



Securities Services

# Navigating ASEAN-6 Capital Markets

A comprehensive market access, market repatriation and market structure guide for investors



INDONESIA



MALAYSIA



PHILIPPINES



SINGAPORE



THAILAND



VIETNAM

**Deutsche Bank**



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# Preface

In an increasingly interconnected and globalised world, the Association of Southeast Asian Nations (ASEAN) stands as a beacon of opportunity, resilience, and growth. This market guide aims to provide a comprehensive overview of the investment landscape in the dynamic ASEAN region, offering valuable insights for foreign investors seeking to navigate its diverse markets.

ASEAN, comprising ten member countries, is one of the world's fastest-growing regions, boasting a combined GDP of over USD 3 trillion. It is home to more than 600 million people, making it the third-largest market globally, offering a vast consumer base for businesses. The region's strategic location, abundant natural resources, and young and dynamic workforce further enhance its appeal to foreign investors.

Over the years, ASEAN has made significant strides in fostering a conducive business environment. The region has liberalised its investment regimes, streamlined regulatory processes, and strengthened its commitment to good governance and rule of law. These efforts have not gone unnoticed, with ASEAN attracting a significant share of global FDI flows.

Deutsche Bank has substantially increased investments in ASEAN countries, doubling our capital base in Indonesia and Vietnam last year, increased senior leadership roles located in the region and augmented onshore expertise to ensure deeper alignment to the regulatory environment and the financial markets.

As we navigate the complexities of the global economy, ASEAN's growth story offers a beacon of hope and compelling growth opportunities. We invite you to utilise this market guide and explore the immense potential that the ASEAN region holds for foreign investors.



**Anand Rengarajan**

Managing Director

Global Head of Sales and Head of Securities Services APAC & MEA

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# Foreword

As ASEAN emerges as a dynamic growth location among emerging markets economies and grows in scale, a contemporary guide to navigating the requirements of investing in ASEAN markets would be useful to the global investing community.

This guide, therefore, serves as a comprehensive resource for foreign investors, providing detailed insights into the investment opportunities, regulatory frameworks, and market dynamics across six leading capital markets in ASEAN region. It draws on the expertise of industry professionals, regulatory authorities, and market participants, offering a holistic view of the region's investment landscape.

The regulatory environment and market infrastructure has continued to evolve significantly as financial markets scale up in this region. As one of the largest and most experienced Custodians in ASEAN, we at Deutsche Bank have made significant contributions to development efforts in the ASEAN capital markets. As we mark nearly three decades of Securities Services business presence in ASEAN, it is a privilege to present this guide to navigating ASEAN capital markets.

We are confident that this guide will serve as a valuable resource, providing clarity and insights into the regulatory framework and contributing to your investing success in the ASEAN markets. We look forward to accompanying you on this exciting journey of discovery and investment in one of the world's most vibrant and promising regions.



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Head- Corporate Bank, Indonesia  
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(Based in Jakarta, Indonesia)

# Introduction

ASEAN started on August 8, 1967, with the Bangkok Declaration, to emphasise of its role as a catalyst for regional cooperation, economic growth and stability, and Deutsche Bank has been a constant part of its developments. We have been present in ASEAN with roots going back to the 1900s in Singapore, and steadily growing our market presence since then. In this journey, we have remained steadfast in our beliefs of the ASEAN market's potentials and our ability to contribute to catalysing its further growth. In doing so, we have navigated significant market dislocations such as the ASEAN financial crisis, the 2007 subprime crisis, and the recent COVID-19 pandemic closely together with clients, employees, industry and stakeholders.

A resilient and robust ASEAN region benefits both its people and the businesses operating within it, and guided by this view, Deutsche Bank has also leveraged its expertise to contribute to the region and its securities markets building. Deutsche Bank participated as Malaysia and The Philippines' national member in the 2008 ASEAN Bond Market Initiative's Group Of Experts that subsequently evolved into the ASEAN+3 Bond Market Forum that we continue to actively participate in. Deutsche Bank has also consistently invested into its regional presence by increasing capital allocation to its ASEAN branches to foster and unlock greater value creation for businesses in the region. With our people, Deutsche Bank has relocated key management and global product heads to Asia with Securities Services' ASEAN Head now based in Jakarta, Indonesia; supported by an embedded market advocacy practice in each ASEAN market and regionally, that have actively supported the securities market's evolutions.

Today, ASEAN continues to be recognised as a significant growth region with consistently promising prospects. The region is also an attractive and diversified investment destination for global investors across its member states, and the continuous modernisation of its securities markets, means that this ASEAN-level securities markets guide can be useful to enable investors, observers and participants' plans. Considering these aspects, we have articulated this market guide for six key ASEAN markets where Deutsche Bank's Securities Services has presence.

## 1.1 How to Navigate this Market Guide

Whether you are a seasoned investor or new to these markets, we believe that this market guide will serve as a valuable resource for you to access and navigate the ASEAN securities markets.

This markets guide includes:

1. **Market Introduction** provides a macroeconomic view of each of the six markets.
2. **Market Developments** summarises key developments in each of the six markets.
3. **Market Regulators and Regulations** provides information on the market regulators, market infrastructure and important regulations.
4. **Market Entry and Registration** provides information on market entry requirements, restrictions, and documentations applicable in each of the six markets.
5. **Cash Management and FX** provides information on the payment systems, funding procedures and foreign exchange restrictions in each of the six markets.
6. **Clearing and Settlement Practices** provides information on the clearing and settlement systems, as well as the timelines and procedures applicable in each of the six markets.
7. **Corporate Actions** provides information on the key corporate actions/ events and their relevance for investors.
8. **Duties and Taxes** provides information about the various taxes and market charges applicable in each of the six markets.

The information provides information as of August 2024, and we welcome your inquiries about updates and changes in the ever-dynamic and modernising ASEAN securities markets. For any queries, please reach out to the country-specific representatives listed at the back of this book.

## 1.2 Executive Summary

In this section we provide a comparison of the various market infrastructure, market entry, securities settlement and cash management across the six markets.

### 1.2.1 Market Infrastructure

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
<b>Markets regulator</b>	Otoritas Jasa Keuangan (OJK)	Securities Commission Malaysia (SC)	Securities and Exchange Commission (SEC)	Monetary Authority of Singapore (MAS)	Securities Exchange and Commission Thailand (SEC)	State Securities Commission (SSC)
<b>Central bank</b>	Bank Indonesia (BI)	Bank Negara Malaysia (BNM)	Bangko Sentral ng Pilipinas (BSP)	Monetary Authority of Singapore (MAS)	The Bank of Thailand (BOT)	State Bank of Vietnam (SBV)
<b>Primary stock exchange</b>	Indonesia Stock Exchange (IDX)	Bursa Malaysia Securities Berhad (Bursa Malaysia)	The Philippine Stock Exchange, Inc. (PSE)	Singapore Exchange Securities Trading Limited (SGX-ST)	The Stock Exchange of Thailand (SET)	Ho Chi Minh City Stock Exchange (HOSE)
<b>Stock depository</b>	PT Kustodian Sentral Efek Indonesia (KSEI)	Bursa Malaysia Depository Sdn, Bhd.	Philippine Depository & Trust Corp. (PDTC)	Central Depository (Pte) Limited (CDP)	Thailand Securities Depository Co. Limited (TSD)	Vietnam Securities Depository Corp. (VSDC)
<b>Depository for corporate bonds*</b>	PT Kustodian Sentral Efek Indonesia (KSEI)	Bank Negara Malaysia (BNM)	Philippine Depository & Trust Corp. (PDTC)	Central Depository (Pte) Limited (CDP)	Thailand Securities Depository Co. Limited (TSD)	Vietnam Securities Depository Corp. (VSDC)
<b>Depository for government bonds*</b>	Bank Indonesia (BI)	Bank Negara Malaysia (BNM)	Bureau of Treasury (BTr)	Monetary Authority of Singapore (MAS)	Bank of Thailand (BoT)	State Bank of Vietnam (SBV)
<b>Securities clearing</b>	PT Kliring Penjaminan Efek Indonesia (KPEI)	Bursa Malaysia Securities Clearing Sdn. Bhd.	Securities Clearing Corporation of the Philippines (SCCP)	Central Depository (Pte) Limited (CDP)	Thailand Clearing House (TCH)	Vietnam Securities Depository Corp. (VSDC)

\*For Malaysia only: Depository for Government Bonds and Sukuk

## 1.2.2 Market Entry Outline

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
<b>Market entry restrictions/ requirements</b>	Client investing in Indonesia capital market need to apply for single investor identification (SID)	No entry restrictions Prohibition against dealing with specified person	No entry restrictions	No entry restrictions	No entry restrictions	Yes, investors need to apply for a Securities Trading Code issued by VSDC
<b>Foreign ownership limits</b>	Yes. Foreign ownership limits for various industries are regulated by the industries' regulators of the respective industry	Generally open to foreign investment except for certain sectors such as banking and education	No limits except for sectors listed in the foreign investments' negative list	No limits, except for restricted industries	Foreign ownership limits in Thai equities, depends on the type of business which is set forth in the Articles of Association of each company, financial institutions, and according to the Business Act B.E. 2551 (2008)	Foreign ownership limits in public companies are determined by the decision in the shareholders' meeting, subject to the restrictions on specific industries which are regulated
<b>Account structure (omnibus/ segregated)</b>	Both	Both for equities, segregated for bonds	Both	Both	Both	Segregated at custodians
<b>Ownership disclosure</b>	Shareholders with ownership of 5% or more are obliged to submit report to OJK on their listed company's shares' ownership and every change of ownership, directly or indirectly	Substantial shareholders (with holding of 5% or more of the company's voting shares) are required to report their interests directly to the company and the Companies Commission of Malaysia	Beneficial owners are required to report any substantial ownership (>5%) of shares of listed companies to PSE	Substantial shareholding disclosure required (>5% of company's shares)	Substantial shareholders are required to submit disclosure form (Form 246-2) to the SEC when their holdings reach any multiples of 5%	Investors holding more than 5% of the voting shares of the listed companies are required to file a report to the SSC, stock exchange, and the listed company

### 1.2.3 Securities Settlement

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
<b>Settlement finality</b>	T+2, upon settlement of trade	T+2 10:00/14:00 hours	T+2, upon settlement of trade	T+2 15:30 hours for listed equities and corporate bonds	T+2, upon settlement of trade	T+2, upon settlement of trade
<b>Trade cancellation</b>	No	Yes (unilaterally by the Exchange, prior to matching by participants)	Yes, before transfer of cash or securities	Yes, bilateral cancellation required for matched trades	Yes	No
<b>Buy-in</b>  <b>What time triggered</b>  <b>How long it runs for</b>	Buy-in is not allowed.	T+2 (08:30 – 12:30 hours, and 14:00 – 17:00 hours)	Buy-in/ Sell-out is conducted at 10:00 hours on the Settlement Date+1 in the event of securities/ cash failure	Instruction cut-off time is 13:30 hours on T+2, to determine fails/ buy-in trades. Buy-in commences on T+2, between 16:00 to 17:00 hours (Singapore time)	Buy-in is initiated by TCH at 11:30 hours on SD+1	Buy-in is not allowed
<b>Stock borrow loans</b>	Permitted	Permitted	Permitted	Permitted	Permitted	Not permitted
<b>Turnaround trade</b>	Yes	Yes	Yes	Yes	Yes	No
<b>Short-selling</b>	Naked short-selling is not permitted  Covered short sell are permitted but subject to conditions	Naked short-selling is not permitted  Regulated Short- Selling (RSS) can only be undertaken if is accompanied by an authorised SBL transaction	Naked short-selling is not permitted  Short-selling is limited to eligible securities	Short-selling is permitted	Naked short-selling is not permitted  Covered short selling permitted subject to conditions	Short-selling is not permitted

## 1.2.4 Cash Management

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
<b>Overdraft facility</b>	Not permitted for non-residents	Yes, but subject to conditions	Not permitted	Yes	Not permitted	Not permitted
<b>FX requirements</b>	Documentation required for FX swaps, spot and derivative transactions	Documentation required for same day and value tom onshore FX transactions	Subject to Bangko Sentral Registration Document (BSRD)	Not required	Not required	Onshore FX execution only
<b>FX reporting</b>	Daily FX reporting to BI	Daily reporting to Bank Negara Malaysia	All FX transactions are reported to the BSP	Not required	Transactions above USD 50,000 need to be reported to FX dealer	FX transactions are required to be reported to SBV
<b>Repatriation of funds</b>	Local currency is not allowed to be repatriated, thus FX sell IDR against FCY is required. Underlying transaction document is required for FX sell IDR above USD 100,000	No restrictions on non-residents in the remittance of investments proceeds/ income. Repatriation must be in foreign currency	To be supported by a Bangko Sentral Registration Document (BSRD)	No restrictions	No restrictions	Capital gains can be freely repatriated with the provision of supporting documents



# Salam Indonesia

Deutsche Bank





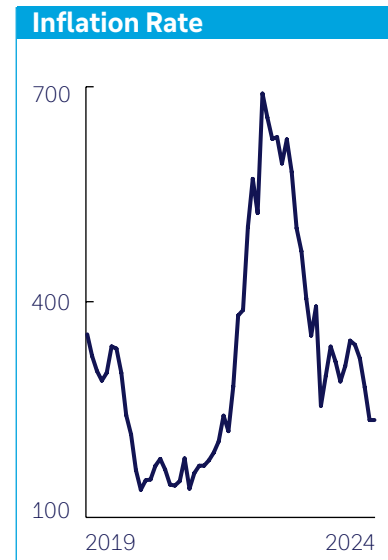
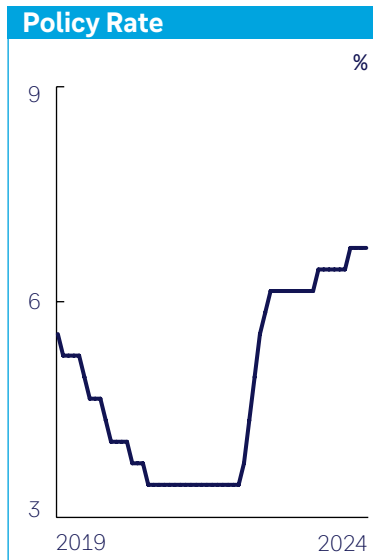
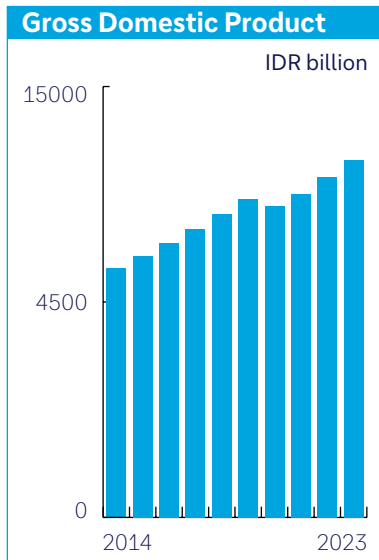
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## Market Information

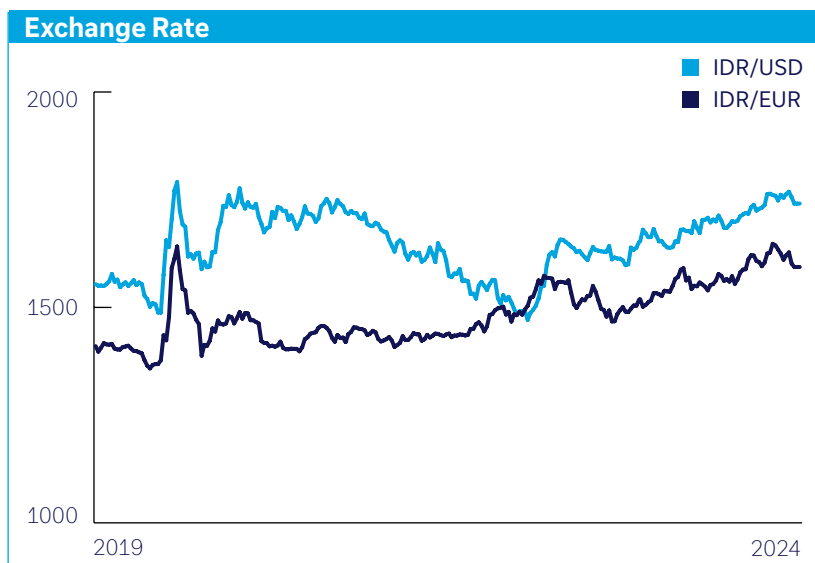
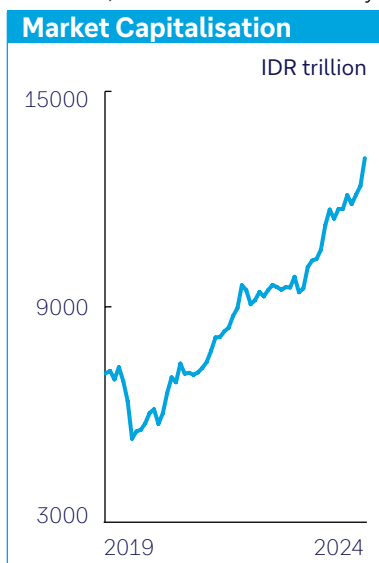
In 2024, Indonesia is seen to be having a dynamic and active capital market in the ASEAN region. Indonesia's capital markets present a vibrant and diverse investment landscape. As one of the largest economies in Southeast Asia, Indonesia offers a wide range of investment opportunities across various sectors. The country's capital markets have shown resilience and growth, with an increasing number of listed companies and a robust bond and Sukuk market.

As of August 30, 2024, the IDX Composite Index, a key indicator of the overall market performance, stood at 7,670.73 points, a slight increase from the previous year's 6,953.26 points. The total number of listed companies increased from 888 in 2023 to 936 in 2024. The market saw a total transaction volume year to date 2024 of 2,778.86 billion shares and a transaction value of IDR 1,968.34 trillion. The average daily trading volume year to date 2024 was approximately 17,928 million shares with a value of IDR 12,699 billion. The bond and Sukuk market also showed growth with a total outstanding value of IDR 6,251.49 trillion.

Below is a summary of Indonesia's economic statistics in recent years, reflected in its GDP, macroeconomic rates, exchange rate and total market capitalisation.



Source: IDX, DB Research and Haver Analytics



## Overview

Currency	Indonesian Rupiah (IDR), fully convertible
Time	7 hours ahead of GMT (GMT+7)
Numbering system	ISIN
Market instruments	<p><b>Bonds:</b> Government bonds, convertible bonds, corporate bonds, medium-term notes, promissory notes, corporate Islamic bonds (Sukuk), Government Islamic bonds (Sukuk)</p> <p><b>Equities:</b> Common shares, preferred shares, warrants, rights</p> <p><b>Money Markets:</b> SPN (Treasury Bills), SBI (Certificate of Central Bank), commercial paper, negotiated certificate of deposit (NCDs), SRBI, Bank Indonesia Foreign Currency Securities (SVBI), Bank Indonesia Foreign Currency Sukuk (SUVBI)</p> <p><b>Derivatives:</b> Stock Option Contracts (KOS), LQ45 and IDX30 index futures contracts, futures contracts on government bonds, single stock futures (SSF) contracts</p> <p><b>Others:</b> Exchange Traded Funds (ETFs), Asset-Backed Securities (ABS), Real Estate Investment Trust (REIT)</p>
Market entry restrictions	None
Market capitalisation/ Listed companies	IDX: IDR 13,114 trillion (EUR 769.47 billion) (domestic equities)/ 936 (as of August 30, 2024)
Main market indices	Jakarta Composite Index – Indeks Harga Saham Gabungan (IHSG)
Account structure	Omnibus and segregated structure

## 2 Market Developments

The Indonesian Financial Services Authority – Otoritas Jasa Keuangan (OJK) continues its commitment to boost the country's capital markets. This is reflected in OJK's initiatives to improve the market infrastructure, widen the product offerings, and advance the technology used in Indonesia's capital markets. The recent developments contributing towards building a robust and competitive market include:

### i. Initial Public Offerings (IPO)

Indonesia's IPO market has experienced remarkable growth and resilience, with the Indonesia Stock Exchange witnessing an annual increase of 34% in IPO activities during 2023. The IPO market is also unique due to Indonesia's shift towards green technology and sustainability, with companies operating in the electric battery value chain and renewable energy sector dominating the IPO scene, along with companies from the metals and minerals industries. Furthermore, the strategic collaboration between Indonesia Stock Exchange (IDX) and Hong Kong Exchanges and Clearing (HKEX) allows Indonesia-listed companies to apply for a secondary listing in HKEX, providing access to a wider regional and global investor base for growth and increased market visibility

### ii. Expansion of NASDAQ - IDX technological partnership

The NASDAQ and IDX announced the expansion of their technology cooperation, which includes upgrade of IDX's trading platform, market surveillance infrastructure, and an agreement to further grow the IDX index business. The cooperation is expected to help IDX increase its products and service offerings and double its transaction current capacity while enhancing the trading experience

### iii. CORES.KSEI

In March 2024, Indonesia's Central Securities Depository – Kustodian Sentral Efek Indonesia (KSEI) launched its centralised investor data management system – CORES.KSEI, which is a web-based centralised Know Your Customer (KYC) data and document storage platform. The initiative is the first of its kind in the ASEAN region, where market participants can retrieve the relevant AML/ KYC documentation for account opening and client onboarding processes. The system will assist financial services providers in conducting enhanced customer due diligence, update customer data and expedite the investment account opening process. CORES.KSEI replaces the erstwhile fragmented approach of market participants having to reach out to multiple clients for documents

### iv. KPEI's compliant recognition by European Securities and Markets Authority

In November 2023, OJK and Indonesia's Clearing and Guarantee Institution or Central Counterparty – Kliring dan Penjaminan Efek Indonesia (KPEI) announced that the European Securities and Markets Authority (ESMA) recognised KPEI as a Third-Country Central Counterparty (CCP) based on Article 25 of the European Market Infrastructure Regulation (EMIR) with effect from December 31, 2023. The development recognises KPEI as a Tier 1 Third-Country CCP,

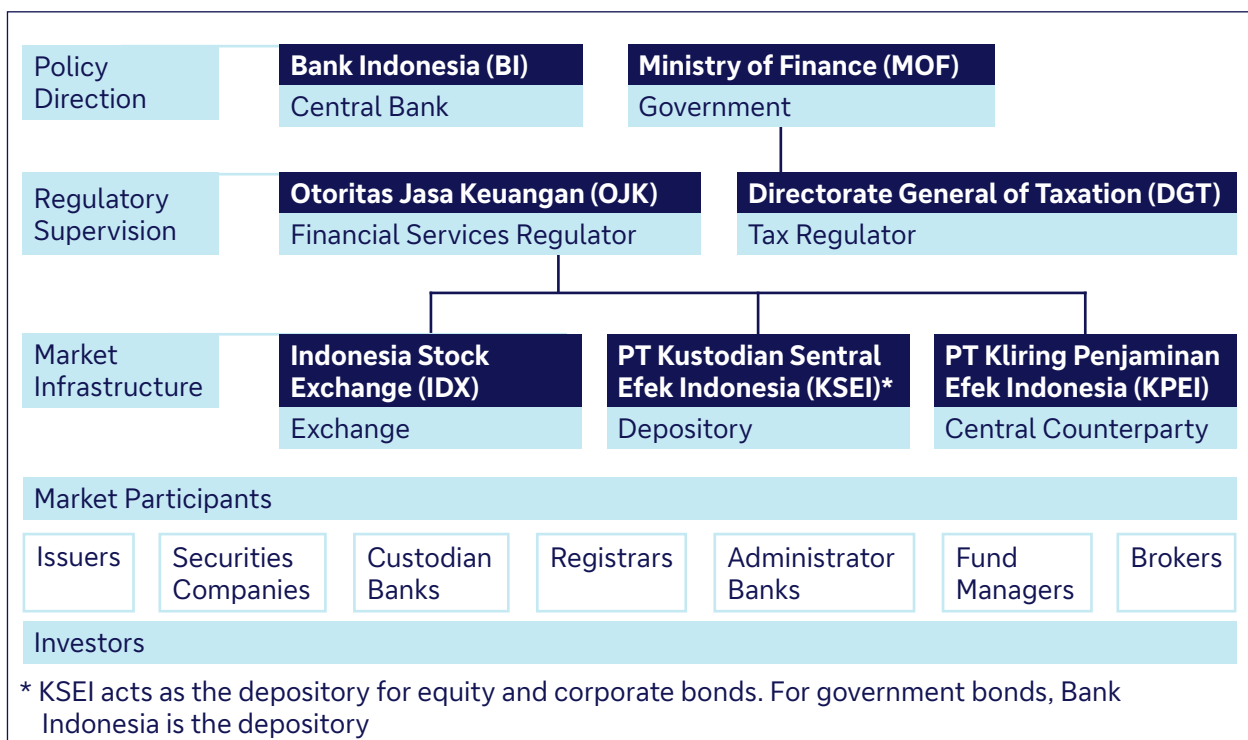
indicating that it poses low risks to the financial stability of the European Union or its Member States. The recognition authorises KPEI to provide clearing services to clearing members or trading venues established in the European Union

v. **Sekuritas Rupiah Bank Indonesia**

In August 2023, Bank Indonesia (BI) introduced a new short-term fixed income instrument, called Sekuritas Rupiah Bank Indonesia (SRBI), to enhance its monetary operations and manage liquidity effectively. SRBI is backed by government debt securities owned by the central bank, providing a secure underlying asset for investors. SRBI would help BI to diversify its monetary tools and complement its traditional short-term debt instruments – the Sertifikat Bank Indonesia (SBI). Through SRBI, the central bank seeks to attract foreign capital inflows in the form of portfolio investments, thereby boosting foreign investment into Indonesia and strengthening its financial market

# 3

## Market Regulators and Regulations



## 3.1 Regulators

### Ministry of Finance (MOF), Government of Indonesia

Roles	Government agency
Scope	Responsible for the administration of finances of the Central Government and for all the economic and financial matters affecting the country Oversees various financial affairs including state budget, taxation, government debt securities, customs and excise, as well as fiscal policy
Website	<a href="https://www.kemenkeu.go.id/en/home">https://www.kemenkeu.go.id/en/home</a>

### Directorate General of Taxation (DGT)

Roles	Government institution under the MOF
Scope	Regulates and supervises the taxation activities in Indonesia Formulates policies, standards, procedures, criteria for taxation and implements taxation policies Also conducts supervision, evaluation and reporting on taxation
Website	<a href="https://www.pajak.go.id/en/index-tax">https://www.pajak.go.id/en/index-tax</a>

### Bank Indonesia (BI)

Roles	Central Bank
Scope	Responsible for the monetary and payment system in Indonesia BI also acts as the central registry for the settlement and safekeeping of government bonds and certificate of Bank Indonesia
Website	<a href="https://www.bi.go.id/id/default.aspx">https://www.bi.go.id/id/default.aspx</a>

### Financial Services Authority - Otoritas Jasa Keuangan (OJK)

Roles	Financial Services Authority
Scope	Regulator and supervisor of the banking industry, capital market, insurance, pension fund and financing institutions in Indonesia Primary function is to promote and organise a system of regulations and supervision that are integrated into the overall activities of the financial services sector
Website	<a href="http://www.ojk.go.id">www.ojk.go.id</a>

## 3.2 Market Infrastructure

The following entities are Self-Regulatory Organisations (SROs) in the Indonesian capital market:

- The Indonesia Stock Exchange (IDX)
- The Indonesian Central Counterparty (KPEI)
- The Indonesian Central Securities Depository (KSEI)

Each regulates its own areas of operations, subject to OJK approval.

### The Indonesia Stock Exchange (IDX)

Roles	Exchange
Trading segments	Regular, cash and negotiation markets
Listing boards	Main, development, acceleration and special monitoring boards
Number of listed companies	936 (as of August 2024)
Regulated by	OJK
System used	Jakarta Automated Trading System
Website	<a href="http://www.idx.co.id">http://www.idx.co.id</a>

## Trading Hours

Trading Sessions		Market	Trading Hours (effective April 3, 2023)
Pre-opening	Order entry	Regular	08:45:00 – 08:59:00
	Transaction allocation and price matching/ creation		08:59:01 – 08:59:59
Session I		Regular, Cash and Negotiation	09:00:00 – 12:00:00 (Monday – Thursday) and 09:00:00 – 11:30:00 (Friday)
Session II		Regular	13:30:00 – 15:49:59 (Monday – Thursday) and 14:00:00 – 15:49:59 (Friday)
		Negotiation	13:30:00 – 16:30:00 (Monday – Thursday) and 14:00:00 – 16:30:00 (Friday)
Pre-closing	Order entry	Regular	15:50:00 – 16:00:00
	Transaction allocation and price matching/ creation		16:00:01 – 16:00:59
Post-trading		Regular	16:01:00 – 16:15:00

## Indonesia Clearing and Guarantee Corporation – PT Kliring Penjaminan Efek Indonesia (KPEI)

Roles	Clearing and Central Counterparty
Guarantee fund	KPEI acts as counterparty for all cash and regular market transactions and thus guarantees settlement of these transactions on the Indonesia Stock Exchange (IDX). The size of the guarantee fund as per end of August 2024 is IDR 8,295.01 billion (approximately EUR 486.71 million)
Clearing members	93
Regulated by	OJK
Shares ownership	IDX
System used	e-CLEAR System (Electronic Clearing & Guarantee System)
Website	<a href="https://www.idclear.co.id/en">https://www.idclear.co.id/en</a>

## Indonesia Central Securities Depository - PT Kustodian Sentral Efek Indonesia (KSEI)

Roles	Central depository and safekeeping for equities and bonds
Participants	<ul style="list-style-type: none"> <li>– Custodian Banks</li> <li>– Brokers/ Securities Companies</li> <li>– Fund Managers (are expected to be included for settlement of Mutual Fund units)</li> </ul>
System used (Settlement)	Central Depository and Book Entry Settlement System (C-BEST)
Number of participants (C-BEST)	121
Regulated by	OJK
Shares ownership	<ul style="list-style-type: none"> <li>– Custodian Banks</li> <li>– Brokers/ Securities Companies</li> <li>– Securities Administration Bureau</li> <li>– Self-Regulatory Organisations</li> </ul>
Website	<a href="http://www.ksei.co.id/">http://www.ksei.co.id/</a>

### 3.3 Summary of Key Regulations

Regulation	Explanation
Disclosure requirements	For ownership of 5% or more, members of the Board of Directors and Commissioners are obligated to submit a report to the OJK on their listed company's shares ownership and every change of ownership, directly or indirectly
Investment restrictions	Foreign ownership limits for various industries are regulated by the respective industries' regulators. The portion of the shares that are traded in IDX are already deducted by the restricted portion, thus the shares traded in IDX are freely traded between foreign and domestic investors
Regulation on temporary blocking and suspension of transaction	The Indonesian Financial Transaction Reports and Analysis Center - Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK) is authorised to request financial services providers to temporarily block either part or all of a transaction. The suspension of transaction is taken in the event the financial services user engages in a transaction, or owns an account, where the fund is allegedly generated from a criminal activity, or if the transaction is known and/ or being suspected of using fraudulent documents
Regulation on banks' foreign borrowings	With effect from January 28, 2011, vide Regulation No.13/7/PBI/2011, BI reinstated the policy of limiting banks' short-term foreign borrowings back to the maximum daily level of 30% of their capital. The regulation classified IDR funds belonging to non-resident clients in onshore bank accounts (Vostro accounts) as part of the bank's short-term foreign borrowings. Previously, IDR funds in the Vostro accounts, that were utilised in conducting investment activities in Indonesia, were not included in the calculation of the banks' short-term foreign borrowings
Regulations on banks' business activities and branch network based on core capital	In August 2021, OJK issued Regulation No.12/POJK.03/2021 introducing a new term for banks classification based on their core capital, locally known as 'Kelompok Bank Berdasarkan Modal Inti' (KBMI). Furthermore, the regulation, which became effective from October 31, 2021, provides general provisions on various banking issues such as setting the minimum paid-up capital for newly established banks at IDR 10 trillion and introduction of a new type of bank called digital bank
Regulations on the use of IDR	BI obliges the use of IDR in Indonesia for all cash and/ or non-cash transactions conducted within the Indonesian territory. Exceptions to the use of IDR are applicable for certain transactions such as those in the framework of State Budget implementation, international trade transaction including export import, and receiving or giving grant from or to offshore



### 3.4 Investor Protection

Various investor protection regulations applicable in Indonesia are summarised below:

Regulation	Coverage
Capital Market Law No. 8 of 1995	<ul style="list-style-type: none"> <li>– Client’s securities in safekeeping account are not part of the custodian’s assets</li> <li>– In the event of bankruptcy of the custodian, the securities are excluded from the custodian’s assets and must be returned to the account holder</li> </ul>
Deposit Insurance Company’s Regulation No. 2/PLPS/2010	<ul style="list-style-type: none"> <li>– Deposit is insured up to IDR 2 billion per depositor per bank</li> </ul>
OJK regulations No. VI.A.4 and No. VI.A.5 governing Investor Protection Fund	<ul style="list-style-type: none"> <li>– Covers loss of assets by certain events/ conditions</li> <li>– Maximum compensation value is up to IDR 200 million</li> <li>– Maximum compensation value paid to a single custodian is up to IDR 100 billion</li> </ul>
OJK regulation No. 65/POJK.04/2020 governing the Disgorgement and Disgorgement Fund	<ul style="list-style-type: none"> <li>– OJK has the authority to impose disgorgement on any party who violates and/ or causes the violation of capital market regulations</li> <li>– Disgorgement is OJK’s mandate to recover the illegally gained profit, or avoided losses, that is acquired by any party who violates and/ or causes the violation of capital market regulations</li> <li>– Disgorgement Fund is the fund gathered from the imposition of disgorgements which are supposed to be administered and distributed to the eligible investors (victims)</li> </ul>

# 4

## Market Entry and Registration

### 4.1 Market Entry

- Foreign investors are free to invest in the Indonesian market
- No approval is required for non-resident investors to invest into Indonesia
- Foreign and local investors are treated at par and the same investment regulations apply to all classes of investors
- Each investor must submit a Single Investor Identification number (SID) when placing an order in the stock exchange that can be applied from their broker and/ or local custodian bank at the initiation of the account opening process

#### 4.1.1 Single Investor Identification Number (SID)

Local brokers must quote the SID of their clients in the buying and selling orders entered into the Indonesia Stock Exchange (IDX) trading system. SID is not applicable to clients' settlement instructions sent to custodian banks.

The creation of SID is aimed at the following:

- Developing capital market investors' database to manage a centralised and more organised administration of investors' identities
- Improve transparency in the capital markets by increasing the supervision to the level of investors
- Usage of SID in the trading, clearing and settlement systems of exchange transactions to support Straight Through Processing (STP)

Since October 2016, the SID is also a requirement for investors of fixed income instruments administered in the Bank Indonesia Scripless Securities Settlement System (BI-SSSS). The SID for fixed income is required for reporting purposes only.

Since December 2018, as per KSEI requirement, non-resident investors are required to submit a copy of the reference document (passport for individuals and business registration document for institutions) through email to the respective Client Services Officer along with the submission of account opening instruction. Foreign investors may provide Legal Entity Identification (LEI) as the source of information for the identification number. This is recommended but not mandatory. The reference document should be in English or Indonesian language, and investors are expected to translate the document into English or Indonesian

language if the original document is in other languages.

For audit or other designated purposes, investors could be further requested to provide a copy of the supporting documentation by the capital markets' self-regulatory bodies, including KSEI and OJK.

## 4.2 Registration Process

Instrument	Process
Immobilised shares, corporate bonds, participatory notes and medium-term notes	KSEI maintains records of investor's assets in an electronic book entry system. Securities transferred on the depository system are automatically registered without any additional documentation. In the books of the issuers, the securities stand registered in the names of the account holders maintained with the depository
Dematerialised SBI and Government bonds	BI maintains an electronic registration of the sub-registry's positions and each sub-registry in turn maintains the account details of each beneficial owner
Physical equities	Investors have the flexibility of keeping physical securities either in their office's street name or registered form. Registration normally takes between 3 to 10 business days. Only scripless shares can be traded on the exchange
Physical corporate bonds	Most of the physical corporate bonds are in bearer form therefore registration is not required

# 5 Cash Management

Cash Management Highlights	
Currency/ Convertibility	Indonesian Rupiah (IDR)/ Fully Convertible
Payment systems	National Clearing (Sistem Kliring Nasional or SKN), RTGS (Real-Time Gross Settlement), BI-FAST
Real-Time Gross Settlement (RTGS)	Yes
Overdraft facilities	Only for residents. Not permitted for non-residents
Funding requirements	Yes
Market timings for booking FX contracts	For same day, tom (tomorrow) and spot: 09:00 – 16:00 hours
Types of FX contracts	Cash, tom (tomorrow), spot, and Forward
Repatriation of funds	Yes

## 5.1 Payment Systems

Indonesia has three cash clearing systems, operated by the central bank – Bank Indonesia (BI), which are:

- Bank Indonesia Fast Payment (BI-FAST)
- National Clearing System – Sistem Kliring Nasional Bank Indonesia (SKBNI)
- Real-Time Gross Settlement (RTGS)

The key features of the payment systems are summarized below:

	BI-FAST	SKBNI	RTGS
Nominal value per transaction	Maximum IDR 250 million	Maximum IDR 1 billion	Minimum IDR 100 million
Operational hours	24/7	Operational hours in working/ business day in batches	Operational hours in working/ business day
Payment channels	Bank counter and mobile/ internet. In the future: QR, ATM, EDC	Bank counter and mobile/ internet	

	BI-FAST	SKBNI	RTGS
Payment instruments	Transfer credit and debit. In the future: ATM/ Debit/ Credit cards (including virtual), and electronic money	Transfer credit and debit	
Charges per transaction	BI to participants: IDR 19 Participants to customers: maximum IDR 2,500	BI to participants: IDR 1 Participants to customers: maximum IDR 2,900	BI to participants: IDR 6,000 – 21,000 Participants to customers: Maximum IDR 30,000

## 5.2 Funding Procedures

All cash trades are settled only if clear funds are available in client's account. Local regulations do not permit an overdraft in non-resident investor accounts.

### 5.2.1 Restrictions on Non-residents

BI has issued regulation No.24/7/PBI/2022, governing transactions in the foreign exchange (FX) market, effective July 4, 2022, which replaced the previous regulation No.18/19/PBI/2016. The key points of the latest regulation are summarised below:

- i. Prohibits granting of credit facilities to non-residents except for intraday overdraft facility with receipt of authenticated message showing the incoming funds on the same day
- ii. Banks are not allowed to transfer IDR outside Indonesia
- iii. Banks are allowed to transfer IDR into non-resident account in the value of up to USD 1 million per transaction, or if the transfer is done between IDR accounts of the same non-resident. Underlying transaction document is required for transfer of above USD 1 million into non-resident account per transaction
- iv. Purchase of Today, Tomorrow and Spot against IDR to bank with the value of above USD 100,000 or equivalent, per month per client (resident and non-resident), must be covered by underlying transaction document related to economic activities in Indonesia
- v. The purchase of foreign currency (FCY) against IDR through derivative (plain vanilla and forward) transactions by client (resident and non-resident) with the bank, with the value of above USD 100,000, per month per client, must be performed with underlying transaction document coverage
- vi. Selling of FCY against IDR through derivative (other than forward) transaction by the client (resident and non-resident) with the bank, with value of above USD 1 million per transaction per client must be covered by underlying transaction document
- vii. Client (resident and non-resident) is allowed to sell forward FCY against IDR to banks without the underlying transaction document coverage with a value of up to USD 5 million per transaction per client
- viii. Banks breaching this regulation are subject to the following sanctions:
  - Administrative sanction in the form of warning letter
  - Fine of 1.0% of the breached value per violation, with a minimum of IDR 10 million and maximum of IDR 1 billion

## 5.3 Overdraft Facilities

The Central Bank prohibits the granting of overnight overdraft facilities to non-residents.

