

亞洲資本市場的合作契機與挑戰
**Capital Market Cooperation in Asia:
To Do, or Not to Do**

薛琦
Dr. Chi Schive

The 28th Asian Securities Forum, Taipei
2013.10.25

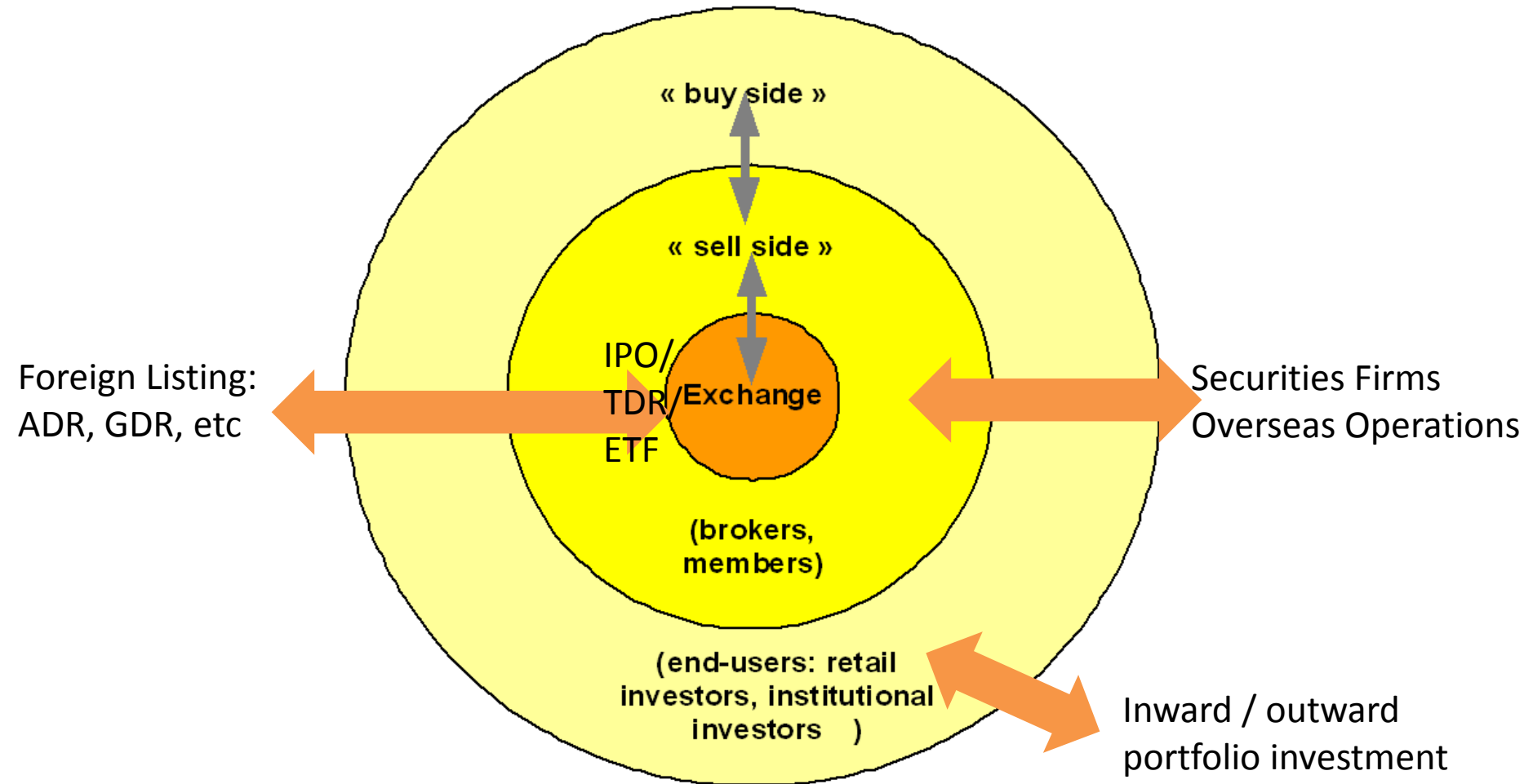
Agenda

- 0. Prelude: How Capital Markets Cooperate?**
- I. Global Capital Market Cooperation: Trend and Progress**
- II. Asian Capital Markets: Mode of Cooperation**
- III. Opportunities for Cooperation in Asia**
- IV. Challenges Ahead**
- V. Conclusions**

