Capital Market Development in the Lao PDR

Bangkok, 7th November 2014
Outline

- Financial Supervisory Structure in Lao PDR
- Key Milestone of Capital Market Development
- Challenges and Opportunities
- Outlook
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Financial Supervisory Structure in Lao PDR

Government

Ministry of Finance
- Insurance Co., Auditing Co. and Accounting Co.
  - Law on insurance co., accounting co., and auditing co.

Bank of the Lao PDR
- Commercial Banks & non-bank financial institutions
  - Law on commercial bank and other relevant regulations

Lao Securities Commission
- Securities co., fund management co., securities business professionals
- Lao Securities Exchange
  - Law on Securities and other related laws
Securities Regulatory Structure in Lao PDR

Government

Lao Securities Commission
(13 persons)

Lao Securities Commission Office

- Personnel and Administrative Division
- Legal Division
- Securities Issuance Supervision Division
- Securities Intermediaries Supervision Division
- Training & Education Division
- Securities Market Supervision & Development Division
Composition of Lao Securities Commission:

- **Chairman** – Deputy Prime Mister
- **1st Vice Chairman** – Governor of Central Bank
- **2nd Vice Chairman** – Minister of Finance
- **Commissioners (9)** – Chairman of the National Business Reform Commission, Vice Ministers of Ministry of Industry & Commerce, Ministry of Planning & Investment, Ministry of Justice, Ministry of Home Affairs, Vice Chairman of Economy, Planning and Finance Committee-National Assembly, Deputy Governor of Central Bank, Vice President of Public Prosecutor Office and Vice Minister of Government Office.
- **LSC Secretariat** – Secretary General of LSCO
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Legal Framework

Law on Securities (21/NA, dated 10th December 2012)
(upgraded from Decree on Securities and Securities Exchange – enacted in 2010)

24 LSC Regulations
Market Participants

LSC

LSCO

Lao Securities Exchange

Securities Firms:
- BCEL-KT
- LANEXANG
- ICS
- APMLAO
- LAO WORLD

Auditing Firms:
- PriceWaterhouseCoopers
- KPMG
- Ernst & Young

Custodian Bank:
- Bangkok Bank

Asset Management Company:
- AMC

Credit Rating Agency:
- CRA

SBA

1 application

NOMURA – Rep Office
Fund Raising through Capital Market

- Since 2010 LSC approved 3 IPOs with total fund raised 2,888 billion Kip ($≈ 361 million USD) ≈ 3.31% of GDP (2013).
- Banking sector raised 35,424 billion\(^*\) Kip ($≈ 4,428 million USD) account for 42.82% of GDP (2013).

\(^*\) Source: Annual Economic Report 2013
Key Facts on Lao Securities Exchange (LSX)

- **Established:** 10\(^{th}\) October 2010
- **Operated:** 11\(^{th}\) January 2011
- **Shareholders:** BOL (51%) & KRX (49%)
- **Products availability:** 3 stock listed
- **Market capitalization (Sep/2014):** 9,390 billion Kip (≈ 1.17 bill USD), 11.71% of GDP
- **Trading Volume -- 2013:** 188.89 billion Kip (≈ 23.61 million USD)
  -- **2014 (Sep/2014):** 71.74 bill Kip (≈ 8.97 million USD)
- **Index:** 1,379.35 (Sep/2014), increased by 37.94% compared to first trading day
- **Investors -- 10,810 accounts (Sep/2014)**
  - Foreign -- 2,065 accounts (Sep/2014)
  - Domestic -- 8,745 accounts (Sep/2014)
International Cooperation:

- **Bilateral cooperation:**
  - Signed MOU with Thai SEC, SSC, CSRC
  - Cooperation with MAS through BOL
  - T.A with SC Malaysia

- **Multilateral cooperation:**
  - 5 regulators in Mekong region
  - Participate in ASEAN initiatives - ACMF, ABMF, ...
  - Commitment under WTO
financial supervisory structure in lao pdr

key milestone of capital market development

challenges and opportunities

outlook
Challenges:

- Limited choice of product
- Limited investor base from local, institutional & foreign investor as market is at the early stage of development
- Insufficient Legal and regulatory framework
- Market Intermediaries are still lack of strength and capacity
- Knowledge and skill of employees are not sufficient
Opportunities:

- Need more long-term fund
- Enhance SOEs finance business, operation, and CG capability in order to improve their competitiveness.
- Access long-term funding source, particularly foreign funding source.
- Able to exchange information, lesson learned and obtain technical support.
- Enhance Lao Financial Market position in the international stage as well as preparing for the integration.
- Develop Human resource.
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Strategic Plan on Capital Market Development (2016-2025) with 8 objectives as follows:

1. To have all necessary conditions to facilitate companies in raising fund through capital market to increase their productions and services.
2. To have mechanism and market instruments to support the reform of the enterprises.
3. To have comprehensive legal framework in compliance with national needs & international standards.
4. The exchange, CSD, and securities intermediaries operate their business smoothly with limited risks and be able to integrate with regional and global.
5. To ensure the ICT development is suitable for market development and is up to date.

6. To increase the participation of public, investment base, and structural balance.

7. Securities regulatory authority, the exchange, and securities intermediaries having a certain number of staff with certain knowledge

8. To enable Lao Capital Market to integrate with regional and global.
Outlook

4 Pillars on Lao Capital Market Development

1. Stock Market
2. Bond Market
3. Financial Literacy
4. Infrastructure
Thank you