# 6

## Clearing and Settlement Practices

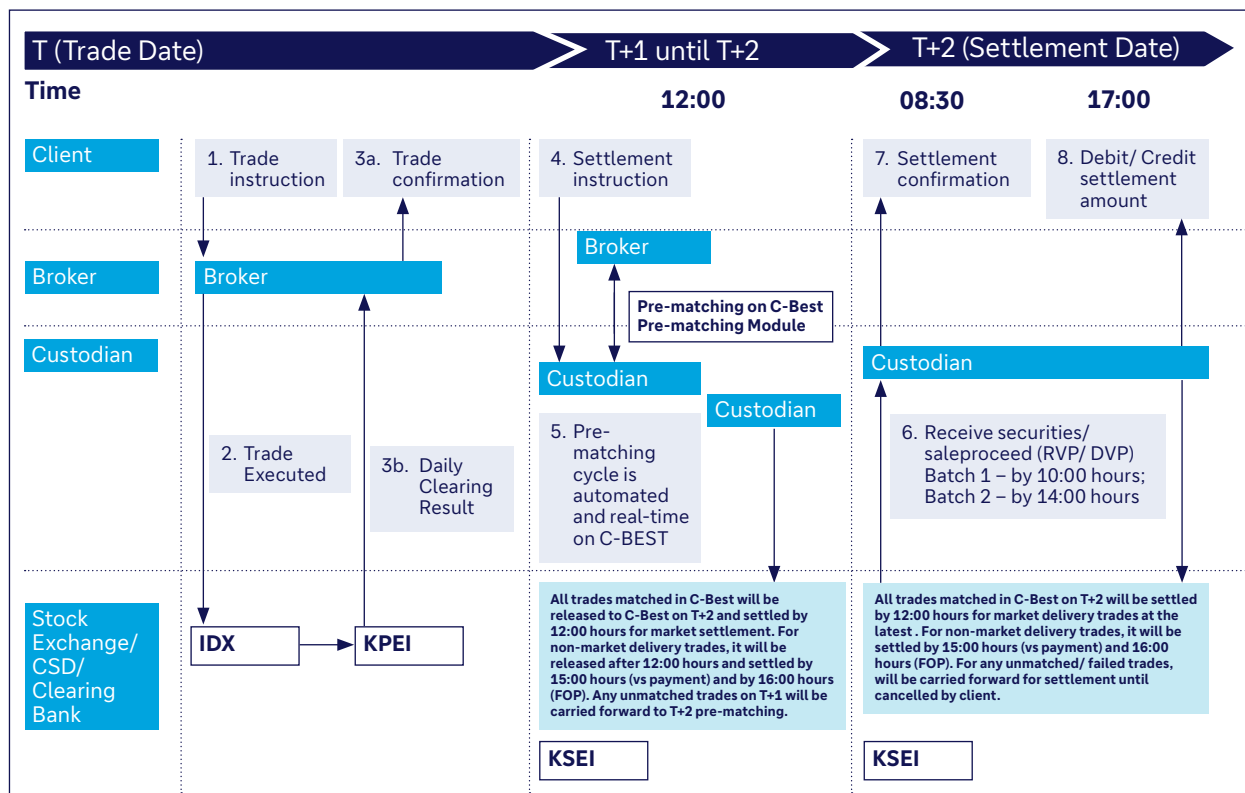
### 6.1 Exchange Transaction Settlement

Trades executed in the regular and cash markets are 'locked-in' for settlement on T+2/ T+0 (according to the type of market). At the end of day, the trading data is sent to KPEI for the netting process. All these trades are covered under KPEI guarantees.

On T+0, KPEI nets electronic securities and cash positions for settlement on T+2, and obligations reports are sent to the broker members. On the settlement date (T+2), by 12:00 hours, the selling broker transfers shares to KPEI's delivering account, and the buying broker transfers the payment to KPEI's delivering account through BI's payment systems. On T+2, by 13:30 hours, KPEI transfers the cash proceeds to the selling broker and securities to the buying broker.

KPEI has developed a 'continuous settlement' method to expedite the settlement process. Effective August 2010, KPEI utilises an intraday borrowing facility provided by the payment banks to transfer the funds to selling brokers who have completed their obligation to deliver the securities. The scheme enables the selling broker to receive the proceeds earlier on the settlement date without having to wait for the buying brokers to complete their obligation of delivering the funds to KPEI. The process has benefited the brokers given the shortened turnaround of funds which results in minimised exposure risk.

## 6.1.1 Equities and Corporate Bond Purchase and Sell Trades



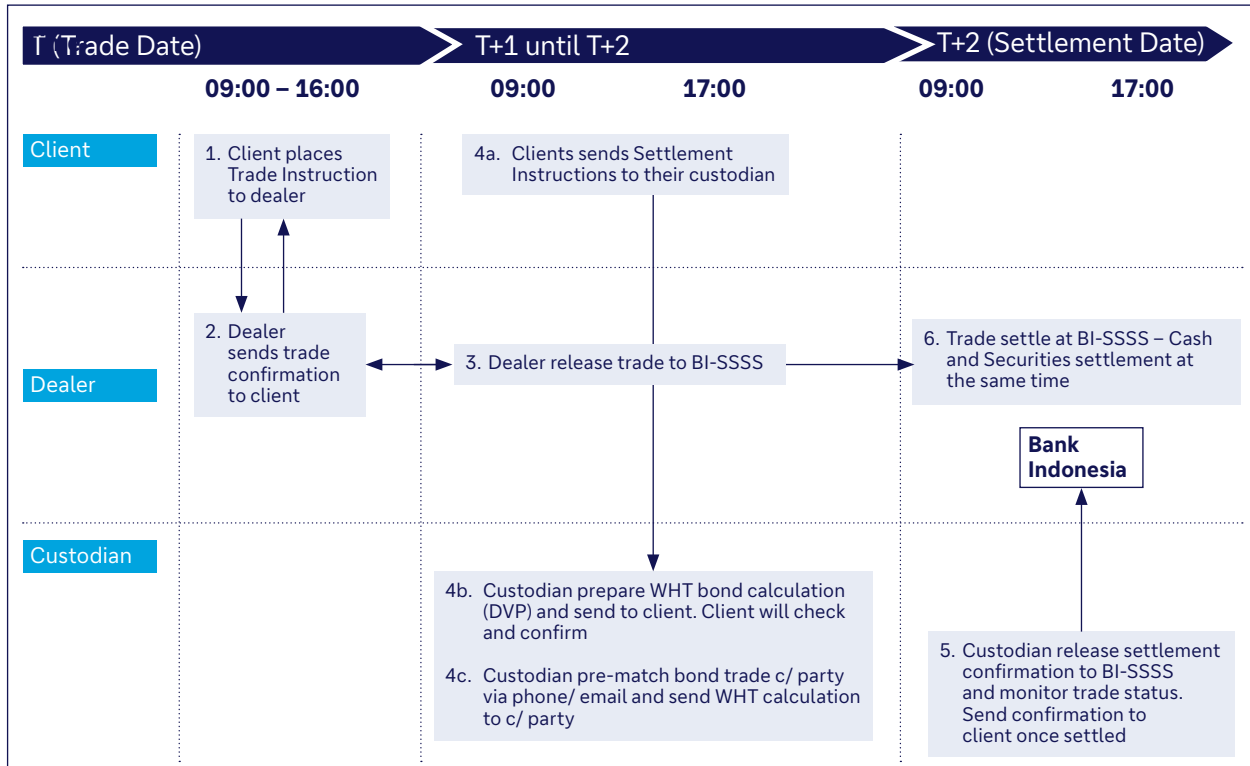
## 6.1.2 Non-guaranteed Securities and Isolated Transaction

OJK issued regulation No.26/POJK.04/2014 governing the guarantee mechanism for exchange transaction settlement and highlights the rules, which became effective from November 19, 2014, where the market authorities can decide not to guarantee the settlement of certain transaction and/ or securities.

Non-guaranteed securities are defined as securities appointed by IDX and KPEI based on certain criteria on which the transaction settlement is not guaranteed. KPEI does not provide guarantee for the settlement of exchange transaction of non-guaranteed securities. The non-guaranteed securities must be announced to the public and reported to OJK by IDX and KPEI.

An isolated transaction is defined as an exchange transaction that is separated from the settlement guarantee of exchange transaction based on rules established by the stock exchange (IDX) and the clearing and guarantee institution (KPEI) or based on orders from OJK. The isolated transaction must be announced to the public and reported to OJK by IDX and KPEI at the latest within one exchange day after the effective date of the isolated transaction. The isolated transaction is determined when there are indications that the transaction is not normal, is high risk and/ or endangers the market integrity. KPEI has the right to postpone the settlement and/ or not to guarantee the settlement of the exchange isolated transaction after securing approval from OJK or based on orders from OJK.

## 6.2 Trade Settlement Flow – Purchase and Sell of Government Bonds



## 6.3 Fails and Buy-ins

KPEI penalises brokers who fail to deliver shares by noon on T+2 by mandating them to pay cash equal to 125% of the highest price of the relevant shares based on the market value from T+0 to T+2. The broker's penalty is paid out of the guarantee fund managed by KPEI and is paid to the buying broker through the Alternate Cash Settlement (ACS) system. The IDX temporarily suspends member brokers who do not settle their trades by 12:30 hours on T+2, effective from the second trading session on T+2.

Government bonds and SBI are mostly traded OTC where failure settlement is resolved bilaterally. By-laws of BI-SSSS though provides guidelines concerning compensation for failed settlement.

## 6.4 Turnaround Trade

Turnaround trade is allowed in the Indonesian market.

## 6.5 Short Selling

In May 2024, OJK issued regulation No.6 Year 2024 to revise the previous regulations (Regulations No.V.D.6, No.II-H and No.III-I) governing the margin trading and short selling terms and conditions, trading mechanisms as well as membership requirements for brokers, with the below salient points:

- The securities company and its client must meet the conditions set for conducting margin trading and short selling transaction as stipulated in the regulation
- Securities eligible for margin trading and short selling transactions are determined and published by IDX on monthly basis
- Securities company must ensure that the client has signed a Securities Lending and Borrowing agreement
- Selling order inputted in IDX trading system for short selling must be the same or higher than the last done price
- The securities company must put the mark 'margin' in the buying order for margin trading and 'short selling' in the selling order for short selling
- Securities company is not allowed to provide financing for securities transaction (short selling and margin trading) to its members of Boards of Commissioners and Directors and also to its employees



## 6.6 Securities Borrowing and Lending

Securities Borrowing and Lending (SBL) is permitted under local law. The Indonesian Central Counterparty (KPEI) acts as the counterparty and is responsible for the collateral management. The purpose of the SBL in the market is to support margin trading, avoid fail settlements and securities financing. The securities companies (brokers) could act as both borrower and lender. Local custodians are allowed to act as lenders only.

In November 2022, KPEI launched bilateral Securities Borrowing and Lending facility. This is an additional facility to the current SBL scheme where KPEI is acting as the Central Counter Party. In bilateral SBL facility, the lender and borrower can conduct SBL transaction between them while KPEI provides the platform and mechanism for the transaction, account set up, collateral, income receipt, settlement and fees.

## 7

## Corporate Actions

Corporate Action Highlights	
Peak period	April – June (for proxy voting); May – August (for income collection)
Key events	Dividends, stock splits, reverse stock splits, mergers, right issues, tender offers and bonus issues
Source of information	Local newspapers, KSEI announcements and direct information from the company
Entitlement date	Record date
Entitlement computation	Based on holdings on the record date
Pay date	Between 1 to 10 working days after the record date
Corporate action claims	No standard procedure for market claims

Proxy Voting Highlights	
Peak season - AGM	April – June
Eligible securities	Ordinary shares
Notification source	Issued in Bahasa Indonesia, published in local newspapers, KSEI announcement, stock exchange bulletin and directly from the company
Notice period	Usually 30 days before the meeting date
Eligibility date	Record date
Eligibility computation	Based on positions on the record date
Blocking of shares	Not applicable
Re-registration	Not applicable
Voting method	Physical presence at the meeting
Voting restriction	No
Split voting	At Public Notary's discretion
Meeting results	The publication of the summary of the meeting is made available within two working days after the meeting date

# 8 Duties and Tax

## 8.1 Taxes

The table below states the general fees and taxes. Please consult your tax consultant for further information.

<b>Withholding tax</b>	<p>There are four types of withholding taxes applicable in the Indonesian capital market:</p> <ul style="list-style-type: none"><li>– Tax on cash dividends</li><li>– Tax on coupon payments</li><li>– Capital gains tax</li><li>– Transaction tax on transfer of listed and unlisted shares</li></ul> <p>For all foreign investors who are domiciled in countries that have double tax avoidance treaty agreements with Indonesia, the tax treaty rates are applied for computation of the withholding tax subject to submission of the prescribed documents.</p>
<b>Capital gains tax</b>	<p>The capital gains tax (CGT) on fixed income securities is applicable on the positive difference of the selling price or nominal value and the acquisition price of the fixed income security when an entity sells a particular security, or at the time of redemption of the security.</p> <p>The settlement amount paid to the seller is reduced by the tax amount. For calculation of the CGT amount, the buyer requires the following information from the seller:</p> <ul style="list-style-type: none"><li>– Acquisition price and date</li><li>– Selling price and date</li></ul>

<p><b>Other taxes</b></p>	<p><b>Transaction tax on transfer of listed shares</b> The sale or transfer of listed shares on an Indonesian stock exchange is subject to final withholding tax at the rate of 0.1% (applicable on the gross amount of the sale transaction).</p> <p><b>Income tax on listed companies</b> Corporations, with the criteria detailed below, can claim a corporate income tax rate of 3% lower than the normal rate of 22%:</p> <ol style="list-style-type: none"> <li>Listed companies</li> <li>At least 40% of their shares are listed on the stock exchange</li> <li>Fulfil other criteria set by the government</li> </ol> <p>The new government regulation No. 29 Year 2020 provides further guidelines regarding the criteria, as mentioned in the third point above, which are summarised below:</p> <ol style="list-style-type: none"> <li>The shares, as mentioned in the second point above, must be owned by at least 300 shareholders</li> <li>Each of the above shareholder should own less than 5% of the company's total shares</li> <li>Both of the above criteria must be fulfilled within a period of minimum 183 calendar days in a single tax year</li> </ol> <p><b>Transaction tax on transfer of unlisted shares</b> Under Indonesian tax laws, capital gains made by non-residents on the disposal of unlisted shares is subject to a 5% final withholding tax on the gross proceeds unless reduced by tax treaty.</p> <p><b>Value Added Tax (VAT)</b> VAT is levied at the rate of 11% on compensation paid on custodian fee basis. VAT is planned to be increased to 12% in 2025.</p>								
<p><b>Tax treaties</b></p>	<p>As of April 2024, the Indonesian government has signed Double Taxation Avoidance Convention (DTC) with 71 countries. The residents of these countries can enjoy the beneficial tax rates on certain incomes subject to completion of the specified documentation. To get the treaty tax rate, foreign investors must submit the Director General Tax (DGT) form, which is to be used in the following circumstances:</p> <ul style="list-style-type: none"> <li>DGT Form is to be completed by individual, non-individual or bank and pension fund who is a resident of a country which has concluded DTC with Indonesia</li> <li>The non-residents must complete the following parts of DGT form relevant to their institution type:</li> </ul> <table border="1" data-bbox="379 1332 1434 1556"> <thead> <tr> <th data-bbox="379 1332 826 1373">Non-resident institution type</th> <th data-bbox="826 1332 1434 1373">Part of DGT form that must be completed</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 1373 826 1444">Individual</td> <td data-bbox="826 1373 1434 1444">Part I and II of Page 1, and Part IV and VII of Page 2</td> </tr> <tr> <td data-bbox="379 1444 826 1485">Bank and pension fund</td> <td data-bbox="826 1444 1434 1485">Part I, II and III of Page 1</td> </tr> <tr> <td data-bbox="379 1485 826 1556">Non-individual (other than bank and pension fund)</td> <td data-bbox="826 1485 1434 1556">Part I and II of Page 1, and Part V, VI and VII of Page 2</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>The column for contact number and email address in Part I of DGT form must be filled with the correct information by the income recipient (non-resident taxpayer)</li> <li>Part II must be filled, signed and certified with the official stamp of the Competent Authority or the Authorised Tax Office where the non-resident taxpayer is registered</li> <li>The validity period (month and year) in Part II must be a maximum of 12 months</li> <li>The certification in Part II by the Competent Authority or the Authorised Tax Office can be left blank and replaced by an attachment of a valid Certificate of Residence (CoR)</li> </ul>	Non-resident institution type	Part of DGT form that must be completed	Individual	Part I and II of Page 1, and Part IV and VII of Page 2	Bank and pension fund	Part I, II and III of Page 1	Non-individual (other than bank and pension fund)	Part I and II of Page 1, and Part V, VI and VII of Page 2
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Bank and pension fund	Part I, II and III of Page 1								
Non-individual (other than bank and pension fund)	Part I and II of Page 1, and Part V, VI and VII of Page 2								

## 8.2 Market Charges

Exchange levy	<p><b>On-exchange equity transaction in the Regular and Cash market segments:</b></p> <ul style="list-style-type: none"><li>i. Exchange levy<ul style="list-style-type: none"><li>– 0.018% Transaction fee (IDX)</li><li>– 0.003% Settlement fee (KSEI)</li><li>– 0.009% Clearing fee (KPEI)</li></ul></li><li>ii. 0.01% Guarantee fee</li><li>iii. 0.1% Tax on sale transaction</li></ul> <p><b>Equity Transaction in the Negotiation market</b></p> <p>0.03% of the transaction value, which consists of the following:</p> <ul style="list-style-type: none"><li>– 0.018% Stock exchange transaction fee</li><li>– 0.009% Stock exchange transaction clearing fee</li><li>– 0.003% Stock exchange transaction settlement fee of IDX, KPEI and KSEI may grant discount on the transaction fee for equity transaction in the negotiation market with certain criteria</li></ul> <p>Over and above the applicable fees there is a 11% VAT applicable on the exchange levy (IDX, KPEI, KSEI) and the brokerage fee. Brokerage fee is negotiated between the broker and the investor. VAT is planned to be increased to 12% in 2025.</p>
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## 9

## Glossary

BI	Bank Indonesia (the Indonesia central bank)
BI-FAST	Bank Indonesia Fast Payment
BI-SSSS	Bank Indonesia Scripless Securities Settlement System
C-BEST	Central Depository and Book Entry Settlement System
CGT	Capital Gains Tax
CoR	Certificate of Residence
DGT	Directorate General of Taxation
DTC	Double Taxation Avoidance Convention
e-CLEARs	electronic Clearing & Guarantee System
ETF	Exchange Trade Fund
FCY	Foreign Currency
GMT	Greenwich Mean Time
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
IPF	Investor Protection Fund
IPO	Initial Public Offering
KPEI	PT Kliring Penjaminan Efek Indonesia (The Indonesia Central Counterparty)
KSEI	PT Kustodian Sentral Efek Indonesia (The Indonesian Central Securities Depository)

KYC	Know Your Customer
LEI	Legal Entity Identification
MOF	Ministry of Finance
MTNs	Medium Term Notes
NCBO	No Change of Beneficial Ownership
NCDs	Negotiable Certificates of Deposit
OJK	Financial Services Authority (locally known as Otoritas Jasa Keuangan – OJK)
OTC	Over the Counter
PNs	Participatory Notes
RTGS	Real Time Gross Settlement
SBI	Sertifikat Bank Indonesia (Central Bank certificates, short-term fixed income monetary instrument)
SID	Single Investor Identification
SKBNI	Sistem Kliring Nasional Bank Indonesia (National Clearing System)
SPN	Surat Perbendaharaan Negara (short-term government bond)
SRBI	Sekuritas Rupiah Bank Indonesia



# Selamat Datang Ke Malaysia!

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# 1

## Market Information

Malaysia holds a strategic position in the Southeast Asian region which has helped it become one of the fastest-growing economic regions in the world. As of Q1 2024, Malaysia's GDP grew by 4.2% year-on-year. Malaysia offers a desirable geography, coupled with a highly cost-competitive environment for investors looking to set up operations catering to regional and international markets. Malaysia has also signed extensive free trade agreements with a host of regions to position the nation as an ideal gateway for ASEAN. Equipped with the New Industrial Masterplan 2030, which targets to restructure Malaysia as a high-growth, high-value investment destination within Southeast Asia, Malaysia is well positioned to capitalise on its 'Plus One' strategies, enhance efficiency and accelerate innovation in the workforce, and tap growth opportunities in the green economy.

### Malaysia as a key Islamic Finance Hub

Malaysia's pioneering advancements in the Islamic finance industry over the past four decades have led to a wide and deep Islamic finance market. The growing maturity witnessed in the industry have resulted in a broad spectrum of Islamic financial products and services. As one of the largest Islamic finance hubs outside the Middle East, Malaysia hosts deep and robust Shariah-compliant equity and Sukuk markets. Malaysia is the largest Sukuk market globally, with 60% of its fixed income assets invested in Sukuks. The Islamic Capital Market (ICM) has grown by 5.2% p.a. since 2019, with the Sukuk outstanding growing by 8.5% p.a. and Shariah-compliant equities growing by 2.2% p.a.

### Malaysia's Green Economy and Sustainability Efforts

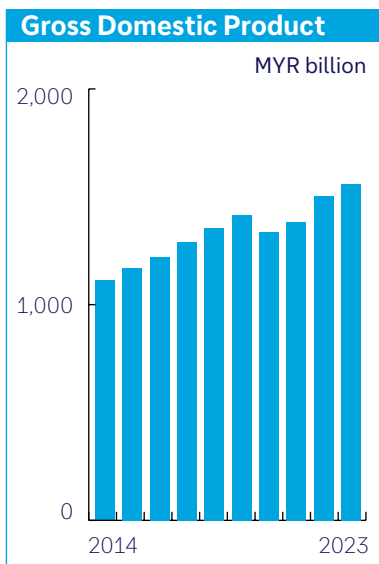
In 2015, Malaysia was among the earliest countries to adopt the 2030 agenda for Sustainable Development (2030 Agenda), signalling its commitment towards more sustainable, resilient and inclusive development. Malaysia has also committed to one of the region's most ambitious carbon pledges relative to its regional peers, as, it aims for an unconditional reduction in the economy-wide carbon intensity of GDP by 45% by 2030. Malaysia has also been at the forefront of mobilising sustainable investing initiatives, which has led to over 60 Sustainable and Responsible Investing (SRI) funds being launched in the market which has attracted a high degree of foreign interest. Bursa Carbon Exchange (BCX), a carbon credit exchange, was launched in 2022 to support the trading of carbon credits with the inception of a domestic voluntary carbon market.



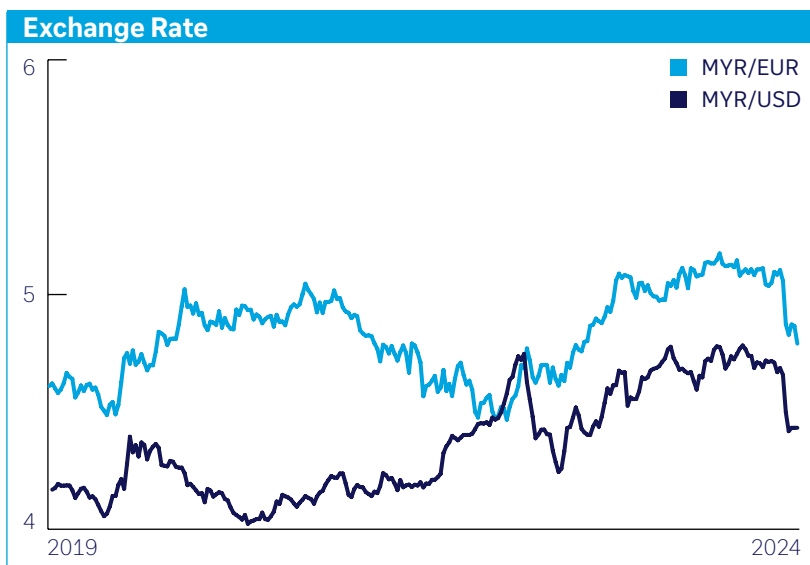
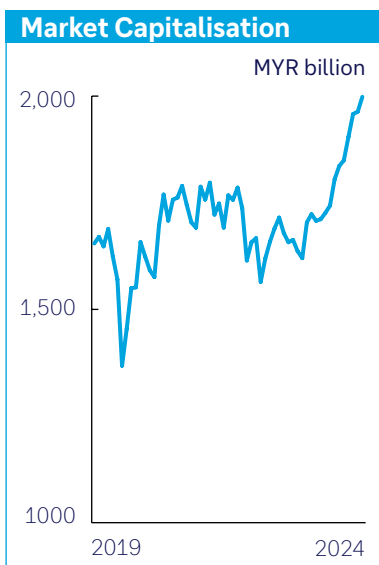
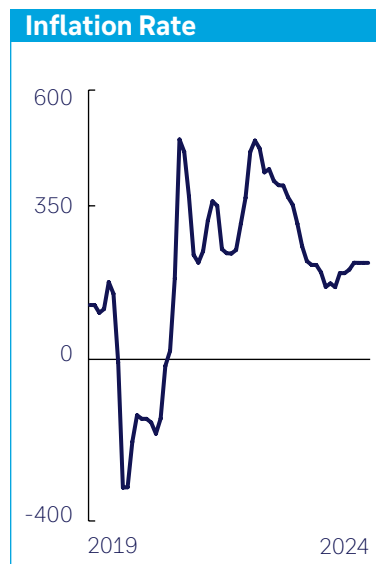
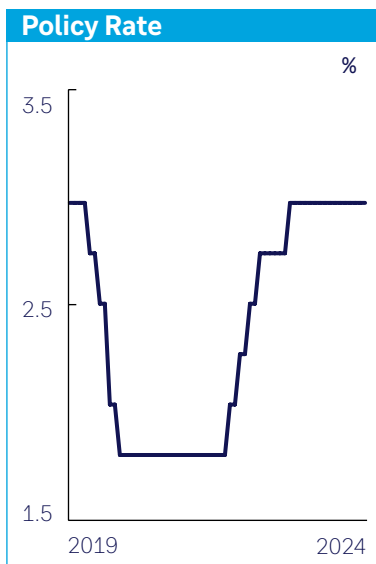
## Malaysia's Digital Evolution of Capital Markets

In Malaysia, digital investment platforms were introduced to democratise capital market services for onboarding new investors. These included digital crowdfunding platforms, digital investment managers and advisors, digital brokers, and digital asset exchanges. These digital enhancements have translated into a greater proportion of digital activities in Malaysia's traditional capital markets. This has led to an increase of more technology- and data-driven solutions. Malaysia is also looking towards a widespread Digital ID programme, 5G network, and the use of blockchain to enhance the efficiency of post-trade processes such as asset transferability, record keeping, and faster settlement.

Below is a summary of Malaysia's macroeconomic statistics in recent years, reflected in its GDP, macroeconomic rates, exchange rate and total market capitalisation.



Source: DB Research and Haver Analytics



## Overview

Currency	Malaysian Ringgit (MYR)/ Fully Convertible (onshore)
Time	8 hours ahead of GMT (GMT+8)
Numbering system	ISIN
Market instruments	<p><b>Fixed Income:</b> Exchange Traded Bonds and Sukuk (ETBS), Listed under Exempt Regime – Sukuk/ bonds, Government bonds, corporate bonds, bills of exchange, central bank bonds, debentures and loan stocks</p> <p><b>Equities:</b> Ordinary shares, preference shares, company warrants, structured warrants, exchange traded funds (ETFs), Shariah-compliant exchange traded funds (i-ETFs), real estate investment trusts (REITs), Shariah-compliant real estate investment trusts (i-REITs), closed-ended funds, business trusts and stapled securities</p> <p><b>Derivatives:</b> Commodity derivatives, equity derivatives and financial derivatives</p>
Market entry restrictions	None
Market capitalisation/ Listed companies	MYR 2.06 trillion (EUR 431 billion)/ Listed Companies 1018 (as of July 31, 2024)
Main market indices	<p>FTSE Bursa Malaysia KLCI            FTSE Bursa Malaysia Mid 70 index            FTSE Bursa Malaysia Top 100 index            FTSE Bursa Malaysia EMAS index            FTSE Bursa Malaysia Small Cap index            FTSE Bursa Malaysia Fledgling index</p> <p>Thematic Indices:            FTSE Bursa Malaysia EMAS Shariah Index            FTSE Bursa Malaysia Small Cap Shariah Index            FTSE Bursa Malaysia Hijrah Shariah Index            FTSE Bursa Malaysia MidS Cap Shariah Index            FTSE Bursa Malaysia MidS Cap Index            FTSE Bursa Malaysia Palm Oil Plantation Index            FTSE4Good Bursa Malaysia Index            FTSE4Good Bursa Malaysia Shariah Index            FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index            FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index</p>
Account structure	Omnibus and segregated structure

## 2 Market Developments

The Malaysian economy is projected to remain on a steady growth trajectory in the short-term, backed by firm domestic demand, primarily through continued expansion in private sector spending. However, risks to decline in growth arise from the ongoing external challenges. In the domestic capital market, activity is expected to be influenced by the momentum in the domestic economy and corporate developments, with volatility likely to be driven primarily by uncertainties surrounding the global economy, particularly the direction of global monetary policy developments and evolving geopolitical tensions.

Nevertheless, favourable momentum is expected to continue, underpinned by ongoing supportive policy actions under the Ekonomi MADANI framework, which includes the New Industrial Master Plan (NIMP) 2030 and the National Energy Transition Roadmap (NETR). These national policies are expected to provide a tailwind in the short- to medium-term, and improve policy clarity by showing a continued commitment by the government towards improving the country's medium-term economic growth prospects. While market expectations remain broadly positive, the domestic capital market is expected to remain orderly and will continue to play an integral role in supporting the economy, underpinned by firm macroeconomic fundamentals, ample domestic liquidity, and a facilitative capital market framework. The recent key initiatives in Malaysia include:

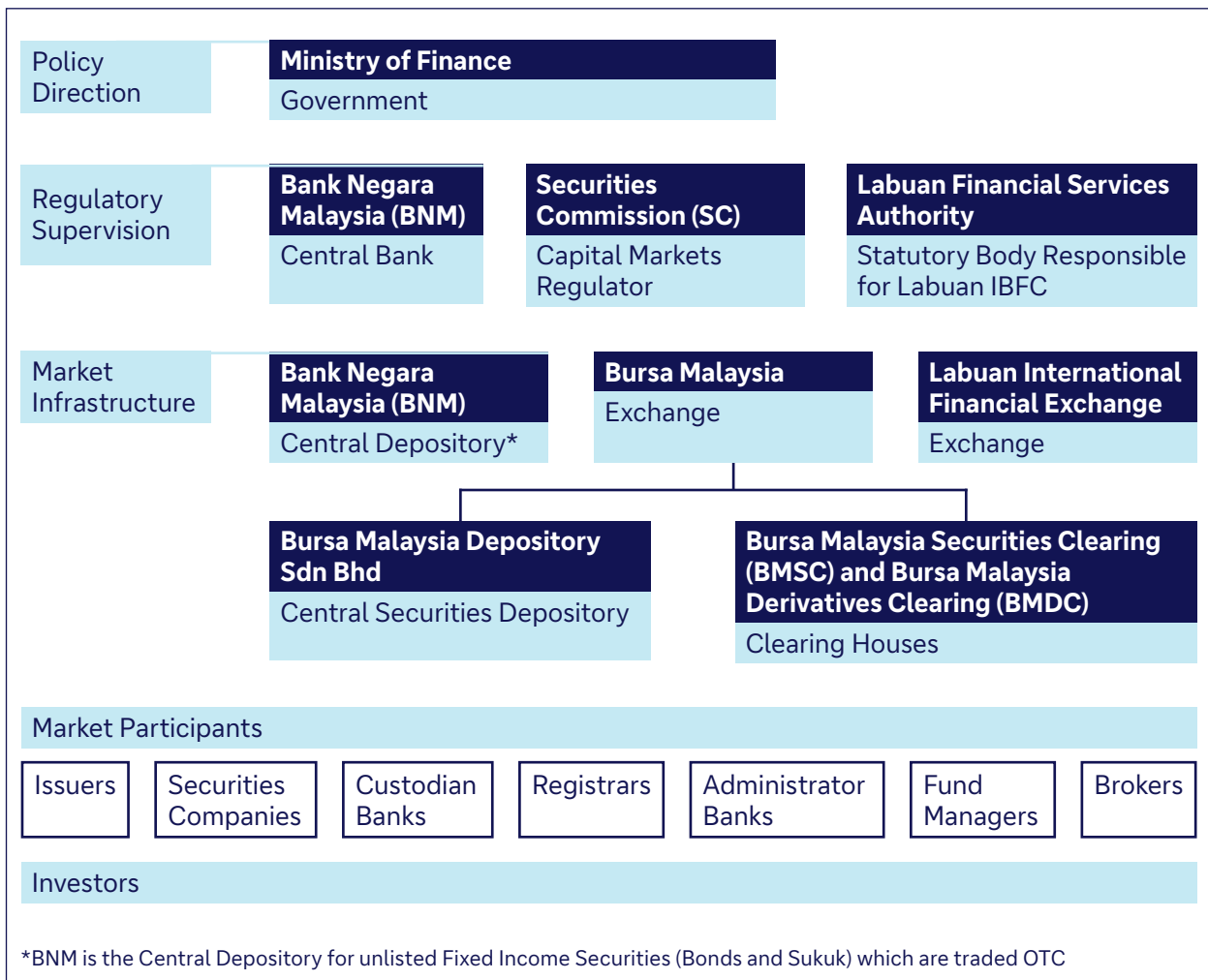
- i. **E-invoicing:** Announced as part of Malaysia's 2024 Budget, the Inland Revenue Board of Malaysia (IRBM) will launch an e-invoicing initiative, in stages, to enhance the efficiency of Malaysia's tax administration and management. This is in line with the Twelfth Malaysia Plan, where one of the key focus is on strengthening the country's digital services infrastructure and digitalising tax administration. The initiative also seeks to bolster the growth of the digital economy. The e-invoicing system will enable near real-time validation and storage of transactions, catering to Business-to-Business (B2B), Business-to-Consumer (B2C) and Business-to-Government (B2G) transactions.
- ii. **Updates to the Beneficial Ownership Reporting Framework:** The Companies (Amendment) Act 2024 was updated in April 2024 in relation to the provisions concerning beneficial ownership reporting. Additionally, the government is introducing the Electronic Beneficial Ownership System (E-BOS) for intimations to the Companies Commission of Malaysia – Suruhanjaya Syarikat Malaysia (SSM). The amendments are expected to strengthen Malaysia's standards in its efforts to combat money laundering, terrorism financing, and proliferation financing, in line with Recommendation 24 of the Financial Action Task Force (FATF) relating to 'Beneficial Ownership of Legal Persons'.
- iii. **Introduction of Capital Gains Tax (CGT) on disposals of capital assets:** Implemented in January 2024, a company, Limited Liability Partnership (LLP), trust body or co-operative society is required to file a CGT return and pay the applicable CGT within 60 days from the date of disposal of a capital asset under a self-assessment system which is separate from its annual income tax return and income tax payments. The broader scope of CGT reflects Malaysia's commitment to the EU's

Code of Conduct Group (Business Taxation) (COCG) to amend its legislation to impose tax on foreign capital gains. Therefore, gains or profits from the disposal of capital assets situated outside Malaysia will also be subject to CGT when the sale proceeds are received in Malaysia.

- iv. Launch of Maqasaid Al-Shariah Guidance:** The Securities Commission Malaysia (SC) – Suruhanjaya Sekuriti introduced the Maqasid Al-Shariah Guidance Islamic Capital Market Malaysia in November 2023. Maqasid Al-Shariah is the overarching principle that would guide all decisions in the Islamic Capital Market (ICM) and help in ensuring that Islamic Finance is actively used in the promotion of good as against simply eschewing the bad. As Islamic Finance calls for a balance between profit generation, societal benefit and the prevention of harm, the Guidance underscores SC's commitment to enhance the role of the ICM in facilitating equitable growth, which in turn, will help in building and promoting a sustainable and inclusive economy.

# 3

## Market Regulators and Regulations



## 3.1 Regulators

### Bank Negara Malaysia (BNM)

Role	Central bank, central depository for unlisted debt securities
Scope	<ul style="list-style-type: none"> <li>– Promote monetary and financial stability to provide a conducive environment for the sustainable growth of the economy</li> <li>– Function as banker and adviser to the government, provide advice on macroeconomic policies and management of public debt while also being the sole authority issuing national currency and managing the country's international reserves</li> <li>– Function as the central depository and clearing house for unlisted debt securities through RENTAS, its securities and cash settlement system</li> </ul>
Website	<a href="https://www.bnm.gov.my/">https://www.bnm.gov.my/</a>

### Securities Commission Malaysia (SC)

Role	Capital market regulator
Scope	<ul style="list-style-type: none"> <li>– Promote and maintain a fair, efficient, secure and transparent securities and derivatives markets</li> <li>– Facilitate the orderly development of an innovative and competitive capital market</li> </ul>
Website	<a href="https://www.sc.com.my/">https://www.sc.com.my/</a>

### Labuan Financial Services Authority

Role	Regulator for Labuan International Business and Financial Centre (IBFC)
Scope	Responsible for the development and administration of the Labuan IBFC
Website	<a href="https://www.labuanfsa.gov.my/">https://www.labuanfsa.gov.my/</a>

## 3.2 Market Infrastructure

### Bursa Malaysia Berhad

Roles	Securities exchange
Listing boards	Main market, ACE market and LEAP market
Market segments	Listed equities, listed fixed income securities, unlisted fixed income securities and derivatives
System	Bursa Trade Securities 2 (BTS2)
Website	<a href="https://www.bursamalaysia.com/">https://www.bursamalaysia.com/</a>

Equity Market Platform	Trading Days	Pre-Opening Hours	Trading Sessions and Trading Hours
Bursa Trade Securities 2 (BTS2)	Monday – Friday	Session-I 08.30 – 09.00 Session-II 14:00 – 14.30	Session-I 09:00 – 12:30 Session-II 14:30 – 17:00 Pre-Closing – 16:45 Closing – 16:50 Trading at Last – 16:50 – 17:00
Fixed Income Market Platform	Trading Days	Trading Sessions and Trading Hours	

Electronic Trading Platform (ETP)	Monday – Friday	Morning session: 09:00 – 12:30 Afternoon session: 14:30 – 17:00
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### Labuan International Financial Exchange

Role	Securities exchange
Ownership	Wholly-owned subsidiary of Bursa Malaysia
Instruments	Instruments include but not limited to equities, investment funds, debt instruments and insurance-related instruments. These instruments can be based on either conventional or Islamic principles. Financial instruments regardless of its nature may be denominated in any currency except for MYR
Website	<a href="https://www.bursamalaysia.com/trade/our_products_services/lfx/about_the_exchange">https://www.bursamalaysia.com/trade/our_products_services/lfx/about_the_exchange</a>

Platform	Trading Days/ Hours
Web-based Exchange via the @LFX System	The participants can access the trading system 24 hours and 7 days a week

### Bursa Malaysia Depository Sdn Bhd

Role	Central depository for Malaysia's Capital Markets
Ownership	Wholly-owned subsidiary of Bursa Malaysia
Functions	<ul style="list-style-type: none"> <li>– Record the issuance, transfer and removal of securities</li> <li>– Provide distribution of dividends and other corporate actions that includes processing of bonus issues, share consolidation, payment of cash distribution/ dividend to shareholders on behalf of issuer and facilitating electronic rights issue</li> </ul>
System	Bursa Trade Securities 2 (BTS2)
Website	<a href="http://www.bursamalaysia.com">http://www.bursamalaysia.com</a>

### Bursa Malaysia Securities Clearing and Bursa Malaysia Derivatives Clearing

Roles	Clearing Houses and Central Counterparty (CCP)
Ownership	Wholly-owned subsidiary of Bursa Malaysia
Function	<ul style="list-style-type: none"> <li>– Provide clearing and settlement services for the securities and derivatives market</li> <li>– Manage the systematic risks</li> </ul>
Website	<a href="https://www.bursamalaysia.com/trade/post_trade/securities-clearing-and-settlement/overview">https://www.bursamalaysia.com/trade/post_trade/securities-clearing-and-settlement/overview</a>

## 3.3 Summary of Key Regulations

The key legislations and regulations that govern the financial industry under BNM are as follows:

- Financial Services Act 2013: Consolidates the regulatory and supervisory framework for Malaysia's banking and insurance industry, payment systems, and foreign exchange administration matters
- Islamic Financial Services Act 2013: Sets out the regulatory framework for Malaysia's Islamic finance sector with the primary regulatory objectives of promoting financial stability and compliance with Shariah

The main securities laws administered by the SC are:

- Capital Markets and Services Act 2007: The Act regulates the country's capital markets, including the issuance and trading of securities, the conduct of market participants and the regulation of market intermediaries. The Act is accompanied by several regulations, with the overall aim of ensuring the integrity, transparency and stability of Malaysia's capital markets, while protecting the interests of investors and other stakeholders
- Securities Industry (Central Depositories) Act 1991: The Act sets out the laws relating to the establishment of a central depository; duty of a central depository to ensure orderly dealings in deposited securities; appointment of authorised depository agent; requirements for authorised depository agents, issuer and depository to comply with rules of a central depository; and maintenance of record of depositors

## 3.4 Disclosure

### 3.4.1 Substantial Shareholding Reporting

The relevant shareholding disclosure threshold in Malaysia is 5%. Any individuals and/ or corporations that have a substantial shareholding of 5% or more of the aggregate of the nominal amount of all voting shares in a Malaysia incorporated public company (listed or unlisted) are required to disclose that interest to the relevant public company, the Bursa stock exchange (for listed companies) and the Securities Commission (SC) and the Registrar (for both listed and unlisted companies).

