



ASEAN Link

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Lima Peru

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The Agenda...

- **ASEAN Link Initiatives**
 - Background
 - Objectives & Value proposition
- **ASEAN Exchanges Ranking**
- **ASEAN Link Features**
- **ASEAN Link Infrastructure**
 - Components
 - Business Flow model
- **Critical Factors**

Background- ASEAN Trading Link

- 2005 ASEAN Finance Ministers agree to develop an interlinked ASEAN securities market **by 2015**
- 2007 Declaration on ASEAN Economic Community (AEC) Blueprint
 - Liquidnet commences business
- 2008 An ASEAN Exchanges **Strategic Working Group (SWG)** comprising senior representatives from Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam was established
 - BlocSec commences business
- 2009 Chi-X and SGX announce JV to create a dark pool

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Objectives & Value Propositions...

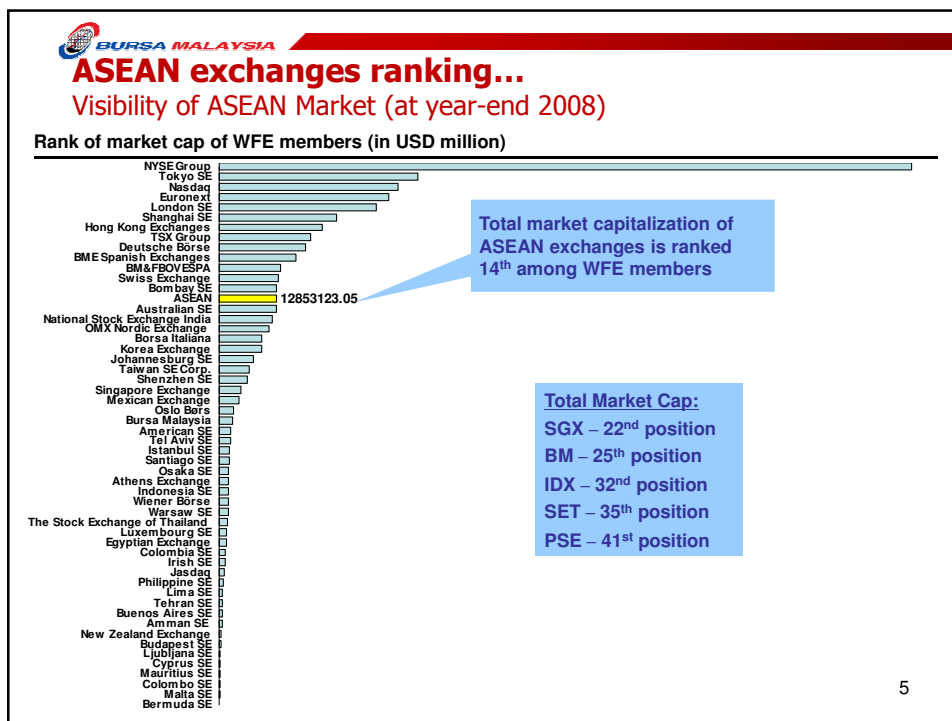
Key objectives

- Strengthen ASEAN visibility of **ASEAN as an asset class**
- Encourage **intra-ASEAN cross border trading**
- Attract more **international funds** into ASEAN


Value Propositions

- Maintain **home markets liquidity**
- Facilitate member access across Exchanges
- Reduce **cost** of operations and technology by creating a common gateway
- Retain **listed companies** within the ASEAN Exchanges
- Harmonize **M&A benefits** but retain individual exchanges identity

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- The Options for Consideration**
- ASEAN Alliance
 - Consolidation of trading platforms (eg direct links among exchanges or through 3rd party network provider)
 - New and separate ASEAN Exchange
 - A single integrated Exchange
 - ASEAN Clearing and Depository Utility
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The Case for Regional Collaboration

<p>Relevance and independence</p> <p>Better exchange operations</p> <p>Speed up and support domestic reforms</p> <p>Regional market depth</p>	<p>Examples</p> <ul style="list-style-type: none"> • Increased integration among Southeast Asian exchanges will create a much more important player on the global exchange stage • Exchanges that share infrastructure can spread fixed costs over a larger volume of trades • Larger exchanges can attract better and more talent • The process of harmonisation and self-recognition helps in maintaining the pace and focus of domestic reforms • A greater pool of capital will make Southeast Asia a more attractive listing location for its domestic companies • Regional brokers can emerge as potential winners over time
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ASEAN Link: The Infrastructure Components...

