

ឧ្យាវស្ថានស្ថាប័នស្រុកស្រុក



CSX

# CAPITAL MARKET

Cambodia Securities Exchange  
Securities Depository Department

# Why study Capital Market?

- Consumption ways in developed and developing countries?
- Poor performing financial markets cause the poor countries.
- Why Stock market? What is Bond? Debt in the USA, Japan....
- Bank Loan, Hedge Fund, Pension Fund,...
- Where can we invest? How to invest successfully?
- What is Finance? What is Financial System?

# Content

- I. Financial Market
- II. Functions & Structures of Capital Market
- III. Advantages of Capital Market
- IV. Primary Market
- V. Secondary Market



# I. Financial Market

- 1. Basic of Financial Market
- 2. Money Market
- 3. Capital Market
- 4. Financial Derivatives
- 5. Finance and Economy



# 1. Basic of Financial Market

- A **financial market** is a **market** in which people trade **financial** securities, commodities, and other fungible items of value at low transaction costs and at prices that reflect supply and demand.
- **Financial system** is the **system** that enables lenders and borrowers to exchange funds.



# 1. Basic of Financial Market

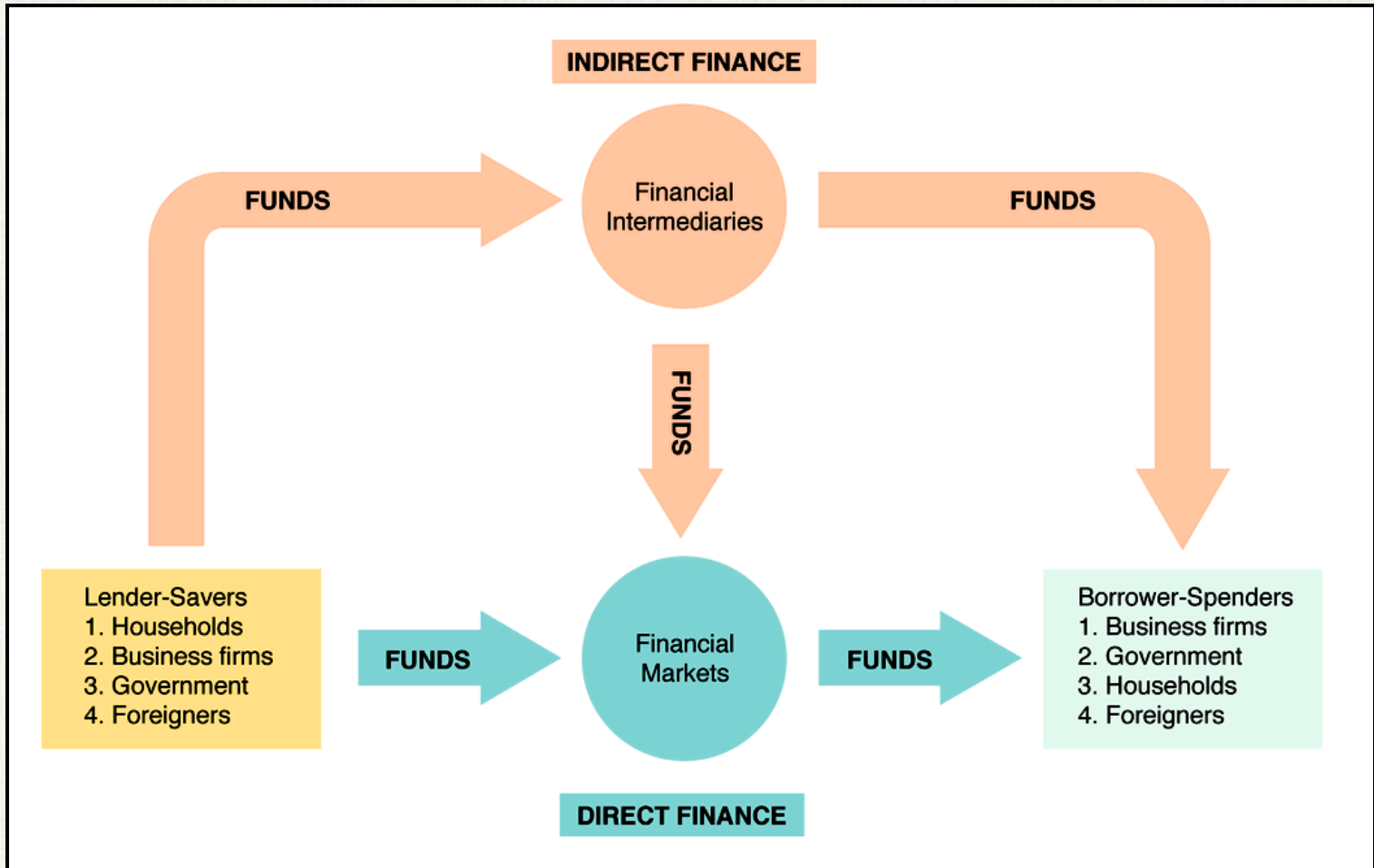
- Functions:
  - Resource Reallocation (Fund Channel, economic efficiency, economic of scale...)
  - Reduce transaction costs (Improves economic facilitation, Reduce asymmetric information,...)
  - Price Determination
  - Liquidity