Coverage of Reporting:

Trigger Event	Relevant Section in The Companies Act, 2016
Upon acquiring interest in shares	Section 137 – Notice of Interest of Substantial Shareholder (formerly referred to as Form 29A)
Changes in the interest (acquisition or disposal)	Section 138 – Change in Interest of Substantial Shareholder (formerly referred to as Form 29B)
Cessation in the interest	Section 139 – Notice of Person Ceasing to be a Substantial Shareholder (formerly referred to as Form 29C)

#### Non-Compliance

The penalty for failure to comply with this requirement is, upon conviction, a fine not exceeding MYR 10 million or imprisonment for a term not exceeding 5 years, or both. In the case of a continuing offence, a further fine not exceeding MYR 1,000 for each day during which the offence continues after conviction.

### 3.4.2 Ringgit-denominated Assets Held by Non-Resident Ultimate Beneficial Owners' Statistical Reporting

Licensed onshore financial institutions are required to submit the statistical report to the BNM on the Ringgit assets held by non-resident ultimate beneficial owners for omnibus Real-time Electronic Transfer of Funds and Securities System (RENTAS) Segregated Securities Account (SSA) accounts.

#### Ultimate Beneficial Owner (UBO) is defined as:

- The direct owner of the Ringgit assets
- End beneficial owner of the Ringgit assets
- A person who enjoys the benefits of ownership of the Ringgit-denominated assets even though the title is in another's name
- Any individual or group of individuals or an entity that, either directly or indirectly, has the power to vote or influence the transaction decisions regarding a specific Ringgit asset

#### Coverage of Reporting:

- Non-resident UBO holdings of Ringgit-denominated Debt Securities: Refers to the short- and long-term debt instruments which include bonds, debentures, papers and notes issued by both public and private sectors. These include, but are not limited to government and central bank issuances, Islamic and conventional private debt securities, commercial papers, bankers' acceptance and any other securities deposited in RENTAS



- Non-resident UBO Placement of Ringgit Deposits: Refers to all deposits in current account, saving account, fixed deposit account and other time deposits

## 3.5 Investor Protection

In the interest of protecting investors, compensation funds have been established and maintained by regulators with the main objective to compensate investors who have suffered monetary losses or damage under certain circumstances, as prescribed under the relevant securities laws and regulations.

- Bursa Malaysia Securities Clearing Sdn. Bhd. – Clearing Guarantee Fund
- Bursa Malaysia Depository Sdn. Bhd. – Compensation Fund (Depository – CF)
- The Capital Market Compensation Fund Corporation (CMC)

### Securities Industry Dispute Resolution Centre

Securities Industry Dispute Resolution Centre (SIDREC) is a specialised independent and impartial corporate body established by the SC for the resolution of capital market disputes. Equipped with expert knowledge and experience, SIDREC provides resolution between investors (individuals or sole proprietors) and SIDREC members who are either Capital Markets Services Licence (CMSL) holders or are registered with the SC for the regulated activities that covers dealings in securities, derivatives, unit trusts, private retirement schemes (PRS), and fund management.

For detailed information, refer to SIDREC's website <https://sidrec.com.my/>

### Ombudsman for Financial Services

The Ombudsman for Financial Services (formerly known as Financial Mediation Bureau) is a non-profit organisation set up under the initiative of BNM pursuant to the Financial Services Act, 2013 and the Islamic Financial Services Act, 2013 as an alternative complaint/ dispute resolution channel to resolve complaints/ disputes between the members who are Financial Service Providers licensed or approved by BNM and their investor clients. The ombudsman's services are an alternative to, but not an alternative for legal actions taken in a court of law. Its processes are 'inquisitorial' in nature and are not bound by any rules of evidence, prosecution, defence by a lawyer, sworn witnesses, cross-examinations and formal legal procedures as adopted by conventional courts.

For detailed information, refer to the Ombudsman for Financial Services' website: <https://www.ofs.org.my/>

### Professional Trade Indemnity Insurance

All trading agents are required to obtain professional trade indemnity insurance as a protective measure against any losses due to insolvency of a licensee of the market/ exchange. Potential investors should find out the extent of the insurance coverage of the trading agents concerned before engaging them as facilitators. Furthermore, trading agents are expected to be pre-qualified by the payment bank to ensure that they are credible and creditworthy to undertake trading on LFX.

For detailed information, refer to the Bursa Malaysia' website: FAQs on LFX Investors ([bursamalaysia.com](https://bursamalaysia.com))

# 4 Market Entry and Registration

## 4.1 Market Entry

Generally, there are no market entry restrictions for non-residents investing in Malaysia. However, BNM has issued a direction on the prohibition against any person in Malaysia from undertaking or engaging in any dealing or transaction with any specified person.

'Specified Person' means –

- (a) the State of Israel or its governmental organisation, authority or agency;
- (b) a natural person who is a citizen or permanent resident of the State of Israel;
- (c) any person incorporated, established, or registered for purposes of incorporation or establishment, in the State of Israel or under its laws including such person's direct subsidiary or branch outside the State of Israel; or
- (d) any unincorporated person which is formed in the State of Israel or under its laws or policy

(source: <https://www.bnm.gov.my/documents/20124/60360/Direction+on+Dealings+with+Specified+Person.pdf>)

## 4.2 Registration

All securities listed on Bursa Malaysia are dematerialised and centrally immobilised at the Bursa Malaysia Depository Sdn. Bhd. No registration is required for immobilised securities.

Government bonds are recorded in the sub-custodian's name at BNM. Registration is only applicable for physical securities, and the transferor is required to execute Form 32A (form of transfer). Stamp duty and scrip fee of MYR 3 – MYR 5 is applicable. Registration process takes around two to eight weeks.

# 5

## Cash Management

Cash Management Highlights	
Currency/ Convertibility	Malaysia Ringgit (MYR)/ Fully convertible (onshore)
Payment systems	RENTAS (Large Value Payment System), DuitNow (Realtime Payments Platform)
Real-time gross settlement	Yes
Overdraft facilities	Yes (Subject to permitted conditions)
Funding requirements	Yes (Foreign and local currency)
Market timings for booking FX contracts	09:00 – 18:00 hours (earlier cut-off times apply for some currencies)
Types of FX contracts	Spot and forward
Repatriation of funds	Allowed, subject to compliance with BNM's Foreign Exchange Administration (FEA) rules

### 5.1 Payment Systems

RENTAS is a multi-currency real-time gross settlement system for inter-bank funds transfer, a securities settlement system and a scripless securities depository for all unlisted debt securities. RENTAS supports various types of transactions that need to be initiated and transmitted using the corresponding SWIFT ISO 15022 message formats. All RENTAS payments are final and irrevocable after the paying participant submits the payment to the RENTAS host and the payment has met all necessary conditions for execution of the final transfer of funds across the books of BNM.

The transition of RENTAS to SWIFT ISO 20022 for Cash Transactions began in 2022, and Malaysia is targeting full migration by June 2025.

### 5.2 Funding Procedures

Clients are required to fund their accounts for settlement of all trades. In accordance with BNM's FEA rules, overdraft facilities are permitted to non-resident custodian bank or a non-resident stockbroking corporation to facilitate settlement of shares or Ringgit-denominated instruments traded on Bursa Malaysia, or through the RENTAS system to avoid settlement failure caused by inadvertent delays of payment by non-residents. The overdraft facility cannot exceed two business days, and does not have a roll-over option. Nonetheless, internal credit line/ limit is subject to the credit approval by the bank's

credit risk unit, and should be solely utilised for reasons prescribed by the BNM.

### 5.2.1 Rules Applicable for Non-Residents

Financial institutions are permitted to open accounts for non-residents, except for the State of Israel or its residents, or any entity owned or controlled, directly or indirectly, by the State of Israel or its residents (Specified Person). A licensed onshore bank shall open an account for a Specified Person only with the approval of BNM.

A non-resident intermediary who manages Ringgit-denominated assets on behalf, or in trust, of its resident or non-resident clients shall:

- Segregate the funds belonging to the resident clients from those belonging to non-resident clients into separate Ringgit accounts opened by the non-resident intermediary for the clients
- Transfer the Ringgit proceeds arising from the sale of Ringgit-denominated assets managed for resident clients from the non-resident intermediary's external account into the resident client's Ringgit account within three business days

The Ringgit accounts maintained by non-residents with licensed onshore banks in Malaysia are termed as 'External Accounts'.

For detailed information on the FEA rules, refer to the BNM website: <https://www.bnm.gov.my/fea-rules-documents-archives>

### 5.2.2 Rules Applicable for Residents

Residents are free to undertake any amount of investment in foreign currency assets offered in Malaysia. Resident entities and individuals are free to open foreign currency accounts with licensed onshore banks and foreign banks. Remittance for placement of funds in the overseas foreign currency account is subject to the prevailing rules for investments abroad.

For detailed information on the FEA rules, refer to the BNM website: <https://www.bnm.gov.my/fea-rules-documents-archives>

# 6

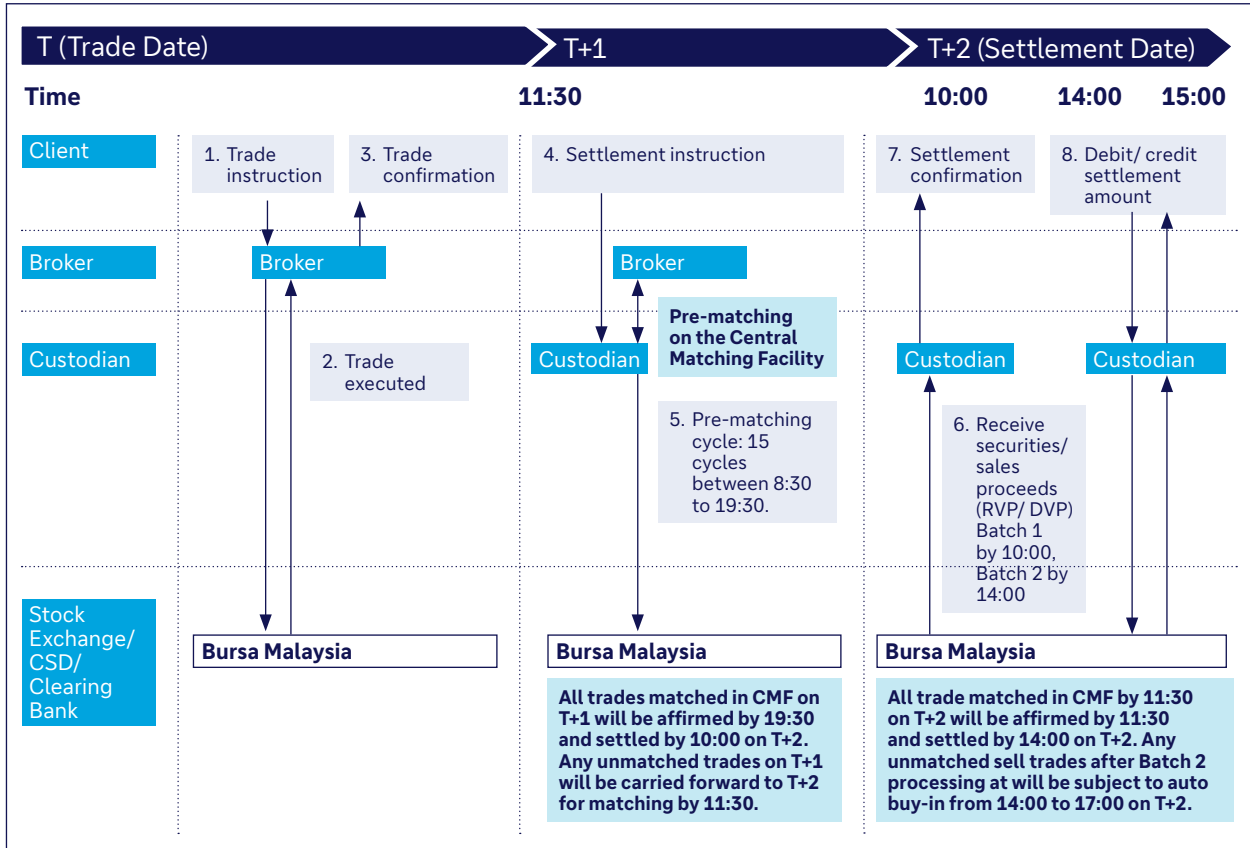
## Clearing and Settlement Practices

### 6.1 Listed Securities

The delivery and settlement for all normal listed securities in the Malaysian market is two trading days after the transaction date i.e. T+2 and the settlement is done through two settlement modes:

- i. Fixed Delivery Settlement System (FDSS) – Also known as depository transfer mode, where the transfer of securities occurs from T+1 until T+2 with cash payment received/ paid on T+2
- ii. Institutional Settlement Services (ISS) – Bursa Malaysia's Delivery versus Payment (DvP) enables the delivery/ payment simultaneously on T+2. Bursa Clearing debits/ credits the custodians Central Depository System (CDS)/ cash accounts directly

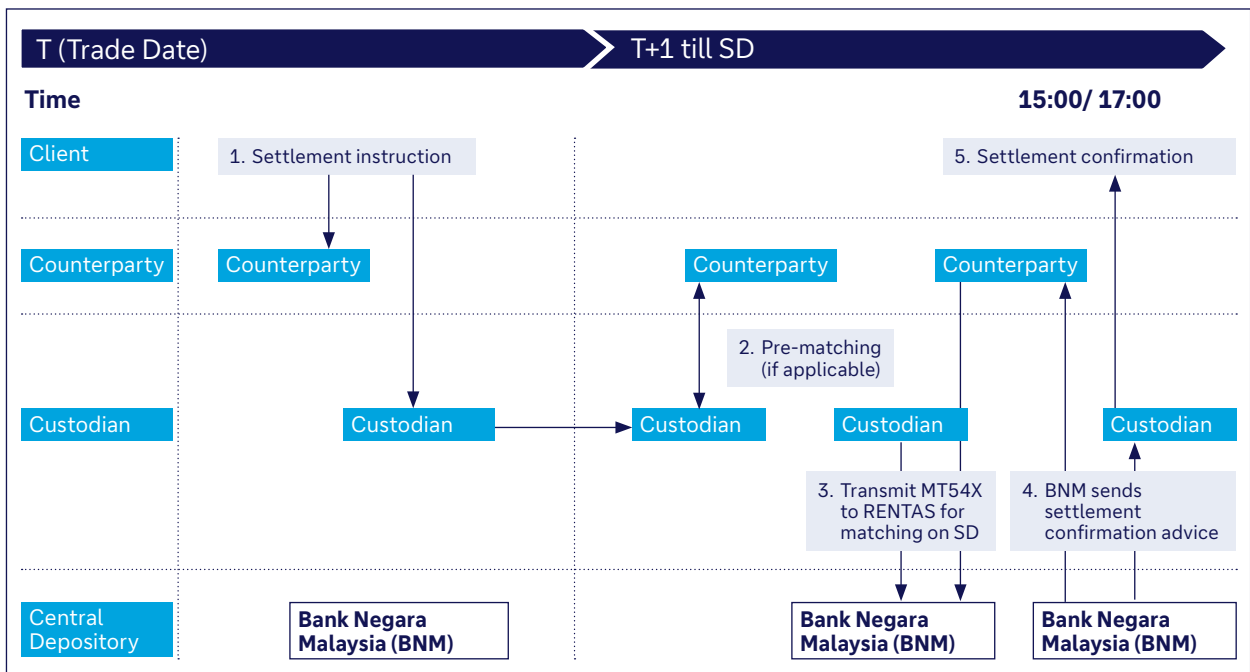
## Trade Settlement Flow – Purchase and Sell of Listed Securities



## 6.2 Unlisted Debt Securities

The settlement of unlisted debt securities is processed on BNM's Scripless Securities Depository Settlement System (SSDS). All the participating members (financial institutions licensed by BNM) are electronically linked to the SSDS, which is a module within the RENTAS host. The SSDS facilitates a true DvP settlement where the transferer and transferee's instructions are matched and a simultaneous transfer of securities and cash takes place. RENTAS enables the real-time gross settlement of cash proceeds. The standard settlement cycle is T+1 or T+2, subject to agreement between the counterparties.

## Trade Settlement Flow – Purchase and Sell of Unlisted Debt Securities



## 6.3 Pre-Matching

- The custodian commences the pre-matching activities for trades done on T+1 onwards and subsequent to processing of clients' instructions
- Pre-matching is done within the counterparties through the Central Matching Facility (CMF)
- The custodian has to notify the client about the missing instructions as alleged by the counterparties. The normal mode of intimation is through SWIFT (MT548/ 599) messages or email where the deadlines are imminent
- The custodian continuously follows-up until an instruction is provided by the clients and all the outstanding trades are settled

## 6.4 Fails and Buy-ins

In an event of the selling counterparty not having the quantity of securities sold as tradeable balance in the securities account by 11:30 hours on T+2, Bursa Malaysia executes the buy-in without notice on the settlement day (T+2) to avoid failed trades. The bidding price for such buy-ins are instructed by Bursa Clearing. Cash settlement would take place on T+3 if the buy-in is not successful.

In Malaysia, the treatment for On-Market Transaction (OMT) failed trade and Direct Business Transaction (DBT) failed trade are different. Buy-in is executed for OMT failed trade on T+2. The buy-in is normally complete on the day when the buy-in is executed. In an exceptional situation, when the buy-in securities are illiquid, the outstanding failed trade will be cash settled in lieu of delivery of securities on T+3.

As for DBT, if the seller fails to deliver the securities on the settlement day, the said transaction is dropped from the settlement system. In the event of failed payment by the buyer, the securities are returned to the seller's account.

For failed trades in odd lots, no buy-ins are executed by Bursa Malaysia as the failed contracts are cash-settled cash on the settlement date, in accordance with the Bursa Clearing Rules. Buy-in is executed 10 ticks higher than the closing price of the previous trade day.

The tick size for shares are as follows:

Consolidated Rules of Bursa Malaysia Securities Clearing Sdn. Bhd., as of January 2023<sup>1</sup>

Price Range	Tick Size (Sen)
Below MYR 1.00	0.5
MYR 1.00 – 2.99	1
MYR 3.00 – 4.99	2
MYR 5.00 – 9.99	5
MYR 10.00 – 24.99	10
MYR 25.00 – 99.99	25
Above MYR 100.00	50

<sup>1</sup><https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/63bceeb95b711a5364b45740/BMSCRulesConsolidated230110.pdf>

## 6.5 Turnaround Trades

Turnaround trades are possible in the Malaysian stock market on the same day. In line with the Rules of Bursa Securities Clearing, turnaround trades are only possible on per-market contract basis using the ISS clearing account. These activities, are provided by certain custodians who are certified Trading Clearing Participants, in the following situations:

- When the custodian becomes aware of the failure of one leg of the transaction, the client is immediately notified through SWIFT, email or phone for the next course of action
- In case of failure of one leg of the purchase transaction, the client has the option to accept the first leg by funding the purchase trade
- In case of failure of one leg of the sale transaction, the entire transaction will fail

## 6.6 Short-selling

Short-selling of securities is permitted in normal market on Bursa Malaysia, however on-market married transaction, odd lot, buy-in and direct business transactions are excluded.

The key features of the available short-selling systems are summarised below:

Permitted Short Selling (PSS)	Regulated Short Selling (RSS)	Intraday Short Selling (IDSS)
PSS is designed primarily for market makers and derivatives specialists registered with the Bursa Malaysia, where short-selling is carried out as part of their market-making activities. PSS needs to be undertaken in a designated account.	RSS is a facility for short-selling of securities approved by Bursa Malaysia, where the seller does not own such securities but has, prior to the execution of the sale, borrowed the approved securities or obtained confirmation from an authorised participant that the authorised participant has the approved securities available to lend.	IDSS allows eligible investors to engage in short-selling of RSS-approved securities. Eligible investors can sell first and later buy the same securities, but they must ensure that all short positions have been squared-off within the same trading day/ must ensure that all IDSS trades are closed with a buy position within the same trading day. Before an investor is allowed to execute any IDSS, the investor must have entered into an agreement to borrow securities (known as SBL Agreement) to settle all potential failed trades which might occur if IDSS is not squared-off by the end of the trading day. Failure to square-off the IDSS within the same trading day is considered as a breach of the BMS rules.

The list of RSS and IDSS approved securities is available at:

[https://www.bursamalaysia.com/trade/trading\\_resources/equities/regulated\\_short\\_selling](https://www.bursamalaysia.com/trade/trading_resources/equities/regulated_short_selling)

## 6.7 Securities Borrowing and Lending

Securities Borrowing and Lending (SBL) is a facility offered by Bursa Malaysia to enable the borrowing and lending of securities. The two models currently offered are:

- Central Lending Agency Model (SBLCLA): Bursa Clearing acts as the Central Lending Agency (CLA) for all SBL transactions between Authorised Lender and Authorised Borrower. Both parties have to comply with Bursa Clearing's CLS terms and conditions
- Negotiated Transaction Model (SBLNT): SBLNT provides the Approved Lenders and Approved Borrowers the avenue to agree on their own SBL terms and conditions, to conduct an over-the-counter (OTC) transaction and report such transactions to Bursa Clearing's SBLNT system through their respective Lending/ Borrowing Representative

The Islamic Securities Selling and Buying – Negotiated Transaction (ISSBNT) Model is a Shariah-compliant alternative to the conventional SBLNT.

Non-residents are prohibited from dealing in any SBL transaction and/ or accepting collateral which involves Ringgit-denominated debentures, bills, notes, bonds and any other debt securities deposited under the RENTAS system with a minimum outstanding amount of MYR 1 billion.



## 7

## Corporate Actions

Corporate Action Highlights	
Peak period	April – June
Key events	Share dividend, dividend with option, interest payment, stock split, stock consolidation, takeover and merger, conversion, redemption, right issue, tender offer, bonus issue, cash dividend and interest payment
Sources of information	Bursa Malaysia's website, BNM's FAST website and notices from registrars
Entitlement date	Ex-date
Entitlement computation	Calculated on the holding positions on Ex-date-1
Pay date	Announced/ declared by the company
Corporate action claims	Market claims are directly initiated, with the counterparties, for the entitled quantity

Proxy Voting Highlights	
Peak period – AGM	May – June
Eligible securities	Ordinary share
Source of Information	Bursa Malaysia's website
Notice period	Varies from company to company. Typically, 14 days before the meeting, or at least 21 days before the meeting where any special resolution is proposed
Eligibility date	Voting rights are usually based on shares held on the record date

Eligibility computation	Voting rights are usually based on shares held by the registrar five days to a week before the meeting
Blocking of shares	No
Re-registration	Not applicable
Voting method	By physical presence of the shareholder or the appointed proxy to vote on their behalf
Voting restriction	No
Split voting	Yes (with certain exceptions/ conditions)
Meeting outcome	The company uploads the meeting outcome on Bursa Malaysia's website as soon as the outcome is made available

# 8 Duties and Tax

## 8.1 Taxes

Withholding tax (WHT) is imposed on non-residents who have derived profits which is subject to Malaysian Tax. Any tax resident person who is liable to make certain specified types of payments to a non-resident is required to deduct withholding tax at a prescribed rate applicable on the gross payment and remit it to the Inland Revenue Board of Malaysia (IRBM) within one month of transferring or crediting such payments.

### 8.1.1 Withholding Tax

Withholding Tax (WHT) – Non-Residents	
WHT – Equities	NIL – under the single-tier tax system effective from 2008 - the Year of Assessment (Y/A)
WHT – Debt	15% – Convertible loan stock 15% – Interest paid or credited to a company within the issuer group Tax exemption is not applicable on interest paid, on Ringgit-denominated Sukuks and debentures approved by the Securities Commission, to non-resident company within the issuer group
WHT – Real Estate Investment Trust (REITs)	10% – Individuals 10% – Institutional investors 10% – Other unitholders 24% – Non-resident companies  Notes: Non-resident institutional investors – include foreign pension funds, foreign collective investment schemes or such other persons approved by the Ministry of Finance Non-resident companies – a company is non-resident in Malaysia if the management and control of its business is exercised outside Malaysia Other unitholders – include local pension funds, local collective investment schemes or such other persons approved by the Ministry of Finance, as well as private trusts, estates, etc.

## 8.1.2 Other Taxes

Corporate Income Tax (CIT)	Capital Gains Tax	Double Taxation
Resident and non-resident companies are taxed in Malaysia on the income accruing in or derived from Malaysia. The standard CIT rate is 24%.	<p>A new Capital Gains Tax (CGT) became effective in Malaysia from January 1, 2024 and is applicable on resident companies, LLPs, trust bodies and co-operative societies (regardless of whether incorporated in or outside Malaysia). The CGT is imposed on gains made from:</p> <ul style="list-style-type: none"> <li>– Disposal of unlisted shares in companies incorporated in Malaysia</li> <li>– Disposal of shares of a controlled company incorporated outside Malaysia which owns property situated in Malaysia or shares of another controlled company, subject to meeting the 75% threshold condition</li> <li>– Disposal of capital assets situated outside Malaysia, when the gains are received in Malaysia after January 1, 2024</li> </ul>	<p>Malaysia is a signatory to 74 Double Taxation Avoidance (DTA) Agreements.</p> <p>For the full list of the countries in DTA agreement with Malaysia, please refer to the Inland Revenue Board (LHDN) website: LHDN – Double Taxation Agreement</p>

Sales and Service Tax (SST)	Stamp Duty	Tax Reclaim
<p>Sales tax is a single-stage tax levied on all taxable goods manufactured and sold, used or disposed by a registered manufacturer in Malaysia, or imported into Malaysia. Goods listed in the Sales Tax Exemption Order are exempt from the Sales tax.</p> <p>Service tax is a single-stage tax charged on any taxable services provided in Malaysia by a registered person carrying on business. The SST has no impact on the financial transaction charges.</p> <p>For the latest SST related information, legislation and guidelines please refer to the official website of Royal Malaysian Customs Department (RMCD) at: <a href="https://mysst.customs.gov.my/">https://mysst.customs.gov.my/</a></p>	<p>The stamp duty on contract notes for purchase or sale of listed securities on Bursa Malaysia is MYR 1.50 for every MYR 1,000 (or fractional part) of the transaction values of securities (payable by both buyer and seller). The stamp duty shall be remitted to the maximum of MYR 1,000.</p> <p>In 2023, a reduction was announced on the rate of the stamp duty to MYR 1.00 for every MYR 1,000 and to the maximum of MYR 1,000 for contract notes executed on or after July 13, 2023 until July 12, 2028.</p>	<p>Foreign investors are advised to appoint a local tax agent for tax advisory purposes.</p>

## 8.2 Market Charges

Account opening fee – Bursa Depository	MYR 10 for each CDS account								
Transaction costs – Bursa Malaysia Securities Berhad For the full list of Bursa Depository fees, refer to the following website: Fees and Charges Structure for the Central Depository System <a href="https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/6245363939fba246cbe7439c/Fees_and_Charges_Structure_for_the_Central_Depository_System__01042022_.pdf">https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/6245363939fba246cbe7439c/Fees_and_Charges_Structure_for_the_Central_Depository_System__01042022_.pdf</a>	– Broker’s commission rates For details of broker’s commission rates, refer to the following website: <a href="https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/61ec12af39fba264fde401dd/Schedule_6.pdf">https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/61ec12af39fba264fde401dd/Schedule_6.pdf</a>								
	– Stamp duty For details, refer to Section 8.1.2								
	– Clearing fees <b>Novated Contract (on market transaction)</b> 0.03% of transaction value (payable by both buyer and seller) with a maximum of MYR 1,000 per contract. No minimum fee is applicable <b>Direct business contract</b> 0.03% of transaction value (payable to both buyer and seller) with a maximum of MYR 1,000 per contract and a minimum of MYR 10 <b>Institutional Settlement Service (ISS)</b> MYR 25.00 per transfer (Non-Trading Clearing Participant (NTCP) who issues an ISS Confirmation/Affirmation) MYR 0.50 per matched trade paid to the Exchange								
	– Depository Fees MYR 0.04 per 1,000 listed shares per annum. The fee is charged to the Authorised Depository Agents (ADAs) and Authorised Direct Members (ADMs) on a quarterly basis								
RENTAS clearing	BNM charges monthly safekeeping fee to SSDS participants based on monthly average holdings								
	<table border="1"> <thead> <tr> <th>Sliding Scale</th> <th>Rate (per annum)</th> </tr> </thead> <tbody> <tr> <td>First MYR 10 billion</td> <td>0.05 basis point</td> </tr> <tr> <td>Next MYR 10 billion</td> <td>0.03 basis point</td> </tr> <tr> <td>Remaining balance</td> <td>0.005 basis point</td> </tr> </tbody> </table>	Sliding Scale	Rate (per annum)	First MYR 10 billion	0.05 basis point	Next MYR 10 billion	0.03 basis point	Remaining balance	0.005 basis point
	Sliding Scale	Rate (per annum)							
	First MYR 10 billion	0.05 basis point							
Next MYR 10 billion	0.03 basis point								
Remaining balance	0.005 basis point								

## 9

## Glossary

ADA	Authorised Depository Agents
ADM	Authorized Direct Members
AGM	Annual General Meeting
BMD	Bursa Malaysia Derivatives
BNM	Bank Negara Malaysia
BTS2	Bursa Trade Securities 2
Bursa Malaysia	Bursa Malaysia Berhad
Bursa Clearing	Bursa Malaysia Securities Clearing Sdn Bhd
Bursa Depository	Bursa Malaysia Depository Sdn Bhd
CDS	Central Depository System
CMC	Capital Market Compensation Fund Corporation
CMF	Central Matching Facility
CMSL	Capital Markets Services Licence
DVP	Delivery Versus Payment
EGM	Extraordinary General Meeting
ETBS	Exchange Traded Bonds and Sukuk
ETF	Exchange Traded Fund
FEA	Foreign Exchange Administration
GDP	Gross Domestic Product
IRBM	Inland Revenue Board of Malaysia
ISIN	International Securities Identification Number
ISS	Institutional Settlement Service
Labuan FSA	Labuan Financial Services Authority

Labuan IBFC	Labuan International Business and Financial Centre
LFX	Labuan International Financial Exchange
MYR	Malaysian Ringgit
NTCP	Non-Trading Clearing Participants
OTC	Over-the-Counter
REIT	Real Estate Investment Trust
RENTAS	Real-time Electronic Transfer of Funds and Securities
Registrar	Company Commission
RSS	Regulated Short Selling
SBL	Securities Borrowing and Lending
SBLCLA	Securities Borrowing and Lending Central Lending Agency
SBLNT	Securities Borrowing and Lending Negotiated Transactions
SC	Securities Commission Malaysia
SIDREC	Securities Industry Dispute Resolution Centre
SSA	Segregated Securities Account
SSDS	Scripless Securities Depository Settlement System
SWIFT	Society for Worldwide Interbank Financial Transactions
TCP	Trading Clearing Participant
UBO	Ultimate Beneficial Owner
WHT	Withholding Tax



# Mabuhay Pilipinas

Deutsche Bank



# 1

## Market Information

The Philippine Stock Exchange Index (PSEi) had reached an all-time high during January 2018, reaching 9,000 points for a brief period. Subsequently, it remained in the 7,000 to 8,000 range before mirroring most of its peer-markets and plummeting to multi-year lows during 2020.

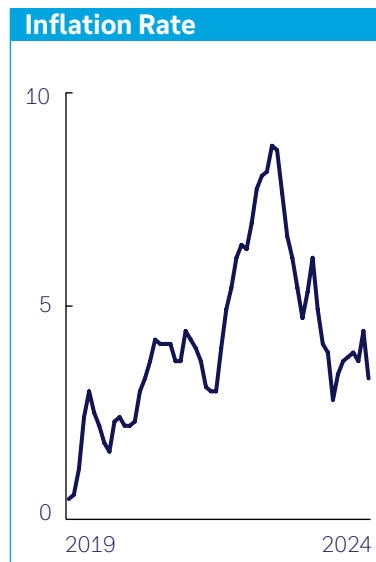
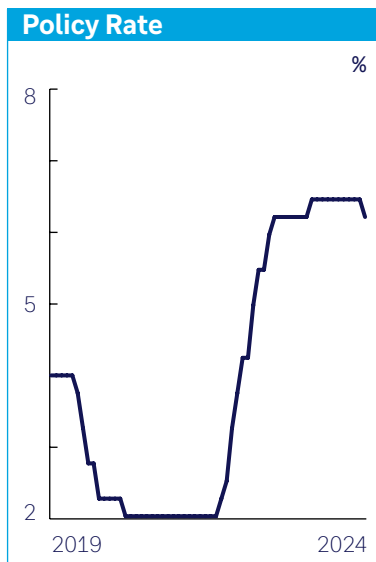
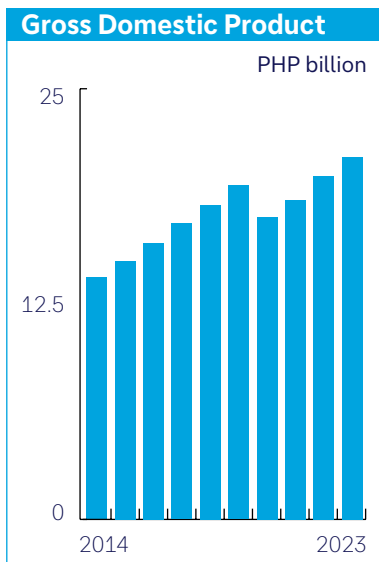
Similar to most ASEAN markets, Philippines had a record year in 2021, in terms of Initial Public Offers (IPOs) when the island nation witnessed its first billion-dollar IPO, riding on the back of aggressive investor appetite and optimal liquidity in the market. In the subsequent period, macroeconomic factors along with supply chain challenges and geopolitical risks have hampered the market momentum. Rising interest rates have added to the challenges for the market which has struggled to return to its former rigor, and despite record profits in blue chip companies the valuations have remained relatively low.

Due to these macro factors, equity and debt offerings have remained stagnant since 2022, and big-ticket issuances have been shelved as issuers and investors have adopted a wait and watch approach to ensure that they get the most out of going to the market.

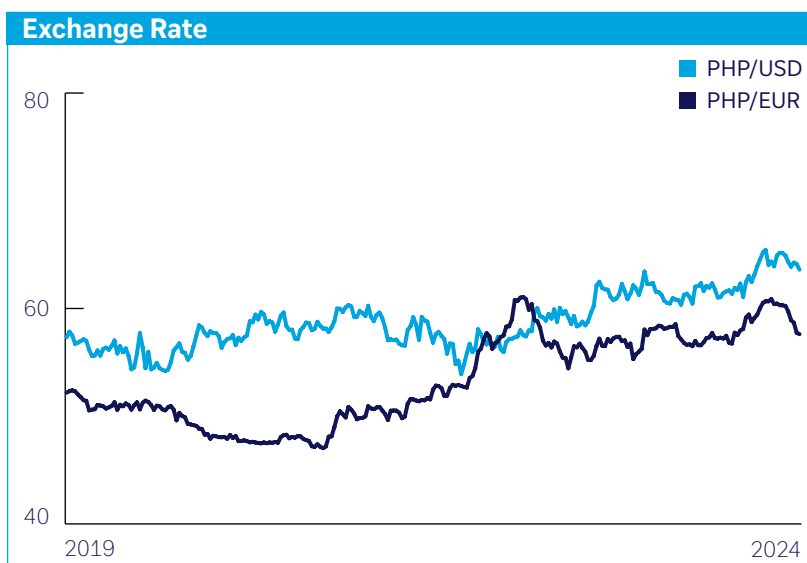
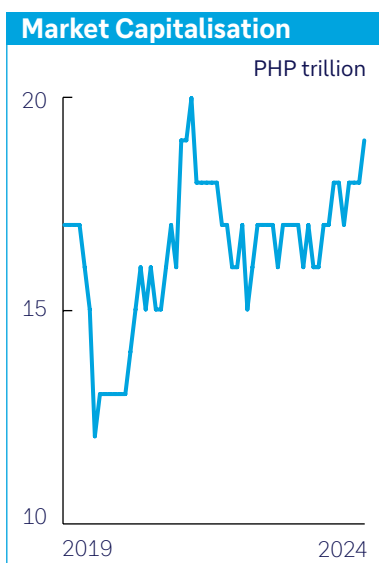
In the midst of the challenging macro environment, Philippines has witnessed the implementation of some key policy reforms, while a few more are in the pipeline, which have been aimed at stimulating the local business conditions and encouraging foreign investors' participation in the capital market. There is a fresh bout of positivity as the inflationary pressures are being seen on the downward trend, which prompted the central bank to implement the first policy rate cut in almost 4 years, in late-August 2024. The Monetary Board of the country's central bank has also projected another 25 bps rate cut in Q4-2024, which further endorses the gradual improvement in the local economic and investing climate.

This has been favourably viewed by investors, and the PSEi rallied in the latter part of August 2024. For the remainder of 2024, the market has been showing strong momentum and was projected to touch 7,000-levels upon inflow of subsequent macroeconomic data.





Source: The Philippine Stock Exchange, Inc., DB Research and Haver Analytics



## Overview

Currency/ Convertibility	Philippine Peso (PHP)/ Restricted currency
Time	8 hours ahead of GMT (GMT+8)
Market instruments	<p><b>Equities:</b> Ordinary shares (Class-A and Class-B), preference shares, warrants, Over The Counter (OTC) shares, Exchange Traded Funds (ETFs)</p> <p><b>Bonds:</b></p> <p><b>Issued by Government:</b> Treasury bills, treasury bonds, retail treasury bonds, multi-currency retail treasury bonds, dollar-linked peso notes</p> <p><b>Issued by private entities:</b> Straight bonds, zero-coupon notes and bonds, floating-rate corporate notes, bank-unsecured subordinated debt capital securities, certificates of deposit, commercial papers, long-term commercial papers, acceptances, securitised bonds</p> <p><b>Money Market Instruments:</b> Long-Term Negotiable Certificates Of Time Deposit (LTNCDs)</p> <p><b>Derivatives:</b> Interest rate and currency swaps, currency options</p> <p><b>Other instruments:</b> Philippine Depository Receipts (PDRs), Dollar Denominated Securities (DDS), Real Estate Investment Trust (REIT), public offering, private placement, Mutual Funds, Unit Investment Trust Funds</p>

Market restrictions	There is a market prescribed limit in terms of foreign ownership in certain industries under Republic Act 7042 also known as the Foreign Investment Act or Foreign Investment Negative List. This law has been undergoing several amendments to further open the market to foreign investments by decreasing the restrictions on several sectors including public utilities, renewable energy, etc.
Market capitalisation/ Listed companies	PHP 18,789 billion (EUR 304.19 billion)/ Listed companies: 284
Main market index	The Philippine Stock Exchange Index (PSEi)
Account structure	Both omnibus and segregated structure

## 2 Market Developments

The Philippine capital market has a unique structure, as its equity and fixed income securities are traded on two separate exchanges. However, there has been a strong push recently, particularly on the side of the Philippine Stock Exchange (PSE), for the merger of the two exchanges and to integrate the two markets in-line with global practices. The Securities and Exchange Commission (SEC) has already accorded its approval to the PSE for exemptive relief to acquire the remaining shares of the Philippine Dealing System Holdings Corp. (PDS Group) – the operator of the fixed income exchange in the Philippines. This marks the removal of the final hurdle for the merger, and the PSE is optimistic that the merger would be closed sooner than later.

