



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

Comparison of Key Statistics in Securities Markets across Jurisdictions

ICSA Emerging Markets Committee

June 2019

This paper should not be construed as representative of the views of the International Council of Securities Associations (ICSA). The views and opinions expressed in this paper are those of the members of the EMC, and do not necessarily reflect the views of ICSA or its members.

ICSA EMC Survey – Comparison of Key Statistics in Securities Markets across Jurisdictions

Background

International Council of Securities Associations (ICSA) is an international association of like-minded bodies across various jurisdictions. Each jurisdiction has nuances and uniqueness including cultural ones. However, there is much commonness in the diversity in terms of issues faced by the market participants. Therefore, there is much scope of learning and sharing best practices and experiences with each other.

Under this premise, the Emerging Markets Committee (EMC) decided to conduct the survey on “Comparison of Key Statistics in Securities Markets across jurisdictions”.

ICSA’s EMC is currently chaired by Bombay Stock Exchange Brokers’ Forum, India (BBF) with the committee being composed of following members:

1. Korea - Korea Financial Investment Association (KOFIA)
2. Mexico - Asociacion Mexicana de Instituciones Bursatiles, A.C. (AMIB)
3. Taiwan - Taiwan Securities Association (TSA)
4. Thailand - Association of Thai Securities Companies (ASCO)
5. Turkey - The Turkish Capital Markets Association (TCMA)
6. India - Association of National Exchanges Members of India (ANMI)

Preface

In this day and age of globalization, it is very important to be aware about the performance of each other’s economy around the world. This not only helps in understanding the jurisdictions but also encourages sharing of best practices among member countries. There is a dearth of information about the structure and functionalities across jurisdictions. Even if made available, it faces barrier of language, lack of understanding, difference in terminologies, regulatory differences etc. among the jurisdictions.

This survey attempts to compare the various data points and the structure of securities markets

across jurisdictions and to help participants to understand how different markets function.

There are various topics and functions that the survey tries to cut across e.g. the basic market structure, crypto-currency, risk factors in the coming years, concept of social security, etc.

Survey Results

The main objective of this survey was to compare and represent the key statistics in the securities markets of different participant countries so as to enable each jurisdiction to gather information about others' markets and brainstorm on various important data points that are critical in the financial realm of various economies.

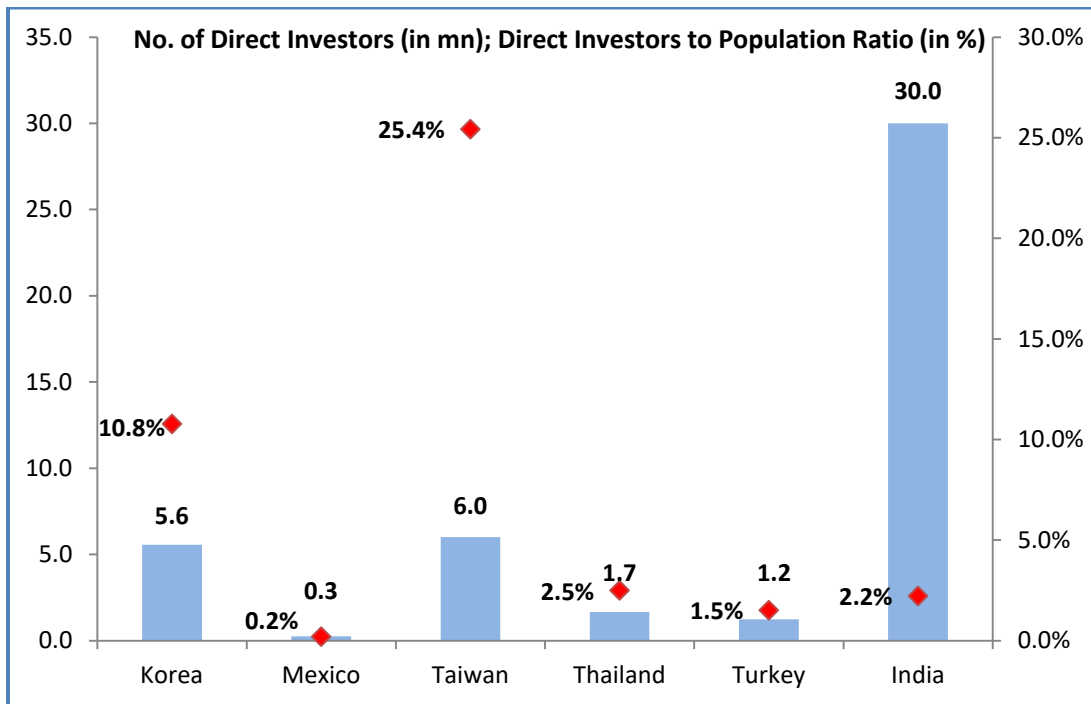
Analysis of the responses received is represented from page 4 to page 10.