# 1. Basic of Financial Market

- Type:
  - Direct Finance
  - Indirect Finance
- Structure:
  - Primary Market
  - Secondary Market
- Classifications:
  - Money Market: Short Term (maturity  $\leq$  1 year)
  - Capital Market: Long Term (Maturity  $>$  1 year)

# Flows of Funds through the Financial System







# 1. Basic of Financial Market

- Functions of Financial Intermediaries
  - Risk sharing
  - Lower transaction cost
  - Reduce impact of Asymmetric Information (adverse selection and moral hazard)

## 2. Money Market

- **Money markets** are where only short term **debt titles** are traded. It doesn't actually deal in cash but deals with substitute of cash like trade bills, promissory notes & govt papers which can be converted into cash without any loss at low transaction cost.
- Negotiable Bank Certificate of Deposit
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreement
- Collateral Loan

# 3. Capital Market

- Capital Market
  - Medium-Long term bank loan market
  - Securities Market
  - Fund (pension fund,...)
- The primary role of the market is to channel the wealth of investors who have surplus funds to the ones who are running a deficit.
- Types of Capital Market:
  - **Primary Market** (Help grow economy,...)
  - **Secondary Market** (Help provide liquidity,...) (a sound secondary market is an essential requirement for the efficient growth of primary market.)

## 4. Financial Derivatives

- Trading of Contract (Futures, Options,...)
- Why do we need derivatives?
- The existence of derivatives instrument is the key reason why investors can more effectively implement investment decisions to achieve their financial goals and issuers can more effectively raise funds on more satisfaction terms.



## 5. Finance and Economy

- What is the interaction between finance and economy?
  - Economy determines the scale and structure of finance
  - Impact of Finance to the economy
    - Positive (asset allocation, increase efficiency, adjustment tool)
    - Negative **Externality**
      - Economy bubble,
      - Negative expectation causes economy crisis, loss control of monetary policy, increase unemployment