Over the last 3 years, the Philippines has undertaken several key policy reforms that are geared towards boosting capital markets activities, particularly by stimulating foreign investor participation. The key reforms which are in the pipeline, and at various stages of implementation include:

- **Tax Reform for Acceleration and Inclusion (TRAIN) Law Package 4** – The Passive Income and Financial Intermediary Taxation Act (PIFITA), introduced in November 2018, aims to streamline the tax bases in the country and reduce friction costs for foreign investors, and to stimulate the local equity and debt capital markets. The primary objective of the package is to reduce the number of different tax rates, harmonise the tax rates on interest, dividends, capital gains and business taxes on financial intermediaries, and remove the documentary stamp tax on non-monetary transactions (Source: <https://www.dof.gov.ph/dof-presents-the-refined-proposal-on-bill-simplifying-passive-income-taxes/>) Discussions on the package are still currently ongoing as of August 2024
- **The Corporate Recovery and Tax Incentives for Enterprises known as the “Create More” (Maximise Opportunities for Reinvigorating the Economy) Act** – Allows domestic and foreign corporations under the Enhanced Deduction regime to be subject to corporate income tax at 20%. (Source: <https://www.pna.gov.ph/articles/1232950>) The Act has passed the third reading in the Senate and is up for review by the House and the Office of the President
- **Capital Markets Efficiency Promotion Act** – While the provisions of this act are similar to PIFITA, there is higher focus on capital market instruments. The Act aims to reduce tax on dividends for non-resident investors from 25% to 10%, and the stock transaction tax from 0.6% to 0.1% of the stock value. (Source: <https://www.pna.gov.ph/articles/1220075>). The Act has passed the third reading in the Senate and is up for review by the House and the Office of the President
- **FX Liberalisation** – On April 11, 2024, the Philippines Central Bank (BSP) issued BSP Circular 1192 (<https://www.bsp.gov.ph/Regulations/Issuances/2024/1192.pdf>) which effectively removes Bangko Sentral Registration Document (BSRD) registration which was earlier meant for evidencing registration of foreign investments and loans that allowed the transacting party to access the FX resources of, or purchase FX from against Philippine Pesos for servicing/ settlement of such securities’ transactions. Specific investments are deemed as registered once the Authorised Agent Bank (AAB) reports the FX transaction to the BSP, and provided that applicable guidelines and

supporting documents are duly complied with. The circular also reduced and modified the reports that the AABs are required to submit to the BSP

- **Removal of Foreign Ownership Limits** – With an aim to increase inward direct and portfolio investments, amendments on the Foreign Investments Act and Renewable Energy Act have led to lifting of the limits on foreign equity ownership for certain industries like utilities and energy. Previous regulations had capped foreign ownership across all industries at 40%

In terms of the developments in the Philippine capital markets, the year 2023 has been an important year with the shortening of the trade settlement cycle and the official launch of short-selling – the two most impactful changes implemented were:

**i. Migration to T+2 settlement cycle**

- Following the transition in other countries, the Philippine equity market officially went live with the 2-day settlement cycle on August 24, 2023. The migration followed months of preparation that involved brokers, custodians, and other market participants working together to iron out all the relevant operational and commercial details to ensure a smooth migration. During the go-live phase, no major issues were flagged across the market, and no major operational issues have been witnessed since the transition to T+2 settlement cycle. Deutsche Bank played an enabling role during the transition having led the corporate action working group, and served as the platform for foreign investors to participate in the transition discussions

**ii. Short-selling**

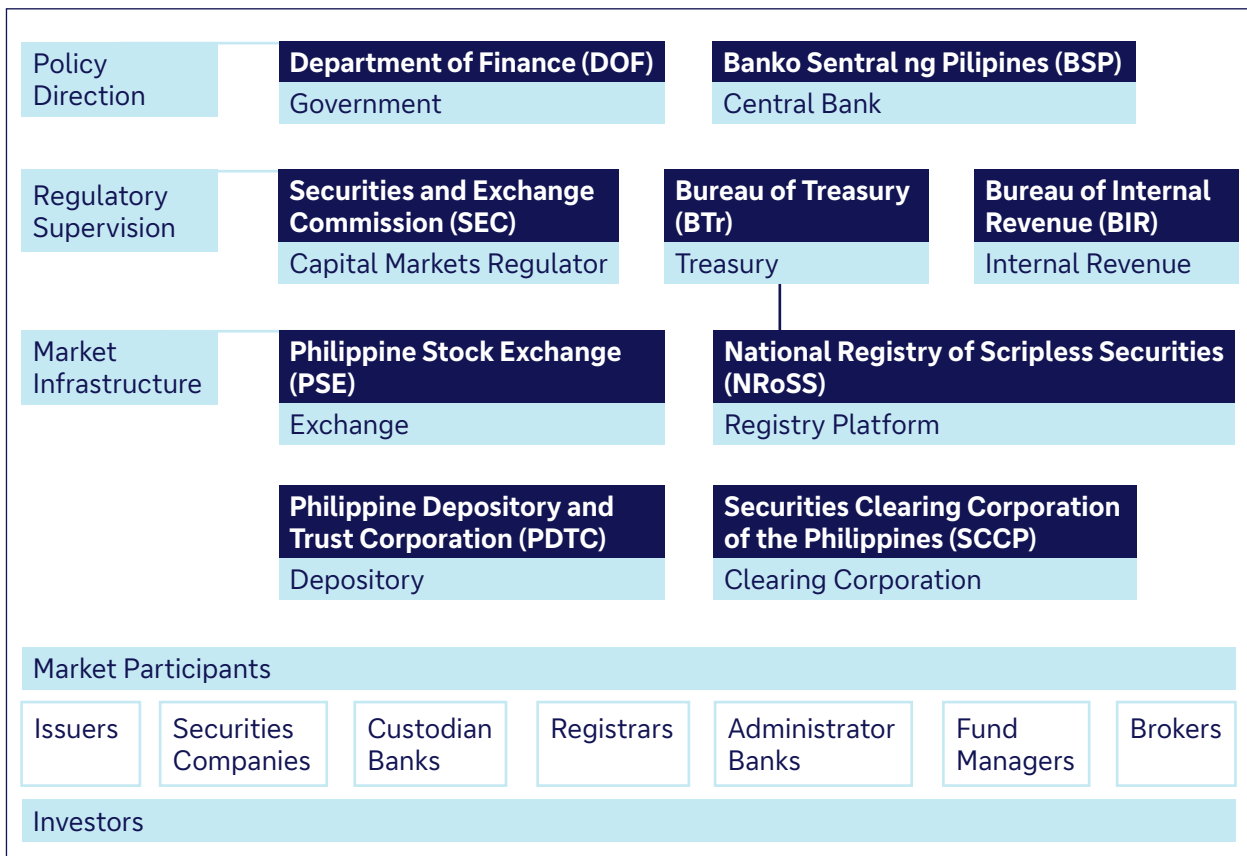
- Following years of deliberations, short-selling was officially launched in the Philippine equity market on November 06, 2023. This was on the back of passing consecutive regulatory provisions to facilitate the full implementation of the Securities Borrowing and Lending (SBL) and Short-Selling Program (SSP), which includes the use of Philippine Stock Exchange Index (PSEi), PSE MidCap Index, and PSE Dividend Yield Index member companies' shares, and exchange traded funds as eligible securities for short-selling transactions. For any eligible security, a maximum of 10% of its outstanding shares can be shorted. The SEC likewise approved the guidelines of the Capital Markets Integrity Corporation (CMIC) on short-selling and SBL

Additionally, in September 2023, the Bureau of Internal Revenue also provided the approval for the acceptance of registration of a Global Master Securities Lending Agreement (GMSLA) provided that at least one party to an SBL transaction is a foreign national. Previously, the SEC had approved the use of offshore collateral such as cash collaterals in USD, EUR and JPY, as well as government and agency debt of member-countries of the Organisation for Economic Cooperation and Development (OECD) with a minimum of BBB rating and constituent of benchmark indices of World Federation of Exchanges member-exchanges.

The Philippine Depository and Trust Corporation (PDTC) has also released the standard lending rates at 3.5% p.a. – 2% to the lender, 1.5% to PDTC as lending agent – of the market value of the borrowed securities, computed daily through the tenor of the SBL transaction under PSE's SBL programme.

# 3

## Market Regulators and Regulations



## 3.1 Regulators

### Department of Finance (DOF)

Roles	Government department
Scope	<ul style="list-style-type: none"> <li>– Review, approval and management of all domestic and foreign public sector debt</li> <li>– Formulation, regulation and administration of fiscal policies in coordination with other concerned government departments, agencies and instrumentalities of the government</li> <li>– General management of the financial resources of the government</li> <li>– Supervision of the revenue operations of all local government units</li> <li>– Rationalisation, privatisation and public accountability of corporations and assets owned, controlled or acquired by the government</li> </ul>
Website	<a href="https://www.dof.gov.ph/">https://www.dof.gov.ph/</a>

### Bangko Sentral ng Pilipinas (BSP)

Roles	Central bank
Scope	<ul style="list-style-type: none"> <li>– Maintain price stability conducive to a balanced and sustainable national growth</li> <li>– Provides policy direction in the areas of money, banking and credit</li> <li>– Regulate and supervise operations of banks and exercise regulatory powers over non-banks and financial institutions with quasi-banking functions</li> <li>– Oversee the registration of foreign investments including the inflow and outflow of foreign exchange</li> </ul>
Website	<a href="https://www.bsp.gov.ph/SitePages/Default.aspx">https://www.bsp.gov.ph/SitePages/Default.aspx</a>

### Securities and Exchange Commission (SEC)

Roles	Securities market regulator
Scope	<ul style="list-style-type: none"> <li>– Govern and regulate all Philippine corporations, partnerships or associations who are grantees of primary franchises and/ or licenses or permits issued by the Government of the Philippines</li> <li>– Responsible for the regulation of securities transactions, the notification of regulations, rules on securities trading, implementation of securities legislation, issuing licenses for securities dealing and the registration of stock exchanges and clearing houses</li> </ul>
Website	<a href="https://www.sec.gov.ph/#gsc.tab=0">https://www.sec.gov.ph/#gsc.tab=0</a>

### Bureau of Internal Revenue (BIR)

Roles	Taxation regulator
Scope	<ul style="list-style-type: none"> <li>– The BIR is one of the four bureaus under the Department of Finance. Aside from collection of tax revenues, it is responsible for drafting and enforcement of all the relevant taxation policies of the government</li> <li>– The BIR also has the authority to enforce fines, forfeitures, and penalties as dictated by the National Internal Revenue Code</li> </ul>
Website	<a href="https://www.bir.gov.ph/home">https://www.bir.gov.ph/home</a>

## 3.2 Market Infrastructure

### Philippine Stock Exchange (PSE)

Roles	Stock exchange
Securities' sectors	Financial, industrial, holding firms, property, services and mining and oil
Listing boards	First Board, Second Board and the Small and Medium Enterprises (SME) Board
Website	<a href="https://www.pse.com.ph/">https://www.pse.com.ph/</a>

## Trading hours

Time	Phase
9:00	Pre-open
9:30	Market open
12:00	Market recess
13:00	Market resume
14.45	Pre-close
15:15	Market close

## Philippine Depository and Trust Corporation (PDTC)

Roles	Depository
Regulated by	SEC and the BSP
Ownership	Subsidiary of the Philippine Dealing System (PDS) Group
Website	<a href="https://www.pds.com.ph/index.html%3Fpage_id=217.html">https://www.pds.com.ph/index.html%3Fpage_id=217.html</a>

## Bureau of Treasury (BTr)

Roles	Operates the National Registry of Scripless Securities (NRoSS)
Regulated by	Department of Finance (DOF)
Scope	The Bureau of Treasury is one of the four Bureaus under the Department of Finance, and in charge of operating the National Registry of Scripless Securities (NRoSS), which is the registry for government securities
Website	<a href="https://www.treasury.gov.ph/?page_id=64888">https://www.treasury.gov.ph/?page_id=64888</a>

## Securities Clearing Corporation of the Philippines (SCCP)

Roles	Clearing corporation
Function	<ul style="list-style-type: none"> <li>– Manage and support the clearance of trades in securities listed and executed on the PSE, or other official securities market in the Philippines</li> <li>– Central counterparty to trades executed at the PSE</li> </ul>
Regulated by	SEC
Ownership	Subsidiary of the Philippine Stock Exchange, Inc. (PSE)
Guarantee Fund	<ul style="list-style-type: none"> <li>– SCCP has established a Clearing and Trade Guaranty Fund (CTGF)</li> <li>– The CTGF is a credit management tool and is intended to assist SCCP in meeting its obligations as central counterparty if the clearing member(s) default on their settlement obligations. The CTGF is being continuously built-up through the collection of (i) monthly contributions from the active clearing members, based on the net value of their total monthly turnover of block sales and cross transactions of the same flag and (ii) initial contribution from new or returning clearing members</li> <li>– The CTGF is the last resort tool for covering failed trades. In case it is utilised, the concerned clearing member is required to promptly replenish the amount advanced from the CTGF because of its settlement default</li> </ul>
Website	<a href="https://sccp.com.ph/main/home.html">https://sccp.com.ph/main/home.html</a>

## 3.2 Summary of Key Regulations

Regulation/ Controls	Coverage
Securities Regulation Code (SRC) and its Implementing Rules and Regulations (IRR)	<ul style="list-style-type: none"> <li>– Allows the SEC to formulate policies and recommendations on issues concerning the securities market and impose sanctions for the violation of laws and rules, regulations and orders</li> <li>– Provides SEC the authority to issue cease and desist orders to prevent fraud or injury to the investing public</li> <li>– The SEC also establishes the prohibition of fraud, manipulation, and insider trading</li> </ul>
Foreign Investments Act, 1991	<ul style="list-style-type: none"> <li>– Overall governing law that regulates foreign investments in the Philippines. This law establishes the restrictions on foreign investment on certain industries to protect national interest and competitiveness of local enterprises</li> </ul>
Investment Company Act, 1960	<ul style="list-style-type: none"> <li>– Geared to mitigate and, so far as possible, eliminate conditions which are against the national public interest and interest of investors</li> <li>– Ensures that publicly issued securities have the adequate and accurate information that fairly represents the financial characteristics of the underlying company</li> <li>– Ensures that securities underwriters are working in the interest of all of such companies' security holders</li> <li>– Establishes the required capital reserves of investment companies</li> </ul>
Revised Corporation Code of the Philippines	<ul style="list-style-type: none"> <li>– Provides the SEC with the power and authority to exercise supervision over all corporations and persons acting on their behalf, promote the protection of investors, and to prevent imminent fraud to the investing public</li> </ul>
Securitisation Act, 2004	<ul style="list-style-type: none"> <li>– Establishes the overall legal and regulatory framework for securitisation to allow favourable market environment for asset-backed securities</li> </ul>
Investment Houses Law (Presidential Decree No. 129, amended by Republic Act No. 8366 of 1997)	<ul style="list-style-type: none"> <li>– Establishes the scope of activities that investment houses can participate in, as well as the operating requirements for an investment house</li> </ul>
Disclosure	<ul style="list-style-type: none"> <li>– Shareholders with ownership of 5% or more are considered as substantial shareholders and are required to submit disclosure (Form 18-A/ 18-B) reports prescribed by the SEC of their acquisitions/ purchases</li> <li>– Form 18-A is for initial reporting and Form 18-B is for any subsequent changes in substantial ownership</li> <li>– The reporting needs to be done using the prescribed forms to the issuing company, the Exchange where the company is listed and the SEC, within five working days of the acquisitions</li> </ul>



### 3.3 Investor Protection

Regulation/ Controls	Coverage
Financial Products and Services Consumer Protection Act	<ul style="list-style-type: none"> <li>– Standardises the key processes geared to protection of the rights and best interest of financial consumers</li> <li>– Requires insurance-commission regulated entity (ICRE) to disclose all significant and relevant terms of conditions of financial products offered</li> <li>– Introduces a 'cooling-off' period for financial consumers for them to review and raise concerns prior to signing and execution of a contract</li> </ul>
Securities Investor Protection Fund (SIPF)	<ul style="list-style-type: none"> <li>– Each PSE trading participant is required to make an initial contribution of PHP10,000 and a monthly contribution of 1/ 1000 of its gross monthly trading volume</li> <li>– The fund is invoked to protect investors against losses in the case of failure, insolvency, and fraud of a PSE Trading Participant by effecting an orderly distribution of the property and assets upon insolvency</li> </ul>

# 4

## Market Entry and Registration

### 4.1 Market Entry

Foreign investors are permitted to invest in the Philippine stock market, however their investments are regulated. They are not required to be registered in the market before undertaking any investments. They can make investments up to 100% however there are restrictions placed on acquiring shares under the Foreign Investment Negative List.

### 4.2 Registration

**Equity Registration** of listed physical shares in the name of the investors is not currently required by existing regulations. The shares are immobilised at the central depository and are still registered in the name of PCD Nominee Corporation.

PDTC does not maintain details of beneficial owners. All the records of beneficial owners are to be maintained by the registrar. Ownership of individual clients is accounted for in the ledgers or records of their corresponding brokers, dealers or custodians.

Clients also have the option to request that their book-entry shares be removed (upliftment) from the central depository system for issuance of a physical certificate in their name. However, this may result in a delay in the settlement process in the event of a future sale. All lodgements of physical share certificates at the central depository for credit to participants' securities accounts are subject to confirmation by the corresponding transfer agents. This may take one to two weeks and cause a delay in the settlement of sales of physical share certificates.

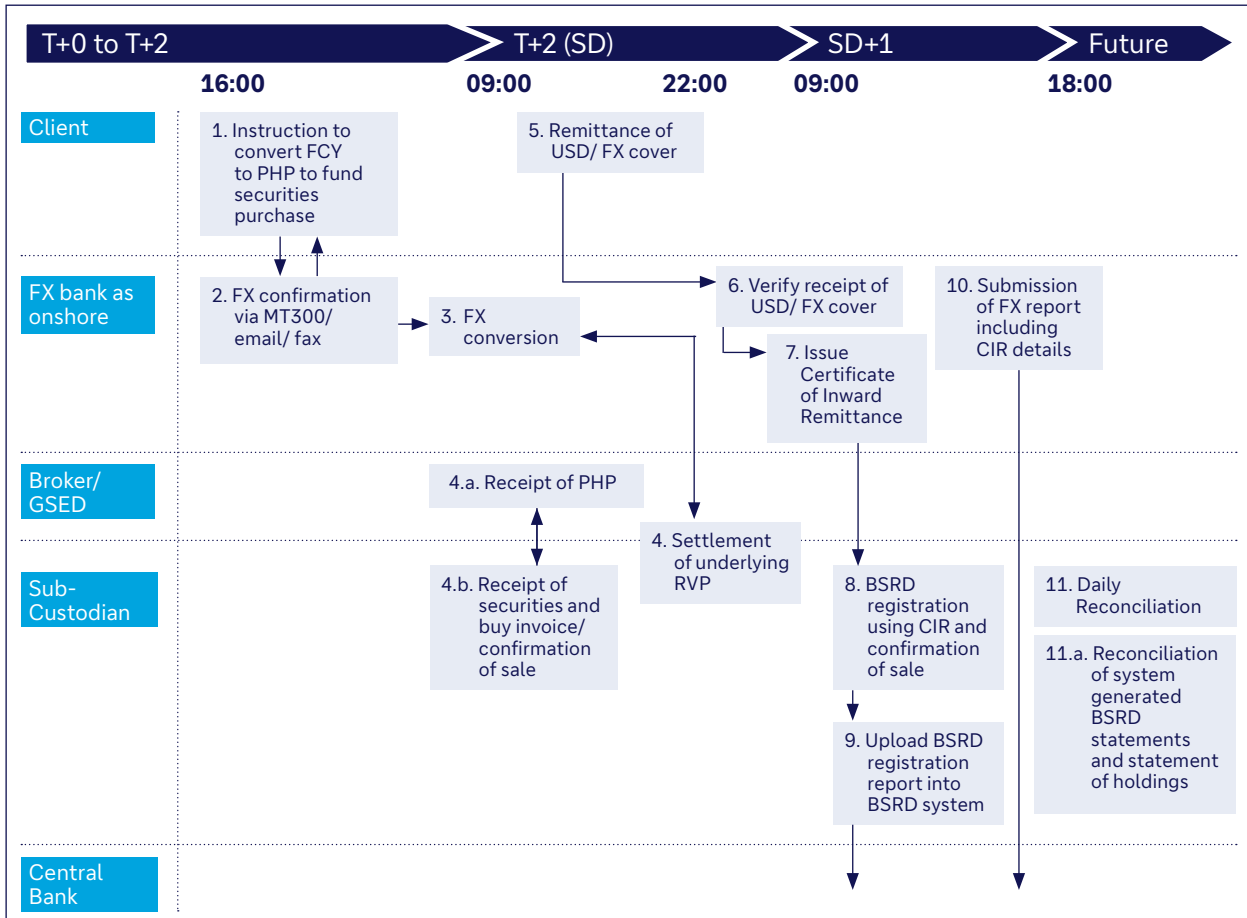
#### **Bangko Sentral Registration Document (BSRD)**

For foreign investments, BSP requires registration if repatriation of dividends or income and sales proceeds is to be sourced from the commercial banking system. Registration of securities needs to be initiated by the shareholder through their agent bank. For equity securities, the BSP has authorised foreign custodians/ agent banks to perform the BSRD registration process. This registration process of agent banks normally takes two days from the submission of the required documents during which shares are not advised for trading (as there may be delays encountered in completing the necessary documents for BSRD registration in cases of funding secured from an FX deal executed with a third-party bank). Turnaround for the registration of other types of investments such as loans and capitalisation (i.e. direct investments) vary on a case-to-case basis, usually spanning from one to five

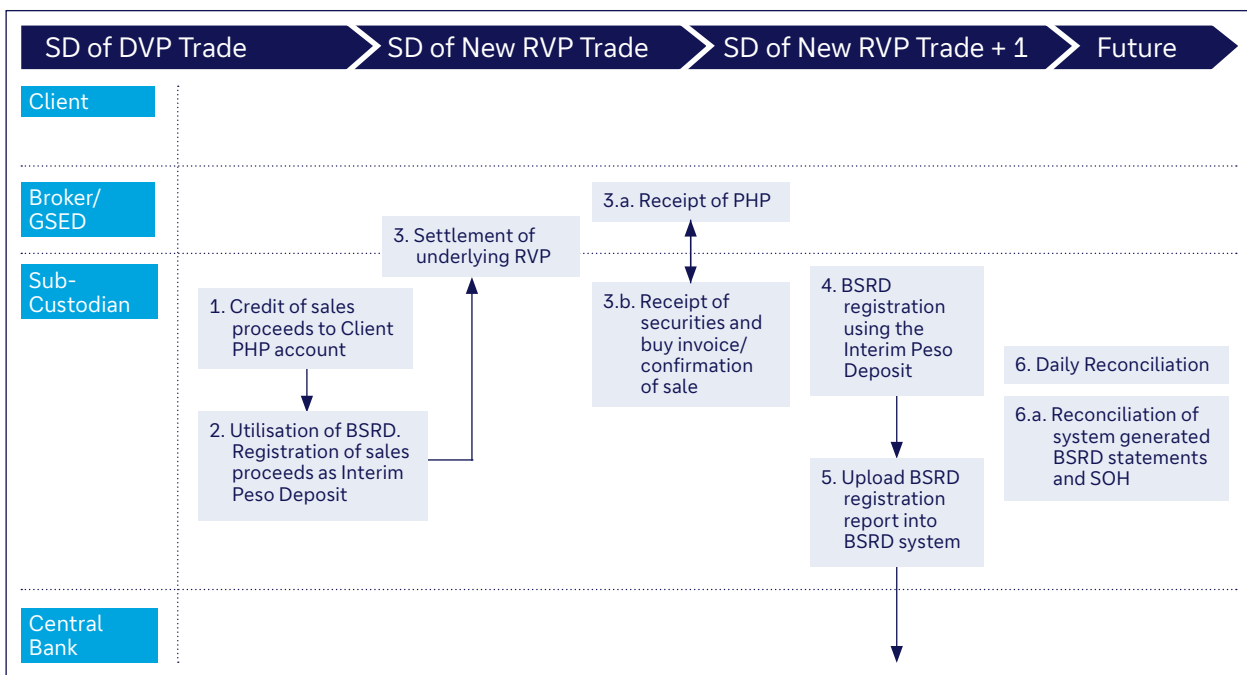
months, as this follows the special BSRD approval process of the BSP. Delays may be encountered depending on evaluation and additional requirements that may be prescribed by the BSP.

As mentioned in Section 5.3, starting October 01, 2024, the registration of investments will now be mapped to a BSP Reference Number, which will be obtained upon registration by any Authorised Agent Bank where the transaction will be coursed through.

The workflow for the BSRD registration for purchase of securities can be seen below:



Re-Investment of Sales Proceeds (BSRD Process Flow)



**Corporate Bonds/ Treasury Bills** may be registered in the name of the investor or may remain registered in the name of the selling agent. Corporate bonds are either in physical or scripless form, where trading and settlement conventions vary. Trading in government securities however, though normally done over-the-counter, is completely in scripless form.

# 5

## Cash Management

Cash Management Highlights	
Currency/ Convertibility	Philippine Peso (PHP)/ Not fully convertible
Payment systems	Cheques, Philippine Domestic-Dollar Transfer System (PDDTS), Electronic Peso Clearing and Settlement System (EPCS), Philippine Payments and Settlements System (PhilPaSS)
RTGS	Yes, Philippine Domestic-Dollar Transfer System
Overdraft facilities	Not allowed under existing regulations of the Central Bank
Funding requirements	Fund Account Foreign Currency/ Local Currency
Market timings for booking FX contracts	9:00 hours – 16:00 hours for market rates. During off-market hours (until 18:00 hours), FX bookings may also be made per firm quotes of local FX desk
Types of FX contracts	Spot and Forward
Repatriation of funds	Repatriable provided that instruments sold or investment instruments from which funds have accrued (i.e. corporate actions such as cash dividends or interest), have been registered with the BSP and supported by the Bangko Sentral Registration Document (BSRD)

### 5.1 Payment Systems

The payment systems are necessary for the timely and safe completion of cash transactions. There are various payment systems in operation in the Philippines. Of these, the major payment methods are the following:

#### Philippine Payments and Settlements System (PhilPaSS)

The PhilPaSS is the RTGS system operated by the BSP, where both processing and final settlement of funds transfer instructions can take place continuously (i.e. real-time):

- Under the gross settlement system transfers are settled individually (without netting debits against credit)

- Under the RTGS system final settlement is done continuously rather than periodically at pre-specified times. The settlement process is based on real-time transfer of central bank money

The LCSS/ CAS is the main application of the PhilPaSS and is operational from 09:00 hours and 18:00 hours (for interbank transactions) daily from Monday-Friday.

#### **Philippine EFT System and Operations Network (PESONet)**

The PESONet is a batch electronic fund transfer (EFT) credit payment scheme, which can be considered an electronic alternative to the paper-based check system. The fund transfer and/ or payment instructions will be processed in bulk and cleared at batch intervals. Each payee will then receive the full value in their account within the same banking day, provided the payment instruction was sent within the cut-off time. PESONet currently operates in three batches:

- 1<sup>st</sup> Batch – 10:00 hours
- 2<sup>nd</sup> Batch – 13:00 hours
- 3<sup>rd</sup> Batch – 14:30 hours

#### **Philippine Domestic-Dollar Transfer System (PDDTS)**

The PDDTS system is an online RTGS system for domestic USD interbank transfers and third-party USD account-to-account transfers. It also allows PDDTS participants to enter interbank USD and Peso transfer instructions on a single screen. The USD leg is settled via PDDTS while the Peso leg is settled via the Philippine Payments and Settlements System (PhilPaSS) of the BSP.

## **5.2 Funding Procedures**

All cash dividends and sale proceeds may be repatriated if the investor purchases the securities with foreign exchange brought into the country and registered with the BSP.

The agent banks are now empowered by the BSP to issue foreign investment licenses BSRD for foreign investors' investments in listed equities and government securities, provided that the Certification of Inward Remittance of Foreign Currency (converted to Philippine Pesos) issued by the FX servicing bank and a copy of the purchase invoice (for equities) or confirmation of sale and Authority to Disclose Information (for government securities) are made available or submitted to the agent banks.

The agent bank is required to submit to the BSP, within two business days from issuance date, copies of the BSRDs and supporting documents.

Investments by foreign investors in term deposits and other fixed income securities such as government securities are also eligible for BSRDs.

Investments in peso savings and current accounts are not eligible for BSRDs.

Upon repatriation of sale or dividend proceeds, the custodian bank issues a BSRD Letter Advice in favour of the FX servicing bank to qualify for outward repatriation. The number of shares or amount as appearing in said BSRD Letter Advice is deducted by the custodian bank from the balance of the ledgers maintained by the custodian bank on behalf of its foreign investor clients following the 'One BSRD-One Investor' rule of the BSP.

## **5.3 Foreign Exchange**

There are no restrictions on the repatriation of sale proceeds or dividends to a foreign investor. The Philippine currency is the Philippine Peso (PHP). BSRDs form the basis for exchange controls in the Philippines. The clients usually deal through the agent bank and sometimes directly with Treasury. To ensure that the agent bank meets the BSP documentation requirements, it is advisable to provide the treasury dealers with details of the underlying securities trades on contract date.

#### **BSP FX Liberalisation Program**

The central bank continues to initiate various reforms to the foreign exchange regulatory framework pursuant to its recent FX liberalisation program. These reforms intend to integrate the Philippine market with international capital markets, diversify risk, and streamline FX reporting requirements.

The latest developments on FX Regulations are as follows:

- Foreign investment registration will no longer be performed via the current Banko Sentral Registration Document (BSRD) process. Investments made by the non-resident investor shall be deemed registered upon completion of the following:
  - Submission of the FX reports by the registering Authorised Agent Banks (AAB) to the BSP using the prescribed reporting template within two banking days from the actual settlement date of the FX transaction
  - Confirmation by the BSP that they received the report submitted by the AAB
- The registering AAB will be issuing a single BSP Reference Number (formerly the BSRD Number) to a non-resident investor to keep track of its investments as prescribed in section 37.1 of the FX Manual
- The BSP amended Appendix 1.4, which lists down the minimum documentary requirements for the sale of FX for both inward and outward investments. The major change is the removal of the BSRD requirement which is replaced by the proof of receipt submitted by the registering AAB to the BSP. In the event that the FX selling AAB is different from the registering AAB, a Letter Advice from the registering AAB is required
- The BSP also amended Appendix 10.C which covers the list of supporting documents for registration of inward investments. Below are some of the key changes introduced:
  - A Certificate Authorising Registration (CAR) issued by the Bureau of Internal Revenue (BIR) evidencing the transfer of investments between non-residents relative to investments in the market is now required as proof for FX payments made offshore between the non-resident investors
  - Removal of the BSRD requirement which is replaced by the proof of receipt submitted by the registering AAB to the BSP
  - Applicable SEC forms required under the Foreign Investment Act (FIA) are now required as proof for equity securities issued onshore that are not listed in an onshore exchange
- Prior approval is no longer required from the BSP for the re-issuance of an unutilised Letter Advice (Previously BSRD Letter Advice)
- The BSP also revised and deleted several Appendices/ Annexures to reduce the information required from AABs to further simplify the FX process

These changes have gone live on October 01, 2024.

## 5.4 Overdraft Facilities

Overdraft is not allowed under existing regulations of the Central Bank.

# 6

## Clearing and Settlement Practices

### 6.1 Equity Securities

Most securities listed on the PSE are common stocks and warrants. Securities are immobilised at the Philippine Depository and Trust Corp. (PDTC) and are settled electronically via the book-entry system. Fixed income securities are either government-issued securities (GS) or corporate bonds. GS are cleared and settled electronically using the National Registry of Scripless Securities System (NRoSS) managed by the Bureau of the Treasury (BTr). Corporate bonds are settled physically and are generally registered in the name of the selling agent.

All equity transactions are settled on a T+2 rolling settlement basis through DVP multilateral netting, which means securities and cash obligations must be paid/ received no later than 12:00 noon on T+2. Settlement of securities is effected via the book-entry-system of the PDTC, while cash settlement is effected through appointed settlement banks namely. Trades done on the PSE are reported, confirmed and settled through the SCCP.

Following is a typical settlement flow for a trade done on the PSE:

#### Trade date (T)

- The investors place a buy or sell order with a broker and the trade is executed on the exchange. The broker confirms the same to the investor

#### T+1

- The foreign investor sends out settlement instructions to the local agent bank

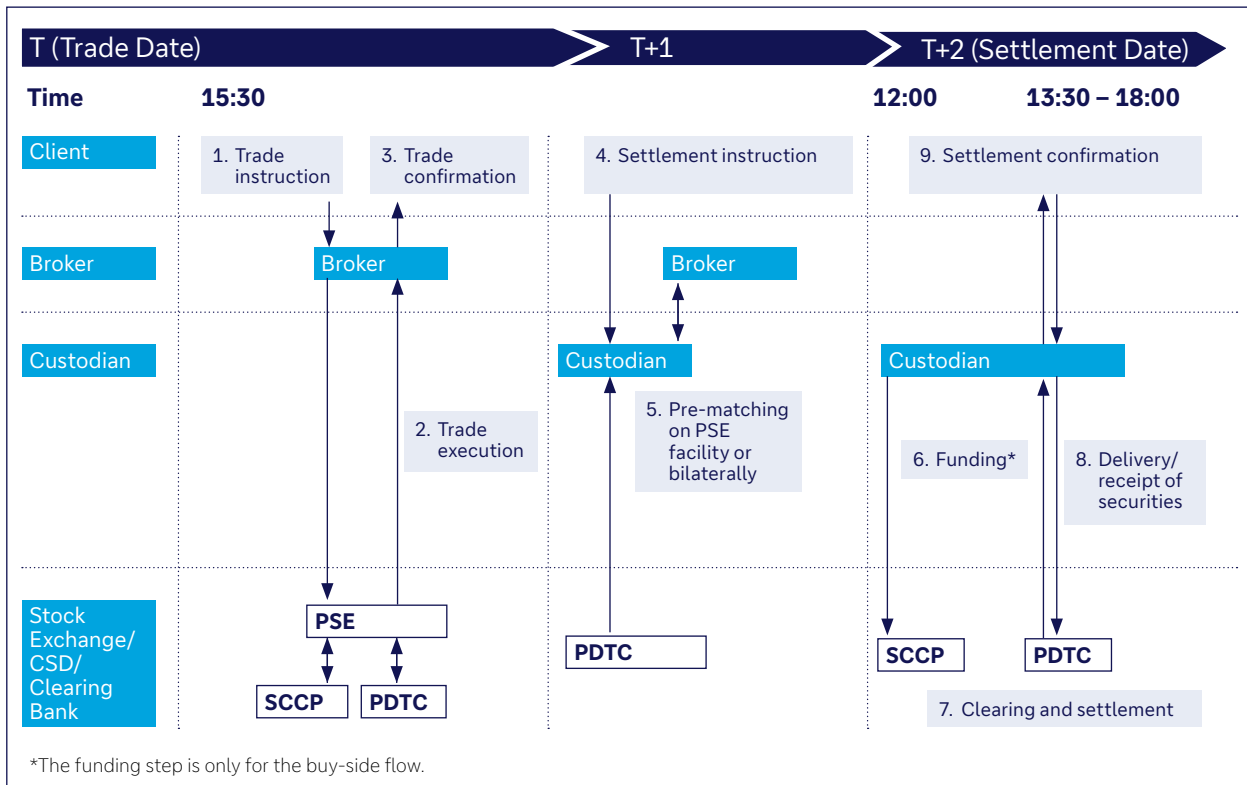
#### T+2

- All exchange trades are pre-matched with the counterparty, which is done through the telephone, email or facsimile
- Settlement of securities is done through the Philippine Depository and Trust Corp (PDTC) before 12:00 noon for deliveries and up to 13:30 hours for receipts
- Cash payment must be received before 12:00 hours. Cash settlement between trading participants happens during the SCCP clearing run between 12:00 hours and 13:30 hours
- Settlement between brokers and sub-custodians is independent of the SCCP. The settlement between a broker and custodian is a two-step process. The cash will have to be transferred before the securities can be delivered



The settlement workflow for the buying and selling of listed equities can be seen below.

## Equity Purchase and Sell Trades

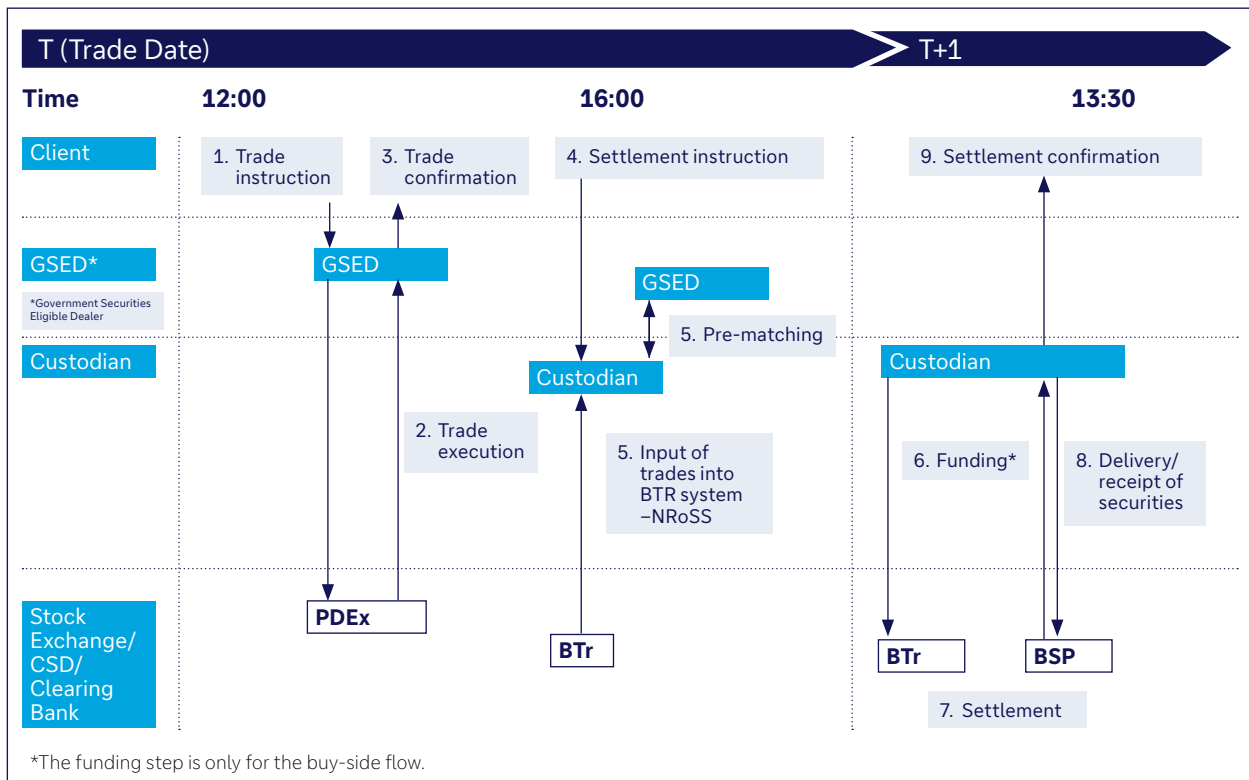


## 6.2 Government Bonds

Foreign investors are permitted to invest in Government Securities (GS). All the GS are settled through NRoSS between T+0 to T+3 depending on the agreed settlement cycle between the trading parties. Cash obligations also settle on the same day with the respective settlement banks. All the market participants are required to open and maintain separate cash accounts specifically for the settlement of GS trades. All settlement obligations are required to be settled by Trade date latest by 12:30 hours. Settlement of trades among primary dealers or Government Securities Eligible Dealer (GSED) is now on RTGS basis.

The settlement workflow for the purchase and sale of government securities can be seen below.

## Bond Purchase and Sell Trades



### 6.3 Pre-Matching

Electronic pre-matching among various direct participants is available in the central depository on T+1. Partial electronic pre-matching is also possible among indirect participants including custodian banks as early as T+1 up to Settlement Date (SD), depending on the timely receipt of information from clients. Pre-matching is usually done via the telephone or email and generally precedes any partial electronic pre-matching. Discrepancies if any are usually advised to the clients via phone, email or SWIFT message type MT534.

### 6.4 Fails and Buy-ins

Securities which fail to settle on T+2 results in a buy-in, unless borrowing arrangements can be made by the broker before 9:15 hours on T+3. Selling brokers sometimes borrow stock from other brokers or utilise their own portfolio to meet the delivery requirements. The investor covers any incidental costs.