Further, key extracts of the original responses received from participants are tabulated from page 11 to page 16.

Part A- Analysis and Representation of Key Data Points

1. Structure of Securities Market

The aim of this part of the survey is to get a broad idea about how the securities markets are structured across different jurisdictions. A strong financial market with broad participation is essential for the growth of an economy. Taiwan's 25% population has a direct exposure in the securities market, being largest of all the participants. Korea comes in 2nd place with over 10% of its population having direct exposure. Other emerging markets though have some ground to cover with a meagre participation of 0.2-2% of their population.



The above graph shows the number of investors who have invested directly in the securities market across all the jurisdictions and also the percentage of such investors to total population. Since the data provided by the participants was inconsistent, we have refrained from analyzing the number of investors investing through indirect route. Mexico has the lowest number of direct investors (241,957) in terms of absolute numbers as well as percentage to population. India, though, has highest number of direct investors (30 mn) but the percentage to population is a meagre 2.2%. Interestingly, India has the most number of active brokers servicing such large number of investors.

A very healthy number of investors **trade online** in most of the participant markets. Not surprisingly, 93% of Korea's investors trade online, given the technological advancements of the country, followed by 60% in Taiwan. The number for all other markets, except Mexico, ranges between 25% and 30%.

Since the **Small and Medium Enterprise (SME)** or "startup" culture has taken the emerging markets by storm in the past few years, all the jurisdictions have created some sort of platform for the same on the stock exchanges. Korea is the leader in the SME segment with an astounding 1476 listed entities with the market capitalization of \$210 bn.

There is a presence of a legal framework for **cyber security** across all the participant securities markets. These regulations mainly focus on governance of enterprise information technology and information communication security via computer network systems and operations security.