## II. Functions & Structures of Capital Market

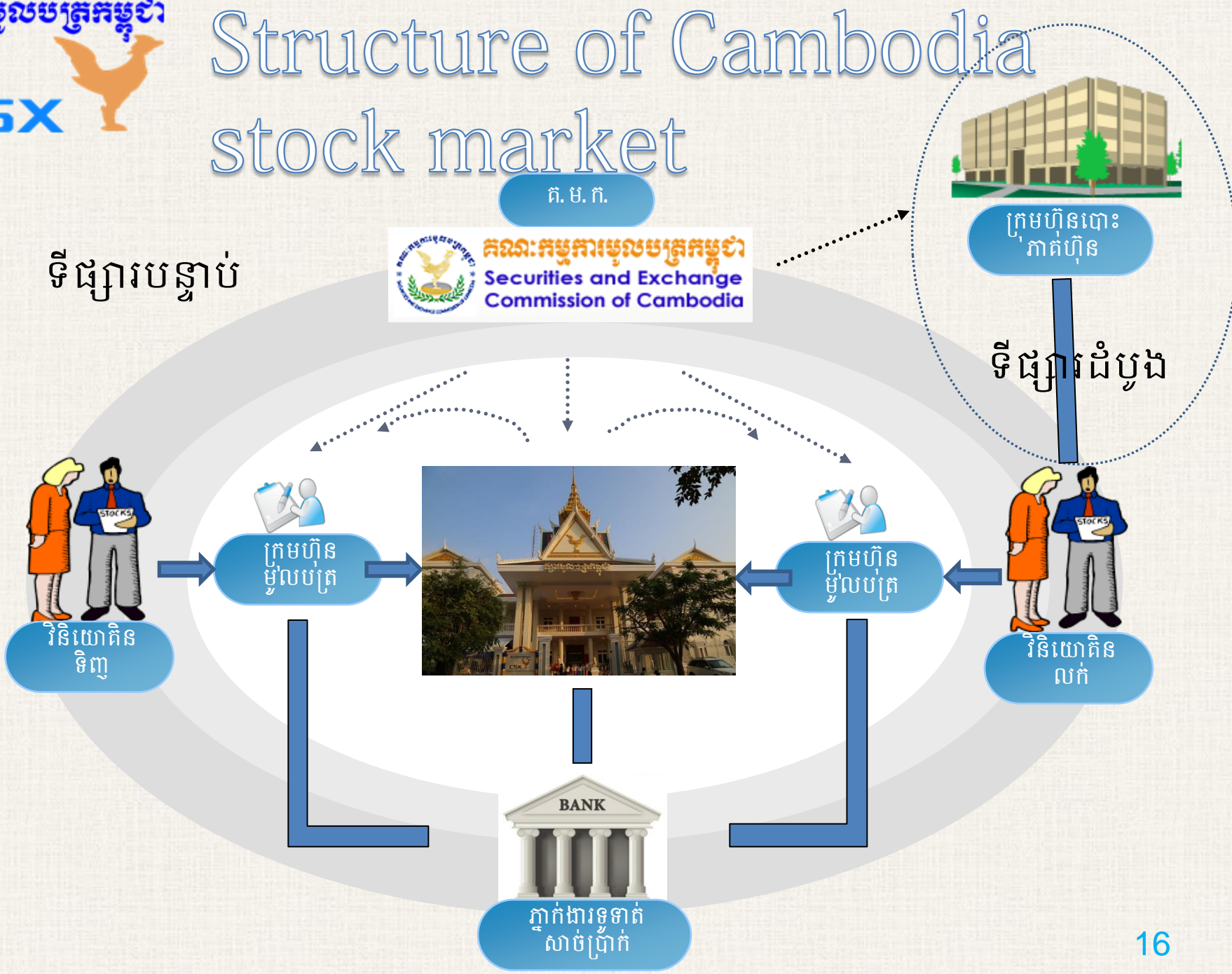
- Functions:
  - Financing/Funding
  - Asset Allocation
  - Ownership transfer
  - Capital Pricing



## II. Functions & Structures of Capital Market

- Structure:
  - Issuer
  - Investor
  - Regulator
  - (Exchange)
  - Intermediary
  - Infrastructure

# Structure of Cambodia stock market







## III. Advantages of Capital Market

- Fulfillment of a long-term credit to finance fixed assets, such as machinery, buildings, vehicles and so on, so it will better ensure continuity of business enterprise.
- Encourage and develop the growth of the business world.
- Enhance and create equitable distribution of income for the community.
- Expanding employment
- Increasing national production and national economic growth.



# Advantages of Capital Market

- The government obtained additional tax revenue from the resulting increase in economic growth.
- Investors earn profits or interest payments from the company that issued the securities.
- People can enjoy the additional production generated by the business.
- Provide an opportunity for communities to have company and enjoy the results.
- Enhance industry revolution and product upgrade

## IV. Primary Market

- Primary markets are where financial instruments are newly issued by borrowers for collecting long-term capital.
- In this market, the flow of funds is from savers to borrowers (industries), hence, it helps the capital formation of the country.
- The capital collected from the primary market is used by companies for the purpose of setting up new business expanding or modernizing the existing business.





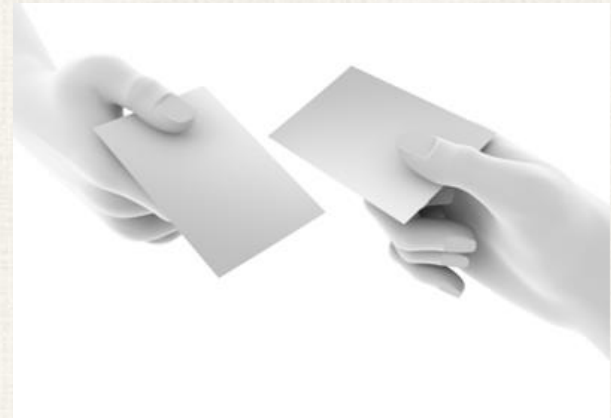
## V. Secondary Market

- What is Secondary Market?
- Functions of Stock Market
- Why invest in Stock?
- Overview and Operations of CSX
- Becoming an Investor
- *Start Your Stock Investment*



# What is Secondary Market?

- Secondary Market is a financial market in which new issues of a securities that have been previously issued can be sold.
- CSX is a representative of secondary market.