Intra ASEAN Network (IAN)

- Telecommunication network which links the ASEAN Exchanges

ASEAN Common Exchange (ACE) Gateway: DMA for

- Order routing
- Risk management screening
- Order filtering tool
- Price dissemination tool

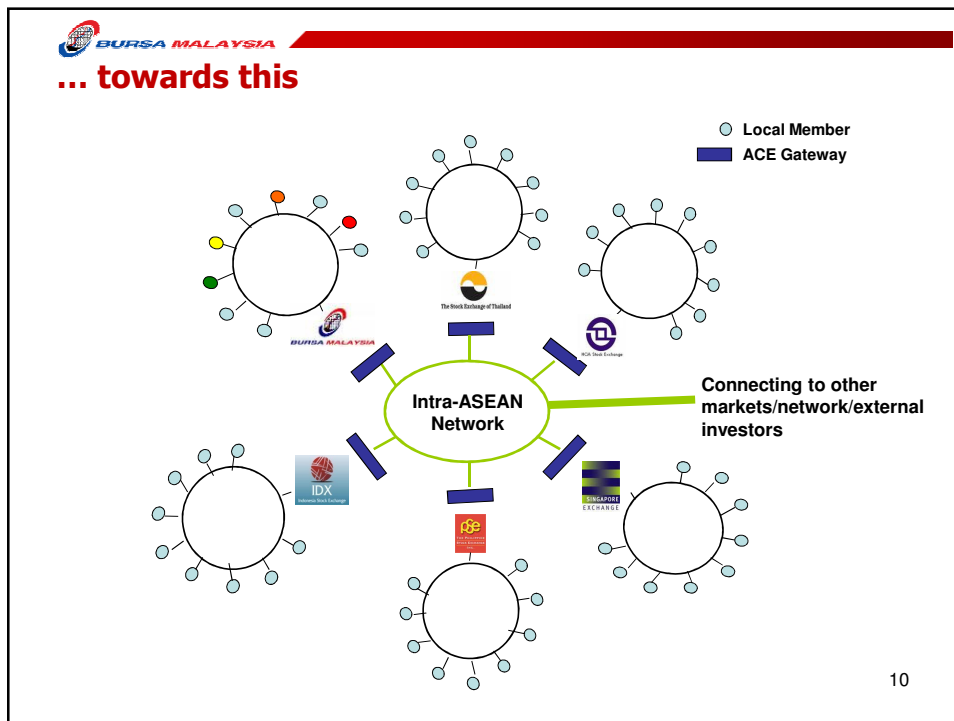
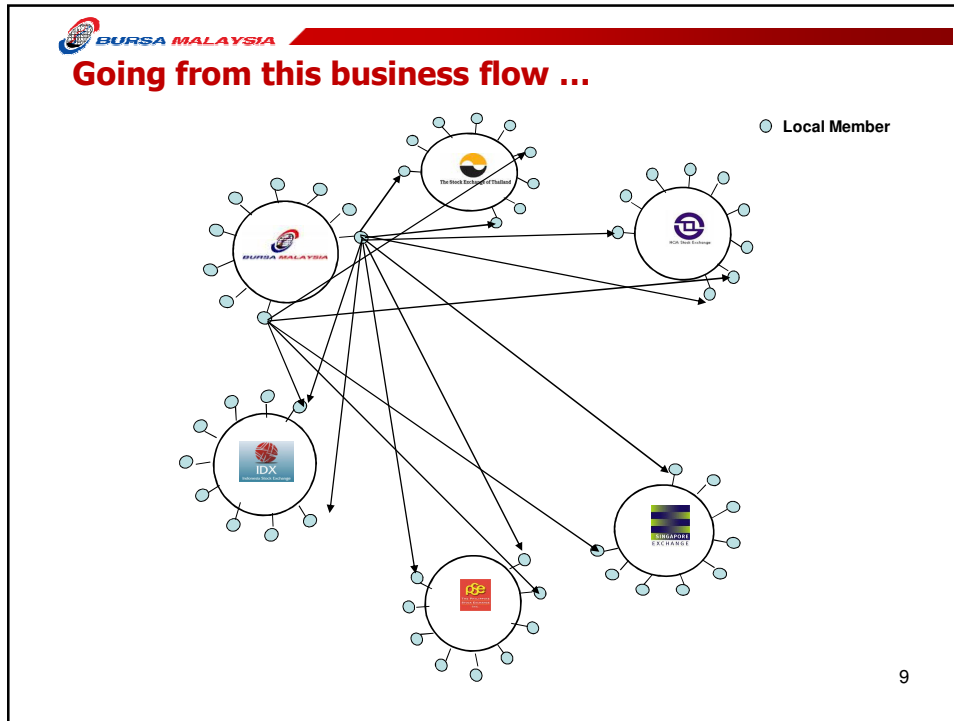
Open-ended connectivity to Order Management Systems (OMS)