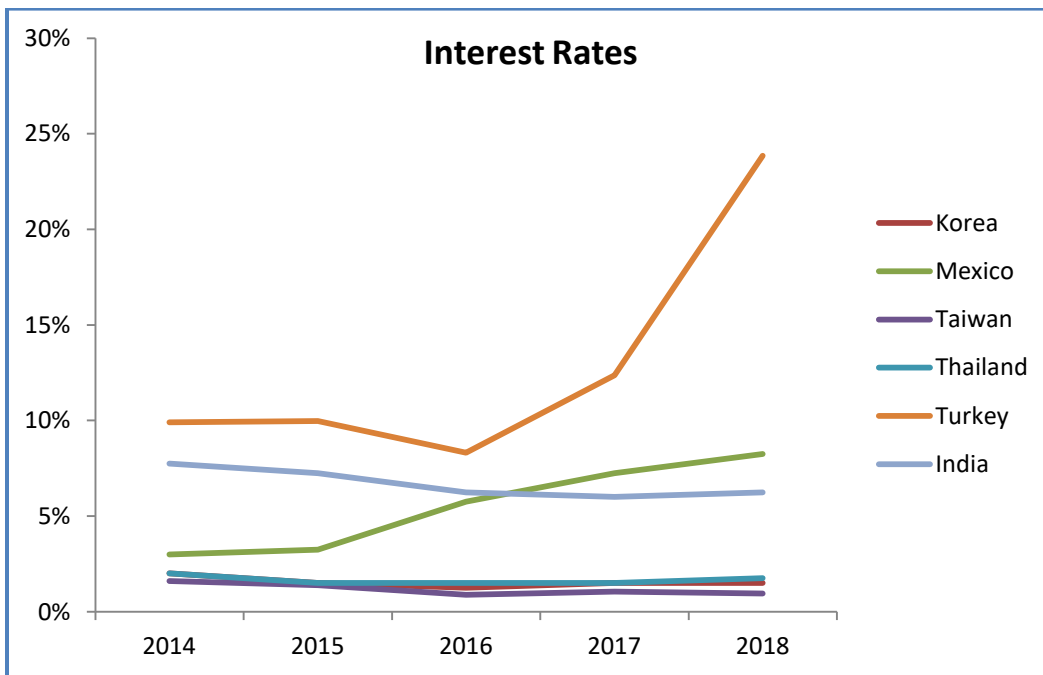
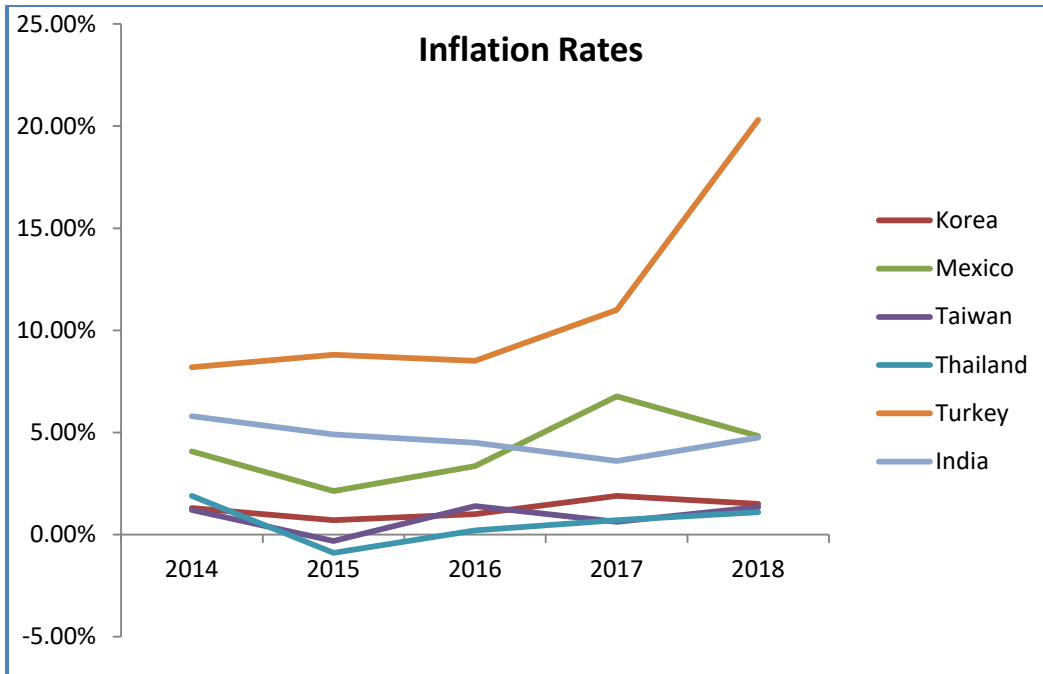
There are additional **safeguards** put in place by most of the jurisdictions to avoid **fat finger** fluctuations. These include single- order limits and circuit- breaker systems.

The issue of **crypto currencies** has been actively debated across different markets. There have been a number of contrasting views on crypto questioning its various aspects, such as it being a legal tender, its market regulations and its online security from theft. Most of the participant markets do not permit the use of crypto currencies, showcasing strong resistance towards its practical usage and lack of market regulations. Korea, Mexico and India authorities are considering regulating crypto currencies in future. Thai SEC has already approved 3 digital asset exchanges.

2. Macro Numbers

In this section, some of the macro data from different participants was focused upon and represented.

We studied both the **inflation rates and interest rates** of the countries over a period of five years.