Prelude:

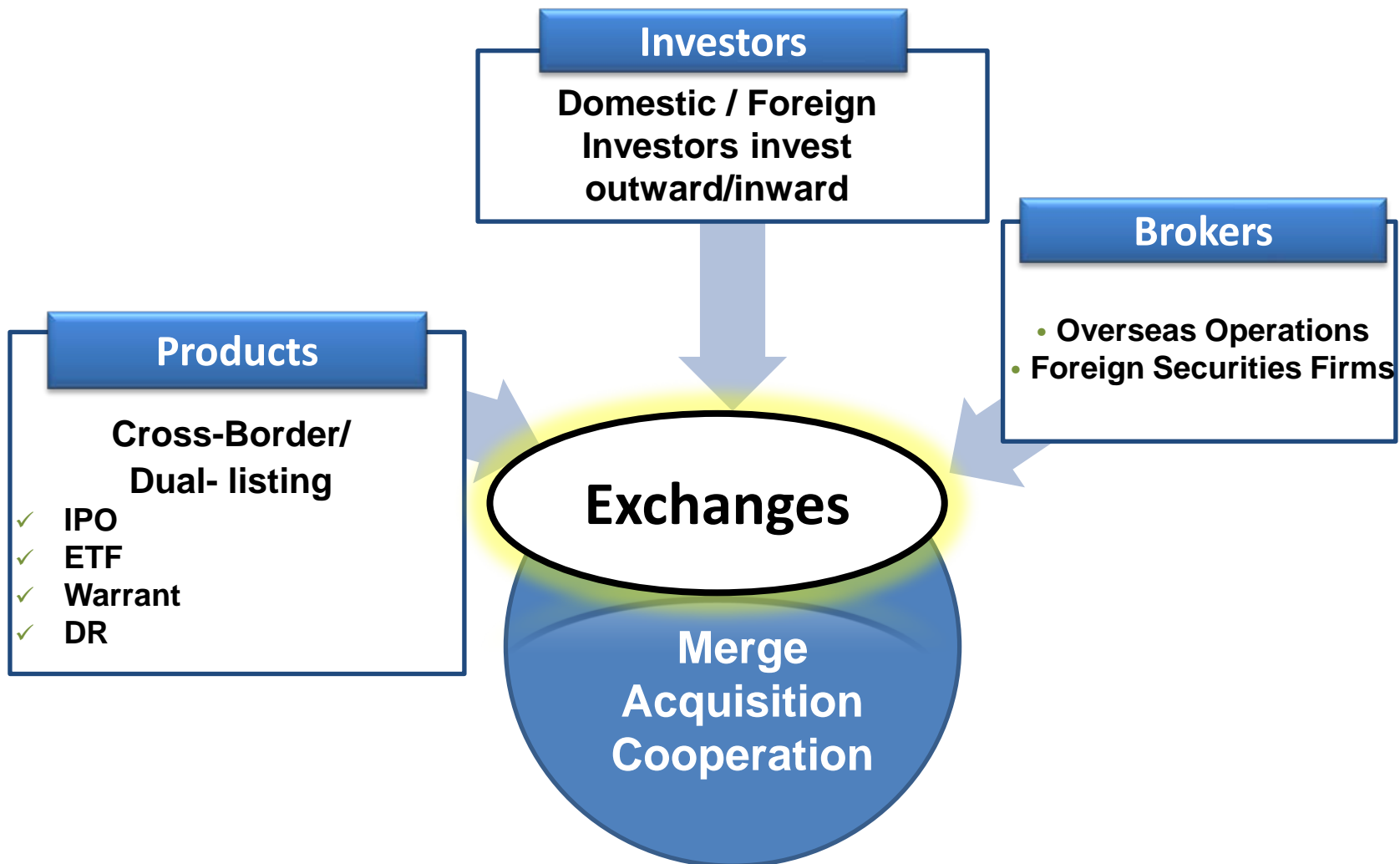
How Global Capital Markets Cooperate?