# What is Secondary Market?

- Secondary markets are markets in which financial instruments already in existence are traded among lenders.
- The transactions of the secondary market are generally done through the medium of stock exchange.
- The chief purpose of the secondary market is to create liquidity in securities.
- If an individual has bought some security and he now wants to sell it, he can do so through the medium of stock. The trade requires the services of the broker.

# What is Secondary Market?

- Functions of Secondary Market
  - It provides regular information about the value of security.
  - It helps to observe prices of bonds and their interest rates.
  - It offers to investor liquidity for their assets.
  - It brings together many interested parties including investors, companies, credit rating firms, government as so on.
  - It keeps the transaction cost low.



# Functions of Stock Market

- Barometer of the Economy:
- Pricing of Securities:
- Safety of Transactions:
- Raising capital for business:
- Mobilizing savings for investment:
- Facilitating company growth :
- Creating investment opportunities for small investors





# Why Invest in Stock?

- **Become a shareholder:** A partial owner of a company, rights to vote on matters of corporate policy and board elections
- **Source of Revenue:** Dividend as income
- **Diversification:** a good way to diversify your investment portfolio
- **Tax incentive:** no withholding tax on dividend (for Cambodian residents) and 50% reduction for non-residents, no tax on capital gain, no stamp duty tax on trading



# Why Invest in Stock? (Cont.)

- **Affordable & Liquid:** Stocks are traded in small pieces and could be sold for cash quickly.
- **Growth Potential:** Some companies become very successful. Their stock prices will increase. Investors can sell their stocks at a good profit.
- **Higher Return:** Stocks usually provide higher return compared to other investment options.





# Overview and Operations of CSX

- CSX Functions
  - Market Operator
    - Principle of Auction
  - Clearing & Settlement Operator
  - Securities Depository Operator
- Market Members and Participants

# Market Operator

- Bid/Ask (Buy/Sell) orders of investors will be sent to Market Operator through Securities Firms.
- Trading Hours: 8:00 A.M. to 11:30 A.M.
- Trading Days: Monday to Friday (Except public holiday)



# Principle of Auction

- Limit Order: executed at a particular price or better.
- Orders are matched in the CSX's trading system according to the predetermined auction principle.
- **Price Priority**
  - The lower Asks have priority over higher Asks
  - The higher Bids have priority over lower Bids.
- **Time Priority**
  - In case of the same price orders, the orders received earlier have priority over the orders received later.

# Principle of Auction

**Single-Price Auction** is a pricing method in securities auctions that collect all bid-ask orders and match them at the same time and the same price.

Sell Orders	Price	Buy Orders
	6,580	⑤ <del>400</del> <del>300</del> <del>100</del>
② <del>300</del> <del>200</del>	<span style="border: 1px solid black; padding: 2px;">6,560</span>	③ <del>500</del> 300
④ <del>200</del>	6,540	
① <del>100</del>	6,520	
	6,500	
600	Total	900

**Total Transaction:**  $600 \times 6,560R = 3,936,000R$  (at the end of auction period)

# Principle of Auction

- **Multiple-Price Auction** is a pricing method in securities auctions in which bid-ask orders are matched instantaneously whenever applicable.