It can be clearly seen from the above graphical representation that both the rates for Turkey increased very significantly in 2018. The interest rates have been more or less stable for Taiwan, Thailand and Korea. However, there was a deflationary phase for Thailand and Taiwan in 2015. The domestic currencies of the participants have been quite volatile against the US dollar over the past few years. The Turkish Lira depreciated by a staggering 40% in the CY2018. India came

in second with a sharp depreciation of 9% against the dollar, during the same time. Thailand and Taiwan are the only countries whose currencies have appreciated in the last two years.

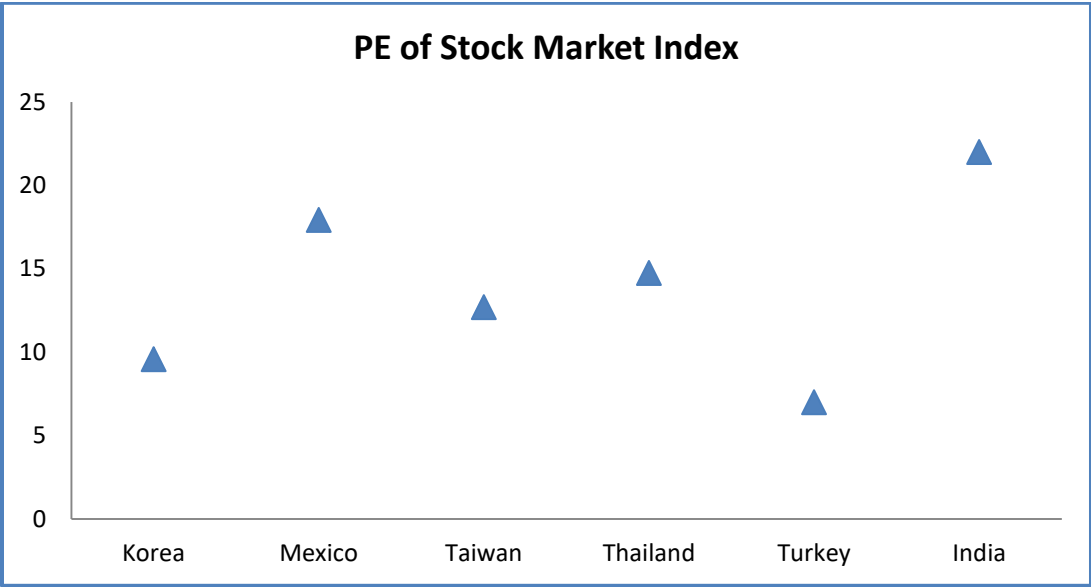
Bulk of the **household wealth** of the Taiwanese population is in financial assets (63%), highest amongst the jurisdictions. For others it ranges between 10% and 25%. At the same time, an astounding 85% and 75% of the household wealth is lying in the form of bank deposits in Turkey and Korea respectively.

As part of the emerging economies, most of us tend to save a good portion of our wealth. The same is pretty evident when most of us, on an average, have 30% as **saving rate** as % of GDP.

When the **concept of social security** comes into the picture, all the participants have various welfare schemes and funds allocated for the same. Pension funds and provident funds, both mandatory and voluntary, are the most famous form of social security funds across the financial markets.

3. Market Related Information

The participants were requested to share some market related information and the same is represented below.



The above figure shows the **PE ratio** of stock indices across different markets. India has the

highest PE of 22 among the peer group.

Interestingly, in India, more than 50% of the **market capitalization** lies in the hands of the promoters of the companies and in contrast, the ownership of the market cap with foreign investors is highest at 65% in the Turkish securities market.

There are various **risk factors** that are identified by different countries in the times to come. Geo- political instability is the most common thread that runs across the board. The jurisdictions also fear the slowdown of respective domestic economies, giving a bearish outlook on the future growth story of the emerging markets, per se. The US- China trade conflicts are a big worry for the world economy and the participants share the same notion.

One of the questions of the survey pertained to the **trading hours** of respective jurisdictions. In general, across different markets, trading starts in the morning in the range of 8:30 am to 9:30 am, for the equity market. One of the interesting points that came across in the survey responses is that both Thailand and Turkey markets have an intermission of 1-1.5 hour during their equity trading session. Interestingly in India, the non- agricultural commodity derivatives are open for trading for more than 12 hours (10 am- 11:30 pm). Korea has an overnight futures trading system linked with overseas exchanges, operating from 6 pm to 5 am.