Markets Opening up



Source: NYSE Euronext Market Model Blueprint Presentation

How Global Capital Markets Connect to Each Other?

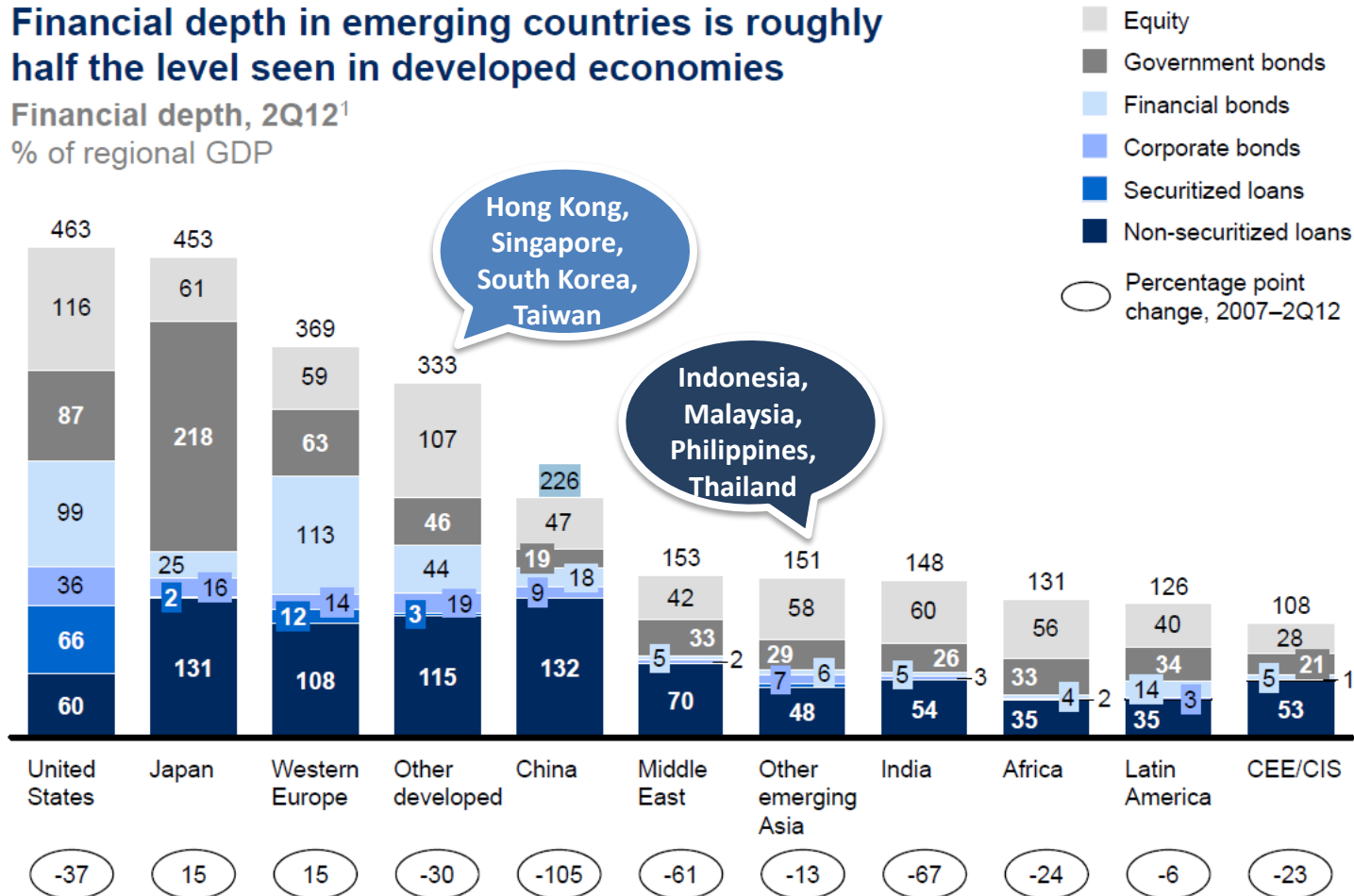


Capital Market Depth vs. Globalization

Strong correlation between financial market depth and openness

Financial depth in emerging countries is roughly half the level seen in developed economies