Under existing regulations, the defaulting broker is given until 9:15 hours on T+3 to deliver the securities, otherwise, said broker will be suspended and SCCP will publicise on the PSE website and in the electronic boards the suspension. By 10:00 hours on T+3, SCCP initiates the buy-in procedures in coordination with PSE. SCCP may accept 100% equivalent cash collateral from the defaulting broker on T+2 (by 17:00 hours) wherein the defaulting broker shall be given until 10:00 hours on T+3 to deliver the securities. However, failure to deliver by said deadline will subject the defaulting broker to suspension and said cash collateral may be used by SCCP to purchase the securities during the buy-in process.

Following is the penalty structure for settlement fails:

- Failure of Cash Settlement (Cash Payments not made by 12:00 hours on the Settlement Date):  
 $\text{PHP1,000} + \frac{1}{4} \text{ of } 1\% \text{ or } 0.0025 \text{ of the value of the cash fail compounded daily until paid or until payment of any advances made from the Clearing and Trade Guaranty Fund (CTGF) is made plus any actual out-of-pocket expenses incurred by SCCP to resolve the cash fail and if not paid by 9:15 hours on T+3, a preventive suspension shall be imposed on the defaulting member}$
- Failure of Security Settlement (Securities deliveries not made by 12:00 noon on the Settlement Date):  
 $\text{PHP1,000} + \frac{1}{4} \text{ of } 1\% \text{ or } 0.0025 \text{ of the market value of the security fail compounded daily until delivery is rendered or until payment of any advances made from the CTGF is made plus actual}$

out-of-pocket expenses incurred by SCCP to resolve the securities fail and if not paid by 9:15 hours on T+3, a preventive suspension shall be imposed on the defaulting member

In the event that SCCP would not be successful in conducting a buy-in in the succeeding trading days, the failed trade needs to be resolved through alternative cash settlement on T+7.

## 6.5 Turnaround Trades

Same day turnaround trades are permitted for equity and government securities transactions in the Philippine market.

## 6.6 Short Selling

Short selling officially went live in the market last November 2023. Only PSEi, MidCap Index, and Dividend Yield constituent companies and ETFs are eligible for short selling, with a short interest ratio to be maintained at less than or equal to 10%. Eligible securities that breached the threshold will become ineligible for short selling until such time that the ratio falls back to the prescribed limit. The transactions are subject to an uptick rule, meaning orders must be priced higher than the last traded price.

Trading participants who lend and borrow securities with their counterparties must be registered with the SEC and must have a Master Securities Lending Agreement (MSLA) in place.

Currently, naked short selling is still prohibited in the market, meaning that investors must have the required borrowing arrangement in place prior to booking a short sell order.

## 6.6 Securities Borrowing and Lending

The Securities Borrowing and Lending (SBL) program of the Philippine Stock Exchange (PSE) was officially launched on February 15, 2007, but short selling only went officially live on November 06, 2024.

Lending agents (lenders on behalf of clients/ beneficial owners) should be registered with the SEC. A certified true copy of the registration should be given to the PSE before entering into an SBL transaction.

Documents required in the SBL transaction are the Master Securities Lending MSLA, Securities Lending Authorisation Agreement (SLAA – for lending agents), Confirmation Notice and the Bi-Annual Summary Reports of Outstanding and Liquidated SBL Transactions and Stock Returns.

To avail of the tax exemption with the Bureau of Internal Revenue (BIR), the MSLA between borrower and lender should be registered with the BIR.

For offshore participants, the BIR shall allow the registration of existing Overseas Securities Lending Agreements (OSLAs) and/ or Global Master Securities Lending Agreements (GMSLAs) subject to the submission of an addendum/ supplement summarising significant deviations to the provisions of the PSE prescribed MSLA. The changes made and explanation for each modification should be stated in the addendum/ supplement.

SBL participants are subject to below reporting/ records retention requirements:

Lender	<ul style="list-style-type: none"> <li>– Maintenance of SBL Ledgers</li> <li>– For PSE Brokers only: Submission of SBL Ledgers to Philippine Stock Exchange - Market Regulatory Division (PSE-MRD) (Bi-Annual)</li> <li>– For non-PSE Brokers only: Submission of SBL Transactions Report to SEC (Bi-Annual)</li> </ul>
Borrower	<ul style="list-style-type: none"> <li>– Maintenance of SBL Ledgers</li> <li>– Submission of SBL Transactions Report &amp; Confirmation Notices - BIR Appendices E, F and SBLF3 (Bi-Annual)</li> <li>– Submission of Certification of Bi-Annual filing of reports to PSE – PSE SBLF5</li> <li>– For PSE Brokers only: Submission of SBL Ledgers to PSE-MRD (Bi-Annual)</li> </ul>
Lending agent	<ul style="list-style-type: none"> <li>– Maintenance of SBL Ledgers</li> <li>– Submission of SBL Transactions Report to SEC (Bi-Annual)</li> </ul>

There are currently four operating models for Securities Borrowing and Lending in the Philippines, wherein trading participants can fulfill different functions according to the model followed. The full details can be viewed through the following link: <https://documents.pse.com.ph/wp-content/uploads/sites/15/2023/08/SBL-Models-2023-FINAL-jgg-mvv.pdf>

## 7

## Corporate Actions

Corporate Action Highlights	
Peak Period	March - June
Key Events	Dividends, Interest, Stock Splits, Mergers, Rights Issues, Tender Offers and Bonus Issues
Source of Information	Publications by PSE (notice to brokers), PDTC announcements, newspapers
Entitlement Date	Ex-Date
Entitlement Computation	Based on holdings on the Ex-Date, Final Entitlement Advice sent on Ex-Date
Pay Date	Normally one month after the Record Date
Corporate Action Claims	No. Standard Procedure for Market Claims. The Agent Bank usually assists in retrieving rightful claims from the counterparties

Proxy Voting Highlights	
Peak Season - AGM	April
Eligible Securities	Ordinary Shares
Source of Information	Notices received from PSE and as received from the issuing company
Notice Period	Normally 1-2 months before the meeting date
Eligibility Date	Record Date
Eligibility Computation	Based on Positions on the Record Date
Blocking of Shares	Shares are Blocked on the Record Date
Re-Registration	Not Required
Voting Method	Physical presence at the meeting
Voting Restriction	None
Split Voting	Yes
Meeting Results	The meeting results are usually published within three business days from the meeting

# 8 Duties and Tax

## 8.1 Taxes

Withholding Tax (WHT)	
WHT - Equities	10% for Resident individuals; No withholding for Resident corporations 25% for Non-Residents (except if eligible to claim benefits under tax treaties, tax exemption or tax sparing)
WHT - Fixed Income	25% for Corporate Bonds 20% for Government Securities or 0% for tax-exempt investors
Capital gains	No capital gains on equities transactions executed at the PSE
Stamp duty	Stamp duty on primary issues of debt and equity instrument is PHP2.00 per PHP200 of par value of the shares of stock and PHP1.50 per PHP200 of par value of the shares of stock for secondary trading outside the Exchange; or of actual consideration for non-par value shares of stocks
Other taxes	Stock Transaction Tax (STT) on gross sale proceeds for listed equities at 0.6% of trade value

### 8.1.1 Tax Treaties (Double Taxation Agreements)

In 2010, the BIR released Revenue Memorandum Order 72-2010 with the foremost objective to streamline the processing of Tax Treaty Relief Applications (TTRA) and to prescribe the documentary requirements for the applications for the processing of applications for relief from double taxation pursuant to existing Philippine tax treaties. However, this has been interpreted otherwise by listed companies, who are the default withholding tax agents for cash dividends. The release further led to varied interpretations per company and that some would require specific tax ruling issued from the BIR or the duly acknowledged TTRA for, and such other documents before non-resident investors can claim entitlement to the preferential tax rates.

Non-submission of required information/ documents automatically attracts a 30% withholding tax (maximum/ non-treaty tax rate).

Please refer to <https://www.bir.gov.ph/doubletaxagreement> for double taxation agreements in place with the Philippines.

## 8.2 Market Charges

Charges	Amount
Brokerage commission	The Securities and Exchange Commission (SEC) had officially announced the removal of the minimum commission charged by PSE stockbrokers to its customers for each transaction.
Transfer fee	PHP100 plus 12% VAT is charged to the buyer by the transfer agent for every certificate issued (in the event of upliftment).
Cancellation fee	Sales transactions and/ or direct transfers are subject to a cancellation fee of PHP20 per stock certificate or stock assignment plus 12% VAT.
Clearing fees	Gross PSE trades are subject to Clearing fees of 1bp against transaction value, which is paid to SCCP. These Clearing fees are already inclusive of the previous clearing ad valorem charged by PDTC on Exchange transactions. Clearing fees are solely for settlement of scripless shares.

## 9

## Glossary

AAB	Authorised Agent Banks
BIR	Bureau of Internal Revenue
BSP	Bangko Sentral ng Pilipinas
BSRD	Bangko Sentral Registration Document
BTr	Bureau of Treasury
CIR	Certificate of Inward Remittance
CMIC	Capital Markets Integrity Corporation
CREATE MORE	Corporate Recovery and Tax Incentives for Enterprises Maximise Opportunities for Reinvigorating the Economy
CTGF	Clearing and Trade Guarantee Fund
DOF	Department of Finance
EPCS	Electronic Peso Clearing and Settlement System
GMSLA	Global Master Securities Lending Agreement
GS	Government Securities
GSEDs	Government Securities Eligible Dealers
MSLA	Master Securities Lending Agreement
NRoSS	National Registry of Scripless Securities System
OSLA	Overseas Securities Lending Agreements
PCD	Philippine Central Depository

PDDTS	Philippine Domestic-Dollar Transfer System
PDEX	Philippine Dealing and Exchange System
PDS	Philippine Dealing System
PDTC	Philippine Depository and Trust Corporation
PhilPaSS	Philippine Payments and Settlements System
PHP	Philippines Peso
PIFITA	The Passive Income and Financial Intermediary Taxation Act
PSE	Philippine Stock Exchange, Inc.
SBL	Securities Borrowing and Lending
SCCP	Securities Clearing Corporation of the Philippines
SEC	Securities and Exchange Commission
SIPF	Securities Investors Protection Fund, Inc.
SLAA	Securities Lending Authorisation Agreement
SRC	Securities Regulation Code
SSP	Short Selling Program
TRAIN	Tax Reform for Acceleration and Inclusion
VAT	Value Added Tax





# Welcome to Singapore

Deutsche Bank



# 1 Market Information

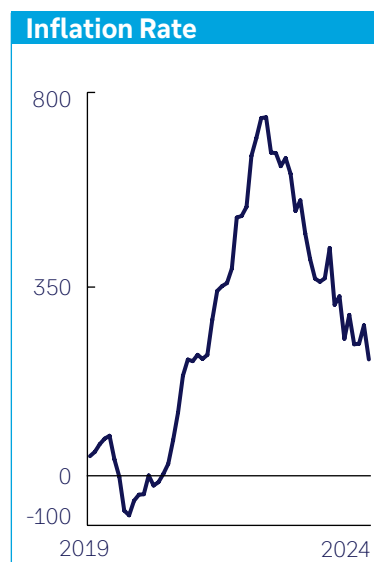
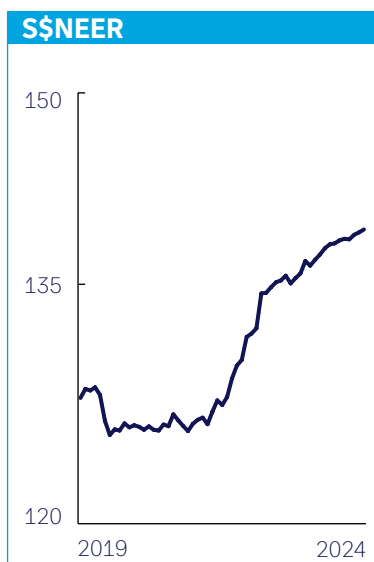
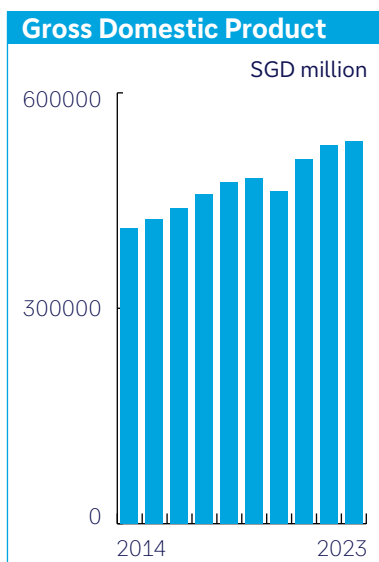
Singapore's capital markets are vibrant and dynamic, playing a crucial role in the country's economy by attracting global investors and businesses. The Singapore Exchange (SGX) is the primary platform for trading securities and derivatives in the country. As of August 2024, the total market capitalisation of listed securities on the SGX stood at SGD 811,054 million.

The SGX hosts a diverse range of securities, including 595 primary listed securities and 27 secondary listed securities. The financial sector dominates the market with a cumulative market capitalisation of SGD 465,469 million as of June 2024. The telecommunications sector also shows significant growth with a market capitalisation of SGD 54,633 million, marking a 31% year-on-year increase.

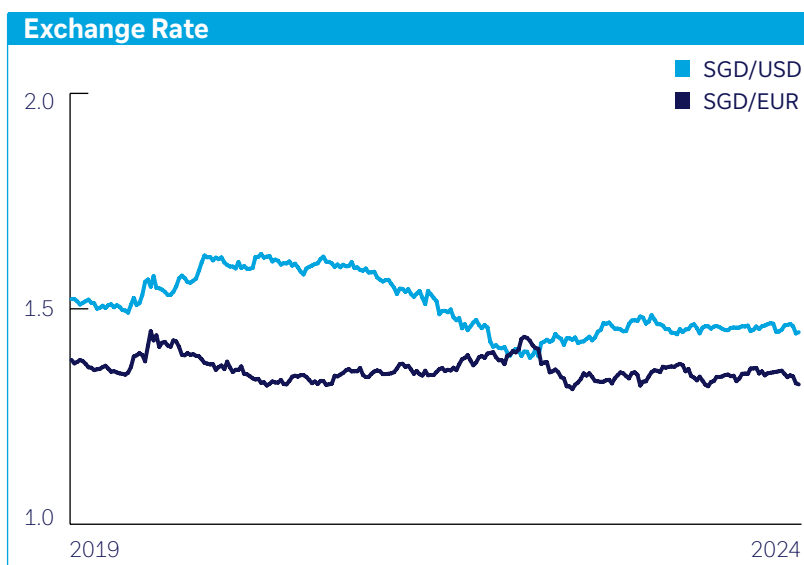
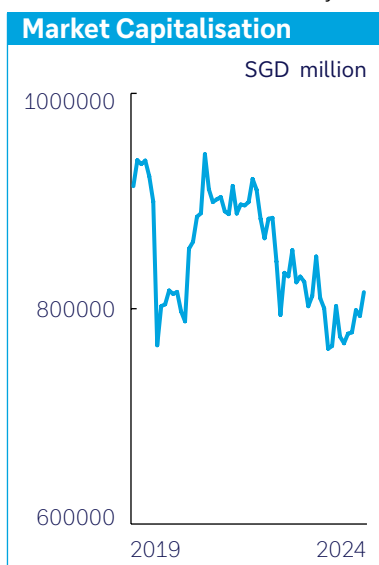
The securities market turnover value for August 2024 was SGD 28,762 million, with an average daily turnover of SGD 1,370 million. The overall turnover velocity during August 2024 was 46%. The capital market also saw a total of 89 new bond listings in August 2024, raising a total of SGD 14,549 million.

The SGX also hosts a variety of derivative products with a derivatives volume of nearly 24.59 million transactions as of August 2024. The daily average volume for derivatives was 1.13 million transactions. In terms of listings, the SGX Mainboard hosted 406 Singapore companies, 147 overseas companies excluding China, and 69 Chinese companies. These statistics reflect the robustness and diversity of Singapore capital market, making it a key player in the global financial landscape.

Below is a summary of Singapore's economic performance in the recent years, reflected in its GDP, macroeconomic rates, exchange rate and total market capitalisation.



Source: DB Research and Haver Analytics



## Overview

Currency	Singapore Dollar (SGD), fully convertible
Time	8 hours ahead of GMT (GMT+8)
Numbering system	ISIN
Market instruments	<p><b>Equities:</b> Ordinary shares, preference shares and deferred shares</p> <p><b>Debt:</b> Debentures, bonds, loan stock, floating rate notes are traded and settled on the SGX</p> <p><b>Other securities:</b> Company and structured warrants, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Business Trusts, American Depositary Receipt (ADR), Global Depositary Receipt (GDR), Asian currency futures, Chinese Renminbi futures, Singapore Kilobar Gold Contract, exchange traded notes, and commercial papers</p> <p>Derivatives instruments are also traded on the SGX</p>
Market entry restrictions	No
Market capitalisation/ Listed companies	SGD 811.05 billion (EUR 562.06 billion)/ Listed companies 622 in August 2024
Main market index	Straits Times Index (STI)
Account structure	Omnibus and segregated securities account

## 2 Market Developments

To remain competitive, Singapore continues to develop innovative financial frameworks and improve its capital market infrastructure. Below are two recent developments in Singapore's capital markets:

### **i. Introduction of the Variable Capital Company (VCC) structure**

The Variable Capital Company (VCC) is a new legal entity structure that was introduced on 14th January 2020 for all types of investment. It can be formed as a single standalone fund, or as an umbrella fund with two or more sub-funds, each with a portfolio holding different assets. The VCC can manage one or multiple collective investment schemes (CIS). The fund structure is on par with corporate form funds observed in established global fund centers like Luxembourg and Ireland. The VCC structure allows for investment funds to issue shares and debt instruments, and is applicable to both alternative and traditional investment funds which operate across either closed or open-ended strategies.

With the VCC structure, the key considerations around tax, costs and regulatory licensing have been re-designed to consider the requirements for origination out of Singapore, as a key financial hub, making it a competitive alternative to the legacy fund structures.

To find out more about the VCC structure, investors can contact Deutsche Bank Singapore branch.

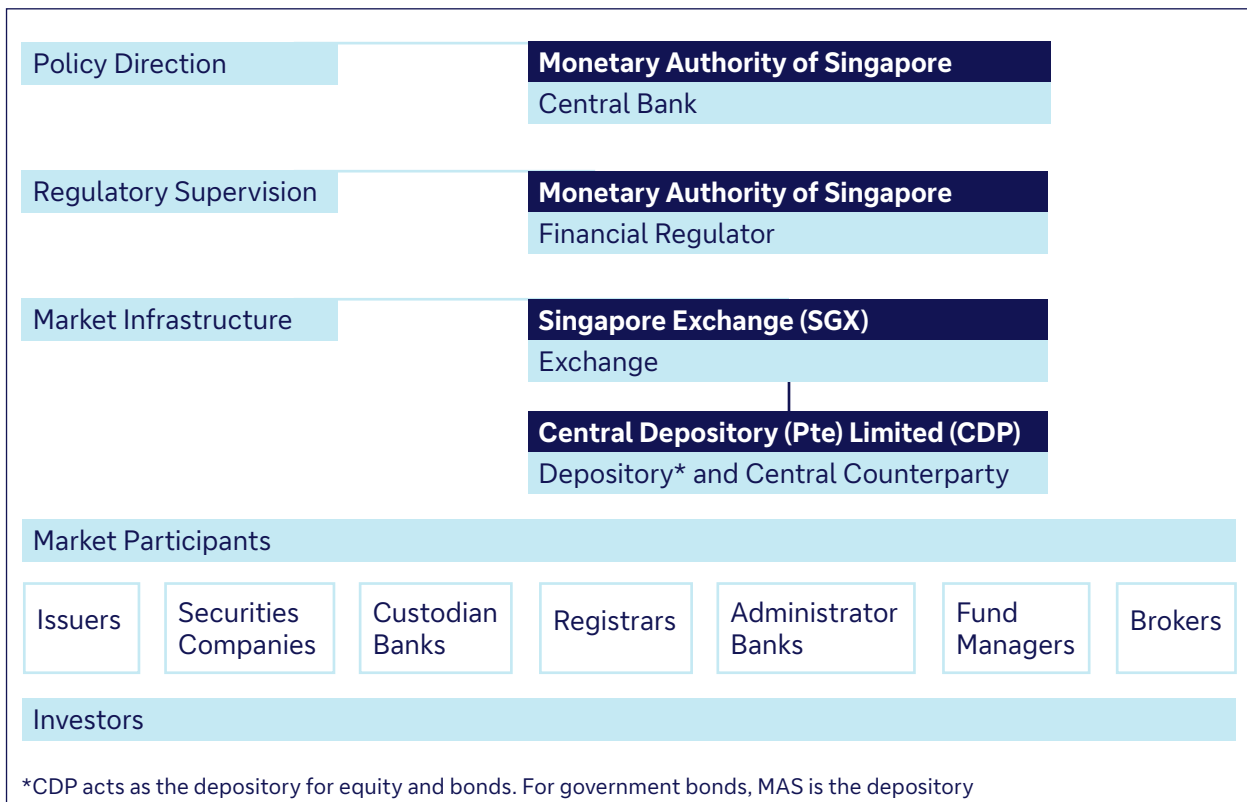
### **ii. Fundnode – Blockchain-based funds settlement infrastructure**

Another notable development in the funds space is Fundnode, which went live in Q2 2024. Fundnode is a centralised funds market infrastructure designed to connect all participants in the funds ecosystem. Using blockchain technology, the platform provides a standardised fund messaging and transfer process, streamlining current workflows and eliminating manual touchpoints. This in turn leads to reduction in errors and lowers the administrative costs for market participants.

These developments help to strengthen and maintain Singapore's position as an international hub for fund domiciliation and asset management.

# 3

## Market Regulators and Regulations



### 3.1 Regulators

#### Monetary Authority of Singapore (MAS)

Roles	Central bank Central securities depository for Singapore's Government bonds and Treasury bills
Scope	Administers the various statutes pertaining to money, banking, insurance, securities and the financial sector. MAS also assumes the function of currency issuance

Payment system	MAS Electronic Payment System (MEPS+)
Website	<a href="https://www.mas.gov.sg/">https://www.mas.gov.sg/</a>

## 3.2 Market Infrastructure

### Singapore Exchange (SGX)

Roles	De-mutualised and integrated securities and derivatives exchange
Scope	Undertakes various regulatory and supervisory functions to enable a smooth functioning of the stock exchange and the protection of investors' funds
Subsidiaries	Singapore Exchange Securities Trading (SGX-ST) Singapore Exchange Derivatives Trading (SGX-DT) Singapore Exchange Securities Clearing Limited Singapore Exchange Derivatives Clearing Limited Central Depository (Pte) Limited (CDP)
Listing boards	Main Board, Catalist
Website	<a href="https://www.sgx.com/">https://www.sgx.com/</a>

Trading days	Pre-opening	Trading hours	Closing	Trade at close
Monday to Friday	08:30 – 08:59	09:00 – 12:00 13:00 – 17:00	17:00 – 17:06	17:06 – 17:16

### The Central Depository (Pte) Ltd (CDP)

Roles	Central depository
Scope	Provides depository, clearing, settlement and computerised book-entry services for securities traded on the SGX-ST
Governed by	Companies Act and Regulations of 1993, Securities and Futures Act (SFA)
Regulated by	Monetary Authority of Singapore (MAS)
Services provided	<ul style="list-style-type: none"> <li>– Advance information on corporate (annual or special) meetings in order to enable shareholders to vote</li> <li>– Tax assistance where foreign holders may be entitled to tax relief at source or through a claim</li> <li>– Automatic securities lending facility in order to avoid fails</li> <li>– Same day turnaround settlements</li> <li>– Information on distribution of new issues (IPO, Privatisation)</li> <li>– Process and distribute entitlements on behalf of Issuers</li> </ul>
Website	<a href="https://www.sgx.com/securities/depository">https://www.sgx.com/securities/depository</a>

### Central Counterparty (CCP)

Roles	Central Counterparty
Scope	Clearing and settlement of equities and derivatives
Governed by	Companies Act and Regulations of 1993, Securities and Futures Act (SFA)
Regulated by	Monetary Authority of Singapore (MAS)
Website	<a href="https://www.sgx.com/securities/clearing-information">https://www.sgx.com/securities/clearing-information</a>

## 3.3 Summary of Key Legislations

### Securities and Futures Act (SFA)

The Securities and Futures Act (SFA) was enacted in October 2001 after a comprehensive review of Singapore's securities and futures legislation by MAS. The financial sector regulator introduced major structural policy initiatives in the securities and futures industries by rationalising and consolidating the provisions in the repealed Securities Industry Act, the repealed Futures Trading Act, and certain securities-related provisions in the Companies Act into the SFA – a single comprehensive legislation.

### Disclosure Requirements

All investors need to inform Singapore Exchange Securities Trading Limited (SGX-ST) and the Company if the investment reaches, exceeds or ceases to be a substantial shareholding. A substantial shareholder is defined in the Companies Act as a person having shareholding of 5% of the aggregate of the nominal quantity of all the voting shares in the Company.

The penalties for non-compliance are as follows:

Legislation	Penalties
Division 4 of Part IV of the Companies Act	Fine not exceeding SGD 5,000, and in the case of a continuing offence to a further fine of SGD 500 for every day or part thereof during which the offence continues after conviction.
Section 137 of the Securities and Futures Act 2001	Fine not exceeding SGD 25,000, and in the case of a continuing offence to a further fine of SGD 2,500 for every day or part thereof during which the offence continues after conviction.

### Investment Restrictions

Foreign investors are free to invest in the Singapore stock market, without prior registration or approvals. As part of the liberalisation measures, foreign investment restrictions have been steadily dismantled.

The majority of Singaporean companies (with the exception of several finance companies) have lifted all foreign investment restrictions.

There are restrictions on a few aggregate foreign investments limits in strategic industries of national interest e.g. print media.

## 3.4 Investor Protection

The CDP established a Clearing Fund in 1998 under the Clearing Rules of the company. The main aim of the Clearing Fund is to protect the CDP against any financial losses arising from the default of its members.

The current size of the Clearing Fund is determined by the CDP, and comprises of:

- i. Contributions by clearing members
  - Collateralised contribution—minimum SGD 500,000 or otherwise specified by the CDP
  - Contingent contribution determined by CDP not exceeding the above amount
- ii. Contributions by CDP (not less than 25% of the Clearing Fund)
  - CDP first contribution— not less than 15% of the Clearing Fund; and
  - A second contribution by the CDP

In case of any default on the part of a clearing member, the CDP acting in its capacity as a depository is permitted to invoke the Clearing Fund after the defaulting clearing member's collateral has been fully utilised.

In addition to the Clearing Fund, SGX-ST has also formed a fidelity fund for the purpose of compensating those who suffer pecuniary loss from defaults committed by a member company or any of its directors or employees.

# 4

## Market Entry and Registration

### 4.1 Market Entry

The Singapore stock market is open to both local as well as foreign investors. Foreign investors are not required to seek formal registration prior to investments as there are no entry restrictions for foreign investors.

Registration/ Validity	Not required/ Not applicable
Ownership restrictions	None
Repatriation of funds	No restrictions
Compliance for investors	None
Compliance for custodian	Not required

### 4.2 Registration

#### Equities

- Majority of Singaporean equities on the SGX Main Board and the secondary board, Catalist, are immobilised at the CDP, hence no registration is required
- Transfers of shares are automatically affected on a book-entry basis upon the deposit with the CDP. Scripless shares are registered in the name of the CDP which acts as a bare trustee

#### Physical shares

- For physical securities to be sold on the SGX, the securities are required to be registered and converted into scripless mode first. Registration of physical shares can either be in the investor's name or in the nominee's name
- While shares are submitted for registration, trading in those shares is prohibited
- Registration normally takes between 2 to 4 weeks
- Converting to scripless mode will take a minimum of 12 business days to enable the stock to be tradable on the SGX



## Fixed income

- Corporate bonds can be registered in the name of the custodian nominee or the investor
- Government bonds are registered in the name of the custodian
- All fixed income securities require mandatory registration either with the CDP or the MAS

## 4.3 Nominee Services

Most of the local custodians provide Nominee service to their investor clients. Hence, all securities are registered in the name of the nominee unless otherwise instructed.

# 5 Cash Management

Cash Management Highlights	
Currency/ Convertibility	Singapore dollar (SGD)/ Fully Convertible
Payment systems	MAS Electronic Payment System (MEPS+), Inter-bank Fund Transfer (IFT), cheque clearing, Inter-bank GIRO (IBG)
Real-time Gross Settlement (RTGS)	Yes, MAS Electronic Payment System (MEPS+)
Overdraft facilities	Yes
Funding requirements	Yes, daylight limits may be offered subject to conditions
Market timings for booking FX contracts	9:00 to 19:00 hours
Types of FX contracts	Spot and Forward
Repatriation of funds	No restrictions

## 5.1 Payment Systems

MEPS+ is MAS' real-time gross settlement system which began operations on December 9, 2006.

Key system's features include:

- Use of SWIFT message formats and network
- Advanced queue management capabilities
- Automated collateralised intra-day liquidity facilities, gridlock detection and resolution

With MEPS+, participants are able to better manage their settlement risk using the advanced queue management capabilities. Gridlock resolution and intra-day liquidity facilities reduce the number and duration of queued transactions, resulting in faster settlement.

These benefits extend well beyond direct participants of the system. MAS' clients, such as International Financial Institutions and other central banks, can hold and settle Singapore Government Securities in MEPS+ on a delivery versus payment basis.

## 5.2 Funding Procedure

It is necessary for investors to fund their accounts for the settlement of all trades. Subject to regulatory constraints and a satisfactory internal credit assessment, daylight limits may be offered to facilitate transactional flows.

These limits are not meant to serve as a regular source of funding. Under MAS Notice 757 (Amendment) 2021 which has been effective since July 1, 2021, a limit of SGD 5 million is imposed for all credit facilities to non-resident financial institutions.

## 5.3 Foreign Exchange

In line with the government's efforts to make Singapore a competitive world-class financial centre there are no foreign exchange control regulations. No restrictions are placed on borrowing of SGD by non-resident firms provided borrowed funds are utilised for economic activities (excluding financial investments) within Singapore.

For the overseas use of funds, Singaporean companies are required to obtain prior approval from MAS, which generally supports requests that involve financing trade with Singapore or generating other economic activity of direct benefit to the country. Prior approval is required to be obtained from MAS for extensions of Singapore dollar credit facilities exceeding SGD 5 million to non-residents.

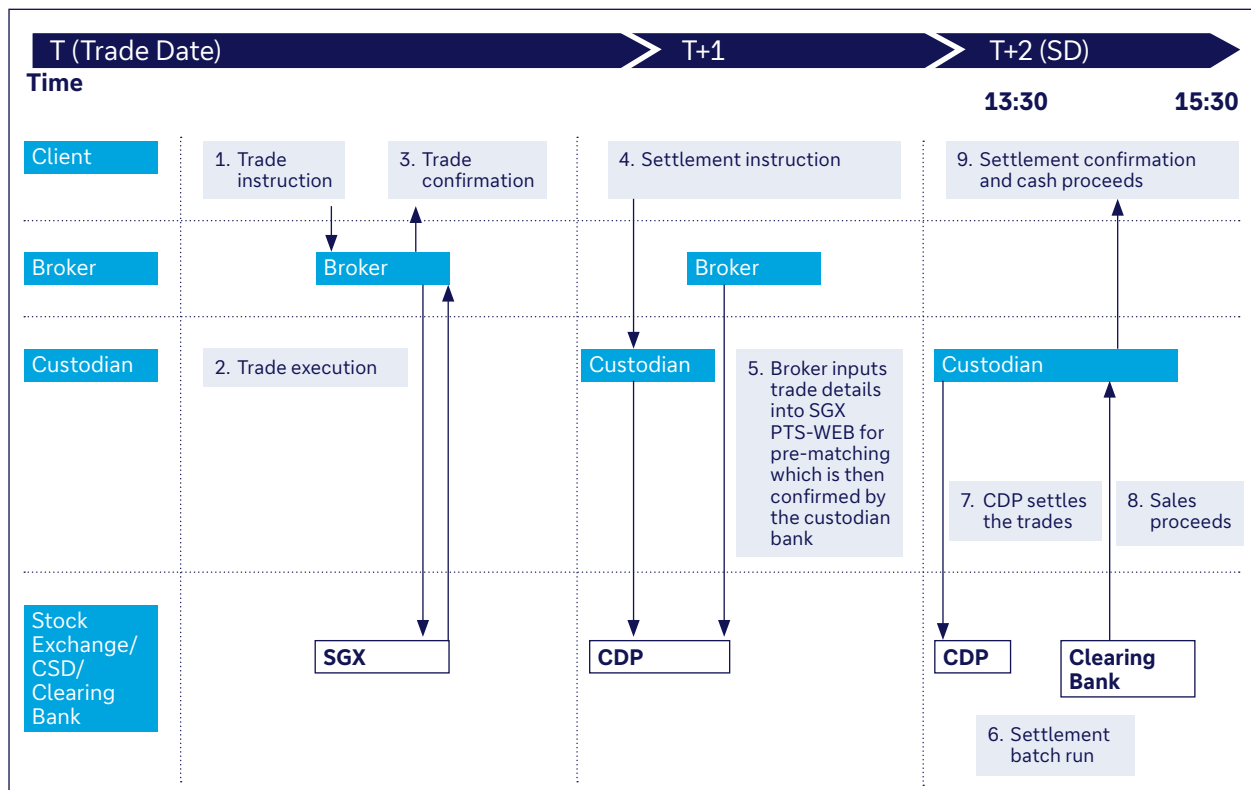
# 6

## Clearing and Settlement Practices

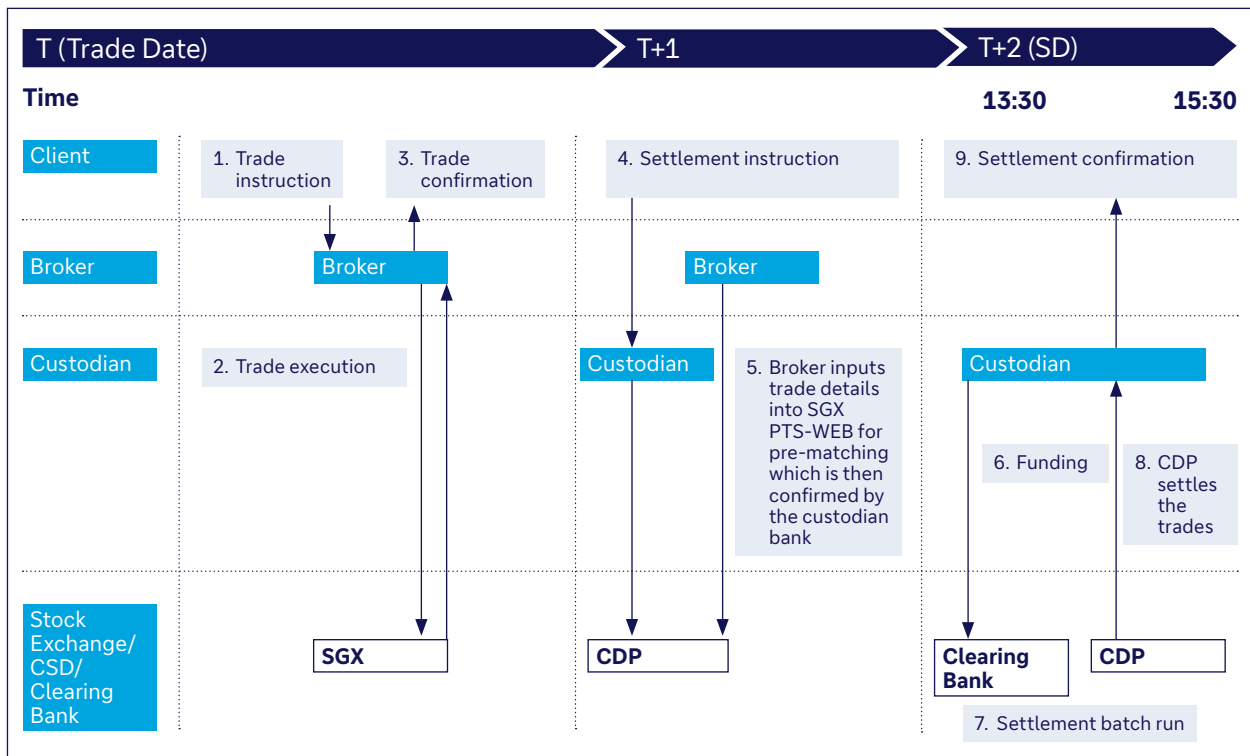
### 6.1 Equity and Corporate Securities

Equity transactions in the Singapore stock market are settled on a T+2 rolling settlement cycle. Most of the SGD and USD denominated trades are settled via the CDP through the book-entry system of stock transfer between the seller and buyer accounts. The market can support trading and settlement in AUD, HKD, EUR, GBP and CNY as well. The CDP follows the PSMS to settle trades on Delivery versus Payment (DvP) basis.

### Equity and Corporate Debt Purchase Trades



# Equity and Corporate Debt Sell Trades

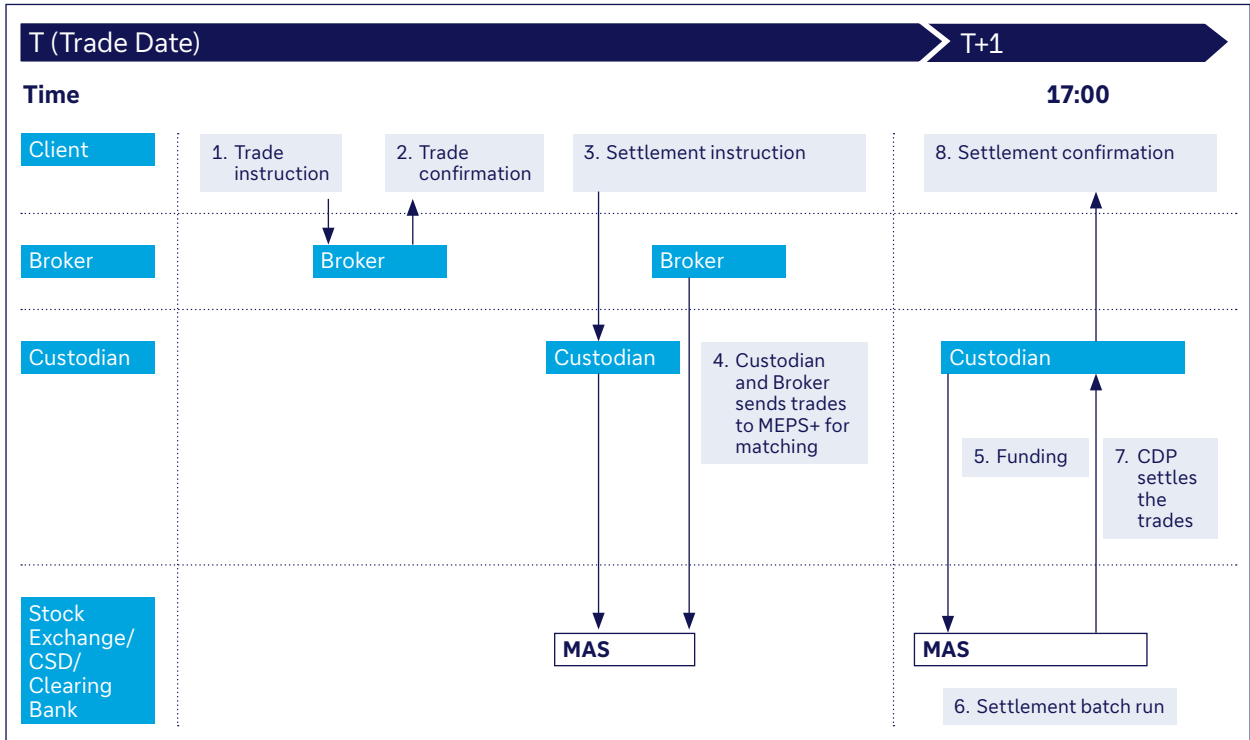


## 6.2 Government Bonds

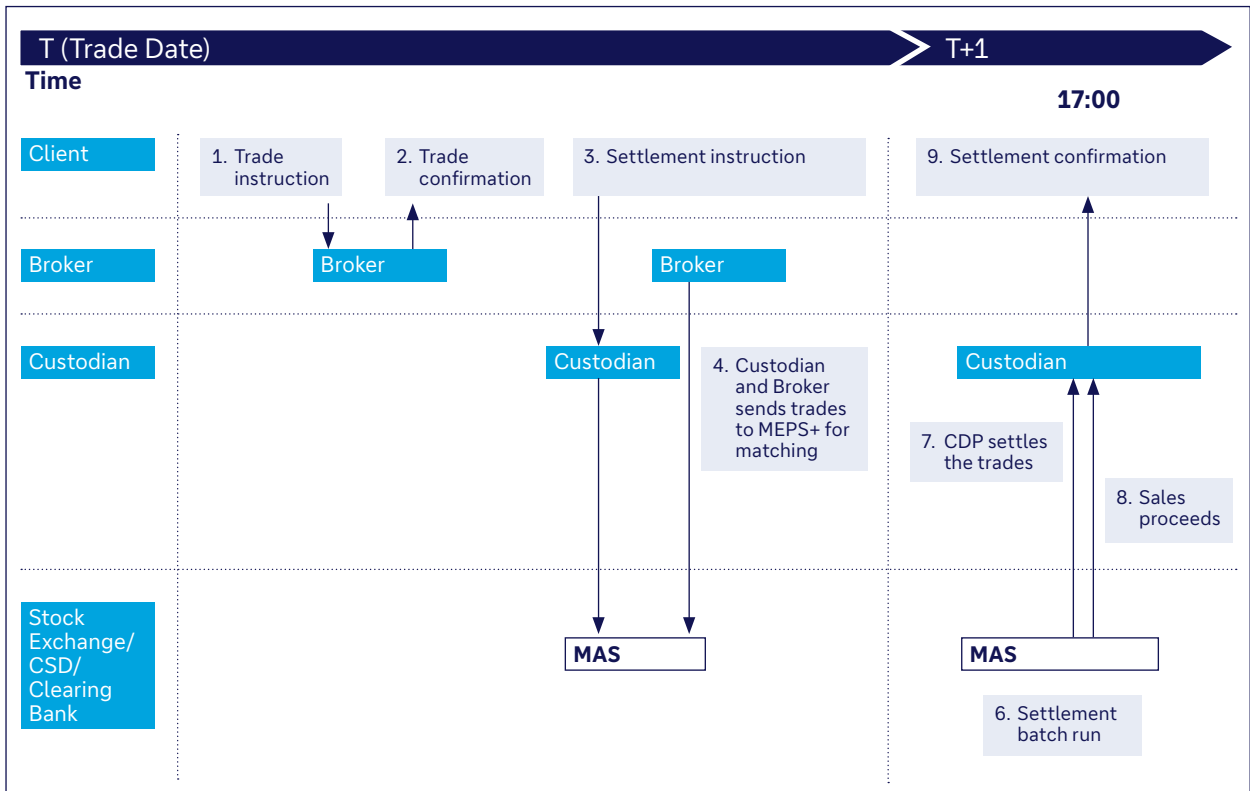
MAS issues T-bills and bonds on a regular basis. Normally, the auction size of each tranche of T-bills and bonds are disseminated through MAS’s website and other major local newspaper a week prior to the scheduled action date.