There are some data points that pertain to **securities volume** in respective markets. Korea and India have a very high portion of the proprietary volume in the equity segment at 65% and 22% respectively. For Thailand, the foreign and domestic institutional investors make up for 47% of the total equity turnover, being highest across all jurisdictions.

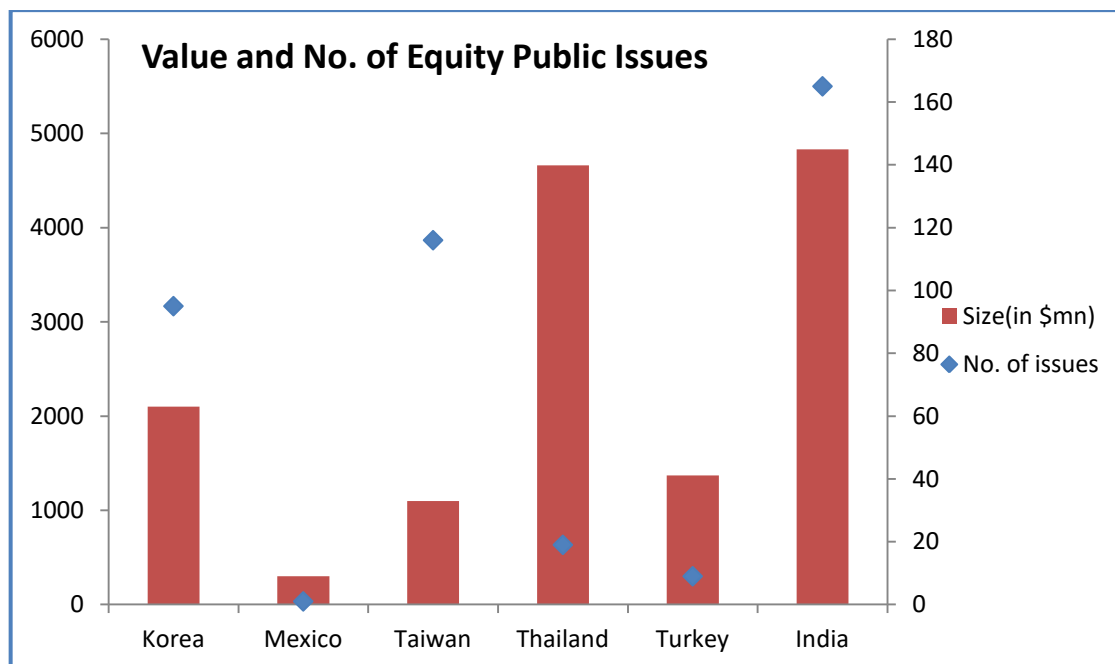
4. Institutional Participation

CY2018 has experienced lot of volatility in the equity markets, across the globe. In these times of volatility, monies were pulled out of Taiwan, Thailand and India by the foreign investors. On the other hand, Korea has seen huge amount of inflow from both domestic as well as foreign institutions in CY2018. In the given peer group, India has the highest cumulative FDI/FPI of \$757 bn.

USA and UK have been the **major investors** in almost all the jurisdictions.

5. Primary Market

The primary market is considered to be the barometer of the health of the capital markets. The figure below shows the **number and value of equity public issues** across all jurisdictions.



The above graphical representation shows **healthy fund raising** for the corporate sector in almost all the primary markets for CY2018. While on one hand India had the most number of IPO issues with the largest value (\$4.8 bn), Mexico had only 1 issue of \$300 mn. Although Thailand had relatively less number of issues (19), but it raised an astounding \$4.7 bn from the same.

There are regulations for corporations in order to go public and to ensure that the non-promoter parties have a level playing field. In light of the same, for a company to be listed, it should have a **minimum public holding**. The same is in the range of 15-25% for majority of the jurisdictions. All these positive steps are taken in the interest of the primary market investors. The listing cost for IPOs varies from market to market.

In line with the present culture of SMEs and startups, all the participants have a **separate IPO classification** for them. It helps the SMEs to easily access capital and meet the financing opportunities.

