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OCBC Sec moves to boost foreign trades

7 bourses added to its direct market access network

By LYNETTE KHOO

OCBC Securities Pte Ltd (OSPL) is expanding its direct market access (DMA) to seven more foreign stock exchanges in China, Indonesia, Thailand and the US by the end of this month, bringing the network to 11 stock exchanges.

It hopes to add two more markets by the end of this year - Japan and the UK.

Its managing director Hui Yew Ping said he expects the DMA platform will raise foreign trades by 30 per cent. Foreign trades currently account for more

than 10 per cent of total trade volume at OCBC Securities.

"Our value of foreign trades has grown four times over the last couple of years," said Mr Hui. "In particular, in the last one year, we have seen exponential growth."

Over the past three years, OSPL has spent slightly more than \$5 million on building the DMA platform, which is available to both retail and institutional investors.

The DMA connection to the Shanghai Stock Exchange and Shenzhen Stock Exchange in China will be restricted to B-shares only.

By the fourth quarter of this year, OSPL will be intro-

ducing a multi-currency share financing service for investors trading in foreign stocks to minimise foreign exchange risk. Share financing services were previously only available in Sing dollar.

DMA provides faster execution of trades as it reduces the need to route orders through local central dealing desks or foreign brokers.

Its latency is less than a second, compared to electronic desk access where the order-to-market process takes up to 3 minutes and traditional trade, which takes about 15 minutes per order. There is also end-to-end encryption for the trade orders on OSPL's DMA platform.

The DMA initiative is in response to the global trend spotted over the years. Mr Hui noted that exchanges around the world, especially in the emerging markets, are moving towards direct market access to encourage foreign investment.

Of the 40 exchange traded funds, 30-odd already have direct market exposure in foreign markets, he said. Year-to-date, the total value of ETFs traded on SGX is nearly \$3 billion, suggesting increased interest from retail investors investing into foreign markets.

Customers are also increasingly time-sensitive and want diversity, global trading strategies, competitive trading costs and more

control over their own investments, Mr Hui said. "More interestingly, customers are now more aware of market transparency...and they are more aware of counter-party risks."

OSPL started offering the DMA platform to retail investors in November 2005. Since 2007, its clients can trade direct into SGX as well as three exchanges in Australia, Hong Kong and Malaysia.

It also started direct custody services via Citibank across 14 stockmarkets since September 2008 to help clients contain the risk of having their shares custodied with many exchanges overseas. Clients can pledge multi-market collaterals to OSPL.