Financial depth, 2Q12¹
% of regional GDP



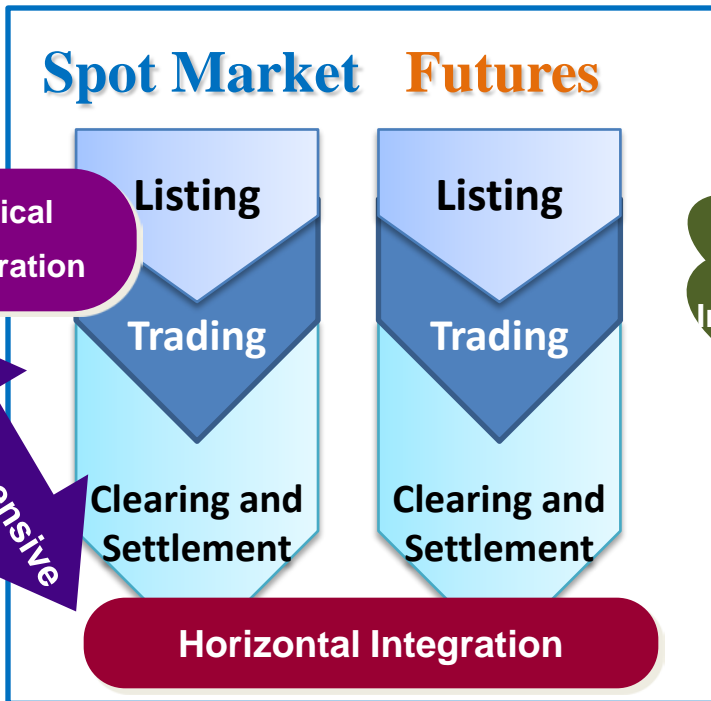
¹ Calculated as total regional debt and equity outstanding divided by regional GDP

SOURCE: McKinsey Global Institute Financial Assets Database; McKinsey Global Institute analysis

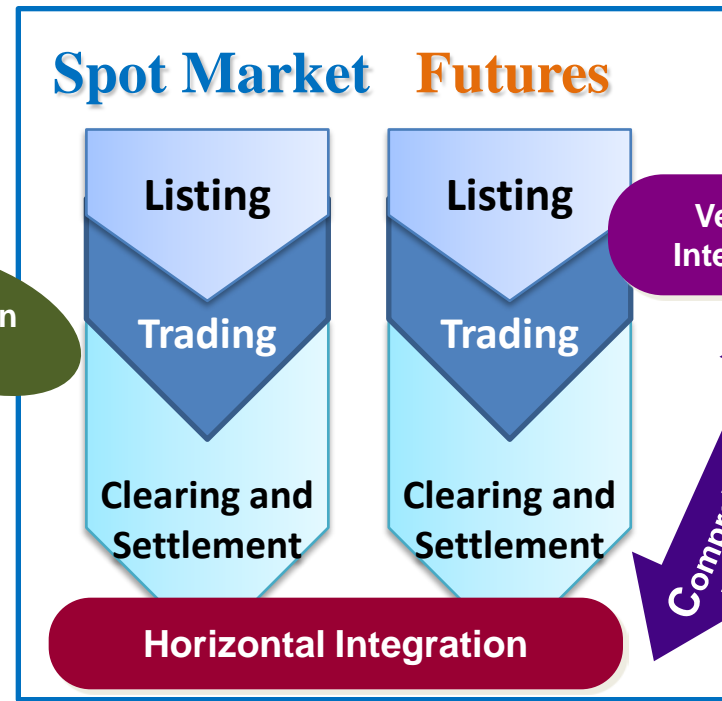
I. Global Capital Market Cooperation: Trend and Progress