For Taiwan and India, there are certain market-making provisions for new issues. In these markets, it's mainly mandated for SME issues. For Taiwanese main board issues, compulsory market making in the form of price stabilization is mandated for 5 days. Interestingly, in Korea, ordinary investors can request a put option to the underwriting company at 90% of the IPO price for 3-6 months in cases (a) when there is no book building of IPO (b) when meeting the growth potential requirements to be listed on KOSDAQ or (c) when listing companies that have never realized profits.

6. Asset Management Industry

This section mainly dealt with various **investment avenues** that are offered by the asset management industry across different jurisdictions. Mutual Funds and brokerage services are the most common discretionary wealth management options across the board. Some of the participants offer these services with minimum ticket size. The AUM of the discretionary asset management industry is over \$500 bn for both Korea and India. Both these markets also have very well established wealth management vehicles in the form of Systematic Investment Plan (SIP)/ Systematic Transfer Plan (STP). Exchange Traded Funds (ETFs) are becoming very popular in most of the markets with Korea, Mexico and Taiwan having large amount of ETF AUM in the range of \$183 bn- \$350 bn. This is in line with world's growth of ETFs as a favored investment vehicle.

7. Transaction Charges and Taxation

Mexico and Turkey are the cheapest markets with no **transaction cost** except brokerage commissions while making equity investments. Thailand is the 2nd cheapest with TBH 149.8 as the transaction cost and for the rest (Korea, Taiwan and India), 2000-3000 local currency unit is the cost for purchase and subsequent sale of 1 mn each in local currency. The **general taxation rate** for individuals and corporations is discussed as part of the survey. India has the highest corporate tax bracket of 25-30% amongst all the jurisdictions. The general taxation rate for individuals is in the range of 5-40% (slab based) for mostly all the participants.

Part B- Tabulated Survey Responses

The information provided in the survey responses has been tabulated for the benefit of the participants, so as to easily view and compare different data points across all jurisdictions.

1. Structure of Securities Market

Questions		Countries					
		Korea	Mexico	Taiwan	Thailand	Turkey	India
Population		51.6 mn	119.9 mn	23.6 mn	66.4 mn	81.9 mn	1.35 bn
Market capitalization		\$1.42 tn	\$384.93 bn	\$1.05 tn	\$500.74 bn	\$150 bn	\$2.0 tn
Number of active Stock Exchanges along with their names		1; KRX	2; BMV, BIVA	2; TSE,TPEX	1; SET	1; BIST	3; BSE, NSE, MSE
Direct Investors		5.56 mn	241,957	6 mn	1.66 mn	1.24 mn	30 mn
Estimated number of investors having direct plus indirect exposure to securities market (i.e. through Mutual Funds and asset management companies)		15.1 mn	64.66 mn	9 mn	5 mn	MF 2.9 mn; Individual AMC 2.7 mn	50 mn
Number of active securities firms/ brokers servicing investors		56	35	107	39	63	1500
Number of listed securities							
Equity		2248	140	1694	620	295	4600+
Debt		13,389	213	1757	-	674	400+
Others (Warrants, ETF, etc)		3519	101	21376	1676	1635	66
Percentage of investors trading online (through internet)		93%	No	60%	25%	56% Volume	30%
Settlement Period	Equity	T+2	T+2	T+2	T+2	T+2	T+2
	Derivatives	T+1	T+1	Warrants- T+2; F&O- T+0		T+1	T+1
Is there a Small and Medium Enterprises (SME) and/ or Startup platform on Stock Exchanges?		Yes	Yes	Yes	Yes	Yes	Yes
If Yes	No of Listed Entities	1476	None	256	159	17	300
	Market Capitalization	\$210 bn	None	\$17 bn	\$7.4 bn	\$189 mn	\$4 bn