- SGS are not listed on SGX-ST
- Trading in SGS is done on an over the counter (OTC) basis and can be settled through MAS or CDP
- All trade confirmations for SGS are processed through the MEPS-SGS system
- The seller keys in the all the trade details into MEPS-SGS, which is then affirmed by the buyer
- The purchaser/ seller has an option to choose either the DvP- or FOP- (free of payment) based settlement in the MEPS-SGS system
- The SGS transactions are settled on a T+1 basis

# Government Bond Purchase Trades



# Government Bond Sell Trades



## 6.3 Pre-matching

The general market practice is for the broker and the custodian bank to confirm the trade details at least one day before the actual Settlement Date (SD-1). SGX Post Trade Settlement 2 (PTS2) is a new post-trade system for the automated pre-settlement matching of trades among Clearing Members and Depository Agents to facilitate 'straight-through processing' from execution to settlement. This is to enhance market participants' operational efficiency and minimise errors by replacing manual affirmation of settlement instructions.

Currently, trade instructions are matched by Pre-Settlement Matching Service (PSMS) prior to 12:00 hours Singapore Time on settlement date, for guaranteed settlement. Phone matching is still in place for all free of payment instructions except for local brokers' trades, and trades that fail PSMS matching.

Trades done via MAS Electronic Payment System (MEPS+) for SGS (Singapore Government Securities) are automatically pre-matched. The counterparty enters the trades in MEPS+ and the agent bank confirms the same.

## 6.4 Fails and Buy-ins

SGX-ST automatically commences the buy-in procedure on settlement date if the seller fails to meet the delivery obligations. Trades are considered failed, if they do not settle on the settlement date. The automatic buy-in procedure ensures that the rate of fail trades is low.

- CDP publishes the list of securities required in the buying-in market on SGX website for buy-in from 16:00 to 17:00 hours on T+2. If the securities are not bought in, buy-in continues until ISD (intended settlement date)+6 where any outstanding obligations are cash settled
- In order to complete the buy-in, the exchange reserves the right to raise the price by two minimum bids each time until the order is filled in
- The defaulting party on whose account the trade has failed to settle is responsible for meeting all the costs related to the buy-in. The defaulting party will have to pay the difference between the selling price and the buy-in price inclusive of brokerage and other costs
- If an investor fails to pay the amount/ take delivery due on the purchase trade, the broker is required to 'sell-out' the buyer's position without giving any prior notice to the defaulting investor who will have to pay for any losses arising in the forced sale

Fees	Cost (subject to GST)
Processing fee	SGD 75
Penalty	The higher of SGD 1,000 or 5% of contract value or The higher of SGD 5,000 or 10% of the contract value of undelivered securities for settling a novated contract arising from a trade on the buying-in market

## 6.5 Turnaround Trades

Same day turnaround trades are permitted.

## 6.6 Short Selling

In Singapore, Short selling is permitted for Naked Short Sales and limited Covered Short Sales. Securities and Futures (Short Selling) regulations require investors to disclose their short sell orders and report any short positions to the MAS. This excludes designated market makers and registered market makers.

For instruments, short selling of SGX primary and secondary listed shares, business trusts and Real Estate Investment Trusts (REIT) are required to be reported. Bonds, exchange-traded funds (ETF) and contracts-for-difference (CFD) are excluded from the scope of the reporting.

## 6.7 Securities Borrowing and Lending

Securities Borrowing and Lending (SBL) is permitted in the Singapore stock market. SGX operates a SBL framework, launched in December 2002, through the CDP. The CDP stands as a principal between the lender and the borrowers providing a guarantee to return securities which are loaned or its cash equivalent. Both lenders and borrowers enter into separate contracts with the CDP and remain anonymous to each other. Confidentiality is ensured as there is no direct relationship between lenders and borrowers.



## 7

## Corporate Actions

Corporate Action Highlights	
Peak period	March – June, September – December
Key events	Rights issues, bonus issues, stock splits, capital reconstructions, mergers, and tender offers
Source of information	Stock exchange notices, daily bulletins, local newspapers, MASNET – Monetary Authority of Singapore Network, notices from registrars/ companies, data vendors
Entitlement date	Ex-date
Entitlement computation	Traded positions as on the ex-date
Pay-date	No specific pay-date is announced. Typically, not more than 15 days from the book closure date
Corporate action claims	Yes, market claims are initiated automatically for entitled quantities directly with the counterparties

Proxy Voting Highlights	
Peak season – AGM	April – July, October – December
Eligible securities	Ordinary shares
Notification source	Local newspapers/ posted by Monetary Authority of Singapore Network (MASNET)
Notice period	At least 14 days before the meeting
Eligibility date	Voting rights are usually based on shares held by the registrar 48 hours before the meeting
Eligibility computation	One vote for every share held
Blocking of shares	No
Re-registration	Not applicable
Voting methods	By appointment of a proxy to vote on behalf of their investor client, or by the physical presence of the shareholder
Voting restrictions	None. Except that each nominee is only allowed to submit a maximum of two proxy forms per security
Split voting	Yes
Meeting results	SGX website or local newspapers

# 8 Duties and Tax

## 8.1 Taxes

The Inland Revenue Authority of Singapore (IRAS) administers the tax system in Singapore. It acts as an agent of the Government and provides services in administering, assessing, collecting and enforcing payment of taxes.

Foreign investors are subject to the following taxes in Singapore:

- Withholding tax (WHT) on interest
- Corporate income tax on dividends
- Stamp duty

### Duties and Tax

Following are the tax rates applicable to both residents and non-residents on income earned through the Singapore stock market.

WHT – Equities	NIL for both residents and non-residents under the one-tier corporate tax system, effective January 1, 2003
WHT – Fixed income	15% for non-residents
WHT – REITs	Individuals and qualifying unit holders – Gross distribution Foreign (non-individual): Net of 10% tax
Capital gains	NIL
Stamp duty	As detailed below in 8.9
Other taxes	For both residents and non-residents, corporate income tax of 17%, while Goods and Services Tax (GST) of 9% (effective: January 1, 2024) is applicable on residents only

#### 8.1.1 Withholding Tax

The one-tier corporate tax system was introduced by Singapore's Ministry of Finance through their 2002 Budget. With effect from January 1, 2003, the one-tier system replaced the prevalent tax imputation system.

### 8.1.1.1 Dividends

A full imputation system is adopted whereby the tax payable by the company on its corporate profits is passed on as tax credits to its shareholders upon payment of dividends. Normally, under the tax imputation system reclaims are not permissible for foreign investors.

Also, under the one-tier corporate tax system, income tax payable on the normal chargeable income of a company is the final tax in Singapore. This implies that shareholders are not taxed on such dividend income. Only companies on the one-tier corporate tax system can issue one-tier exempt dividends.

### 8.1.1.2 Interest

Withholding tax (WHT) is imposed on interest paid to non-Singapore tax residents. The WHT rate is 15% (a final tax) for interest earned by non-Singapore tax residents not engaged in business in Singapore or having a permanent establishment in Singapore.

This rate is further reduced by the Double Tax Agreements (DTAs) between Singapore and the resident country of the foreign investors. In cases where relief is sought under the respective DTAs, a Form IR585 must be submitted to the IRAS.

Interest earned by such non-residents from deposits with an approved Singapore bank is free from WHT.

## 8.1.2 Corporate Income Tax

Resident companies are taxed in Singapore on income accruing in and derived in Singapore. From assessment year 2010 onwards, the rate of corporate income tax is 17%.

## 8.1.3 Capital Gains Tax

There is no capital gains tax (CGT) for listed and traded equity shares and fixed income securities in Singapore, although gains from certain transactions can be deemed as revenue and subjected to corporate income tax. Certain gains from the sale of shares in private real estate companies may also be considered as revenue gains.

## 8.1.4 Double Taxation

Singapore has double taxation avoidance treaties with 108 countries as of August 2024. Investors can refer to IRAS' website at <https://www.iras.gov.sg/taxes/international-tax/list-of-dtas-limited-dtas-and-eoi-arrangements?pg=1&indexcategories=All> for detailed information on the DTAs in place with Singapore.

## 8.1.5 Goods and Services Tax

Effective April 1, 1999, Goods and Services Tax (GST) on domestic consumption was introduced in Singapore. The tax is paid when money is spent on goods or services, including imports. It is a multi-stage tax which is collected at every stage of the production and distribution chain. The current GST rate is 9%.

## 8.1.6 Tax Reclaim

Tax reclaim services are not provided in the Singapore market as there is no WHT component for dividend payments. The 17% corporate income tax on the company's gross profit is automatically deducted from the shareholders' entitled dividends.

For interest payments on corporate bonds/ government bonds, there is a general 15% WHT applicable on non-resident investors. Investors can directly file for a tax reimbursement

(depending on the DTA arrangement) from the IRAS, which has implemented an efficient tax reclaim process.

There are no standard forms for the reclaims. As per the usual market practice, the investors can write directly to IRAS at the year-end giving details of all the payments which are eligible for the reclaim/ reduced tax rate.

### 8.1.7 Stamp Duty

Stamp Duty is imposed on commercial and legal documents relating to transactions of shares and immovable properties.

## 8.2 Market Charges

Brokerage fee	With effect from October 1, 2000, brokerage rates are fully negotiable for all transactions on Singapore Exchange Securities Trading Limited
Trading fee	0.0075% on the value of the contract *except for structured warrants, daily leverage certificates and money market exchange traded funds
Clearing fee	0.0325% on the value of the contract *except for structured warrants, daily leverage certificates and money market exchange traded funds
Goods and Services Tax (GST)	9% on brokerage and clearing fees is applicable for Singapore residents. Non-Singaporean investors are exempt from the GST tax
Other fees	Investors can refer to SGX website for the full fee schedule <a href="https://www.sgx.com/securities/depository#Fee%20Schedule">https://www.sgx.com/securities/depository#Fee%20Schedule</a>

## 9

## Glossary

AGM	Annual General Meeting
CDP	Central Depository (Pte) Limited
CGT	Capital Gains Tax
DA	Depository Agent
GST	Goods and Services Tax
IFT	Inter-bank Funds Transfer
IRAS	Inland Revenue Authority of Singapore
MAS	Monetary Authority of Singapore
MASNET	Monetary Authority of Singapore Network
MEPS+	MAS Electronic Payment System

PSMS	Pre-Settlement Matching Service
SBL	Securities Borrowing and Lending
SFA	Securities and Futures Act
SGS	Singapore Government Securities
SGX	Singapore Exchange
SGX-DT	Singapore Exchange Derivatives Trading Limited
SGX-ST	Singapore Exchange- Securities Trading
VCC	Variable Capital Company
WHT	Withholding Tax



# Sawasdee Thailand

Deutsche Bank



# 1

## Market Information

The Thai capital market presents a dynamic investment landscape, characterised by a diverse range of investment opportunities and a robust regulatory framework. As of August 2024, the market capitalisation of The Stock Exchange of Thailand (SET) stood at THB 16.8 trillion, with the Market for Alternative Investment (MAI) at THB 0.34 trillion.

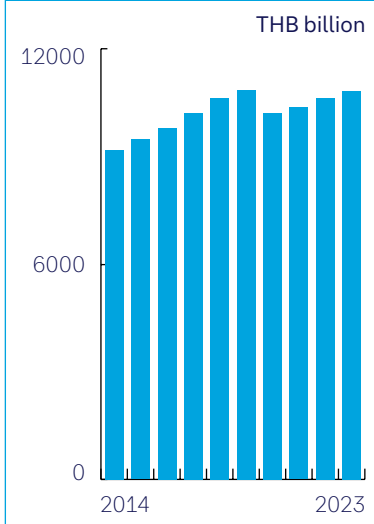
In terms of macroeconomic indicators, the Thai economy has been on a growth trajectory, with a projected GDP growth of 2.6% in 2024 and 3.0% in 2025 according to the Bank of Thailand's (BoT) Monetary Policy Report Q2 2024. This growth is primarily driven by improvements in the tourism sector, a gradual recovery in employment and household income, and an acceleration in public expenditure. However, the growth of exports and manufacturing sectors remains subdued and requires close monitoring.

The inflation rate is projected to gradually rise and return to the target range in Q4-2024, primarily due to increasing domestic energy prices and the dissipation of supply-side factors that kept raw food prices low. The headline inflation forecast remains unchanged at 0.6% in 2024 and 1.3% in 2025.

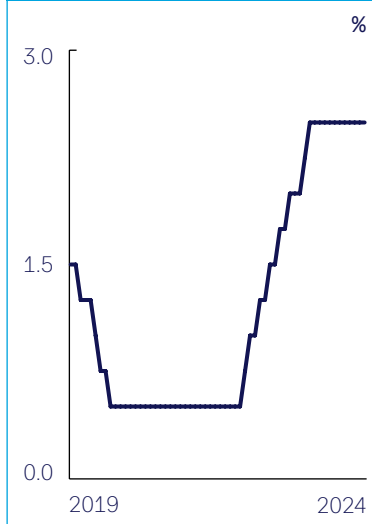
In terms of financial stability, the BoT has expressed concerns over the high level of household debt and supports measures to align lending with borrowers' debt repayment capacity. The current policy interest rate is maintained at 2.5%, deemed consistent with the improving growth and inflation outlook, while fostering long-term macro-financial stability.

The labour market has shown signs of improvement with higher employment levels in both the service and manufacturing sectors. The current account registered a surplus, mainly from an improvement in the trade balance.

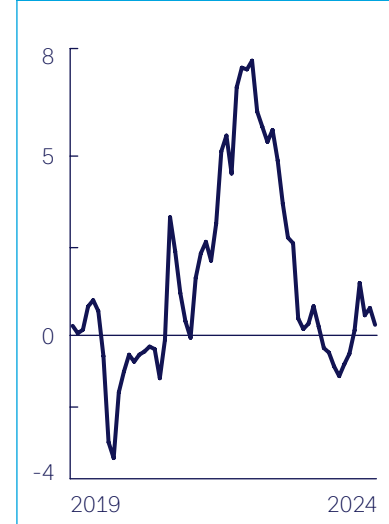
## Gross Domestic Product



## Policy Rate

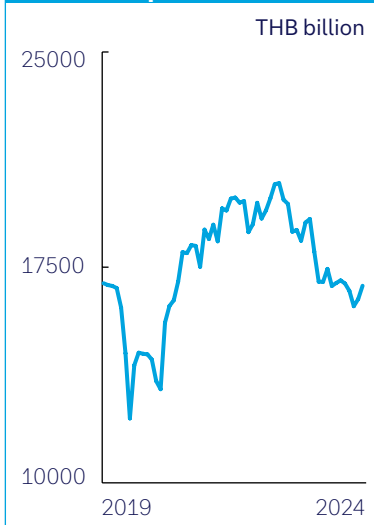


## Inflation Rate

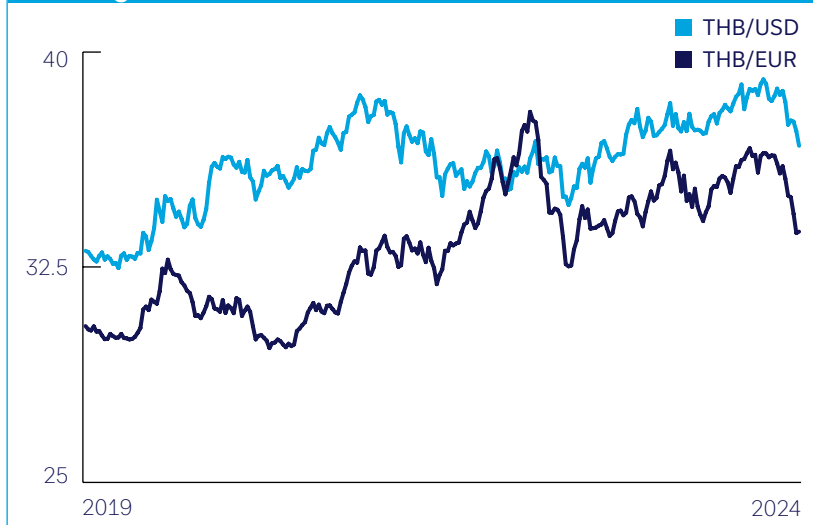


Source: DB Research and Haver Analytics

## Market Capitalisation



## Exchange Rate



## Overview

Currency	THB (Thai Baht)/ Fully Convertible
Time	7 hours ahead of GMT (GMT+7)
Numbering system	ISIN
Market instruments	<p><b>Equities:</b> Ordinary shares, Preferred shares, Warrants, Unit Trusts, Non-Voting Depository Receipts (NVDRs), Depository Receipts (DRs)</p> <p><b>Bonds:</b> Government bonds, State-owned Enterprise bonds, Corporate Debentures, Multinational Baht Bonds</p> <p><b>Money Markets:</b> Treasury Bills, BoT Bills, Promissory Notes, Bills of Exchange, Commercial Papers</p> <p><b>Derivatives:</b> Futures and Options</p> <p><b>Others:</b> Thai Trust Fund (TTF), Transferable Subscription Rights (TSRs), Exchange Traded Funds (ETFs), Derivative Warrants (DWs)</p>
Market entry restrictions	None
Market capitalisation/ Listed companies	<p>SET was at THB 16,829 billion (EUR 447 billion) with 635 listed companies and 2,202 listed securities in August 2024</p> <p>Market for Alternative Investment (MAI) was at THB 336 billion (EUR 8.95 billion) with 221 listed companies and 264 listed securities in August 2024</p>
Main market indices	SET Index, SET50 Index, SET100 Index, MAI Index and FTSE SET Index
Account structure	Both omnibus and segregated structures



## 2

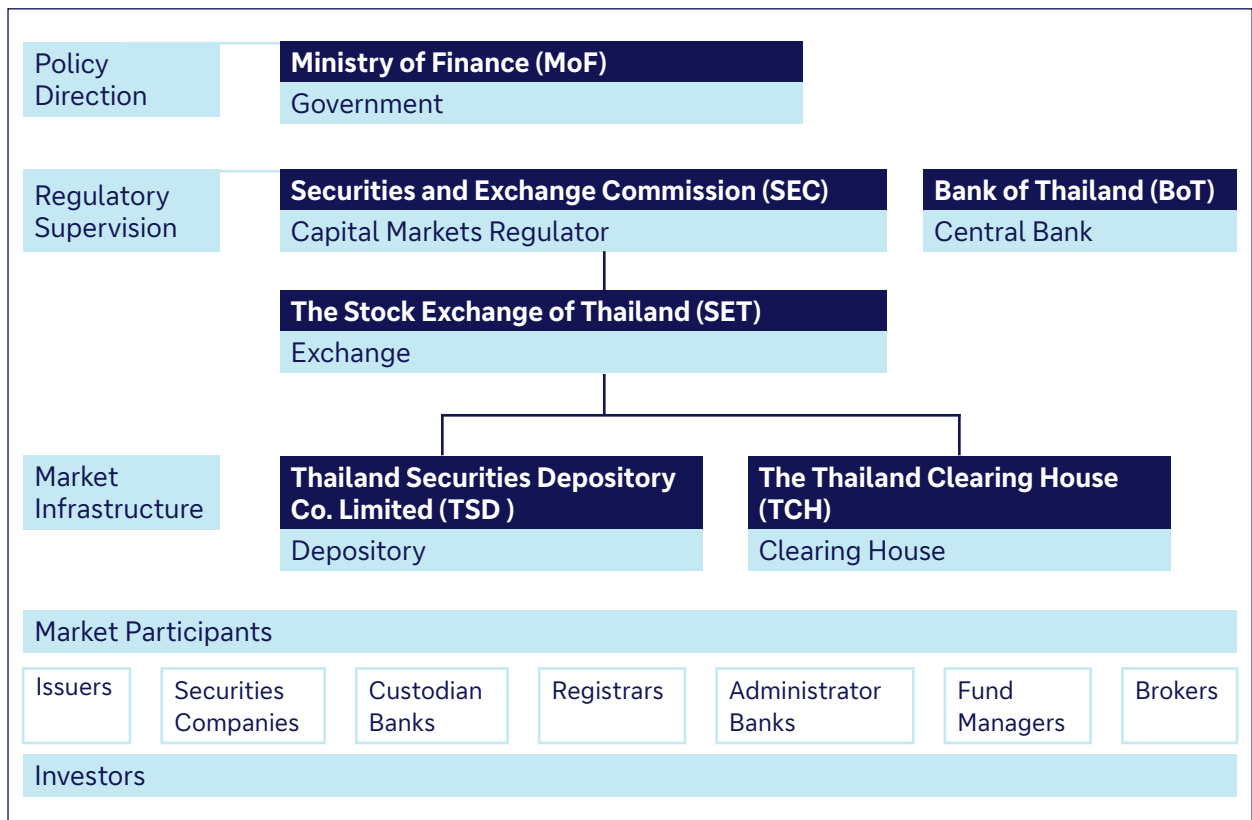
# Market Developments

In the capital markets space, Thailand's regulators continue to collaborate closely with industry participants to resolve inefficiencies and streamline market processes to better facilitate the ease of investing in the Thai market. Below are some of the key developments in the market:

- Since 2020, the inconsistent approach in issuer's announcements regarding non-resident's eligibility has caused confusion among investors, resulting in extra efforts for custodians to confirm the details with issuers. To address this, Thailand Securities Depository Co., Ltd (TSD) has been working with market participants such as the Investor Relations Association and the SET listing team to discuss the consistency of announcements and actions to be taken. As an interim solution, custodians in Thailand have put together a template for issuers to use for announcements
- There are ongoing discussions on the relaxation of end-of-day limits of THB 200 million imposed with effect from July 22, 2019, on Non-Resident Baht accounts for Securities (NRBS) accounts. While this limit was imposed by the BoT to prevent speculation of the THB, it has inadvertently posed challenges for foreign investments by offshore investors. BoT is working with local market participants to find a solution that can allow the relaxation of the limits while ringfencing the THB from undesired speculations
- SET is developing a central platform to hold records of investors'/ securities holders' documents which authorised market participants can access. This centralised utility removes duplication of efforts to obtain the same documents multiple times, enhancing the overall process efficiency within the investment industry

# 3

## Market Regulators, Infrastructure and Regulations



## 3.1 Regulators

### Ministry of Finance (MoF)

Roles	Pre-eminent regulator
Scope	Oversees the entire financial and capital market of Thailand, the BoT and the Securities and Exchange Commission (SEC)
Website	<a href="http://www2.mof.go.th/">http://www2.mof.go.th/</a>

### Bank of Thailand (BoT)

Roles	Central bank
Scope	BoT supervises all financial institutions in Thailand
Website	<a href="https://www.bot.or.th/en/home.html">https://www.bot.or.th/en/home.html</a>

### Securities and Exchange Commission (SEC)

Roles	Capital market regulator
Scope	Supervises and develops the capital market, both primary and secondary markets, as well as financial and securities-related participants and institutions. Its primary roles are to formulate policies, rules and regulations regarding the supervision, promotion and development of securities businesses, as well as other activities pertaining to the securities business
Website	<a href="http://www.sec.or.th/">http://www.sec.or.th/</a>

## 3.2 Market Infrastructure

### Stock Exchanges

Markets	The Stock Exchange of Thailand (SET)
	The Market for Alternative Investment (MAI)
	Thailand Bond Exchange (TBX)
	The Thailand Futures Exchange Public Company Limited (TFEX)
	LiVE Exchange
Website	<a href="https://www.set.or.th">https://www.set.or.th</a>

### Trading hours

Trading Session	Trading Days	Trading Method	Timings	Remarks
Pre-opening I	Monday - Friday	Auction	9:30 - T1	T1 is the random opening time between 9:55 - 10:00 hours for calculating the opening price in the morning trading session. The auction method is used to determine the opening price
Trading Session I	Monday - Friday	Automated Order Matching: AOM*, Trade Report (TR)	T1 - 12:30	
Pre-opening II	Monday - Friday	Auction	13:30 - T2	T2 is the random opening time between 13:55 - 14:00 hours for calculating the opening price in the afternoon trading session

Trading Session	Trading Days	Trading Method	Timings	Remarks
Afternoon Trading Session	Monday - Friday	AOM*, TR	T2 - 16:30	The trading system stops matching all orders at 16:30 hours. However, orders may still be sent for queuing until the closing auction is performed in T3
Pre-close	Monday - Friday	Auction, TR	16:30 - T3	T3 is the random closing time between 16:35 - 16:40 hours for calculating the closing price each day
Off-hour Trading*	Monday - Friday	TR	T3 - 17:00	The trading system allows the following auctions to be performed: <ul style="list-style-type: none"> <li>– Enter a trade report transaction</li> <li>– Send a request to bust/ cancel the trade report</li> <li>– Update some information in the trade, i.e., owner-type (investor-type)</li> </ul>

\* Off-hour trading is the extra trading period after the closing of the regular trading session. This facility enables investors, especially institutional investors and foreign investors, to adjust their positions. It also serves as a tool for traders to correct error transactions or cover transactions executed in the regular session. Off-hours trading starts from the random closing time until 17.00 hours.

Source: <https://www.set.or.th/en/market/information/trading-procedure/trading-hours>

### Thailand Securities Depository Co., Limited (TSD)

Roles	Central depository
Guarantee fund	Yes. The fund is the contribution from broker members and SET
System	Post Trade Integration System, Pre-Settlement Matching System
Website	TSD Overview - The Stock Exchange of Thailand ( <a href="https://www.set.or.th">set.or.th</a> )

### The Thailand Clearing House (TCH)

Roles	Central clearing agent
Guarantee fund	Yes. The fund is the contribution from broker members and SET
Website	TCH Overview - The Stock Exchange of Thailand ( <a href="https://www.set.or.th">set.or.th</a> )

## 3.3 Summary of Key Regulations

Regulation	Scope/ Objectives
The Bank of Thailand Act (4th) B.E. 2551 (2008) (BoT Act)	Sets out the objectives, scope of work and organisational structure of the BoT in accordance with international central banking standards to maintain the stability and efficiency of the financial system, financial institutions and payment systems through transparent and accountable procedures
The Securities and Exchange Act B.E. 2551 (2008)	Provides strong protection for investors' interests and enhances the corporate governance of listed companies
The Derivative Acts B.E. 2546 (2003)	Covers the development of derivatives businesses

Regulation	Scope/ Objectives
The Exchange Control Act B.E. 2485 (1942)	Sets out the principles for controlling, restricting or prohibiting the execution of all exchanges or other operations, in which foreign currency is involved in any form
The Foreign Business Act B.E. 2542 (1999) (FBA)	Governs foreign-controlled businesses in Thailand
The Currency Act B.E. 2501 (1958)	Through this act, the BoT manages international reserves and maintains the country's currency reserves in accordance with related laws to ensure the stability and confidence in the currency
The Financial Institution Business Act B.E. 2551 (2008) (FIBA)	Strengthen financial institution stability, prevent financial crises and enhance competitiveness
The Trust for Transactions in Capital Market Act B.E. 2550 (2007) (Trust Act)	Strengthen and introduce new investment alternatives to the Thai capital market
The Deposit Protection Act B.E. 2551 (2008) (DPA)	Protect depositors within a certain coverage amount against the loss of their deposits placed in financial institutions

### 3.4 Investor Protection

The SET provides investor protection to enhance investor confidence and contribute to market growth. Such protection is best understood as a combination of different, but closely integrated measures, including but not limited to market regulation and enforcement, trading and settlement system reliability, information disclosure and equal accessibility.

#### – Clearing Fund

TSD established the clearing fund in March 1995 with the purpose of preventing any damages from clearing and settlement defaults. The clearing fund consists of contributions from the SET and the fund members, which are general members of the Clearing House. In case a fund member defaults on securities clearing and settlement, fails to meet the scheduled time for securities settlement or delivery, the fund manager might use fund money for the Clearing House to cover such defaults.

#### – Securities Investor Protection Fund (SIPF)

SIPF originated from co-operation between SET and some of its member firms who volunteered to join the fund. Its purpose is to create confidence among investors who trade securities on SET and MAI. Investors who are clients of SIPF members can receive their assets back or be compensated from this fund under the conditions outlined below.

#### 3.4.1 Protecting Investors

SIPF provides protection to investors who fail to receive the return of their assets or compensation for the price of assets from SIPF members if:

- Any broker member of the SIPF is adjudicated bankrupt
- Any broker member of the SIPF fails to comply with an arbitral award requiring them to return the assets or compensate the price of assets to investors

The protection does not include losses incurred from price decreases due to securities trading.

#### 3.4.2 Compensation to Investors

SIPF's protection is limited to investors of brokers who are members of the fund. The investors are entitled to compensation for assets or compensation for the price of assets from the fund for an amount not exceeding the actual damage incurred to them. Each investor will not get more than THB 1 million per SIPF's member broker.

Investors are automatically protected when they open a trading account with brokers as long as their broker remains a SIPF member. Investors do not need to apply for or pay for the protection provided by SIPF.

When a fund member fails to return an investor's assets, the investor has the right to request protection from SIPF through the Member Services Department at SET.

# 4

## Market Entry and Registration

### 4.1 Market Entry

Foreign investors can freely invest in the Thai capital market without needing a unique identifier or specific approval from the Bank of Thailand or the Securities Exchange and Commission of Thailand.

### 4.2 Restrictions

There are no restrictions on foreign investors investing in the Thai capital market.

#### I. Foreign Ownership Limit

Foreign investors are free to invest in the Thai capital market, subject to adherence to foreign ownership limits of the registered capital as set forth in the Articles of Association of the company:

- 25% limit in insurance companies, financial institutions
- 49% limit in listed companies\*
- 100% in Board of Investment (BOI) company\*\*

Note \* Depends on corporate information/ policy for the room of foreign investment and eligibility for the full entitlement of Corporate Actions.

\*\* BOI companies have the privilege to register or not register in the capital market, from the Department of Business Development (DBD), with specific requirements.

- i. TSD, acting as registrar to the listed securities, is responsible for monitoring the foreign holdings remaining within the prescribed limits
- ii. Foreign investors holding local shares are not entitled to any benefits accruing from corporate actions
- iii. Non-Voting Depository Receipts (Thai NVDRs) were introduced, in 2000, to eliminate foreign investment limit barriers. Through NVDRs, foreign investors can invest in Thai companies and receive full corporate actions entitlement, except for voting rights

#### II. Foreign Holding Process

- When foreign investors purchase securities on the foreign board of the stock exchange, the securities are credited into their foreign account
- When foreign investors purchase securities on the local board of the stock exchange, the securities are transferred to their accounts only if the foreign investment limit is not breached. If the limit is not available, the shares are held by TSD until there is limit availability in the accounts

### III. Restrictions on Holding of Bank Shares

Under the Financial Institutions Business Act B.E. 2551 (2008), Financial Institutions (FIs) are restricted on shareholding, directly or indirectly, as per below:

- Aggregate investment in any company must not exceed 20% of such FI's capital
- Investment in any company must not exceed 5% of such FI's capital
- Investment in any company must not exceed 10% of the total shares sold of such company
- FIs must not hold shares of any other FI that operates a similar business
- No person shall hold the FI's shares exceeding 10% of the total number of securities except for the following:
  - Governmental agencies
  - State enterprises
  - Financial Institutions Development Fund (FIDF)
  - Juristic persons established under a specific law
  - Deposit Insurance Agency
  - Persons who hold shares for necessary cases to solve the FI's status or operation according to the BoT's criteria
  - Any other persons who are granted approval from the BoT on case-by-case basis

## 4.3 Registration

Most of the capital market instruments in Thailand are in dematerialised form and all securities are deposited at the Thailand Securities Depository Co. Ltd. (TSD) under segregated accounts opened by the custodian members at the TSD.

Physical securities are registered in the name of beneficial owner under a Power of Attorney authorising the custodian/ sub-custodian to act on the beneficial owner's behalf.

### Bond Investors Registration (BIR) for Non-Residents (NR)

There are two requirements for Non-Resident Ultimate Beneficial Owners (NR UBOs):

- To have a Segregated Securities Account (SSA) with local custodians. The local custodian is responsible for opening a mirrored account to reflect the NR UBO's SSA in TSD's system. The SSA can also be a sub-account under global custodians/ international brokers' accounts with the local custodian
- To register for authentication with the Bank of Thailand, NR UBOs are required to submit the information required for registration through local custodians. The local custodians are responsible for completing the registration through the BoT's electronic registration system

# 5 Cash Management

Cash Management Highlights	
Currency/ Convertibility	THB (Thai Baht)/ Fully Convertible
Payment systems	BAHTNET, Cheque Clearing System, Bulk Payment System
RTGS	BAHTNET (The Bank of Thailand Automated High-value Transfer Network)
Overdraft facilities	Not permitted
Funding requirements	No restrictions
General market timings for booking FX contracts	SGD: 15:30 hours (local time) on Value date-1 USD: 12.00 hours (local time) on Value date
Types of FX contracts	SWAP, SPOT, Forward, Value Today, Value Tom NOTE: Except for SPOT FX, underlying supporting documents are required
Restrictions on repatriation of funds	No restrictions

## 5.1 Payment Systems

The cash clearing system in Thailand consists of three major payment systems managed and controlled by the Bank of Thailand.

- i. **The Bank of Thailand Automated High-value Transfer Network (BAHTNET):** An electronic network used for transmitting and receiving messages between the BoT and its financial institutions or other organisations maintaining deposit accounts at the BoT for settling large value funds transfer on Real Time Gross Settlement basis (online RTGS)
- ii. **Cheque Clearing System:** Electronic Cheque Clearing System (ECS), Provincial Cheque Clearing System, Bill for Collection (B/C)
- iii. **Bulk Payment System:** A convenient means of payment for customers making inter-bank pre-authorised transactions that are large in volume and have a regular recurring payment period



## 5.2 Funding Procedures

There are no restrictions on the repatriation of sale proceeds, dividends and interest resulting from investments in the Thai securities market. However, non-resident investors are required to comply with the applicable regulations.

- i. There are two types of THB accounts for Non-Residents (NRs):
  - **Non-Resident Baht Account for Securities (NRBS)** - for investment in securities and other financial instruments such as equity instruments, debt instruments, unit trusts, financial derivatives transactions traded on TFEX, Agricultural Futures Exchange of Thailand (AFET), including sale proceeds, returns and related payments from such investments
  - **Non-Resident Baht Account (NRBA)** - for other purposes such as trade, services, direct investments, investment in immovable properties, loans and other transactions
- ii. NRs can have more than one NRBS account opened with commercial banks, but they need to ensure that the outstanding balance at the end of the day, across all accounts, does not exceed THB 200 million per entity
- iii. Transferring money between NRBA accounts and NRBS accounts is not allowed without prior approval of the BoT
- iv. To seek the BoT's approval for NRBS' outstanding balance exceeding THB 200 million, the NR needs to provide supporting documents to prove that there is an investment in equity, fixed income, unit trusts (including property funds), derivative products in TFEX and AFET only

## 5.3 Restrictions on Exchange Control

- FX transactions with NRs must have underlying supporting documents, except for SPOT transactions
- Non-residents are allowed to lend THB to local financial institutions through sell-buy swap transactions when there are no underlying trades and investments in Thailand for maturities longer than six months, with a limit of THB 200 million per entity of NR (by each FI)
- Financial Institutions are allowed to buy/ sell foreign currency/ sell THB to NRs with a value date of less than two business days but must not exceed the underlying value
- FX/ THB non-deliverable forward is not permitted except for transactions executed to rollover or unwind earlier transactions due to the failure of the client's counterparty to deliver/ settle the full amount of the contract
- NRs are allowed to buy THB debt instruments (excluding bills of exchange), including THB Negotiable Certificate of Deposit issued to NRs, but in aggregate, all kinds of borrowing activities must not exceed THB 10 million per entity of NRs

## 5.4 Overdraft Facilities

Overdraft facilities are not permitted.