Euro-American Consolidation

Country A



Country B



Cross Border Integration

Euro-American Consolidation Activities

Domestic Consolidation

Horizontal Integration	<ul style="list-style-type: none"> •2007 U.S.: Chicago Mercantile Exchange (CME) merges with Chicago Board of Trade (CBOT) (Merge) •2011 Russia: Moscow Interbank Currency Exchange (MICEX) merges with Russian Trading System (RTS) (Merge)
Vertical Integration	<ul style="list-style-type: none"> • 2002 Borsa Italiana integrates domestic clearing and settlement entities (Acquire) • 2012 LSE acquires LCH clearnet with ownership stake of more than 60% (Acquire)
Comprehensive (Horizontal + Vertical)	<ul style="list-style-type: none"> •2012 Canada: Maple Group Acquisition Corp acquires TMX Inc. Group in addition to other Canadian clearing houses and small-scale domestic exchanges to form TMX Group Ltd (Acquire)

Cross-Border Integration

Horizontal Integration	<ul style="list-style-type: none"> • 2004 Euronext: integration of stock and derivatives exchanges of Paris, Amsterdam, Brussels, London, and Lisbon (Acquisition) • 2007 NYSE merges with Euronext to form NYSE Euronext; Nasdaq acquires OMX to form Nasdaq OMX (Merge) • 2007 London Stock Exchange (LSE) merges with Borsa Italiana (Merge) • 2007 Kansas-based BATS acquires Chi-X Europe (Acquisition) • 2010 CEESEG forms via the merger of the four Central/Eastern European bourses Vienna, Budapest, Ljubljana, and Prague (Merge) • 2011 stock markets of Columbia, Chile, and Peru combine to form MILA (Merge)
Comprehensive	<ul style="list-style-type: none"> • 2007 Deutsche Börse merges with U.S. International Securities Exchange (ISE) (Merge)

Hypothesis:

Cross-border horizontal integration easier, more "mainstream" Euro-American exchanges

II. Asian Capital Markets: Mode of Cooperation

Asian Exchange Consolidation Activities

Domestic Consolidation

Horizontal Integration

- 1999 Singapore: Stock Exchange of Singapore merges with Singapore International Monetary Exchange (SIMEX) to form SGX
- 2005 South Korea: KRX forms via the integration of Korea Stock Exchange, Korea Futures Exchange and KOSDAQ
- 2006 Australia: Australian Stock Exchange acquires Sydney Futures Exchange to form ASX
- 2013 Japan: TSE and OSE merger approved by regulators, listed in Jan. 2013 as Topix
- (In the pipeline) Vietnam: Merger talks between Hanoi and Ho Chi Minh City Stock exchange

Comprehensive (Horizontal + Vertical)

- 2000 Hong Kong: Combined merger of Stock Exchange of Hong Kong Ltd., Hong Kong Futures Exchange Ltd., Hong Kong Securities Clearing Company Ltd., Central Clearing and Settlement System, and Options Clearing House Ltd., to form HKEx