Sell Orders	Price	Buy Orders
	6,580	⑤ <del>400</del> 300
② <del>300</del>	<b>6,560</b>	③ <del>500</del> <del>400</del> <del>100</del>
④ <del>200</del> <del>100</del>	<b>6,540</b>	
① <del>100</del>	<b>6,520</b>	
	6,500	
<b>600</b>	<b>Total</b>	<b>900</b>

1.  $100 \times 6,520R = 652,000R$  (immediately)

2.  $300 \times 6,560R = 1,968,000R$  (immediately)

3.  $100 \times 6,560R = 656,000R$  (immediately)

4.  $100 \times 6,540R = 654,000R$  (immediately)

# Clearing & Settlement Operator

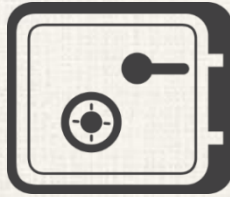


- Clearing & Settlement Methods:
  - Clearing: Central Counter Party (Multilateral Netting)
  - Settlement: Delivery Versus Payment



<b>T + 0</b>	Action 1 to 5 above occur on the same day
<b>T + 1</b>	One day after the trading, <b>CSX</b> nets obligations of each investor to know how much one has to pay or receive.
<b>T + 2</b>	Two days later, cash and securities are settled. Buyers receive their securities and sellers get their payments.





- **Depository** is a place where securities are *deposited*.
- All securities are stored in **electronic form**.
- Settling and transferring by **book-entry**.





# Market Members & Participants

- Underwriters (ក្រុមហ៊ុនធានាទិញមូលបត្រ): administer the public issuances and distribution of securities from a corporation.
- Dealers (ក្រុមហ៊ុនពាណិជ្ជករមូលបត្រ) : trade securities for their own account and their customers.
- Brokers (ក្រុមហ៊ុនឈ្នួញដើងសារមូលបត្រ) : trade securities for their customers (investors).
- Cash Settlement Agents (CSAs) (ភ្នាក់ងារទូរទាត់សាច់ប្រាក់) : are commercial banks accredited by the SECC to settle payments.

# CSX Members

**Securities Underwriters**



**Securities Dealers**



**Securities Brokers**



1. PHNOM PENH SECURITIES PLC.
2. RHB OSK Indochina Securities Limited
3. CANA SECURITIES LTD.
4. CAMPU SECURITIES PLC.
5. YuanTa Securities (Cambodia) Plc.
6. SBI Royal Securities Plc.



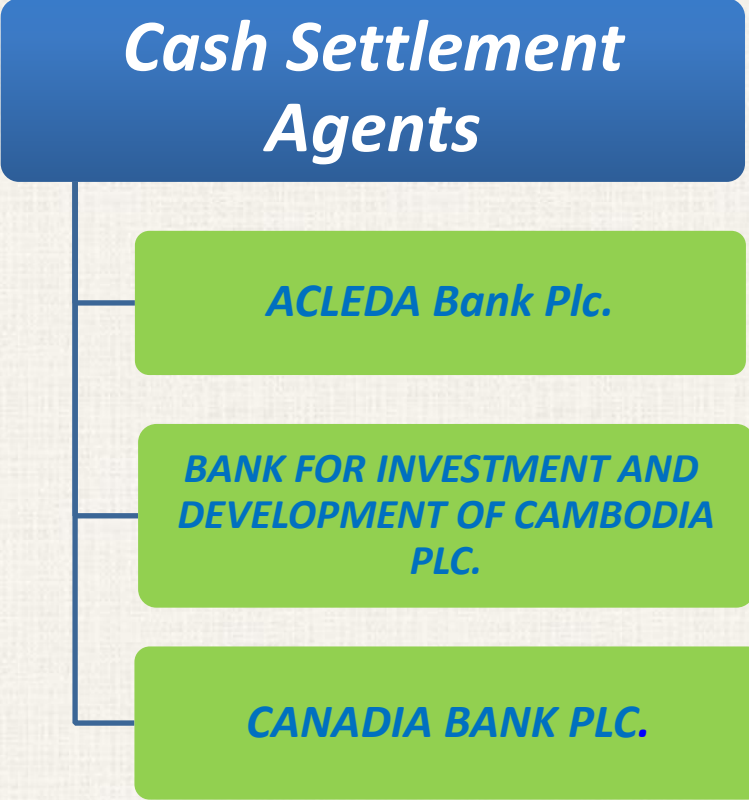
1. GOLDEN FORTUNE (CAMBODIA) SECURITIES PLC.