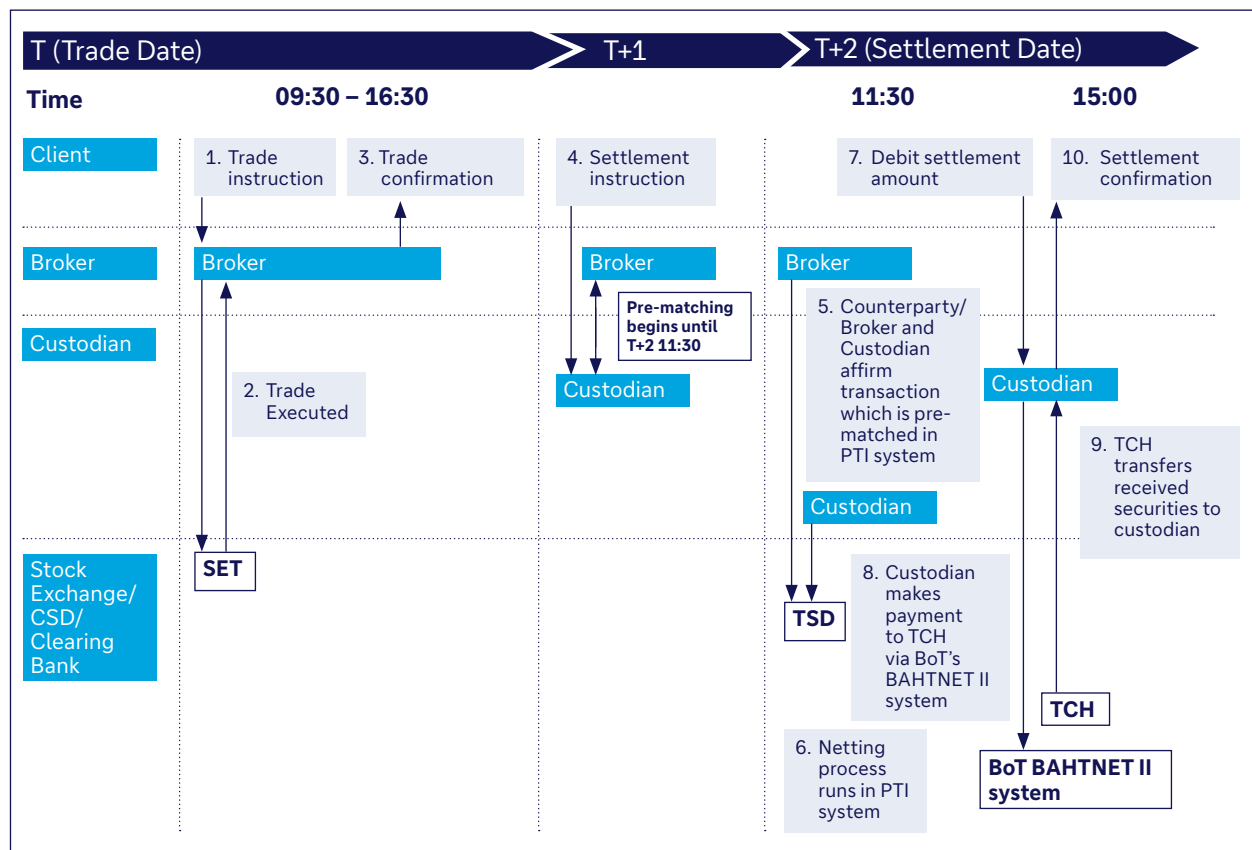
## 6

# Clearing and Settlement Practices

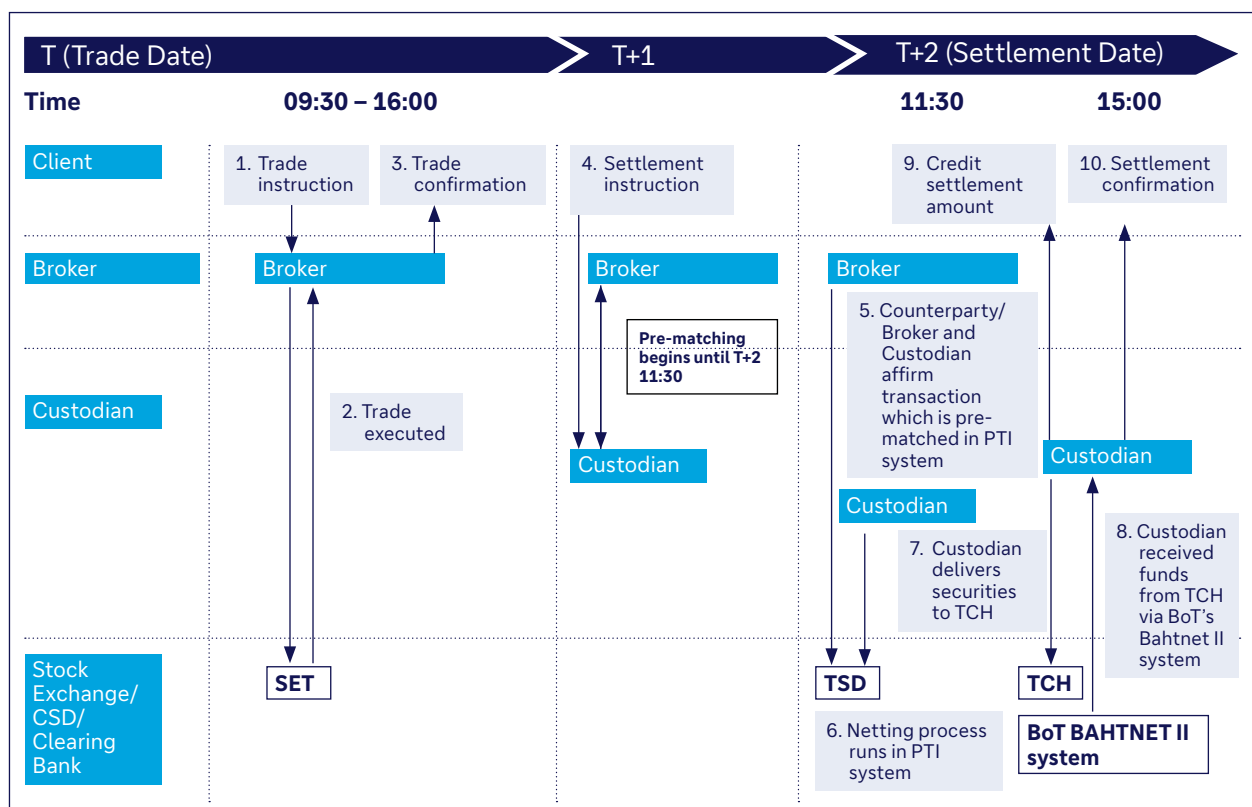
Settlement cycle	Listed securities – T+2 for equities – T+2 for bonds – T+1 for derivatives
Settlement method	Multilateral netting for equity
Cash processing	Stockbrokers: send/ receive payment to/ from settlement banks Custodian banks: send/ receive payment through BAHTNET II system
Irrevocability and finality of settlement	After the batch is run at 11:30 hours
Securities Lending and Borrowing (SLB)	SLB is permitted to expedite settlements

# 6.1 Settlement Flow – Equity Trades

## Equity Purchase Trades

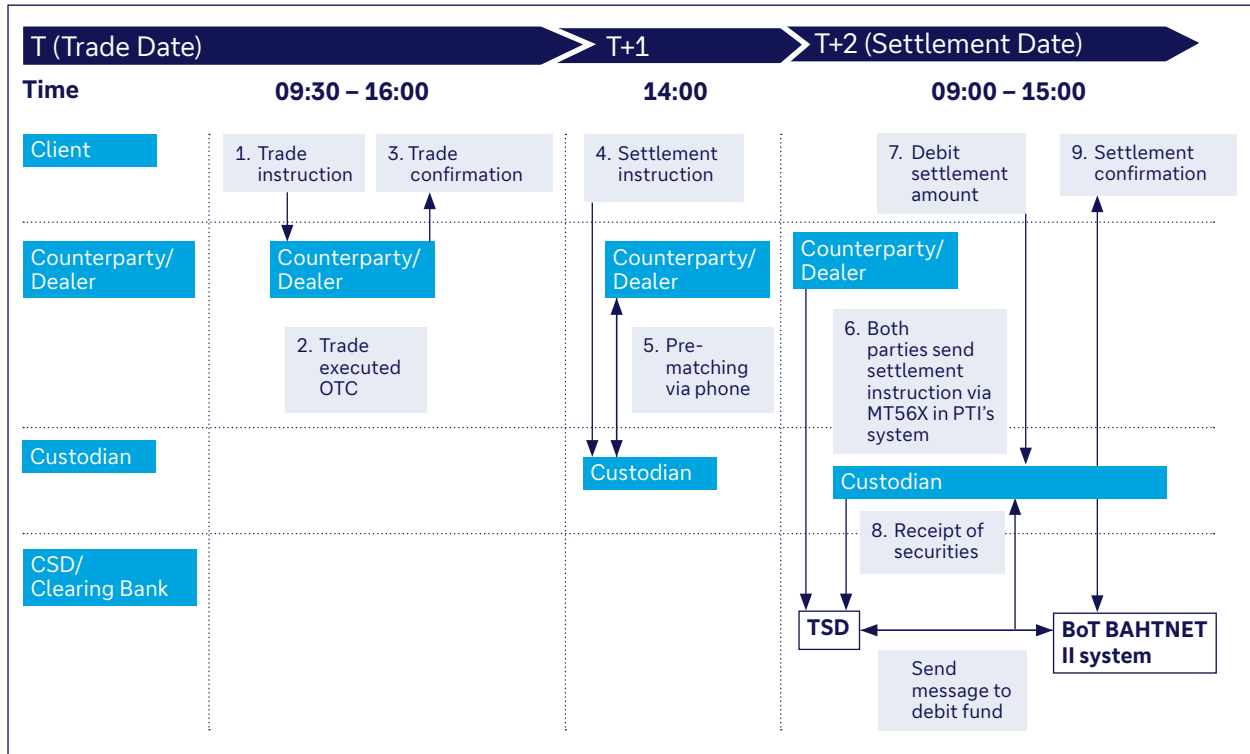


## Equity Sell Trades

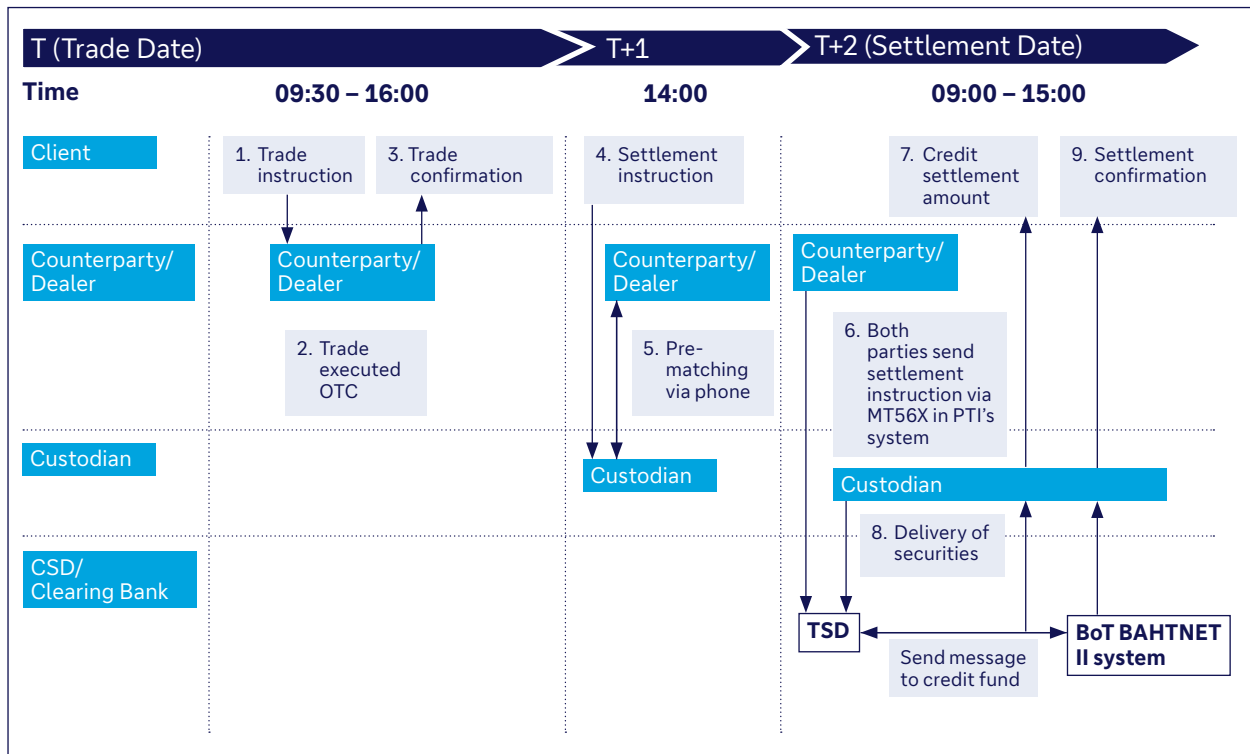


## 6.2 Settlement Flow – Government and State Enterprise Bonds

### Government and State Enterprise Bond Purchase Trades

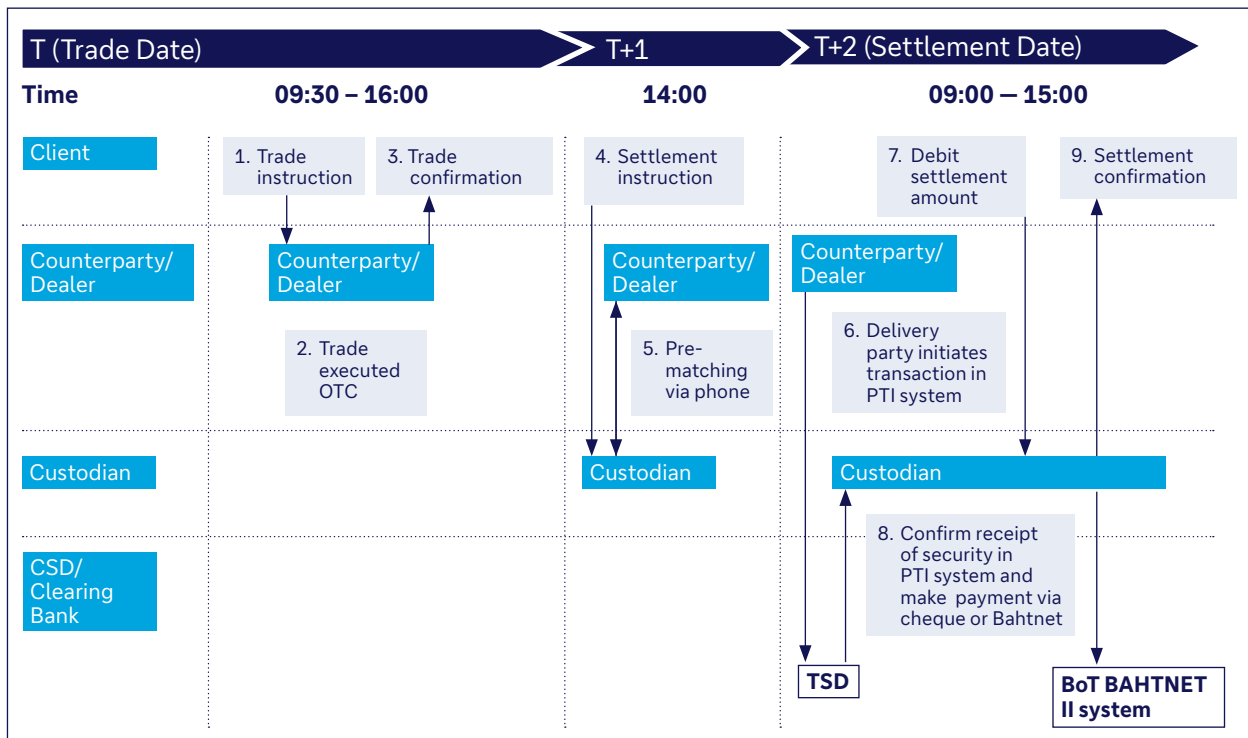


### Government and State Enterprise Bond Sell Trades

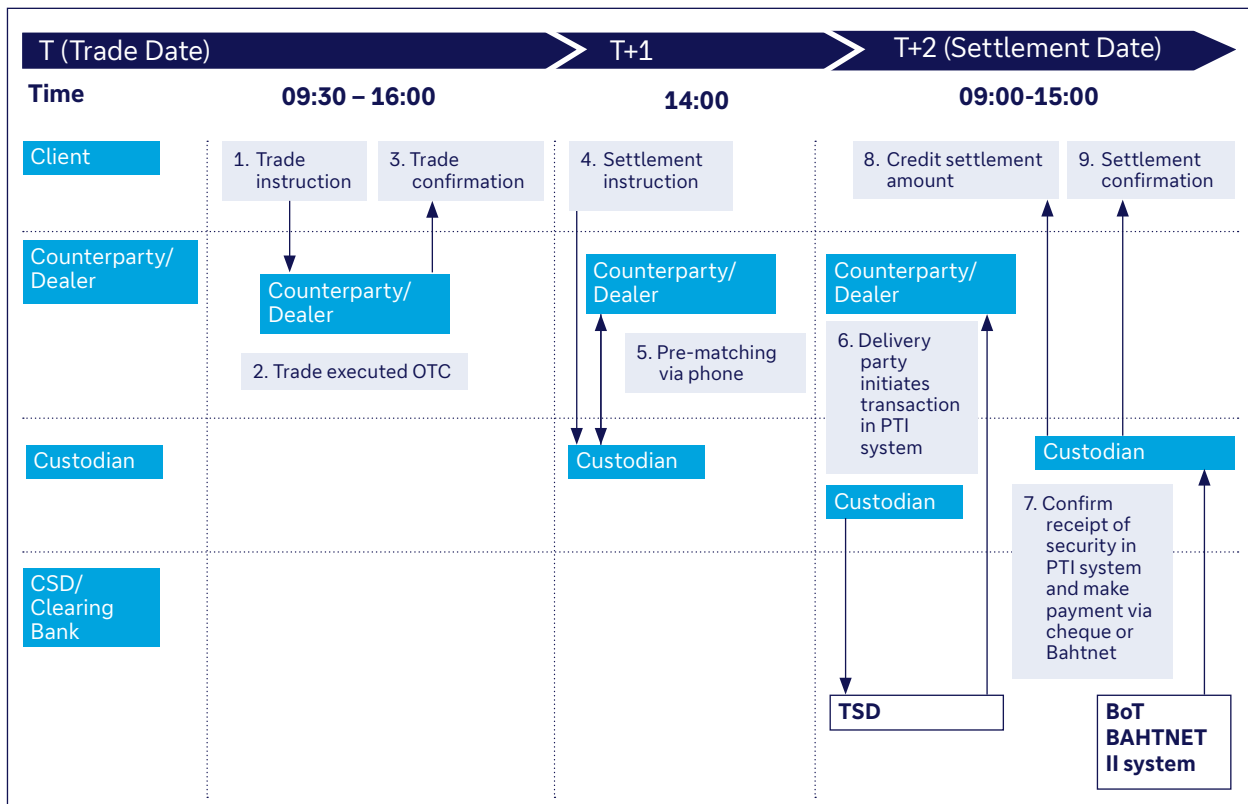


## 6.3 Settlement Flow – Corporate Bonds

### Corporate Bond Purchase Trades



### Corporate Bond Sell Trades



## 6.4 Pre-matching

Pre-matching via telephone is normally done between agent banks to ensure that the receiving agent banks have sufficient funds to settle, or the delivery agent banks have sufficient shares to deliver. After seeking confirmation, both agent banks process the pre-matching transaction through the Post Trade Integration (PTI) system. PTI is the core web-based business application of the Thailand Securities Depository (TSD), under SET, that provides transfer, deposit, withdrawal, and PO/ IPO services for securities transactions.

Pre-matching, via PTI system, is normally done between the agent banks and brokers where the brokers have already initiated the transaction through the PTI system. The agent banks pre-match the trade with the broker from T to T+2 at 11:30 hours.

## 6.5 Fails and Buy-ins

Failed trades are permitted subject to the penal charges.

The Thailand Clearing House (TCH) has improved the fail management procedure by using the pending settlement concept to be in line with international standards and to prohibit overdraft and debit balance.

### Pending Settlement Process

Effective November 6, 2017, the TSD added an additional clearing and settlement round on trading days from 15:15 - 15:45 hours, in addition to 13:30 - 14:15 hours, for returning the failed deliver securities/ collateral of failed deliver securities or paying cash settlements to the pending recipients.

### Termination of Pending Delivery Positions Using 'Cash Settlement'

In settling the outstanding failed delivery of securities, TCH calls for a penalty from the clearing members who fail to deliver securities, and then pays cash to the clearing member or settlement agent with a pending recipient position. The process is called cash settlement, which is the higher of the buy-in price or 130% of the mark-to-market price of the previous business day.

TCH remits the cash settlement penalty to the clearing member or the settlement agent by transferring the funds to the account opened with TCH for clearing and settlement of securities either through the settlement bank or BoT's BAHTNET system, depending on the case. Once the penalty has been paid, the clearing member or settlement agent forwards the cash settlement penalty received from TCH to the investor who will receive the monetary penalty in lieu of the securities.

## 6.6 Turnaround Trades

Turnaround trades are allowed in the Thai capital market. The transfer of securities and cash payments are affected by electronic transfer on a net basis. The net balances of securities are debited/ credited from account holders, whereby a net balance of cash payment is paid/ received through BAHTNET.

## 6.7 Short Selling

Short-selling is allowed in the Thai capital market for the securities company itself or pursuant to the investor's order, or where the investor has not yet delivered possession of such securities to the securities company at the time of the sell order, but the securities company is confident that the investor owns such securities, regardless of whether the securities are in the investor's possession or deposited with other securities companies or the securities depository.

## 6.8 Securities Borrowing and Lending

Securities Borrowing and Lending (SBL) is allowed in Thailand but only in designated securities.

There are two categories of SBL available in the market:

- Mandatory TSD borrowing to cover settlement failure
- Standard SBL

### **Mandatory SBL Program**

Securities borrowing is mandatory for all brokers who are short of securities in their clearing account with the TCH. There are two rounds to borrow: first round in the afternoon at 13:30 hours on T+2 (SD) and the second round is at the end of the day (EOD of T+2). If unable to borrow enough securities by T+2, the defaulted selling broker will have one day (on T+3) to adjust the position. In case of fail, the buy-in will be triggered by TCH on behalf of the defaulted selling broker on T+3 by 11:30 hours. All expenses related to borrowing and/ or a buy-in will be for the seller's account, along with penalty fees charged by the TCH for late settlement.

### **Standard SBL**

The standard SBL model is open to foreign investors and, if both investors are foreign, they are not subject to local SBL regulations. Transactions are conducted OTC between lenders and borrowers.

## 7

## Corporate Actions

Corporate Action Highlights	
Peak period	March – May and September – October
Key events	Cash dividends, stock dividends, interest, rights, warrants, debentures conversion, tender offers and stock splits
Sources of information	SET’s website ( <a href="http://www.set.or.th">www.set.or.th</a> ), Thai BMA’s website ( <a href="http://www.thaibma.or.th">www.thaibma.or.th</a> ), daily newspapers and issuers’ websites
Entitlement date	Book closure date
Entitlement computation	Calculated on the holding positions at the beginning of the book closure date
Pay-date	As declared by the company/ issuer
Corporate action claims	No standard procedure for market claims. Varies from issuer to issuer

Proxy Voting Highlights	
Peak season - AGM	March – April
Eligible securities	Ordinary shares
Sources of notification	Announcements in local newspapers, SET’s website, and registered mail to shareholders as per registrar records
Notice period	At least 14 days before meeting date
Eligibility date	Book closure date
Eligibility computation	Based on the holding position as on the book closure date
Blocking of shares	Not applicable
Re-registration	Required for physical shares
Voting method	By physical presence of the shareholder or the appointed proxy
Voting restriction	Foreign investors holding local shares and NVDR shares do not have voting rights
Split voting	Yes (with certain exceptions/ conditions)
Meeting results	Meeting results are usually published on the next business day after the meeting date on SET’s website



# 8 Duties and Tax

## 8.1 Taxes

Residents and non-residents investing in the Thai capital market are charged withholding tax on dividends and fixed income as follows:

Withholding tax (WHT)	
WHT – Equities	Flat 10% on dividend irrespective of the investors' jurisdiction
WHT - Fixed income	15% on interest income depending on Double Tax Avoidance (DTA) Agreements and the type of investors
Capital gains	0 - 15% depending on Double Tax Avoidance (DTA) Agreements and the type of investors According to Section 70 of the Thailand Revenue Law, the income tax on capital gains or profits arising from the sale of securities on the Stock Exchange of Thailand is deducted by the brokers of the sell side
Stamp duty	THB 1 for every THB 1,000 for non-listed securities and trading on OTC
Other taxes	Value Added Tax (VAT) is 7.0%

List of Double Tax Agreements: <https://www.rd.go.th/english/766.html>

## 8.2 Market Charges

### Brokerage fees

Securities brokers (SET's members) charge brokerage or commission fees on buying or selling of securities at the following rates, plus VAT at the rate of 7.00%.

- For shares, warrants on shares, transferable subscription rights (TSRs), derivative warrants (DWs), non-voting depositary receipts (NVDRs), or unit trusts for the Thai Trust Fund (TTF):

Type of Trading	Brokerage/ Commission Fee (% of the traded value)
Internet-based trading	0.15%
Non-internet-based trading	0.25%

- For unit trusts, or warrants on unit trusts, at a rate of not less than 0.10% of the traded value
- For unit trusts of a fixed income fund, warrants of unit trusts, or debt instruments, the brokerage/ commission fee is negotiated between the brokers and the offshore investors

As part of the SET's 2012 plan to fully liberalise the securities businesses in Thailand, new brokerage fees were applied effective January 1, 2010, and as of January 1, 2012, the brokerage fees have been made freely negotiable.

### **Registration/ Conversion Fees**

TSD charges a registration fee of THB 20 on the conversion of local shares to foreign shares, or vice versa.

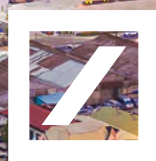
Asset Management Companies charge a registration fee of THB 10 per application for open-ended unit trusts for the registration of a name change.

## 9

## Glossary

AFET	Agricultural Futures Exchange of Thailand
AOM	Automatic Order Matching
B/C	Bill for Collection
BAHTNET	The Bank of Thailand Automated High-value Transfer Network
BOI	Board of Investment
BoT	Bank of Thailand
DBD	Department of Business Development
DR	Depository Receipt
DTA	Double Tax Avoidance
DW	Derivative Warrant
ECS	Electronic Cheque Clearing System
ETF	Exchange-Traded Fund
FBA	Foreign Business Act
FIBA	Financial Institution Business Act
FIDF	Financial Institution Development Fund
IPO	Initial Public Offering
MAI	Market of Alternative Investment
MOF	Ministry of Finance
NDF	Non-Deliverable Forward
NR	Non-Resident
NRBA	Non-Resident Baht Account
NRBS	Non-Resident Baht Account for Securities

NR UBO	Non-Resident Ultimate Beneficial Owners
NVDR	Non-Voting Depository Receipts
OTC	Over-The-Counter
PTI	Post Trade Integration System
RTGS	Real Time Gross Settlement System
SBL	Securities Borrowing and Lending
SEC	Securities and Exchange Commission
SET	The Stock Exchange of Thailand
SIPF	Securities Investor Protection Fund
SSA	Segregated Securities Account
Thai BMA	The Thai Bond Market Association.
TBX	Thailand Bond Exchange
TCH	Thailand Clearing House Co., Ltd.
TFEX	Thailand Futures Exchange Public Company Limited
THB	Thai Baht
TSD	The Thailand Securities Depository Co. Ltd.
TSR	Transferable Subscription of Rights
TTF	Thai Trust Fund
VAT	Value Added Tax



# Xin Chào Vietnam

Deutsche Bank

TUẦN THỜ  
QUÝ ĐÌNH  
VỆ TẾ ĐỖ  
KHÍ LÁI XE

# 1

## Market Information

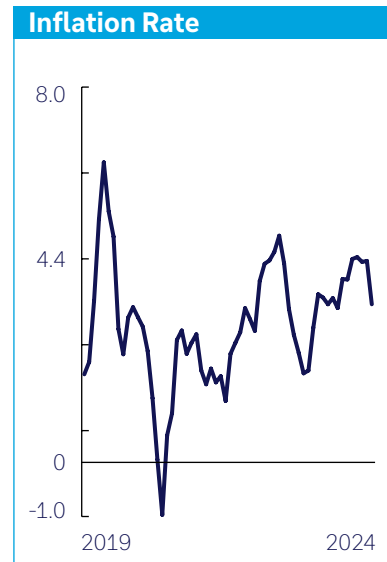
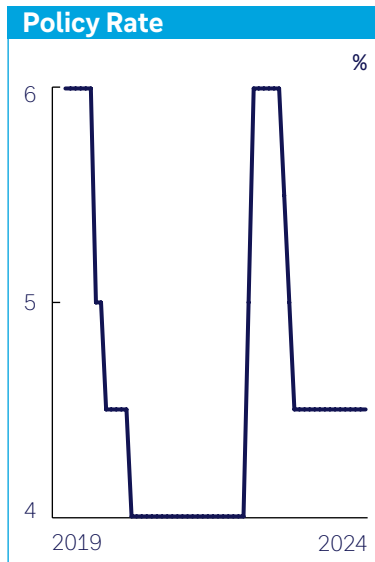
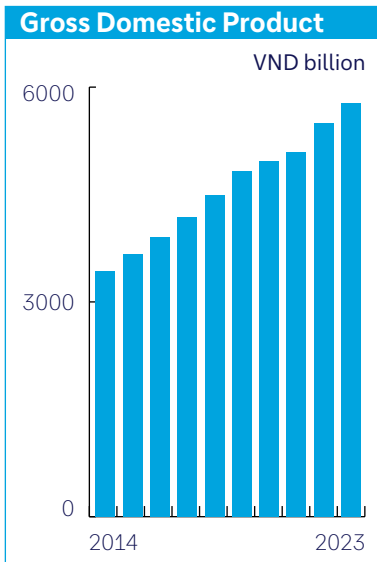
Vietnam's capital markets are a beacon of growth and evolution, offering a plethora of opportunities for foreign investors. The markets are increasingly integrating with global financial systems, opening up new avenues for Vietnamese businesses. This integration, while presenting challenges, also offers the potential for strategic planning and the exploration of new business opportunities.

On the macroeconomic front, Vietnam has consistently demonstrated stable economic growth. The country's GDP growth rate has been one of the fastest among emerging economies with the country growing by 6.9% YoY in Q2 2024. Inflation has been kept under control, and the country has maintained a stable exchange rate. The government has also implemented various fiscal measures to support economic growth.

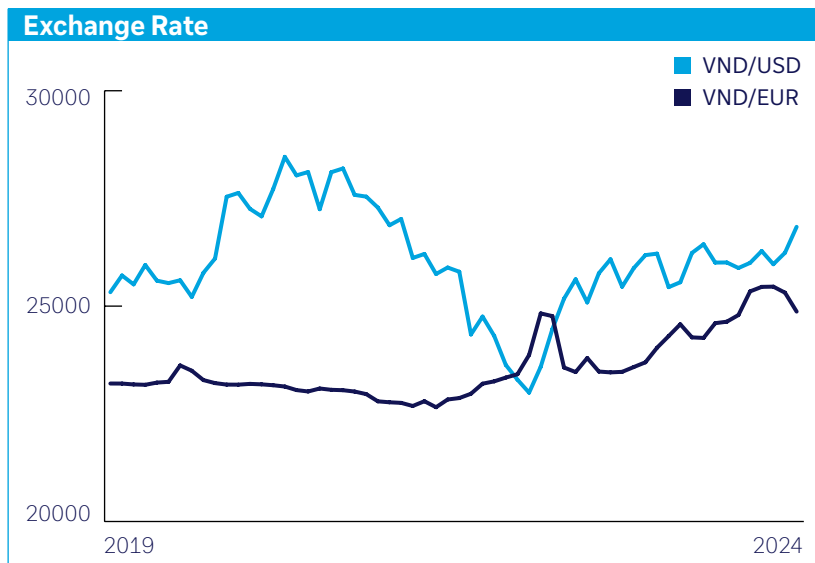
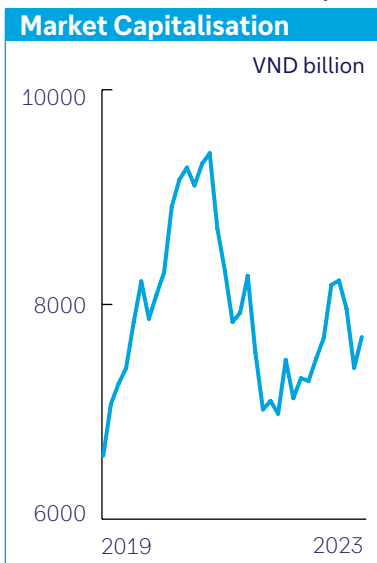
Vietnam's active participation in bilateral and multilateral trade agreements has significantly boosted its trade and investment activities. The country has a positive trade balance, with exports increasing 16% YoY year to date in July, resulting in a trade surplus of USD18.5bn. Foreign Direct Investment (FDI) into Vietnam has also been on the rise with foreign investments growing at 8.4% YOY year to date in July, as compared to 8.2% in Q2, reflecting the confidence of foreign investors in the country's economic prospects.

Furthermore, various measures have been implemented to enhance the business environment and attract foreign investment. These include improvements in the regulatory framework, efforts to reduce bureaucracy, and initiatives to improve infrastructure.

In summary, Vietnam's capital markets present a dynamic and promising landscape for foreign investors. The country's stable macroeconomic indicators, commitment to market integration, and efforts to improve the business environment position it as an attractive investment destination.



Source: DB Research and Haver Analytics



## Overview

Currency	Vietnamese Dong (VND)/ Restricted
Time	7 hours ahead of GMT (GMT+7)
Numbering system	ISIN
Market instruments	<p><b>Bonds:</b> Government, Municipal and Corporate Bonds</p> <p><b>Equities:</b> Equity shares</p> <p><b>Money Markets:</b> Treasury Bills, State Bank of Vietnam Bills, Repos of Government and Municipal Bonds, Certificate of Deposits, Inter-Bank Deposits/ CDs</p> <p><b>Derivatives:</b> Contracts, options, futures, forwards</p> <p><b>Others:</b> Investment Fund Certificates, Warrants, Right Issues and Convertible Bonds</p>
Market entry requirements	Investors need to apply for a securities trading code
Market capitalisation/ Listed companies	HOSE: EUR 206.77 billion/ 411 equities, 14 bonds, 116 covered warrants, 4 fund certificates and 16 ETFs as of August 30, 2024
Main market index	Ho Chi Minh Stock Index
Account structure	Mixed structure (Omnibus and Segregated) at Central Depository's level, subject to trading code approval

## 2 Market Developments

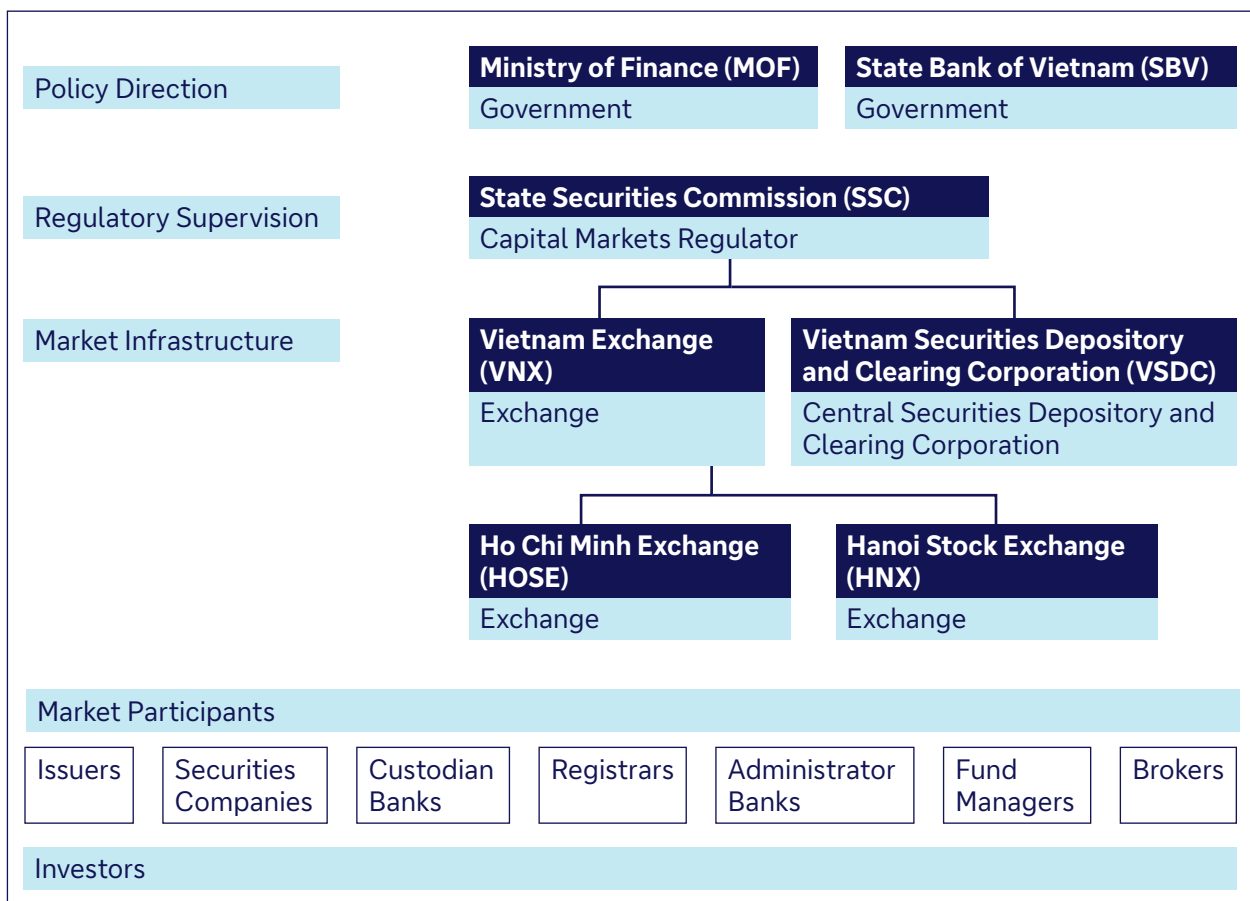
As Vietnam prepares for an upgrade from a frontier to an emerging market, the regulators are introducing initiatives and regulations aimed at further developing the capital market, addressing investors' concerns, and making market access easier. Below are two of the recent structural developments in Vietnam:

- i. Vide Decree 155/2020/ND-CP dated December 31, 2020, elaborating certain changes to the Law of Securities. The key changes include:
  - Implementation of the Central Clearing Party (CCP) model in Vietnam: Taking into consideration the market dynamics and understanding of the best international practices to deploy the CCP model, the regulator has revised the launch date to January 2026
  - Approval for the launch of the Depository Receipt (DR) program in Vietnam: Deutsche Bank has been actively involved in this program and played a key role in getting approval through a Decree from the State Securities Commission (SSC). Deutsche Bank has also been working along with the Vietnam Securities Depository and Clearing Corporation (VSDC) to put up a draft operating guideline in line with the best market practices followed by some of the leading DR markets, e.g., India. This program is expected to go live by the end of 2024
- ii. No Pre-funding (NPF) – One of the key requirements to upgrade to emerging market status from FTSE's perspective is to do away with the pre-funding requirement in the capital market. In 2024, the SSC formed a working group to frame an operating model and issued draft regulations around NPF. The implementation of NPF would ease some of the burden on offshore clients to pre-fund money in the market. As the process evolves, brokers will place a trading cap at the offshore investor level and will fund the trade in situations where the offshore investor does not arrange the required funds on time. In such cases, the offshore investor will bring in the funds (post-FX) only after the trade is executed.

Update as of Sept, 2024: The Vietnam Ministry of Finance, via Circular No. 68/2024/TT-BTC dated September 18<sup>th</sup>, 2024, has announced the implementation of the "Non-Prefunding (NPF)" option in the Vietnam capital market. This circular amends numerous other circulars to align with the NPF requirement. According to the circular, Foreign Investors have the option to continue with the existing pre-funding process or adopt NPF, which will be subject to trading limits set by their respective brokers. The implementation of NPF will allow Foreign Investors to manage their funding post trade execution, based on the agreed trading limits with brokers, unlike the current process that requires prefunding one day in advance. The MOF has provided a 45-day window from the circular issue date for various market intermediaries to implement the process, with the circular going live on November 2<sup>nd</sup>, 2024.

