

Navigating the Thai capital market through the world’s emerging ‘new normal’

The COVID-19 pandemic has brought unprecedented effects on every aspect of life, causing severe economic downturn, numerous business closures, critical corporate instability, massive job losses, and many more. We are now facing all these uncertainties and do not know when the health crisis will be over. The Stock Exchange of Thailand’s (SET) 13th President Pakorn Peetathawatchai, in his leadership role in one of Thailand’s notable organizations for the third year, has shared with us the integrated crisis management plan and business strategy under the SET vision as one of the key mechanisms to overcome the enormous challenges and drive the economy in the new normal way, toward sustainability.



What’s the difference between the Thai stock market today and in the past?

The Thai bourse’s landscape nowadays is different from that in the past in many dimensions. Tracing back to the early years of establishment, the focus was on building the infrastructure and foundation covering all areas of operations, such as trading systems, a variety of products, trading channels and investor base. It can be said that the 47-year-old Thai stock market has continuously been developed for the past four decades progressing into the fifth decade with vigorous foundation in all aspects. Additionally, during the past four years, we have enhanced, augmented and boosted numerous areas to achieve our set goals.

Firstly, our digitalization is end-to-end to improve the efficiency of our service standards. SET is actually not just a stock exchange, but is a platform available for everyone to scale up their businesses in the capital market more and more. All these state-of-the-art systems have enabled us to effectively overcome the unpredictable challenges like the COVID-19 epidemic, resulting in all trading activities functioning smoothly, even without face-to-face interactions but in virtual operations, such as e-account opening, NDID Proxy, or e-shareholders' meeting.

Secondly, we enable **ease of doing business** in the capital market. SET has collaborated with the Securities Exchange Commission (SEC) and other related organizations in adjusting and simplifying rules and regulations to a certain extent and will continue to make it better and better. The One Stop Service is a good example designed to facilitate and simplify listed companies fundraising process, while speeding up the listing process via e-listing of new common shares, depository receipt (DR), derivative warrant (DW), and exchange-traded fund (ETF) products, etc.

Thirdly, to be globally competitive, we need a Global Reach, providing investors with opportunities and alternatives to trading on international markets by issuing DR, DW, and ETF products, among others, to meet various investors' needs. In addition, we are also seeking effective ways to draw companies from abroad, typically in CLMV countries to gain more exposure in the Thai capital market. Moreover, we also aim to enhance business potential of startups and SMEs via the existing SET-driven LiVE Platform initiative.

Last but not least, the fruitful results from what we have continuously committed to for the past decade: the environmental, social and governance (ESG) issues which are vital to improve listed companies' sustainability practices. It is indeed our key strength, and hard work pays off. We have lessons learned from the Tom Yum Kung financial crisis in 1997, Thai listed companies could overcome the crisis by means of fundraising overseas. If there was lack of information disclosure and protection of shareholder's rights, and without independent judgment of directors, these SET-listed firms would certainly fail to gain investors' confidence. Thai firms have done remarkably well all along, as can be seen that SET was ranked among the top ten exchanges in Asia for corporate disclosures. In addition, a total of 21 Thai firms were listed on the Dow Jones Sustainability Indices (DJSI), the highest in ASEAN, and 7 of them were named industry leaders.

Sustainability has previously been undervalued by most investors because it comes with extra costs but with vague profitability. However, today ESG has come a long way. ESG aspects have now been analyzed, assessed, and scored. It is noticeable that after the pandemic situation, all investor segments in the Thai stock market are keen in companies with higher ESG scores, having discovered correlations between the stock prices and ESG scores. Sustainability is here to stay, as a new trend in adding more value to listed companies.

The Thai capital market: making a meaningful progress

Before becoming the stock exchange that you see today, SET was primarily established in the form of a limited partnership entity and then later on it was supported by the government to be a key fundraising platform for businesses in addition to commercial banks.

SET has experienced four key turning points: First, at the time of the 1997 financial crisis, local banks ran out of liquidity for lending. Thai firms, as a result, looked to other options of funding both locally and abroad, resulting in a significant growth of the Thai capital market. Second, during 2002-2003, the fundraising on SET had substantially risen attributing to the privatization scheme.

Third, the next wave of growth occurred when Thai corporations showed high growth potential domestically in 2010. Fourth, was when they expanded business overseas. All these four phases of change reflected the importance of capital. Likewise, the capital market has proved to be a pivotal fundraising source to boost growth.

It has been the 46 years full of interesting stories to tell. SET has helped strengthen the economic stability for both public and private sectors. In the future, SET will not only serve as a source of funding and investing, but will also function as the capital market's infrastructure -- just about everything covering the systems of fundraising, stock trading, clearing and settlement, stock transactions and other related services such as account opening and money transfer by providing everyone with services that enable them to expand their own business. SET intends to be a central platform for everyone, notably based on trustworthiness valuable for all market participants.

Key strengths of Thai bourse versus international bourses

We continue to develop and identify our unique selling points. Looking at our neighbors, Singapore exchange claims to be the Gateway of Southeast Asia, whereas Malaysia exchange aims for Capital of Shariah Finance, while Hong Kong exchange positions as Gateway to China. In my view, our key strength is the healthy real sector, especially the traditional sector like the well-being business, such as food, hotel, and tourism. Although the hospitality-related business sector has been hit hard by the pandemic, it remains the country's most promising sector. Similarly, our healthcare business has shown strong growth potential, second to none. Furthermore, Thailand also has an unrivalled logistic network in the region and has invested significantly in infrastructure facilities these days such as the Eastern Economic Corridor (EEC), and high-speed trains. We believe that new businesses relating to these infrastructure developments will certainly benefit more. Besides, the investor base in the Thai stock market is large and diverse in terms of both retail and institutional investors.