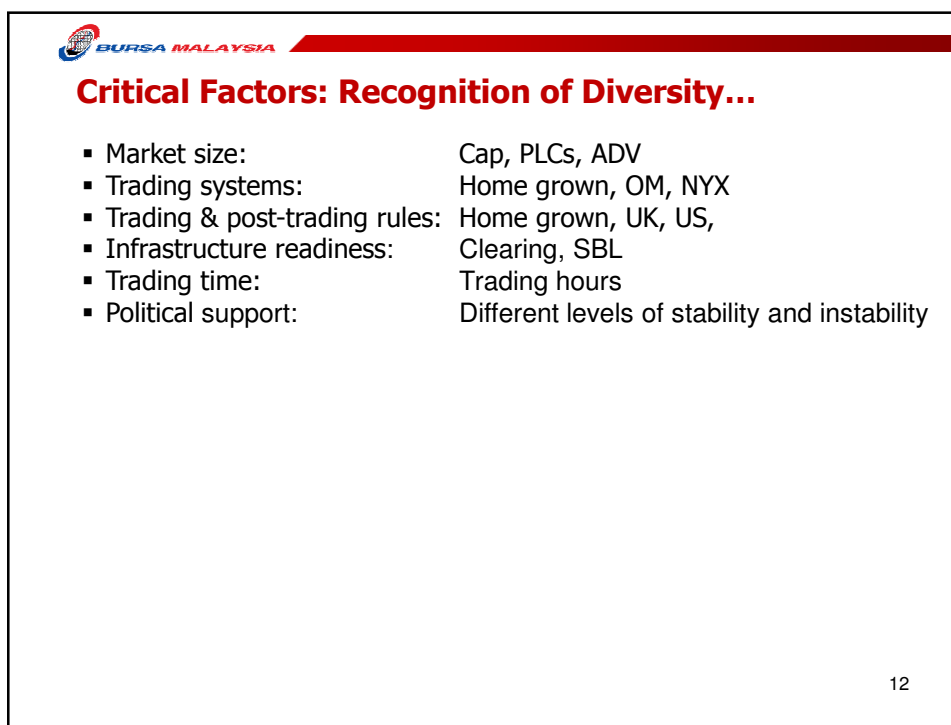
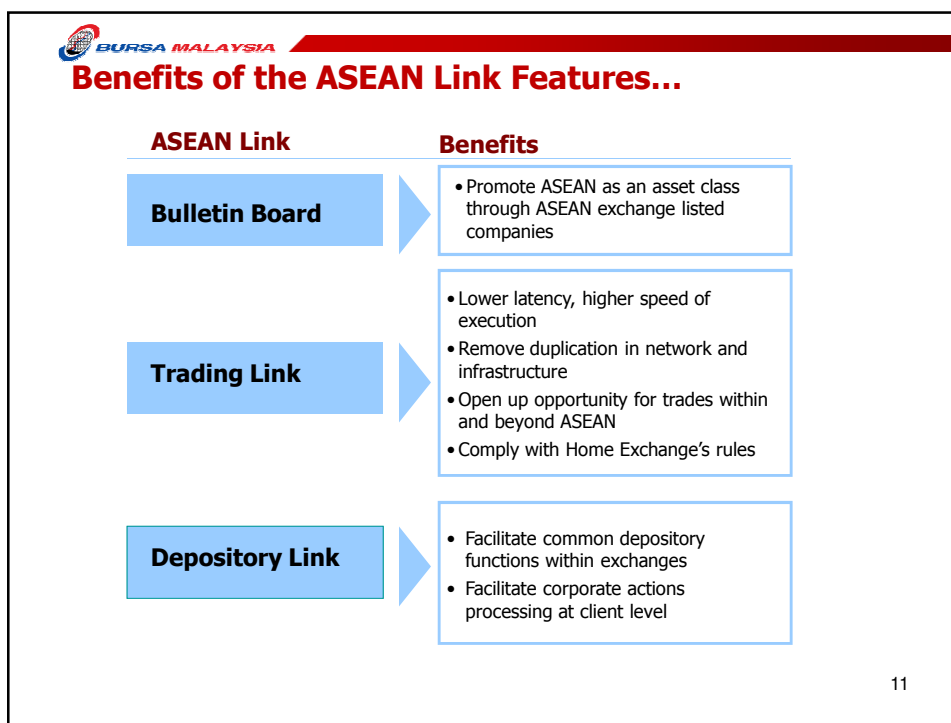
- Different front end OMS may be used by the brokers to key in orders
- The entire order book from all the ASEAN Exchanges will be made available
- The brokers can decide how much data to be displayed at their OMS