# 3

## Market Regulators and Regulations





### Ministry of Finance (MoF)

Roles	Government agency
Scope	Management of state finances; including state budgets, taxes, fees and other revenues of the state budget, national reserve, state financial funds, financial investments, corporate finance and financial services; customs, accounting, independent auditing, insurance, pricings, securities, conducting the ownership rights to the state's investment capital in enterprises according to regulations of the law
Website	<a href="https://mof.gov.vn/webcenter/portal/btcvn">https://mof.gov.vn/webcenter/portal/btcvn</a>

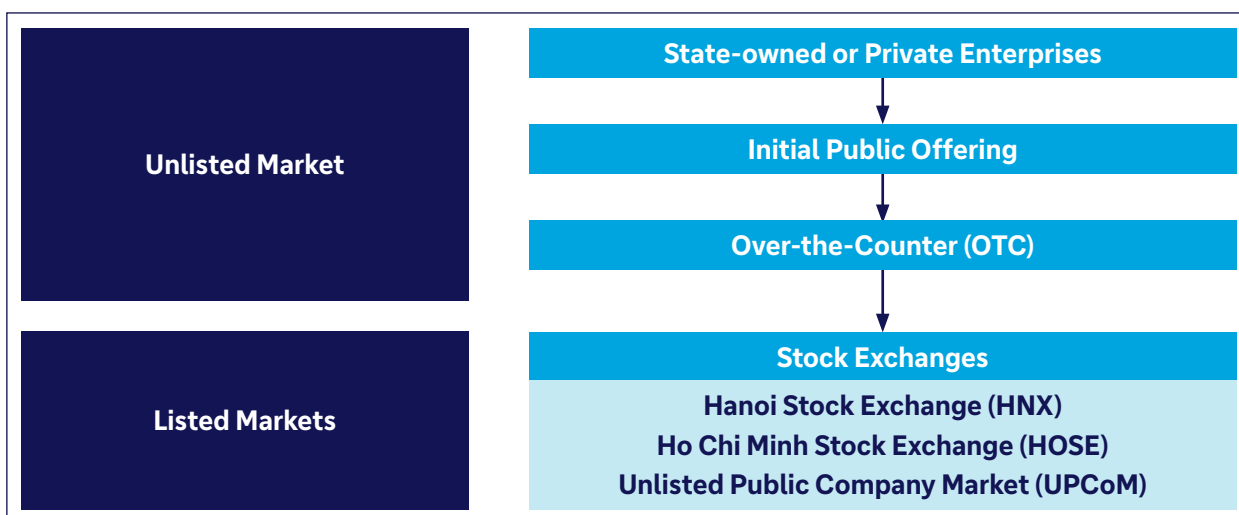
### State Securities Commission (SSC)

Roles	Securities market regulator
Scope	The SSC falls under the jurisdiction of the Ministry of Finance (MOF). The SSC regulates and acts as the supervisory agency to the stock exchanges. All exchange regulations are issued by the SSC, which has the power to suspend trading in securities, delete company listings to protect investors' interests and grant/ revoke licenses relating to securities issuance, brokerage and custody services
Website	<a href="https://www.ssc.gov.vn/webcenter/portal/ubck">https://www.ssc.gov.vn/webcenter/portal/ubck</a>

### State Bank of Vietnam (SBV)

Roles	Central bank
Scope	SBV's main functions are to formulate and implement the national monetary policy, stabilise currency, control inflation, improve socio-economic development; manage the currency and banking activities and contribute to the development of the market structure. SBV also regulates foreign exchange control for securities market activities
Website	<a href="https://www.sbv.gov.vn/webcenter/portal/en/home/sbv">https://www.sbv.gov.vn/webcenter/portal/en/home/sbv</a>

## 3.1 Regulators



## Ho Chi Minh City Stock Exchange (HOSE)

Roles	Stock exchange
Function	Primary trading centre for listed stocks, Investment Fund Certificates (IFCs) and bonds (corporate bonds and government bonds)
Mechanism	Automated order-matching system
Website	<a href="https://www.hsx.vn/">https://www.hsx.vn/</a>

Session	Trading Hours	Trading Method
Morning	09:00 – 09:15	Batch matching session to fix opening price
	09:15 – 11:30	Continuous matching session I Put-through transactions Block equities trading Bond trading
Break	11:30 – 13:00	
Afternoon	13:00 – 14:30	Continuous matching session II
	14:30 – 14:45	Batch matching session to fix closing price
	13:00 – 15:00	Put-through transactions Block equities trading Bond trading (13:00 – 14:00)
Market close	15:00	

## Hanoi Stock Exchange (HNX)

Roles	Exchange, market for Unlisted Public Company share trading (UPCoM)
Function	The HNX acts as a place to organise auctions of shares of unlisted companies, government bond trading (e-bonds)
Mechanism	Automated order-matching system
Website	<a href="https://hnx.vn/en-gb/">https://hnx.vn/en-gb/</a>

Session	Trading Hours	Trading Method
Morning	09:00 – 11:30	Continuous matching and put-through transactions
Break	11:30 – 13:00	
Afternoon	13:00 – 14:30	Continuous matching and put-through transactions
	14:30 – 14:45	Put-through transactions
	14:45 – 15:00	Batch matching session to fix closing price

For Corporate and Government Bonds (via specialised bond trading platform) the market is operational from 8:30 to 15:00 hours, with a break between 11:30 to 13:00 hours.

## Unlisted Public Company Market (UPCoM)

Roles	Market for Unlisted Public Company share trading (UPCoM)
Function	The UPCoM acts as a place to organise auctions of shares of unlisted Stocks and Corporate Bonds
Mechanism	Automated order-matching system
Website	<a href="https://hnx.vn/en-gb/cophieu-etfs/chung-khoan-uc.html">https://hnx.vn/en-gb/cophieu-etfs/chung-khoan-uc.html</a>

Session	Trading Hours	Trading Method
Morning	09:00 – 11:30	Continuous matching and put-through transactions
Break	11:30 – 13:00	
Afternoon	13:00 – 14:30	Continuous matching and put-through transactions
	14:30 – 14:45	Put-through transactions
	14:45 – 15:00	Batch matching session to fix closing price

For Corporate Bonds, the exchange is operational from 09:00 to 15:00 hours with a break between 11:30 to 13:00 hours.

## 3.2 Market Infrastructure

Vietnam Securities Depository and Clearing Corporation (VSDCC)	
Roles	Central depository and clearing corporation
Guarantee funds	Settlement Assistance Fund and Compulsory Loan Facility
Regulated by	SSC
Website	<a href="https://vsd.vn/en/">https://vsd.vn/en/</a>

Designated Clearing Banks for Cash Clearing for Trades Settlement	
Equities	Bank for Investment and Development of Vietnam (BIDV)
Government bonds	State Bank of Vietnam (SBV)
Privately placed corporate bonds	Vietcombank (VCB)

All market members are required to maintain cash accounts with the designated clearing bank for cash settlement of trades.

## 3.3 Summary of Key Legislations

There are numerous Decrees and Circulars related to the workings of the securities market, which are applicable to all Vietnamese investors as well as foreign institutional investors engaged in securities activities and the stock market. The key function of regulating the Vietnam securities market falls within the Law on Securities, which was first promulgated in June 2006 as Law No. 70/2006/QH11 and amended in November 2010 by Law No. 62/2010/QH12 (the “2010 Securities Law”). The new 2019 Securities Law No. 54/2019/QH14, which was promulgated on November 26, 2019, superseded the 2010 Securities Law from January 1, 2021. Foreign investors have to strictly adhere to Circular No. 213/2012/TT-BTC, guiding activities of foreign investors on the securities market of Vietnam, and Circular No. 05/2014/TT-NHNN, guiding the opening and the use of foreign indirect investment accounts to implement indirect investment activities in Vietnam.

### General regulations and rules applicable to foreign investors investing in the listed market:

- All trading transactions are to be conducted in Vietnamese Dong (VND)
- All trading transactions are to be 100% cash (VND) and securities pre-funded
- Short-selling of securities is currently not allowed
- Multiple trading accounts are allowed, limited to one account per securities company
- Substantial shareholder reporting obligations shall be applied on the total number of securities held on all accounts under investors’ names
- Intraday trading of the same securities is allowed, provided:
  - Order placement meets the pre-funding requirements
- Margin lending is not allowed for foreign investors

### 3.4 Disclosure Requirements

Under Circular No. 96/2020/TT-BTC of the Ministry of Finance dated November 16, 2020, substantial shareholders, defined as shareholders who own 5% or more stake of a listed/ UPCoM company, must disclose their holding and trading information for that particular listed/ UPCoM company.

Information disclosures are required in the following cases:

- Investor's holding in a listed/ UPCoM company reaching or exceeding 5% of the total outstanding shares of that particular listed/ UPCoM company, to be reported within seven trading days from settlement day of the first trade
- As a substantial shareholder, an investor must report changes in holdings which exceeds the 1% threshold of the total volume of shares. For example, when it reaches 6%, 7%, 8%, etc., of that particular listed/ UPCoM company
- Investor's holdings in a listed/ UPCoM company sliding below 5% total outstanding shares of that particular listed/ UPCoM company, to be reported within seven trading days from settlement day of the first trade

In addition, foreign investors and/ or affiliated persons who intend to hold up to 25% of the issuing company's paid-up capital, or are holding over 25% of the issuing public company's paid-up capital and intend to acquire up to 51%, 65% or 75% of the listed company, should send the tender offer documentation to the SSC and the target company. The target company is responsible for fulfilling the disclosure requirement with the respective stock exchange and also through public media within three working days.

# 4

## Market Entry and Registration

### 4.1 Market Entry

Foreign investors can freely invest in the Vietnam capital market, subject to having a non-criminal personal record and proof that the money being invested in Vietnam is legal, especially if the investment is of a significantly large amount.

The investment account set-up is completed based on the following steps:

Step 1	Custody Account	A foreign investor is required to open and maintain custody account(s) (including securities and cash accounts) with a custodian bank and trading accounts with a securities firm.
Step 2	Indirect Investment Capital Account	A foreign investor is allowed to open only one indirect investment capital account denominated in Vietnamese Dong (VND) with an authorised commercial bank.
Step 3	Trading Code	A foreign investor needs to register for Securities Trading Code (STC) with Vietnam Securities Depository (VSD) through the chosen licensed local custodian. Apart from trading, STC is also used to track the Foreign Ownership Limits (FOL).
Step 4	Trading/ Broker Appointment	Upon receipt of the STC, a foreign investor is permitted to buy and sell stocks and bonds. For execution, the foreign investor would need to sign a broker agreement with the local broker registered with the exchange.  A foreign investor can appoint multiple brokers in the market for order placing and execution, which is applicable to on-exchange transactions only.

## 4.2 Restrictions

The Vietnamese capital market is open to local and foreign investors. However, foreign investors need to obtain a securities trading code prior to being allowed to invest in the stock market.

However, for foreign investors, there are product-specific restrictions applicable as per below:

- **Shares:** Foreign investors are currently entitled to hold up to a maximum 49% stake in a listed or unlisted non-bank public company and a 30% stake in a listed or unlisted public bank, with a cap of 5% and 15% stake per individual and institutional foreign investor, respectively. However, a public listed company or unlisted non-bank public company can seek permission from the SSC to extend its foreign ownership limit up to 100%.
- **Bonds:** There is no foreign ownership limit on all types of straight bonds. However, for convertible bonds, the upper limits on ownership of shares are applicable.
- **Investment Fund Certificates:** Foreign investors are entitled to hold a maximum of 49% of the total listed investment fund certificates of a listed securities investment fund.

## 4.3 Registration

As per regulations, all listed securities must be registered with the VSDC. The registration process and documentation may differ, accordingly to the asset's class, i.e., equity shares, bonds, and covered shares. While shares of listed companies are registered with VSDC, some currently existing shares (of equitised but unlisted companies, for example) have been issued as bearer certificates and are not registered.

# 5

## Cash Management

Cash Management Highlights	
Currency/ Convertibility	VND is listed among the restricted currencies
Payment systems	Inter-Bank Electronic Payment System, Clearing Interbank Transactions and Accounts Data System - IBPS (CITAD)
Overdraft facilities	No
Funding requirements	Pre-funding market
Market timing for booking FX contracts	9:00 – 16:00 hours (Monday to Friday)
Types of FX contracts	Spot
Repatriation of funds	Yes

### 5.1 Payment Systems

Vietnam's payment system is defined in the central banking laws and managed by the SBV. The SBV is responsible for the Inter-Bank Electronic Payment System (IBPS) and the supervision of the in-house payment systems of individual commercial banks. The SBV oversees adherence to the legal frameworks for commercial banks' internal payment systems.

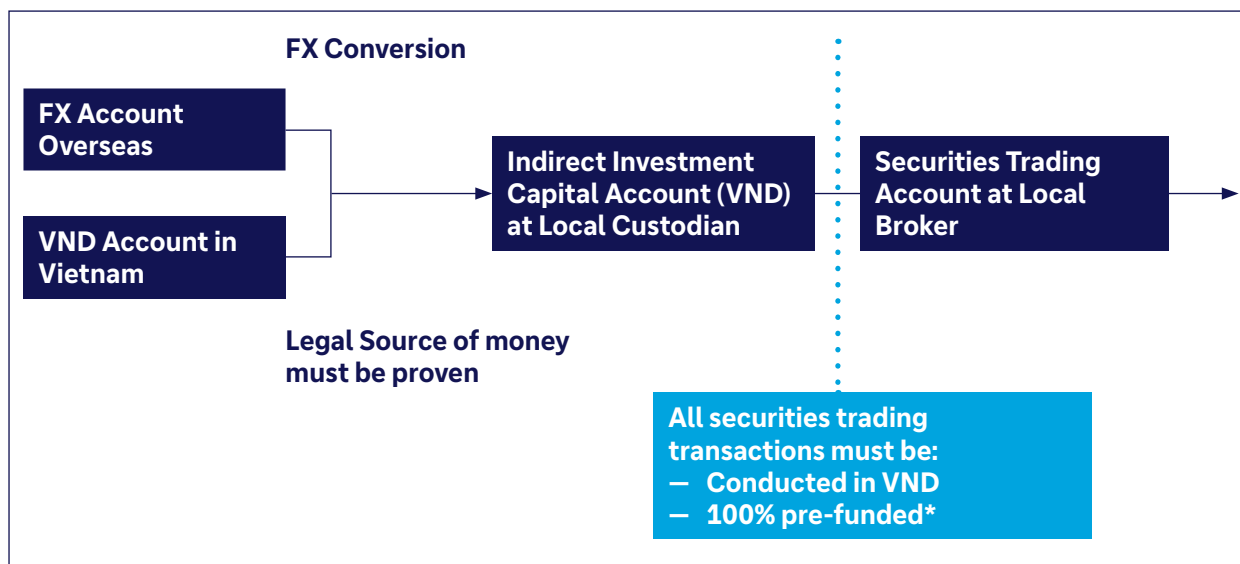
There are several clearing systems under the central management of the SBV: the SBV Ho Chi Minh City branch clearing system (paper-based), the SBV HO clearing system (paper-based), and IBPS (CITAD).

### 5.2 Funding Procedures

For investing in Vietnam, foreign investors must open and maintain:

- Foreign currency accounts
- One VND current account namely, 'Indirect Investment Capital Account' for investments in both listed and unlisted securities

\*Pre-funding is a must at the time of publishing this document; however, SSC is working on the project to do away with the pre-funding requirement.



All indirect investments of foreign investors in Vietnam must be made in VND. For trade settlement purposes, investors must remit the funds into the foreign currency account and arrange for the foreign exchange to be converted into VND for timely settlement. Before executing any trades for listed stocks on the respective exchanges, based on current regulations, the brokerage firm will need to contact the client's custodian to confirm the availability of sufficient cash and stocks in the client's account. The custodian would then block the cash and each listed stocks purchase for the investor.

Under the current regulations, credit facility is not allowed and cash accounts are not allowed to be overdrawn.

The transfer of money into Vietnam must strictly follow the applicable anti-money laundering regulations. Investors shall be responsible for the legality of the source of money transferred into Vietnam for the purpose of securities trading.

### 5.3 Foreign Exchange

Vietnamese Dong (VND) is not a freely convertible currency. The purchase of foreign currency against VND is subject to strict conditions and documentation requirements. Capital contributions, and the purchase and sale of securities by foreign investors within the territory of Vietnam, must be made in VND only.

Foreign investors are required to convert incoming foreign currencies into VND before investing. While Circular No. 123/2015/TT-BTC, dated August 18, 2015, requires foreign investors to open an indirect investment cash account at an authorised custodian bank for FX transactions, Circular No. 05 stipulates that transactions relating to indirect foreign investment in Vietnam must be made through an Indirect Investment Capital Account (IICA) opened at an authorised bank. A foreign investor seeking to invest in Vietnam and having a trading code needs to comply with having one IICA account with an authorised custodian bank in Vietnam.

For incoming and outgoing funds from the IICA for indirect investment activities of foreign investors, the authorised bank is required to check supporting documents in relation to the transactions. The supporting documents include: the client's incoming remittance instructions, FX conversion instructions, dividend payment receipts, securities sales proceeds advice, settlement instructions, investment contracts/ agreements. Dividend/ interest income and capital gains can be freely repatriated with the provision of supporting documents indicating that the money had been inwardly remitted and invested in the Vietnam market and evidence/ clearance from the tax office that all tax obligations have been fulfilled.

The local custodian bank normally offers FX facilities through its dealing department, where foreign currency versus VND deals and vice versa can be executed on every business day between 08:30 hours to 16:30 hours.



## 5.4 Overdraft Facilities

Under Circular No.05/2014/TT, foreign investors are not allowed to use VND balances in the IICA for placing term deposits and saving deposits with banks. Payment of interest on IICA balances is not permitted.

# 6

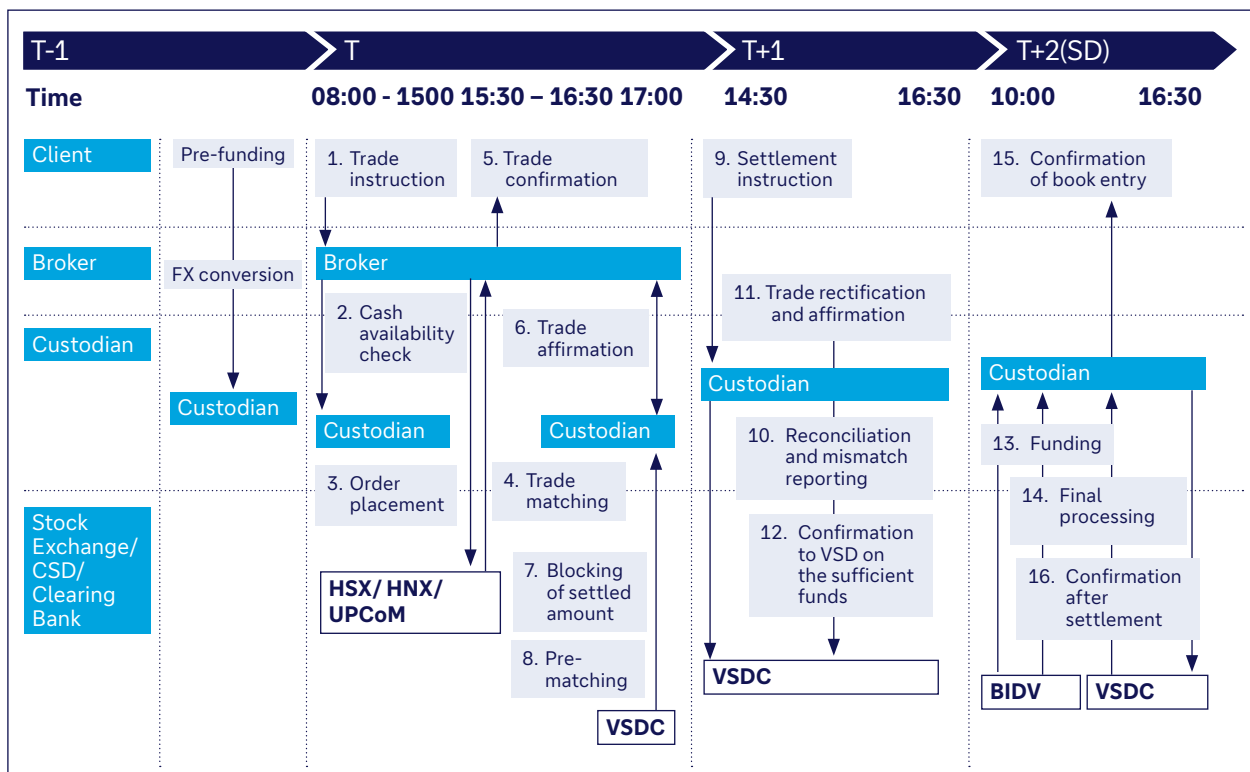
## Clearing and Settlement Practices

All listed securities are dematerialised and immobilised within the VSDC, and the transfer of ownership occurs simultaneously with settlement. Shares of Unlisted Public Companies (UPCoM), which are not listed on the Ho Chi Minh Stock Exchange (HOSE) or the Hanoi Stock Exchange (HNX), are not registered with the VSDC and held in the form of securities booklets, are generally kept safe in the bank vault.

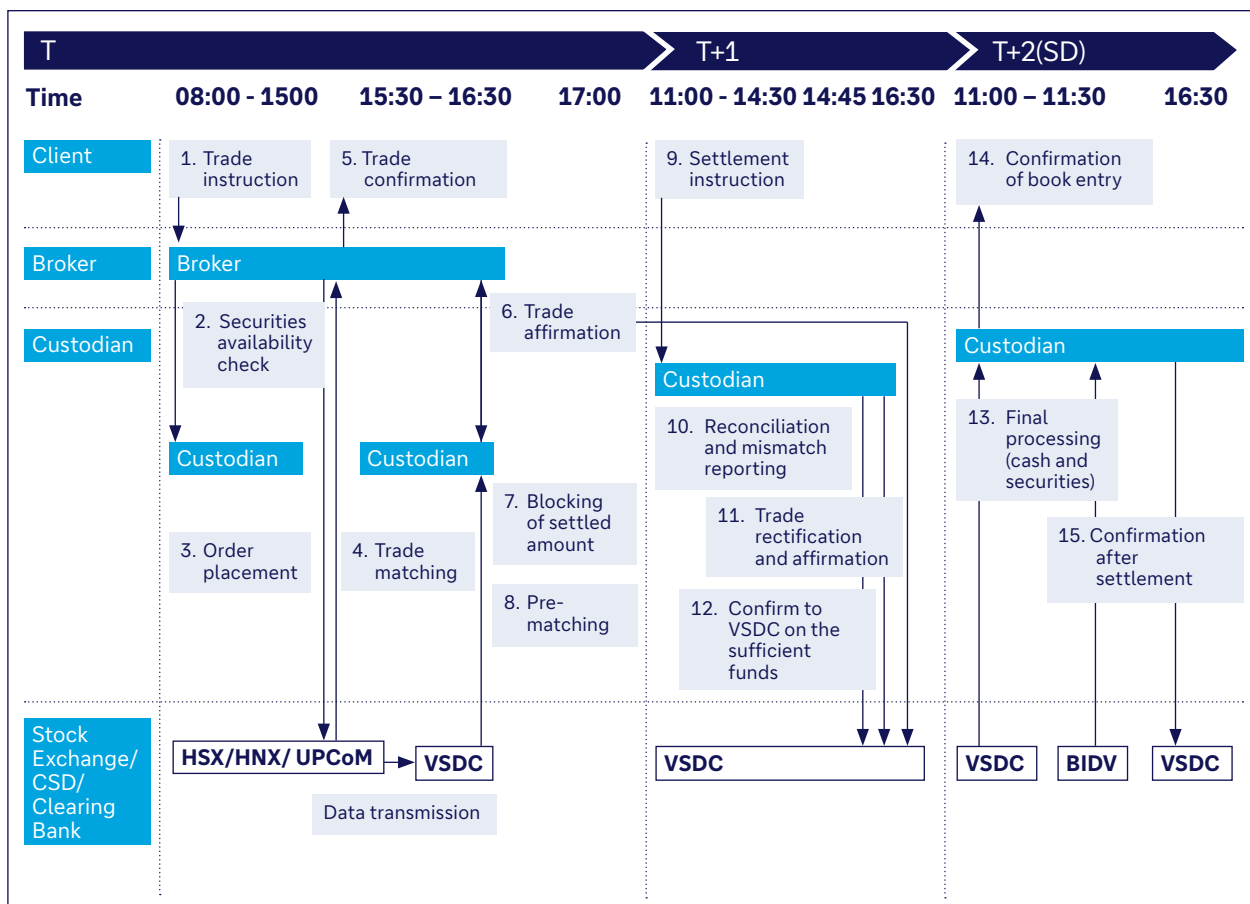
The settlement cycle for equities and UPCoM shares is T+2, while for government bonds it is T+1. Only transactions of listed securities against payments are permitted, while transactions for partial settlement and failed trades are not permitted. However, same day trading (buy and sell) and turnaround trades of the same securities code are not permitted. Cash and securities are netted-off simultaneously by the VSDC, but cash clearing is done by the designated clearing banks: BIDV for equities, SBV for government bonds, and VCB for privately placed corporate bonds. The VSDC follows BIS Model 3, which involves settling the transfer instructions for both securities and funds on a net basis, with final transfers of both securities and funds occurring at the end of the processing cycle.

# 6.1 Settlement Flow – Equity Trades

## Equity Purchase Trades

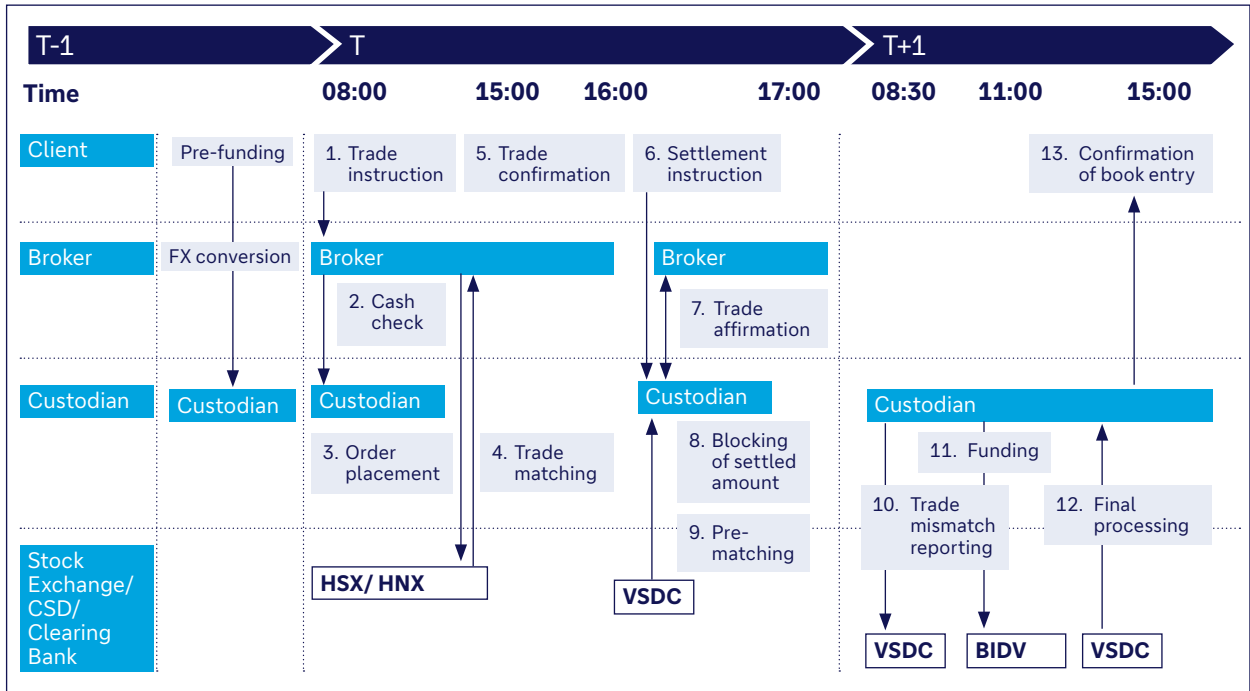


## Equity Sell Trades

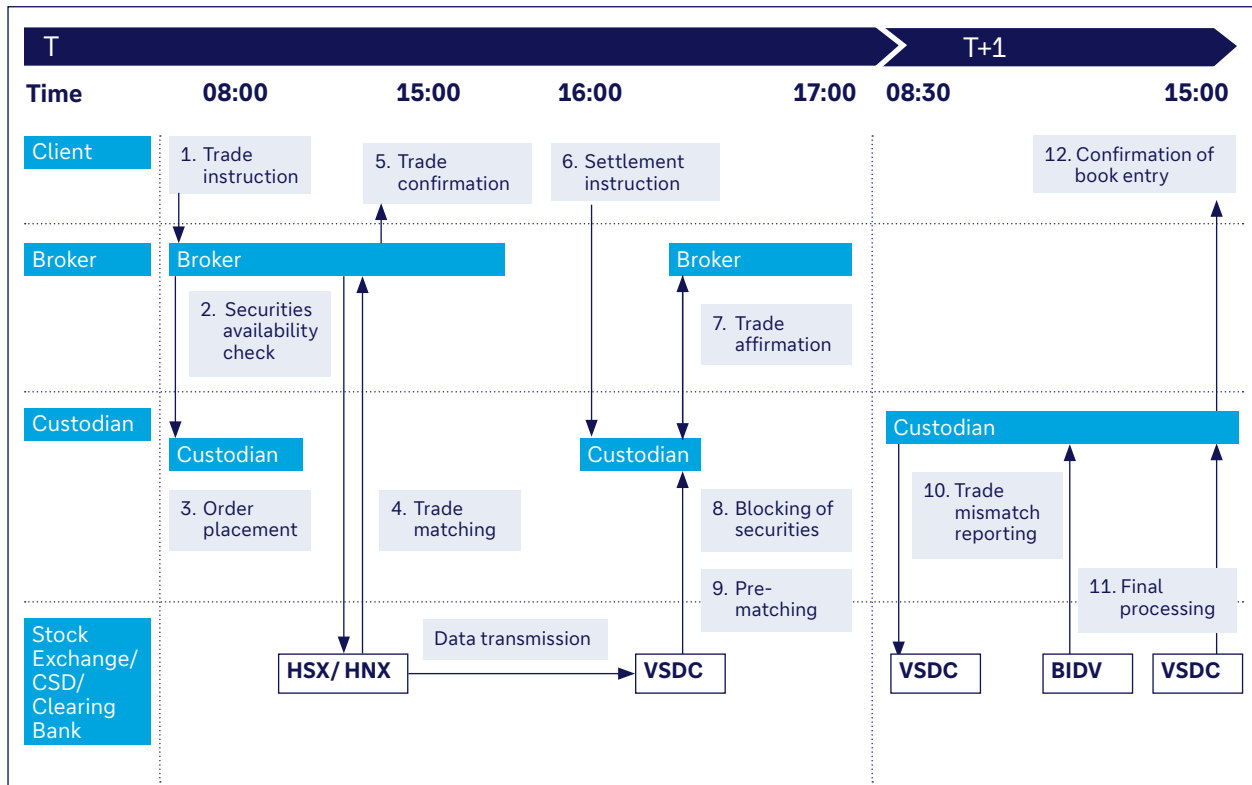


## 6.2 Settlement Flow – Bond Trades

### Bond Purchase Trades



### Bond Sell Trades



## 6.3 UPCoM Equities and Convertible Bond

Date	Time	Activity
T-1		– Investors are required to fund their cash accounts
T	15:00	<ul style="list-style-type: none"> <li>– Trading closes at 15:00</li> <li>– HOSE/ HNX processes all trades and completes data feeding to the VSDC</li> <li>– Upon pre-matching of brokers' trade confirmations against VSDC transaction report, custodian banks capture such deals into their systems</li> </ul>
T+1		– Investors send settlement instructions to custodian banks
T+2	16:00	– Custodian banks transfer respective funds required to the designated bank

## 6.4 Pre-Matching

On T date, the executed trade report needs to be downloaded from the VSDC's system by the depository members between 16:00 – 17:00 hours (local time).

For trades that are mis-matched or un-matched, the brokers need to immediately notify the custodian banks and investors. The brokers need to send a trade rectification notification, in which custodian banks affirm the correct transaction details, to the VSDC latest by 8:30 hours on T+2 for equities and on T+1 for bonds. For trades that are matched, there is no requirement for notification or affirmation from the depository members to the VSDC.

## 6.5 Fails and Buy-ins

Failed trades and buy-ins are not permitted in the Vietnamese securities market. In case investors fall short on cash for pre-funding, there are two facilities to support trade settlement that have been arranged and managed by the VSDC. These are the Settlement Assistance Fund (SAF) and the Compulsory Loan Facility (CLF).

### 6.5.1 Settlement Assistance Fund (SAF)

The SAF can be utilised whenever a depository member is temporarily short of liquidity for settlement and the shortage amount is less than VND 25 billion. The funds from SAF, along with a penalty charge of 0.1% per day for the liquidity support availed from SAF, are required to be returned within five working days. If the repayment is not done within the five days, a penalty of 0.15% per day is applicable from the sixth day onwards.

Rectification of trading errors at the UPCoM caused by a depository member can lead the related counterparty depository member's account to be overdrawn. The VSDC uses the SAF to finance the affected members. Accordingly, the member having the rectified trade shall pay the interest on the loan for one day from the Settlement Date (SD). Subsequently, the related counterparty member needs to repay the loan on SD+1. If the related counterparty member fails to repay the loan on SD+1, the prevailing interest is applicable from SD+2 onwards. Other current procedures for the loan from the SAF will be applicable.

### 6.5.2 Compulsory Loan Facility (CLF)

The CLF can be utilised whenever a depository member is temporarily short of liquidity for settlement and the shortage amount is more than VND 25 billion. This loan facility agreement (signed with the designated clearing bank) should be in place before utilisation. The interest rate is decided by the designated clearing bank on the borrowing date.

## 6.6 Turnaround Trades

Turnaround trades of the same security code are not permitted.

## 6.7 Short Selling

Short selling of securities is not allowed.

## 6.8 Securities Borrowing and Lending

In situations when a depository member falls short on securities, VSDC has introduced the Security Borrowing and Lending (SBL) mechanism to facilitate the trade settlement. If the investor is unable to obtain securities from the market to settle the trade, the VSDC will check with other parties in the trading system to assist the failing party through direct negotiations. This transaction requires the approval of the VSDC.

Key features of the Securities Borrowing and Lending mechanism are presented as follows:

Application Scope	Trading Error Rectifications	ETF Contribution/ Exchange
Description	When depository members are short of securities resulting from trading error rectification	When authorised participants are insufficient in stocks for capital contribution or exchange with Exchange Traded Funds
Trading method	<ul style="list-style-type: none"> <li>– Direct negotiation</li> <li>– Negotiation via SBL system</li> </ul>	<ul style="list-style-type: none"> <li>– Direct negotiation</li> <li>– Negotiation via SBL system</li> </ul>
Tenure	5 days	90 days
Extension	Allowed three times, each extension should not exceed 5 days	Allowed three times, each extension should not exceed 30 days
Collateral	Cash	<ul style="list-style-type: none"> <li>– Cash</li> <li>– Eligible listed securities</li> </ul>
Partial settlement	Allowed	Allowed
Where Foreign Ownership Limit (FOL) breach resulted from loan settlement	Not applicable	The excess quantity of stocks should be compensated in cash
Pre-blocking of collateral	<ul style="list-style-type: none"> <li>– Cash should be blocked at the designated clearing bank</li> </ul>	<ul style="list-style-type: none"> <li>– Cash should be blocked at the designated clearing bank</li> <li>– Securities should be blocked at the VSDCC</li> </ul>

## 7

## Corporate Actions

Corporate Action Highlights	
Peak period	January – March, May – September, and November - December
Key events	Cash dividend, Bonus issue, Rights issue, Stock dividend, AGM/ EGM, Interest income, Bond conversion and redemption
Sources of information	VSDC's announcements (hard copy/ website), HOSE and HNX, company websites
Entitlement date	Record date
Entitlement computation	Record date
Pay date	Pay date is available on the announcement date for monetary events Listing date of the resultant shares for non-monetary events is not available on the announcement date but approximately one week prior to the official listing date
Corporate action claims	No standard procedure for market claims. Depends on issuer

Income Collection Highlights	
Peak period	May – September and November – December
Sources of information	The HOSE/ HNX, local newspapers
Entitlement date	Record date
Entitlement computation	Record date
Pay date	Ideally six days from the record date, but normally it takes longer
Corporate action claims	Variable, depends on issuer

Proxy Voting Highlights	
Peak season – AGM	December – February and June – August
Eligible securities	Ordinary shares
Notification source	Announcements made by companies directly to shareholders
Notice period	At least seven working days prior to the AGMs/ EGMs
Eligibility date	Record date
Eligibility computation	Record date
Blocking of shares	No
Re-registration	Not applicable
Voting method	In person or representative
Voting restriction	No
Split voting	Yes
Meeting results	Shareholders need to contact the company for the AGM results. The company also submits a brief report of the outcome of the meeting to the VSDC. The VSDC publishes AGM results on the subsequent day in the Daily Stock Exchange Bulletin issued by the HOSE/ HNX



# 8 Duties and Tax

## 8.1 Withholding Tax (WHT)

Gains derived from the sale of equity shares of a Vietnamese company are usually subject to a 20% CIT (Corporate Income Tax). This is generally referred to as Capital Gains Tax (CGT), although it is not a separate tax. The taxable gain is determined as the excess of the sale proceeds less cost (or the initial value of contributed charter capital for the first transfer) less the transfer expenses.

Where the vendor is a foreign entity, a Vietnamese purchaser is required to withhold the tax due from the payment to the vendor and account for this to the country's tax authorities. Where the purchaser is also a foreign entity, the Vietnamese enterprise which is transferred is responsible for the CGT administration and payment.

### 8.1.1 Withholding Tax (WHT)

Applicability of WHT	
Equity dividends	Exempt, for non-resident institutional investors
Fund certificate dividends	25% on profit distributions of local funds
Bond interest	Interest paid on bonds (except for tax exempt bonds) and certificate of deposits issued to foreign entities is subject to 5% withholding tax

### 8.1.2 Sales Transaction Tax/ Corporate Income Tax

Transfers of securities (listed bonds and shares of public joint stock companies, etc.) by a foreign entity are subject to CIT on a deemed basis at 0.1% of the total sales proceeds. Gains derived by a resident entity from the transfer of securities, however, taxed at 20%.

These charges are deducted by the custodian upon settlement of the gross proceeds from the depository and before crediting the net amount to the client's account. The sales transaction is transferred to the securities company on the settlement date, and it is the responsibility of the securities company to further pay the applicable tax on foreign investments to the revenue department under the MOF, as per local laws.

### 8.1.3 Value-added Tax (VAT)

Non-resident institutional investors are levied a flat tax rate of 0.1% VAT on sale proceeds from selling listed/ registered public company's shares and certificates.

### 8.1.4 Double Taxation Avoidance

Vietnam has signed around 80 Double Taxation Avoidance (DTA) agreements, and there are several others at various stages.

In terms of DTA relief, the process has changed from notification to approval with effect from January 1, 2022. A deadline for the tax authorities' review and assessment of DTA claims has been introduced. Within 40 days upon receipt of sufficient documents, the tax authority is required to issue a decision which approves the amount of tax eligible for exemption/ reduction or notifies taxpayers in writing of the reasons for any rejection of the claim.

The types of taxes that are subject to exemption across the various DTAs and the procedures are complicated and time-consuming. Appointing a local tax consultant is advisable for foreign investors.

### 8.1.5 Tax Exemption

Interest income accrued from specified government organisations is exempt from tax.

### 8.1.6 Tax Reclaim

Tax reclaim procedure in Vietnam is complicated and time-consuming. Appointing a local tax consultant is advisable for foreign investors.

## 8.2 Market Charges

### 8.2.1 Brokerage Commission

Fees are determined under a mutual agreement between securities companies, investment management companies and foreign investors. The current approximate brokerage fees range between 0.15% to 0.2% for shares and 0.1% for bonds.

### 8.2.2 Depository Fees

- Stocks and fund certificate: VND 0.27/ month
- Corporate bond: VND 0.18/ month
- Government bond: VND 0.14/ month

### 8.2.3 Sales Transaction Tax (STT)

As mentioned under point 8.2, the depository would credit 100% of the sales value to the custodian. These charges are deducted by the custodian upon settlement of the gross proceeds from the depository and before crediting the net amount to the client's account. The STT is paid by the securities company to the revenue department under the MOF.

## 9 Glossary

AGM	Annual General Meeting
BIDV	Bank for Investment & Development of Vietnam
CGT	Capital Gains Tax
CIT	Corporate Income Tax
CLF	Compulsory Loan Facility
DTA	Double Taxation Avoidance
FOL	Foreign Ownership Limits
HNX	Hanoi Stock Exchange
HOSE	Ho Chi Minh Stock Exchange
IBPS	Inter-Bank Electronic Payment System
IICA	Indirect Investment Capital Account

MICR	Magnetic Ink Character Recognition
MOF	Ministry of Finance of Vietnam
SAF	Settlement Assistance Fund
SBL	Securities Borrowing and Lending
SBV	State Bank of Vietnam
SEFT	Special Electronic Fund Transfer
SSC	State Securities Commission
STC	Securities Trading Code
UPCoM	Unlisted Public Companies
VAT	Value Added Tax
VCB	Vietcombank
VND	Vietnamese Dong
VSDC	Vietnam Securities Depository and Clearing Corporation

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