As for **the short-term selling point, it's the value-added industry** or enhancement of our existing strengths. The long-term selling point is the role in **connectivity**, in line with SET vision **"To Make the Capital Market Work for Everyone"**. Today, our so-called 'Everyone' is broader, not simply for investors or fund raisers, but it also extends to over and above stakeholders via our innovative platform, covering commercial banks, securities companies, asset management firms and even Fintech firms.

What do you think about a growing trend of Thai investors investing abroad?

It's inevitable. Investors are likely to diversify their investment portfolio, seek higher returns, and manage their overall risks more efficiently. We don't consider this trend a direct competitor. We try to focus on offering more international products, expanding the product line with linkages to capital markets globally, such as international securities, mutual funds and digital assets. Therefore, we regularly promote products like DR, DW, ETF, and futures contract with underlying foreign securities for easy trading at a low minimum trading price to attract both local and foreign investors. An interesting example is such DR or ETF that enables investors to buy fractional shares as low as hundreds of baht, which is expected to be available next year.

Adaptability and management skills to stay ahead amid global pandemic and beyond

How to cope with the unprecedented and unexpected COVID-19 is a big question. What we have consistently carried out is to continuously and efficiently develop all the operational processes, by leveraging digital technology both internally and externally as well as customer service. In a positive way, we look at the pandemic as a catalyst to accelerate digitalization at an incredible pace.

I have consistently emphasized the benefits of these two aspects for the organization and the team: Resilience and Flexibility. The first one, resilience, implies toughness, durability, enduring volatility, recovering fast, which means the organization must have a diversified source of income. When affected by external factors, the impact will be minimal. Another one is flexibility which means we must be ready to adjust all the time. We don't know exactly that what we have done will be successful; and if it's successful, how long will it last. We can't just stay put and do nothing. I believe that embracing these two qualities, the organization can adapt for both short term and long term.

On top of this, I think an organization must have the bread-and-butter strategy with a strategic move to foresee that the operations will work in 3-5 years. If it doesn't work, it can be a learning curve. For SET, after we have overcome this crisis, we have to plan the next steps. The next challenges are such as to study how to grow the current traditional market in tandem with the trendy cryptocurrency market which is appealing to investors.



SET SOURCE

Five key themes

for businesses to thrive in a new world order
by Pakorn Peetathawatchai

| | Core strategy | Example |
|--|---|--|
|  <p>Bread and Butter</p> | <p>Boost core business efficiency Do one's best continuously Build on existing strengths</p> | <p>From source of fundraising to infrastructure Well-trusted and beneficial Example: NDID Proxy, Digital Gateway, etc.</p> |
|  <p>Digitalization</p> | <p>Technology-led to level up efficiency Move forward smoothly Enhance employees' potential Poised to cope with Next Normal</p> | <p>e-Service Platform e.g. e-Open Account, e-Shareholders' Meeting, etc.</p> |
|  <p>Flexibility</p> | <p>Be agile and adaptable to changes Past performance does not guarantee future success Study new trends ahead Gigantic problems need initiatives</p> | <p>Products with international linkages, e.g. DR Vietnam, DW Hong Kong, etc.</p> |
|  <p>Resilience</p> | <p>Expand base, build partnership Well-prepared for volatility</p> | <p>Diversify into new businesses Take key role in connectivity Move from traditional to digital market</p> |
|  <p>Sustainability</p> | <p>Committed to working to benefit all stakeholders inclusively: economy, society, and environment Promote related parties</p> | <p>21 Thai firms listed on DJSI, highest in ASEAN 7 of them named as industry leaders globally</p> |

www.set.or.th  Make it Work for Everyone

Under SET vision “To Make the Capital Market Work for Everyone”, what kind of support has SET provided to those affected by the crisis?

SET has continuously and substantially reached out to the society in many ways, not just during this pandemic-induced crisis, through SET’s own operation and the SET Foundation. Overall, our social contribution priorities are on children and youth, the elderly, the underprivileged, the society as a whole, as well as the environment.

During the COVID pandemic in early 2020 until now, SET, in collaboration with the SET Foundation, has taken actions in many ways to help better the severe situation, the society and the economy. We have donated THB 49.5 million (USD 1.48 million) to a total of 95 organizations, agencies, and foundations in Bangkok and provincial areas nationwide. Our contributions include providing operational support to 35 medical care units including main and field hospitals, and public health agencies through a provision of medical equipment, negative air pressure room, sterilizers, biosafety mobile unit, as well as medical supplies. In addition, various supports have been provided to the needy communities via a total of 60 social service agencies, foundations, and charity organizations. We will continue to support the society for a good cause in the battle against this pandemic and beyond.

Looking into the future of a new world order, what's the scenario or outlook for the Thai stock exchange?

My view on the future of organizations in capital market remains unchanged, their outlook are still promising but their functions could be changed in certain ways. The structure of the capital market will be different, accordingly. The major challenge is how we can connect this traditional market and make smooth transition to the digital market. These five key tactical tools will still be vital and need to be intensively steered all along: technology, ease of doing business, global reach, startup & SME, and ESG.

Please share some smart living tips for future generations

Two things: First, do your best when opportunities come, speed up and gain the insights, because what you do today may benefit you in the future. Second, visualize what you want to do or what you want to be, and then prepare well, study thoroughly, analyze well, and get ready to learn from people around you. Even if we think we are smart, there will always be people who are smarter and more competent than us. When the time comes, we will be able to grab those opportunities.