Bulletin Board

- Made available at common ASEAN website
- Will display 30 stocks from each ASEAN Exchange

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Critical Factors: Managing Potential Conflicts...

- Win-Win vs. Zero Sum games
- Network vs. Hub
- Disintermediation vs. Internalization of technological, regulatory, clearing and currency benefits
- Developing diversity
 - Values – Islamic, Buddhist, Confucius
 - Value propositions – Commodity, Currency, Carbon
 - Developing intra-ASEAN liquidity and investment

Critical Factors...

- **Stability and neutrality**
 - Technology neutral
 - Standards: Fix 4.2 ...
 - Intermediary value chain
- **Improving classical partner costs**
 - All (small) broker friendly solution
 - Local Broker International (without leaving home)
 - Currency friction
 - Research
 - Exchange provided (economic, political and small cap)
 - White labeling
 - Exchanges: a deferred entry solution (upgraded/upgrading)

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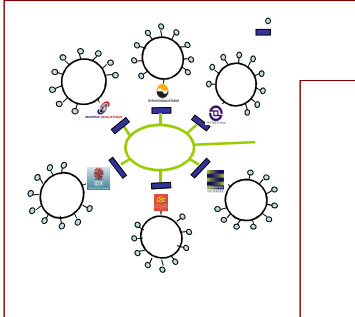
Critical Factors: Operational Objective is Low Cost...

- Total cost may be lower and acceptable for exchange with large number of brokers e.g. for exchange with 100 brokers:
 - Hi-Lo USD 5.5m to exchange and USD 10k per broker (Total = 6.5m)
 - Lo-Hi USD 4.0m to exchange and USD 100k per broker (Total = 14.0m)

Exchanges	Hi	✓✓	Avoid x
	Lo	Aim ✓✓✓	✓
	Lo		Hi
Intermediaries			

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Thank You



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Critical Factors: Internationalization

BURSA	US\$	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Central Bank
	RM	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Securities Commission
		RM	US\$	
		INVESTORS		