Cross-Border M&A

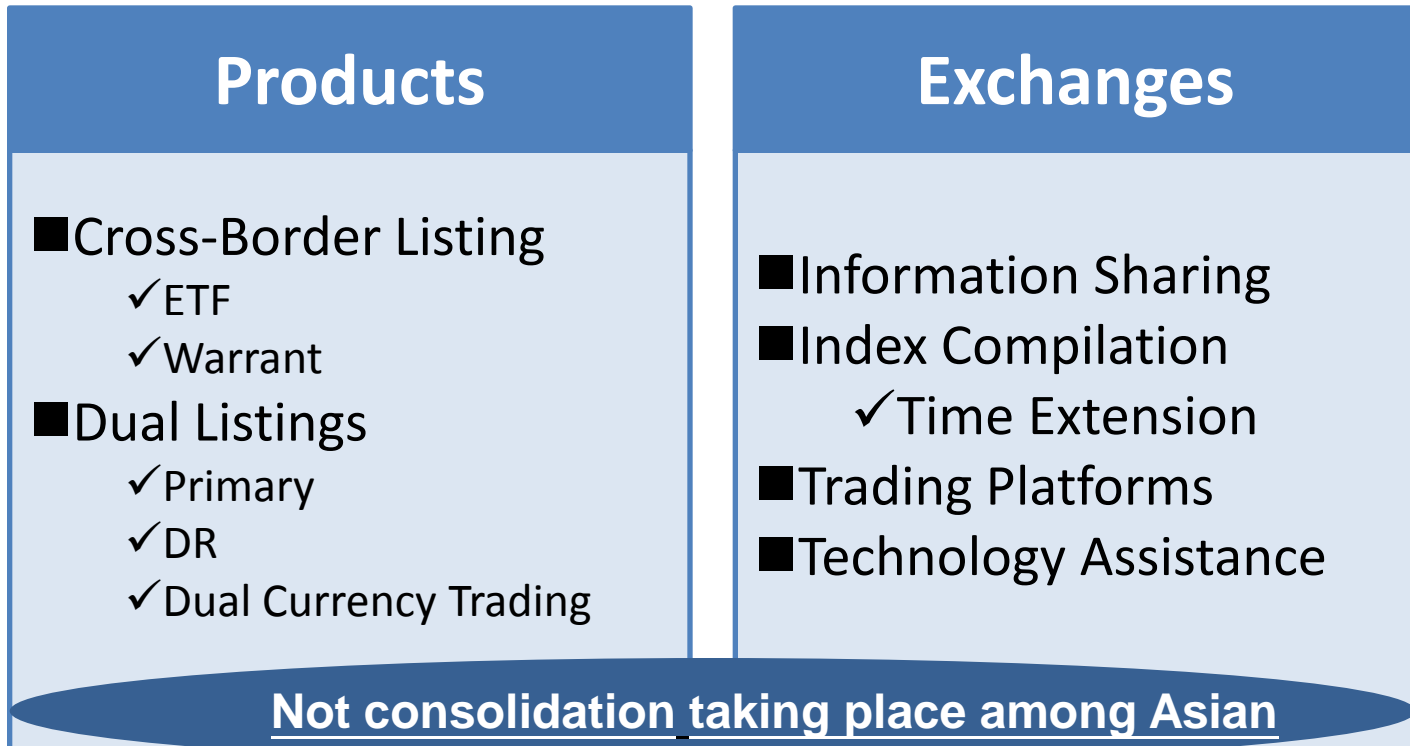
Horizontal Integration

- 2012 Hong Kong: HKEx acquisition of London Metal Exchange

Cooperation among Asian Exchanges

Region	Regional Cooperation
Singapore	<ul style="list-style-type: none"> • Cross-border trading linkage: joined ASEAN Exchanges (Jun 2012); entered into cross-quotation agreement with LSE to trade SGX-listed stocks on LSE international board (Jul 2012) • Introduction of ADR trading: collaborated with Nasdaq OMX to bring ADR quotations to the SGX GlobalQuote board (Oct 2010) • Data center sharing: hosts ASX's trading hub in SGX data center (Jul 2012); also linked to Eurex's derivatives co-location data center
Hong Kong	<ul style="list-style-type: none"> • Joint venture: established "China Securities Trading Center" with Shanghai and Shenzhen stock exchanges to develop index and equity derivative products and compile cross-market indexes (Sept 2012) • Acquisition of London Metal Exchange (Feb 2012) • Establishes market data hub in Shanghai: disseminates data from HKEx securities and derivatives market to Chinese investors (2013)
South Korea	<ul style="list-style-type: none"> • Export of IT and trading systems to emerging markets: currently 5th biggest exporter of trading systems with a focus toward Southeast Asia; helped Laos (Jan 2011) and Cambodia (Dec 2011) launch stock exchanges as JVs • Forges cross-border alliances to expand territory: signed market linkage agreement with CME Group (Nov 2010) and Eurex (Aug 2010) to enable whole-day trading of KRX
Japan	<ul style="list-style-type: none"> • Helped Myanmar launch stock exchange (April 2012)
ASEAN	<ul style="list-style-type: none"> • Launch of ASEAN Trading Link: launched jointly by ASEAN Exchanges collaboration, i.e. Singapore, Malaysia, Thailand, Ho Chi Minh and Hanoi, Indonesia, and the Philippines stock exchanges; currently, only Singapore, Malaysia, and Thailand have joined (Sept-Oct 2012), but plans are underway for complete market integration

Types of Exchange Cooperation in Asia



Cooperation and Competition
coexisting among Asian exchanges

Example of **blocked**
 cross-border integration:
 SGX failed take-over of ASX