Is there any restriction on brokerage that can be charged by the broker to clients of different segments?	No	No	No	No	No	Max of 2.5%
Are derivative products settled in cash or result into delivery?	Currency futures-delivery; Other derivative products - cash	Both	Most in cash, some result into delivery	Most products settled in cash, except Gold-D and Rubber (RSS3D) are physical delivery	Equity and wheat F&O- physical delivery basis; Index, currency, ETF, interest rate, gold, steel and energy F&O- Cash settlement	Equity stock derivatives to be delivery settled by 2019. Index, currency and Interest Rate derivatives are cash settled
Is crypto currency allowed in your country? If yes, what is the legal status?	Not permitted by law	Purchase of cryptocurrencies through specialized exchanges. Corresponding regulatory framework is in process	Not allowed	Not allowed	Crypto securities business is not banned, but it is not a regulated area	Not illegal; No banking facilities; Not permitted

2. Macro Numbers

Questions	Korea	Mexico	Taiwan	Thailand	Turkey	India
GDP of the country	\$1.55 tn	\$1.2 tn	\$590 bn	\$505 bn	\$748 bn	\$ 2.6 tn
Percentage of household wealth in financial assets	25%	10-12%	63%	NA	15%	15-20%
Bank deposits as percentage of household financial assets	75%	No info	22%	NA	85%	53%
Saving Rate as % of GDP	35%	28%	32%	NA	25%	27%

3. Market Related Information

Questions		Korea	Mexico	Taiwan	Thailand	Turkey	India
Consolidated Stock Market Returns for last 5 years (Jan 14 to Dec 18)		4.90%	3.80%	13.80%	43.9%	34.75%	78%
PE Ratio of Stock Market Index		9.58	17.93	12.7	14.75	7.0	22 trailing PE
Market Capitalization ownership divided into holders	Local Institutions	99.20%	NA	15%	NA	35%	13%
	Foreign Investors	0.30%		27.80%		65%	17%
	Promoters	NA		57.20% (Local Individuals)		NA	55%
	Others	0.50%		NA		NA	15%
Top 5 risk factors		1. Household debt; 2. North Korea's nuclear programs; 3. Brexit; 4. US-China trade conflict; 5. the possibility of US Fed's interest rate hike	1. Low growth expectations in the US; 2. Issues of Bilateral Commerce with USA; 3. Lack of confidence in Mexico's New Government; 4. Low growth expectation of Mexican Economy; 5. Low Infrastructure Financing	1. Intl. macro-economy performance; 2. Domestic Macro-economy performance; 3. High-tech products: 5G, E-car, AI; 4. Domestic Political stability; 5. Intl. Political Stability	1. Political Uncertainty; 2. Global Volatility	1. Global risk appetite towards EM; 2. Slowdown of domestic economy	1. Political instability; 2. Geo-political tension with other countries; 3. Economic numbers; 4. Job creation since demographic dividend is country's main strength; 5. Rising income inequality
Is Exchange traded Bond Market Liquid		Yes	No	Relatively less liquid compared to the OTC bond trade	No	Yes	Less; only banks and financial institutions trade

4. Institutional Participation

Questions		Korea	Mexico	Taiwan	Thailand	Turkey	India
Cumulative Foreign Direct Investment (FDI)/Foreign Portfolio Investment (FPI) in the country		FDI- \$26.9 bn (2018) FPI-\$558.7 bn (2018)	FDI- \$31.6 bn; FPI- \$14.8 bn	FDI- \$166.9 bn; FPI- \$197.7 bn	FDI- \$235.4 bn; FPI- \$153.1 bn	FDI- \$135 bn; FPI- \$140 bn	FDI- \$592 bn; FPI- \$165 bn
Total investment inflows into equity markets in CY18	Domestic Institutions	\$353.4 bn	65%	(\$3.3 bn)	\$5.5 bn	NA	\$ 15.7 bn
	Foreign Institutions	\$485.2 bn	35%	(\$10.1 bn)	(\$8.7 bn)	\$908 mn	(\$11.5 bn)
Major countries investing in your markets		USA(42.6%) UK (8.0%): Luxemburg, Singapore, Ireland	USA; UK	USA, EU, UK	Britain (37.4%) Singapore (18.9%) USA (10.5%); HK, Japan	USA, UK, Luxembourg, Qatar	USA (more than 50% of FPI)