1. ACLEDA SECURITIES PLC.
2. CAB SECURITIES LIMITED.
3. CAMBODIA - VIETNAM SECURITIES PLC

# Participants

+ Listed Companies





# Becoming an Investor

- STEP 1: Request Investor ID
- STEP 2: Open a Trading Account
- STEP 3: Open a Cash Account (Optional)
- How to send order
- Trading Rules
- Trading Process
- Buying IPO

# STEP 1: Request Investor ID

- Investor ID can be requested from SECC.  
(directly or through a securities firm)

## REQUIREMENTS

**INDIVIDUAL:** Application Form<sup>1</sup> “A”, Two 4x6 Photos, ID Card/Passport

**INSTITUTION:** Application Form<sup>1</sup> “B”, Two 4x6 Photos<sup>2</sup>, ID Card/Passport<sup>2</sup>  
Company License, Company Registration Certificate  
Power of Attorney, Article of Incorporation, VAT Certificate

1 : Forms could be downloaded from [secc.gov.kh](http://secc.gov.kh)    2 : Documents of representative

***\*\*Note: An investor can request only one Investor ID.***

## STEP 2: Open a Trade Account

- You need a broker to trade securities on stock exchanges.



1. Find a broker
2. Open a trading account
3. Start investing!



# STEP 3: Open a Cash Account

(Optional)



Be your side, by your hand



ធនាគារ កាណាឌីយ៉ា ភ.អ  
加華銀行  
CANADIA BANK PLC.  
*Your Best Partner!*

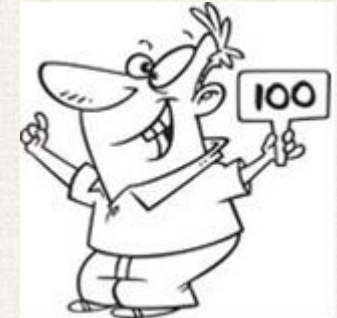
YuanTa	CVS	PPS
Acleda	Campu	RHB-OSK
		CANA
		SBI
		Golden
		CAB





# How to send order

- Communication Means
  - Written document
  - Voice
  - Email
  - Other electronic way
  
- Message Contents
  - Issue company name
  - Quantity
  - Price
  - Bid/Ask



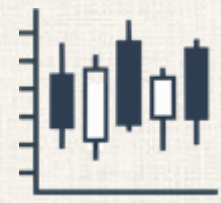


# Trading Rules

- **Daily price change limit:** 5% of previous day's closing price
- **Trading currency:** Khmer Riel (KHR)
- **Settlement date:** T+2
- **Trading before settlement:** allowed
- **No margin trading:** 100% good faith deposit
- **Limit Order:** execute at a particular price or better
- **No foreign holding limit**