Types of Exchange Cooperation in Asia

	Dual Currency		Info. Sharing Agreement		Index Compilation	Index Foreign Listings	Trading Platform	Technology Assistance	Foreign Exchange M&A
	Stock	ETF	Database Linkage	MOU					
HKEx	●	●	●	●	●		◎		★
JPX			●	●	●			●	
KRX				●	●	●		●	
SGX	●	●	●	●	●		●		△
TWSE	◎	◎		●	●				

●: Accomplished

◎: In the pipeline

★: Not exactly a stock exchange

△: Turned-Down

III. Opportunities for Asian Capital Markets

Opportunities for Capital Market Cooperation



Prospects for Cooperation

Joint Product Development on

- Foreign SPOs, cross-listed financial instruments
- Cross-border products(ETF, bonds, warrants)
- Multiple currency-denominated products

Inter-ex Collaboration

- MOUs, strategic alliances
- Joint marketing of products
- Harmonization (or extension) of trading hours

Common Trading Platforms

- ASEAN Trading Link—complete integration
- East Asian Trading Platform(Taiwan, Japan, South Korea?)
- the Greater China Trading Platform (Taiwan, Hong Kong, Shenzhen?)

Regional Development Assistance

- Exploit the potential offered by emerging markets
- Expand fundraising services to SMEs, including foreign ones

IV. Challenges Ahead

Challenges to Integration

Exchange integration unlikely

- Stages of development among Asian exchanges are not at the same level
- Exchanges regarded as symbols of state interest and sovereignty
- Integrations are highly problematic, but there is room for cooperation

Dissimilar market structure

- Sizeable divergence in trading mechanism, institutional framework, and market opening

Regulatory differences

- Different systems of market surveillance and investor protection may become barriers for collaboration

V. Conclusions

Conclusions

- ⊕ **Global M&As in different modes took place only in Europe, and between Europe and the U.S.**
- ⊕ **Institution harmonization plus friendly government policy are prerequisites of cross-border M&As. Therefore, Regional Trade Agreements (RTAs) help facilitate cross-border M&As. e.g., ASEAN+ and TPP**
- ⊕ **Nevertheless, various types of cooperation among regional exchanges are already in place, providing viable alternatives for further development.**

Thank you