

**MYANMAR GLOBAL INVESTMENT FORUM
DAY TWO (14-9-2016) KEYNOTE ADDRESS**

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Good morning, Distinguished Guests, Ladies and Gentlemen!

Mingalarbar,

- A warm welcome to you all, especially those who have travelled to Myanmar to join us in this important event! It is indeed an honor to welcome you all to the Myanmar Global Investment Forum!
- I would like to thank the organizers of this event: Myanmar Investment Commission, Euromoney Institutional Investors Asia, lead sponsors and Co-sponsors, for giving me the opportunity to address this forum and present my views on the development of the Yangon Stock Exchange and its role in enhancing Myanmar's Capital Markets.

Let me start with brief background.

- When Myanmar became a market-oriented economy in 1988, developing the private sector became a priority, and capital market development was included in the private sector development agendas.
- Twenty years ago, in June 1996, the first action taken for capital market development is establishing the Myanmar Securities Exchange Centre (MSEC) with the approval of Myanmar Investment Commission by Special Company Act. It was a Joint Venture Company between Myanma Economic Bank which is the largest state owned bank and Daiwa Institute of Research Japan.

- The mission of Myanmar Securities Exchange Centre is to mobilize the necessary capital for huge business through capital market development and to establish a fair, efficient, liquid and transparent trading system-based stock exchange. Myanmar Securities Exchange Centre opened the OTC counter in Yangon and started the trading for shares and bonds. In the meantime in *2008* Government organized the Capital Market Development Committee.
- As a result of those process Ministry of Finance established the roadmap for capital market development of Myanmar. According to the roadmap, on 29th May 2012, the Central Bank of Myanmar under the Ministry of Finance and Revenue, Daiwa Institute of Research Ltd. and Japan Exchange Group Inc. signed an MOU to develop human resources and provide technical assistance for the development of financial and capital market in Myanmar.
- Then on 23rd December 2014, another MOU was signed between Myanma Economic Bank, Japan Exchange Group and Daiwa Institute of Research. These MOUs were the first actions taken to establish the Yangon Stock Exchange.
- Regarding the legal framework the Securities Exchange Law (2013) was enacted on 31st July 2013 by the Pyidaungsu Hluttaw, and the Securities and Exchange Commission of Myanmar was formed on 19th August 2014 by the Union Government. Since then, the Securities and Exchange Commission has issued Securities Exchange Rules on July 27, 2015, various notifications and announcements, for the Securities Companies, Listed Public Companies and the Yangon Stock Exchange.

- In 2014, the first Stock Exchange of Myanmar, the Yangon Stock Exchange was incorporated and registered at the Directorate of Investment and Company Administration, and formed as a Joint Venture Company Limited between the Myanma Economic Bank, Daiwa Institute of Research and Japan Exchange Group.
- In 2015, the Yangon Stock Exchange received permission to operate stock exchange business by the Securities and Exchange Commission of Myanmar.
- It selected Kanbawza Bank Limited, the largest private commercial bank, as a fund settlement bank for cash settlement on stock trading and announced the Criteria for listing.
- Finally, on 9th December 2015, the Yangon Stock Exchange was opened with a Grand Opening Ceremony and with this event, a new era began for Myanmar's Capital Market.

Distinguished Guests, Ladies and Gentlemen, let me move on update situation.

- Up to now, the Securities and Exchange Commission of Myanmar has granted business license to five Securities Companies, two on 25th February 2016 and three on 1st March 2016, to open the securities account and to settle transactions by electronic system for investors who wish to invest at the Yangon Stock Exchange.
- There are three listed companies. The first one to be listed at the Yangon Stock Exchange was First Myanmar Investment Public Co., Ltd (FMI) who started the first trading at Yangon Stock Exchange on 25th March 2016. The second one is Myanmar Thilawa SEZ Holding Public Ltd (MTSH) which started trading at Yangon Stock Exchange on 20th May 2016, and the third one is Myanmar Citizen Bank Ltd (MCB) which started trading on 26th

August 2016. All three companies are offering only existing shares and not offering IPOs so far.

- However, even in a short period, the total trading volume is more than 1.5 million shares worth over 59 billion Kyats, which is a significant amount for our small market if we compared with Laos Securities Exchange which is started in 2011 and Cambodia Securities Exchange which is started in 2012. This shows that Myanmar has a potential for further growth of capital market.
- Among the 230 public companies in existence, there are about 40 public companies that have the potential to become listed in the Yangon Stock Exchange and the Securities and Exchange Commission is hoping that at least 2-3 more will become listed in 2016-2017.

Distinguished Guests, Ladies and Gentlemen, as it is in beginning stage, we have some challenges.

- We should consider incentives for public companies to list in the Yangon Stock Exchange. We also need to encourage private companies to transfer to public companies, for SOEs to become public companies as well.
- We would like to encourage that some will offer IPOs and that there will be a diverse group of public companies from sectors such as Information Technology, Services, Tourism, etc., which will list at the Yangon Stock Exchange.
- At present, only Myanmar companies are entitled to list at the Yangon Stock Exchange.
- We expect that after the new Myanmar Company Law is passed by the Pyidaungsu Hluttaw, some foreign companies will be treated as

Myanmar companies and at that time they can be listed at the Yangon Stock Exchange.

- We wish to expand our capital market from equities market to the debt market when we trade medium term bonds in the Yangon Stock Exchange.
- However before we do that, we should allow securities companies to join Central Bank of Myanmar Treasury bond auction to increase trading volume of bond market and have better capital management of securities companies.
- In the long run our expectation is to connect with the ASEAN stock exchange and other stock exchange for cross-border listing.
- To develop the Yangon Stock Exchange further we need to overcome several limitations and challenges. We have to do a lot development of the market in terms of not only hard infrastructure but also soft infrastructure.
- The Securities and Exchange Commission and the Yangon Stock Exchange both are limited in professional and experienced personnel.
- We are building up the capacity of staff in SECM and YSX especially in the field of economics, accounting, securities trading business and mathematics with experts.
- The public in Myanmar is limited in knowledge about the securities market and business.
- Therefore Yangon Stock Exchange and securities companies should continue to conduct seminars to educate the public regularly. Securities and Exchange Commission and Yangon Stock Exchange should hold regulation seminars to securities companies and public companies. Securities and Exchange Commission

should give investment advisory license to provide more analysis for investors.

- For investor side, Investors should be educated on the risks and rewards of investing in stock markets. Yangon Stock Exchange does not have many institutional investors so we need to encourage institutional investors to develop the size and stabilize the market.
- We should consider to allow insurance companies as well to join Yangon Stock Exchange Market with good risk management.
- What we see at present is we need to encourage public companies to list at the Yangon Stock Exchange and expand the capital market, clear tax instructions and tax incentive are also necessary.
- There are also a need for sound audit and accounting practices for public companies and a strong corporate governance code in our country.
- In the long term, broader sales channel of securities trading will become necessary, such as, online trading services to customers with knowledge and experience, and trading platforms in other major cities of Myanmar.
- Ladies and Gentlemen, even we face many challenges, but believe that we can overcome them. History has shown that it can take a hundred years for a stock exchange to be fully developed and strong.
- I firmly believe that this forum will be fruitful and we do welcome suggestions on ways to overcome our obstacles and challenges.
- In conclusion, may we all work together towards a developed capital market and a better and developed Myanmar.
- Thank you.