

Securities market to open by year's end

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The government intends to keep to its plans to open a securities market in Laos at the end of this year despite the recent global economic downturn and capital market volatility, the Bank of the Lao PDR Governor said yesterday.

Mr Phouphet Khamphounvong, who is also supervisor of the Lao securities market establishment committee, confirmed the securities market would go ahead as scheduled at a workshop designed to equip the Lao media with an understanding of securities markets, held at the central bank in Vientiane.

Countries around the world, especially those whose securities markets are now facing a serious economic downturn, are creating fervent speculation among local and international economists. They question the need for a capital market in Laos, particularly in the current economic climate.

Mr Phouphet said although the Lao government was facing difficulties due to the external economic situation and constraints in the country, it has made good progress in preparations to open a primary securities market at the end of this year and a complete market in 2010.

The government has signed a joint venture agreement with a Korean company to establish the securities market with a 51-49 percent Lao-Korean split of the investment share,



Mr Phouphet Khamphounvong

he said.

The joint venture investment is worth about US\$20 million. The building that will house the market is expected to be located on the new 450 Year Road in Vientiane.

Mr Phouphet said at present the market establishment committee was revising legal documents and training staff to work at the market, adding that the work would be done before the market opened.

He said the security market was essential as it would help Laos to generate investment funds to develop the country, adding that at present business people could only obtain funding from banks, which offered only short-term loans.

"The government hopes Laos will leave the list of least-developed nations in 2020, and it needs large amounts of funding to achieve this," he said.

Security Market Establishment Committee President, Mr Detphouvang Moularath, said Laos needed to complete its financial market,

which typically consists of a money market and a capital market.

The money market involves banks and financial institutions while the capital market is where business people can access long-term, larger investment funds.

"Laos has been standing on one leg for 30 years and now it needs two legs," he said.

Mr Detphouvang said about 30 companies had expressed an interest in listing their companies on the securities market.

Management would select only five companies to be listed on the market.

He said companies wanting to enter the market must improve their management and ensure transparency standards were met so investors could make considered and well informed decisions.

There will also be some restrictions for foreign nationals who wish to invest in the market, but the specifics have yet to be finalised.

Mr Detphouvang said the Lao economy would be stronger once the securities market was established, especially in times of global financial crisis.

He refuted suggestions that the economic climate would jeopardise market strength and said the global crisis had reduced foreign investment flow to Laos, therefore the market was needed to generate domestic capital and develop the country.