg| 12 Months Chg| Venezuela| IBVC| 403516| 30. 98%| 279. 78%| Pakistan| KSE100| 15813| 2. 38%| 36. 77%| Nigeria| NGSE30| 1269| 4. 09%| 36. 43%| Thailand| SET| 1282| -1. 31%| 31. 74%| Egypt| EGX30| 5793| -0. 49%| 30. 10%| Denmark| KAX| 400| -0. 37%| 25. 40%| Philippines| PSEi| 5405| 1. 10%| 24. 72%| Panama| Panama Stock Market| 397| 1. 25%| 24. 55%| Turkey| XU100| 70708| 6. 49%| 23. 96%| From the table, we can see that Thailand has the world's 5th highest growth in the past year of 31. 74%, and most of the top ten countries are emerging market.

ASEAN + 3 Countries Country| Index| Last| Monthly Chg| 12 Months Chg| Thailand| SET| 1282| -1. 31%| 31. 74%| Philippines| PSEi| 5405| 1. 10%| 24. 72%| Indonesia| JCI| 4339| 1. 80%| 13. 29%| Malaysia| KLCI| 1673| 2. 19%| 12. 87%| Singapore| STI| 3030| -1. 00%| 4. 26%| Japan| NKY| 8929| 0. 67%| -1. 34%| China| Shanghai SE Composite| 2066| -0. 96%| -16. 46%| From the

<https://assignbuster.com/stock-exchange-of-thailand/>

table, Thailand has the highest stock index in the ASEAN+3 region for the past one year. Future move of SET So far, we have discussed about the history of the stock exchange at the global level as well as the regional level.

We have compared SET with other stock exchange as well as the Singapore Exchange. From there, we could see that, in general, stock exchanges in the United States and Europe are much more developed than those in the Asian region. Within the Asian region, SET is considered to be among second group of countries to have a formal stock exchange. However, our stock market seems to develop slower than the Singapore Exchange which was founded around the same time. Now, we would like to turn our discussion to how SET can develop itself to provide a better service to the members.

There has been an increasing trend in what we call “ demutualization” for many not-for-profit organizations. Demutualization means a process by which a customer-owned mutual organization or co-operative changes legal form to a joint stock company. As part of the process, members of a mutual usually receive a windfall payout in the form of shares in the successor company, a cash payment, or a mixture of both. In other words, demutualization of the stock market basically means converting the stock exchange into a company and issue shares as IPO. Comparing this process to a normal business, we are listing the stock exchange into the stock market so investor can trade its share. This has been the recent trend for many stock exchanges around the world. The Stockholm Exchange was the first exchange to demutualize in 1993, followed by Helsinki (1995), Copenhagen (1996), Amsterdam (1997), the Australian Exchange (1998) and Toronto, Hong Kong and London Stock Exchanges in 2000. We consider these

exchanges as the pioneer group for this change. Many more exchanges have demutualized recently or are on their way to do so. Why this is happening is because of the benefits they can get out of this change.

It is expected that once the exchange is demutualized, things will be more effective, organization governance will be rationalized, more capital will flow in, and synergy will occur between sub-markets. Many stock exchanges that have gone through this process show that market price has increased; P/E ratio has increased more than 20 times; more companies are listed in the exchange. However, there are also challenges to this change. Two main challenges are the conflict of interest between the ownership and the management team, and the regulatory framework.

Given the benefits, we can see that many stock exchanges are moving toward this trend including SET. Nevertheless, this cannot happen overnight. It requires a lot of effort in making this a successful transition and strong support from the government and all the members in the market. As for Thailand, it is still a long way to go. We need to set up a new regulatory framework to oversee the change and make this change as transparent as possible since it is known that the corruption rate in our country is very high and this change would definitely involve a lot of money.

Therefore, we believe that SET is slowly changing the way they work and try to catch up with this trend as fast as they can to follow other leading exchanges in the region. Conclusion From our research, it has been found that there are several factors affecting the market development of SET. The factors are the limitations that obstruct the stock market to improve and be comparable with other leading stock exchanges in other countries. The major

problem is that SET is considered as a juristic person, which is under the control of the government entity or the Securities and Exchange Commission.

Therefore, it is difficult for SET to develop due to bureaucratic and its slow work process and development. Every new development project needs to go through many steps and approvals in the different levels of hierarchy. This discourages the market improvement comparing to other public or listed stock exchanges, which are more developed due to its flexibility and fast development. Trading hours of SET is limited to three hours a day only, whereas in other stock exchanges operate for longer trading hours of up to 8 hours a day. This factor has limited the opportunity for investors to trade meaning the slower growth of the market as well.

In addition, the products and services that SET provides are equities, bond, derivatives, ETF and Derivative Warrants. Even though it seems to be enough of variety for the Thai society, once we compare with other exchanges we can clearly see that other stock exchanges offer a lot more trading instruments implying that there are more investment alternatives for the investors to choose. Therefore, it is also important that the SET should consider offering more products and services, not only to encourage the investment in the country but also to enhance SET's revenues.

Another interesting point is about the culture and tradition of Thai people. Often times, we can see people try to maximize their own benefit by bribing or accepting the bribe. This is a severe problem in Thai society as well as for SET. Some company is willing to corrupt in order to get their own company listed. This means that the market is not fully transparent which can affect

the performance of the stock exchange as well as individual investors who put their money at risk. On the other side, Thailand is a conservative Buddhism country.

Therefore, the alcohol-beverage, casino and cigarette companies are banned to be listed on the stock exchange. However, as we know that these companies usually have considerably high growth, by imposing an investment ban on such companies the market might not be able to grow at the highest possible pace. The emergence of AEC will have high impact on SET since it allows ASEAN investors to invest in any public companies all over the Southeast Asian countries. This will make the economy of the region as well as the stock exchanges in ASEAN countries more integrated. Moreover, AEC will encourage

SET and Thai investors to be more international. The market participation will be at higher level since people will trade more on stock exchange. Once people trade more, SET will be able to make higher gain on trading fee. Local companies will be more interested in going public because the source of capital is larger than last time. Thus, SET will be able to make more revenues from listing service as well. The most important factor that is still need to be improved on is the knowledge about investment of Thai people since they still lacks the knowledge about money market, capital market and how to benefit from the markets.

Many people still put their saving in the saving account. Therefore, the expansion of Thailand Securities Institution or TSI is another way to educate Thai people about investment decision and to develop Thai market as a whole. Reference [http://www. set. or. th/](http://www.set.or.th/) [http://www. settrade. com/](http://www.settrade.com/)
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