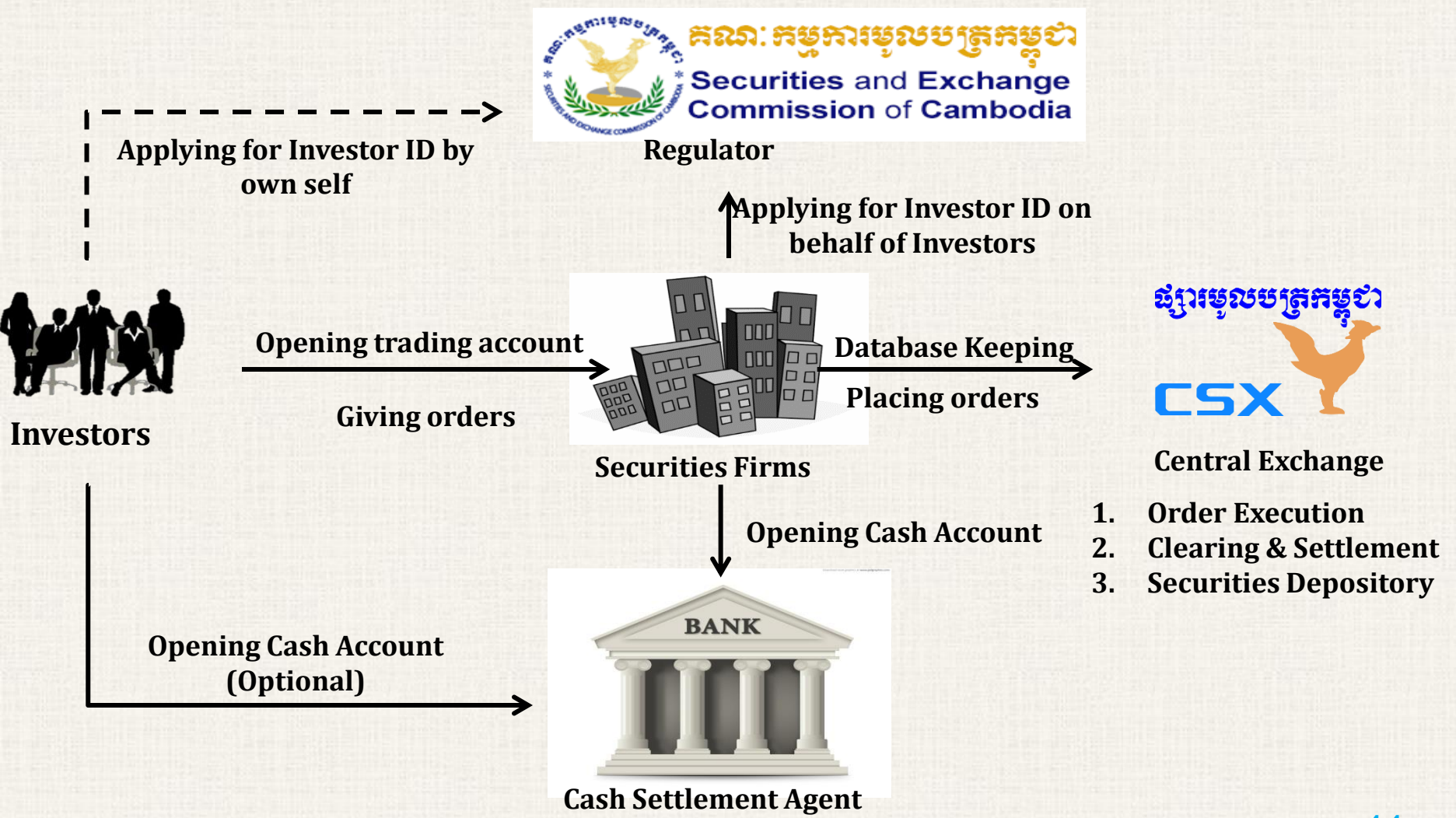


# Trading Process



- ① Buyers and sellers place orders through their brokers.
- ② Brokers send the orders to stock exchange (**CSX**).
- ③ **CSX** collect all the orders and match them using auctions.
- ④ **CSX** returns trading results to the brokers.
- ⑤ Brokers inform buyers and sellers of their trading result.

# Securities Trading Procedure in Cambodia





- How to buy IPO of a company?

# Buying IPO

- Book-Building:
- Subscription(បរិវេសកិច្ច):
- Payment Date:
- Listing Date:



# *Start Your Stock Investment*

- Gambling Vs. Stock Investment
- Fundamental Analysis
- Technical Analysis
- Portfolio Investment
- Recommendation

# Gambling Vs. Stock Investment



## Gambling

- Luck
- High risk of loss
- Limited number of winners
- Unregulated



## Investment

- Knowledge
- Able to control the loss
- No limited number of winners
- Regulated





# Fundamental Analysis



- Information (listed company disclosure)
- **1. Whole economy** (Political, unexpected happened, economy growth, inflation, interest rate, monetary policy, fiscal policy)
- **2. Industry Analysis** (Big, medium, small, development prediction, first, Second, third)
- **3. Company Analysis** (product, profit, competition, management...)
- **4. Stock Analysis/Valuation** (Financial Statement, PE Ratio...)

# Technical Analysis

- Technical Analysis assume that
  - 1) Market price shows every thing
  - 2) the historical trend or pattern will repeat in the future,
  - 3) the share price and trading volume graphs show the information on the supply and demand for the stocks.
- **Analyzing tools** of Technical Analysis:
  - 1.Chart History (there are many theories and methods)
  - 2.Price
  - 3.Volume
  - 4.Time



# Portfolio Investment

- High profit, high risk. Low risk, low profit.
- But we need low risk with high profit.
- **Don't put all eggs in one basket.**
- Buy Securities Debt, Buy Mutual Fund, Buy Stock A, Stock B, .....

# Recommendation

+In Stock Market:

-No Greed

-Retain Confidence

-Don't go to crowded place

+Work hard and work smart

+Open Your securities Trading Account

# TODAY!

- Like Facebook Page:  
<https://www.facebook.com/cambodia.csx/>
- Visit [www.csx.com.kh](http://www.csx.com.kh)  
to download documents or get more  
information about Cambodia stock market.

# Thank You!

**Own Your Stocks Today!**

