

Kingdom's bourse gets New York nod

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SENIOR international investment figures have lauded the prospect of Cambodia establishing its own stock exchange but warned authorities to enforce appropriate regulations and not to repeat the previous mistakes of bourses elsewhere.

Speaking at a conference in Malaysia that focused on alternative investments, analysts forecast a tough two years as the world emerged from the global financial crisis, after which economies would still be dominated by a period of low growth and low interest rates that would restrict returns on bonds, cash and traditional equities.

"Some investments in Asia are already a little overpriced but over the long term in Asia you can't go wrong," said Georges Ugeux, former executive vice president of the New York Stock Exchange.

"Don't try and re-invent the wheel ... build a structure that's close to other markets so liquidity comes naturally."

He said that if US dollars and Cambodian riels were used in the exchange, given the dual currency system within the broader economy, it would "reduce one of the great risks confronting the markets – currency fluctuations".

A recurring issue brought up among experts was the need for disclosure laws. Uguex together with Supachai Panitchpakdi, secretary general of the United Nations Conference of Trade and Development, said without proper oversight Cambodia's tiny pool of potential investors would be left to trade among themselves.

"You can't get outside capital unless you have disclosure. You have to be very clean; otherwise, investors simply will not trust you," Ugeux said. He urged Cambodian leaders to follow the Chinese model in opening up business accounts.

As a former director general of the World Trade Organisation and deputy prime minister of Thailand, who successfully steered his country through the 1997-1998 Asian financial crisis, Supachai has witnessed changing economic patterns over decades.

He was also an instigator of Thai foreign policy when Cambodia began its transition to a peacetime economy more than a decade ago.

"We have helped Cambodia a lot over the years, and I think they're doing well," he said.

"I laud the idea of a stock market. It will be a very good thing for them to have." But he warned against the excessive hype and speculation that led to spectacular crashes on the Thai stock market as far back as 20 and 30 years ago, when the country "didn't have the right kind of governance".

"What's needed is oversight, adequate companies and adequate finance laws," Supachai said.

His sentiments were echoed by another senior Asian bureaucrat, Jalilah Baba, director general of the Malaysian Investment Development Authority. His group is responsible for approving incoming and outgoing investments.

"We see Cambodia as a country that is coming up and we should have a presence there. If we're comfortable, we will go there," she said.

While disclosure concerns topped investor priorities, others were less concerned about the running of a potential exchange or index-linked investments that might prove attractive to fund managers, and were more interested in the type of company that would list.

Financial author and investor Mary Buffett said her former father-in-law, Warren Buffet – among the world's wealthiest individuals – would be interested in buying stakes in Cambodian companies.

She said Buffett-type investors would look for what she called "toll companies".

These are companies with an earnings history, command brand loyalty with long-term prospects and are run by honest and competent people. Such companies include banks, publishing houses, telcos and insurance agencies.

Resources type stocks like oil and gas, gold or bauxite were not on the agenda, she said.

"One problem is the companies do not have a history of earnings, which is something that Warren looks at very closely," she said. "But in time, they will. [Then] from his perspective he'll will go there ... so why not Cambodia."

Despite numerous delays, many believe that a Cambodian stock exchange is inevitable. The government has vowed to launch the bourse by next July "at any cost".

Officials from the Korean exchange – which owns 45 percent of the planned bourse – have warned initially it would have "basic" features.

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