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Some industry watchers say that such a link will provide access to a bigger pool of investors. However, there are concerns about the challenges of aligning various interests across the region.



File photo of the Singapore Central Business District.

SINGAPORE: There could soon be greater cooperation among Southeast Asian stock exchanges. The Singapore Exchange (SGX) hopes to emulate the Hong Kong-Shanghai Stock Connect and establish a similar link among ASEAN exchanges.

Some industry watchers have said that such a link will provide access to a bigger pool of investors. However, there are concerns about the challenges of aligning various interests across the region.

An ASEAN Trading Link already exists among Singapore, Malaysia and Thailand brokers, and this could act as a prototype link with the rest of the ASEAN member nations.

Said Professor Annie Koh, a professor of finance (practice) at Singapore Management University: "If we do have a stronger, bigger and more liquid secondary market, then there will be more incentives for many people to want to list here.

"And it could be a listing in any one of the 10 ASEAN countries. So you could actually have a dual listing - Taiwan listing, if Taiwan eventually comes in here, and Singapore listing. Or you could

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have a Thai listing and a Singapore listing. So if we get those three partnerships right, then the potential is enormous."

A linked ASEAN financial market could also exert greater pull on international investors, allowing them to invest in various countries through a shared portal.

Prof Koh said: "It is actually going to say to the rest of the world who run huge portfolios that when you are buying into ASEAN, there is the possibility of buying into the ASEAN market per se. So the centrality of ASEAN is going to be very attractive.

"So if I have a big funds manager managing a pension fund in the US or in Europe, London, they can actually lock into the ASEAN connectivity and buy any one of the champions within the ASEAN market."

CHALLENGES INVOLVED

However, industry watchers acknowledged that there will be challenges in implementing a similar model to the Hong Kong-Shanghai Stock Connect. They noted that aligning various political and commercial interests will be a major obstacle.

Said CEO of Voyage Research Mr Roger Tan: "They can do it because there is a common political denominator, and it is actually one country. So it is easier for them to do the integration and even if we say it is easy, it took a while for them to do it.

"If you want to say for us, given the differences in political alignment, the differences in the way accounting standards are practised. I think it will take a very long time just to integrate two countries, let alone three, four or five."

Analysts said that the SGX has to look internally and rebuild market confidence before moving towards external trading links or alliances.

Mr Tan said: "We need to look back on ourselves, what have we done wrong, why is our own market shrinking. Let us rebuild that confidence, rebuild that liquidity back into the market, build ourselves into a certain size and a certain growth trajectory, especially the capital markets.

"It is okay for them to try and diversify into other businesses but the capital markets is the place where companies raise funds. You have to rebuild that confidence before you can go to another stock exchange and say 'let us work together'."

Outside of Southeast Asia, SGX is also in discussions to establish links with the Taiwan Stock Exchange, with cross-trading expected to begin in July this year.

- CNA/ek