5. Primary Market

Questions	Korea	Mexico	Taiwan	Thailand	Turkey	India
Number and Value of equity public issues in CY18	95 issues worth \$2.1 bn	1 issue worth \$307 mn	116 issues worth \$11 bn	19 issues worth \$4.66 bn	9 issues worth \$1.37 bn	165 issues worth \$4.83 bn
What is the cost to a company for listing on Stock Exchanges (IPO Cost)	1-4% Underwriting fees; Supervision contributions (to FSS); Listing commissions (to KRX); Registration tax and education tax; IR expenses; fees paid to accountants, etc	4.50%	0.5%-1.5%	App. Fee- \$1,515; Initial Fee- 0.05% of paid-up capital with min. and max. of \$3,030-90,909; Annual Fee- varies with level of paid-up capital with min. and max. of \$1,515-90,909	Fees paid to Capital Markets Board, BIST, Public Disclosure Platform and Merkezi Kayit Istanbul (central securities depository)	4-7% (IPO Expenses)
Is an IPO classified as SME/Start-up/Main board	Yes	Yes; a SAPIB figure used for SME	Yes	Yes	Cos that fail to meet BIST Main market listing requirements are traded on the BIST Emerging Companies market; No quantitative admission criteria	Yes; Separate for SME and Main Board

Any provision for market making for new issues	No	No	Main board issues: compulsory market making in the form of price stabilization mandated for 5 days; SME board: mandated market making for underwriter, before listed in mainboard.	No	Compulsory market making is required only for ETF, warrants and certificates (together with continuous auction method). Other equities not included in BIST 100 and equities with a free-floating m- cap of less than TL 10 mn may be subject to market making	Only for SME Issues, compulsory market making is mandated for 3 years
--	----	----	--	----	--	---

6. Asset Management Industry

Questions	Korea	Mexico	Taiwan	Thailand	Turkey	India
What are the wealth management options available to investors where the wealth manager has discretionary power to invest money? Is there any minimum ticket size for investors	Funds, discretionary investments, trusts, etc. with different ticket sizes	No minimum ticket size	Equity, Bond, Derivatives, Mutual Funds, Gold etc. No minimum ticket size	MF and Private Fund. Min ticket size for MF- \$150, for private fund- up to the policy of AMC	Services provided by AMC and Brokerage Firms; No min. ticket size	MF- 0; AIF- \$142k; PMS- \$35.7k
What is the AUM of discretionary asset management industry	\$501 bn	No public info available	\$146.8 bn	\$222.2 bn	\$4.75 bn	\$511.4 bn
How much of above AUM is for Equity	NA	49%	NA	23%	NA	30%
Number of discretionary wealth managers	247 (excluding 11 bank ISAs)	Broker Dealers- 35; Asset Managers- 118	NA	Mutual Fund- 23 AMCs; Private Fund- 24 AMCs	AMCs- 31; Brokerage Firms- 18	MF- 43; AIF- 500+; PMS- 300+
Is there a concept like Systematic Investment Plan (SIP)/ Systematic Transfer Plan?	Yes	No	Yes	No	No	Yes
Do you consider this concept successful	Very well established					Very successful
Number of AMCs offering ETF	16	118	14	5	3	17
Size of all ETF AUM	\$348.3 bn	\$852 mn	\$281 bn	\$512 mn	\$33 mn	\$15.8 bn

7. Transaction Charges and Taxation

Questions		Korea	Mexico	Taiwan	Thailand	Turkey	India
If a investor were to buy shares worth 1 million (of your local currency) and sell it on a subsequent date, what would be the total round trip transaction Cost to that investor, other than brokerage / commission		3000	NA	3000	149.8	No cost other than brokerage commission	2263
What is the brokerage / fee charged to investors		0.49%~0.5% for offline transactions; 0.01%~0.15% for online transactions	0.10% to 0.50%	Brokerage: 0.1425% of trading value	Varies	Avg net commission rate of equity trading fee charged to investors is 3.9 per thousand	10-15 bps on delivery; GST-18% on it
General Taxation Rate	Individual	6-42%	10% all; In some cases, Foreign Investors can apply for a Treaty to avoid double taxation	5-40%	5-35%	15-35%	5-30%; based on income slabs
	Corporate	10-25%		18%	20%	20%	