



Participating in the historic launch of Yangon Stock Exchange, retail investors queue to open brokerage accounts at KBZSC.

BOOTSTRAPPING AN EQUITIES MARKET



- TCS Financial Solutions enables the two largest banks in Myanmar to be first-to-market with retail brokerage services
- Full lifecycle deployment of enterprise brokerage software completed in three months
- KBZSC and AYA Trust deploy TCS BaNCS solution for securities trading and settlement, adapting global capital markets practices and standards



By **Bharat Shah**, Principal Consultant, TCS Financial Solutions

Myanmar's movement toward democracy has also opened the way to the development of domestic capital markets with the promise of rapid economic growth in the near-term horizon.

KBZ Bank and AYA Bank were licensed to start their securities businesses in December 2015, just three months prior to the scheduled first day of trading on Yangon Stock Exchange (YSX). With the assistance of TCS, KBZ Bank and AYA Bank were able set up their respective retail brokerage operations from scratch, placing them among the select few banks to participate in the historic milestone for YSX.

KBZ Bank, a technology-forward financial institution named as the fund settlement bank for cash settlement on stock trading at YSX, was an obvious contender to become a leading brokerage.

AYA Bank, the second-largest bank in Myanmar, also secured a brokerage license. AYA has been recognized for its governance and sustainability efforts by World Finance magazine, and since 2012 has been a participant of the United Nations Global Compact corporate sustainability initiative.

Both KBZ Bank and AYA Bank turned to TCS Financial Solutions to meet the extraordinary challenge of launching a new brokerage in a new marketplace in the space of just three months, and they were the only large banks to actually meet the deadline.

"We just had three months to go live, progressing through the entire project lifecycle with enterprise software for two new customers, and we did it," says Ajay Wadkar, Principal Consultant, TCS Financial Solutions.

How the Race Was Won

KBZ Bank and AYA Bank deployed TCS BaNCS for Securities Trading, which is easily configurable to meet the needs of retail brokerages in any market. Drawing upon extensive experience in other advanced and emerging markets, TCS Financial Solutions deployed TCS BaNCS as an integrated trading and settlement solution, delivering turnkey adherence to global capital markets' best practices and standards. However, the biggest challenge was not in assembling the required components for the Myanmar brokerages or localizing the software for the Burmese language, but rather in establishing reliable connectivity to the exchange. TCS had to solve this critical challenge prior to signing up brokerage customers in Myanmar.

In the absence of terrestrial connectivity options such as leased lines, brokerages have to connect to YSX using virtual private networks (VPNs) over Internet connections that are relatively slow and unreliable by the standards of highly developed markets. As an example of the present state of telecommunications in Myanmar, market data is exchanged as batch files rather than through a persistent online connection.

In response, TCS engineered intelligent workarounds to maintain reliability and assurance for trade confirmations, settlement and data exchange. This enabled TCS to demonstrate that it was ready to operate in the Myanmar market.

"We were the first to start testing on the exchange," says Bharat Shah, Principal Consultant, TCS Financial Solutions. "We certified our product in six weeks, proving

“ We just had three months to go live, progressing through the entire project lifecycle with enterprise software for two new customers. ”



Ajay Wadkar, Principal Consultant, TCS Financial Solutions



At left: TCS team in Myanmar: Bharat Shah, Principal Consultant, Ravindra Joshi, Consultant, Ajay Wadkar, Principal Consultant, Karthik Krishnamoorthy, Assistant Consultant



to the market that our software was ready and that our banks would be able to start operations much earlier than others.”

The early preparations paid off, and TCS won the business from both KBZ Bank and AYA Bank.

KBZ Bank and AYA Bank each established a separate brokerage entity to serve the retail marketplace as well as to underwrite new listings.

KBZ Group, the parent company of KBZ Bank, formed a joint venture with Stirling Coleman Capital Ltd., an independent corporate finance advisory firm based in Singapore. The joint venture, called KBZSC, provides broker-dealer and investment advisory services, and will also underwrite new company listings on YSX.

AYA Trust Securities Company, or AYA Trust, the underwriting and broker-dealer business of AYA Bank, will provide corporate finance, advisory and underwriting services.

Despite several operational and technological risk factors, in the end KBZSC and AYA Trust both went live, as planned, before the end of March 2016.

Next Steps

TCS Financial Solutions will continue to work with KBZSC and AYA Trust to enhance the brokerage offering for retail customers, including support for online trading.

In addition, TCS Financial Solutions will continue to serve Myanmar financial institutions with TCS BaNCS brokerage readiness solutions, as well as complementary solutions in financial inclusion, insurance and core banking.

The TCS BaNCS brokerage solution for KBZSC and AYA Trust was deployed on private clouds managed by the banks' respective IT departments. To support newer organizations that may not yet have the same level of IT capabilities, TCS Financial Solutions, with its domestic partners in Myanmar, will make TCS BaNCS available through a hosted, cloud-based deployment. This turnkey approach will enable rapid and low-cost deployment for other brokerages trading on YSX.

Launching ceremony of AYA Trust Securities Company Ltd., held at AYA Bank Head Office on 30th January 2016

Global Implications

The increased economic integration between Myanmar and the rest of the world has tremendous implications not only for the welfare of the people of Myanmar, but also for the country's trading partners throughout the region and the world. Given Myanmar's bountiful natural resources and its central positioning between the key markets of China and India, the commercial prospects are excellent for domestic companies going public, as are the investment possibilities for retail and institutional investors alike.

Both KBZSC and AYA Trust expect to be leading players in what is expected to be a high-growth business in helping domestic companies to go public on YSX.

For companies seeking to expand, the high cost of bank funding in Myanmar makes equity funding an extremely attractive proposition. The pipeline of companies slated for new listings on YSX will include several that are already traded through OTC markets or in private equity deals. New listings will also come about from entrepreneur-led ventures seeking to capitalize on the fast-growing Myanmar marketplace.

The introduction of a public market for equities smooths the way for domestic companies to enter into joint ventures with foreign partners, further facilitating the flow of foreign direct investment into Myanmar. Also, the availability of publicly-listed equities expands the pool of institutional investors that can participate in the growth of the market.

From the point of view of retail investors, the launch of a new equities market opens up a new asset class having the promise of better long-term returns than bank deposits can offer. As investment opportunities expand with new listings, the equities market will provide greater diversification compared to other investment opportunities available in the marketplace.

The initial response to the launch of retail brokerage services has been highly encouraging. At the opening of KBZSC, there were lines around the block for people signing up for new brokerage accounts.

Through the establishment of democratic institutions and capital markets, the gradual opening of Myanmar to the outside world promises to inaugurate a new era of peace and prosperity in the region. ■