



APAC Capital Markets

30 October 2019

Key Themes

- **China** – RMB Internationalization, Chinese Bond Market Development, Bond Connect and CIBM Direct Access, Chinese Equity Market Development, Stock Connects (Shanghai and Shenzhen), foreign ownership limits/caps, streamlining/fungibility of access programs, netting for repo and derivatives.
- **Fragmentation** – IOSCO/FSB reports, data localisation, sustainable finance, Basel III, prudential, recovery and resolution, AI regulation
- **IBOR replacement & EU Benchmark Reform**
- **Hong Kong BCP**

Challenges

STO, Fintech, Data and Cloud

- Tokenised Securities
- AI regulations mapping exercise to help members formulate their global/regional AI framework, in adherence with the various guidelines, identify jurisdictional outliers
- Data, risk and cloud adoption - Technology-Neutral Principles for Virtual Data Storage
- Data localization issues in the region – China, India, Indonesia. Inconsistent approaches.
- Institute of Big Data Governance developing a framework for assessing data governance standards in Hong Kong, with a view enable Chinese, US, EU data to be processed in HK.

Compliance and Tax

- Close-to-final Hong Kong KYC Standard which to alleviate KYC burdens.
- PBOC - UBO identifications and AML/KYC issues.

COO and BCP

- Post go-live issues around COO Interoperability on 10 October.
- GFMA a global business continuity exercises (known as Quantum Dawn V) to focus on practicing and improving coordination with key industry and government partners in order to maintain equity market operations in the event of a systemic cyber-attack. This exercise is scheduled to take place on 7 November 2019.
- Hong Kong

Equity Capital Markets

- Need for best practice guidance for sharing of due diligence relating to HK IPOs. The Due Diligence Working Group will meet on 4 November to review a third draft.
- Proposals to improve the Hong Kong IPO market, in consultation with AAMG's buy side members. This may be used for advocacy with HKEX and SFC prior to their soft consultation likely to be issued by end of year.

Fragmentation

- ASIFMA continues to execute an advocacy strategy developed with the Public Policy Committee highlighting fragmentation issues; planned future efforts include engagement with FSB and IOSCO following publication of their reports on fragmentation and GFMA overseeing the first annual report on fragmentation by the IOSCO AMCC to the IOSCO board into which ASIFMA will feed its concerns. PRA is exploring the development of a whitepaper on this topic, providing data and examples related to Asia Pacific.

Prudential and Recovery & Resolution

- Need for consistency and coordination in final Basel III reforms – advocacy letter to be sent to key regulators in the region.
- HKMA consultation on the revised Supervisory Policy Manual (SPM) Module RE-1 on “Recovery Planning” on 11 October.
- ASIFMA Recovery and Resolution grid comparing key features of RRP regimes in APAC jurisdictions, with plans to launch a user-friendly website version.
- ASIFMA is in the process of drafting an email to MAS and other Asian governmental stakeholders in relation to LIBOR transition. ASIFMA will share the US Treasury’s Guidance and some proposed accounting treatments with the MAS.

Equities

- General
 - Korea - meeting with onshore SROs (KRX, KSD, KOFIA) and associations to explore advocacy on abnormal trading rules and labor laws
 - Engaging with select Asian exchanges to finalize a set of minimum standards, guidelines, and best practices for exchange volatility controls in Asia.
 - Verifying ASIFMA’s analysis of exchange execution and settlement fees across Asia’s Exchanges.
- IOI/Client Facilitation
 - Working with ATF and Q15 on an Industry charter to standardize the tagging and usage of IOIs (Indications of Interest).
 - Engaging with the SFC on client consent for the facilitation of odd lots.
 - Continuing to work with FIX on a solution for client facilitation and consent.
 - Will be exploring Tag 29 upon finalization of the IOI Charter.

- China Equities
 - Setting up a WG to explore how best to address CSRC’s request to ASIFMA for more information re OTC derivatives.
 - Continuing to work with HKEX on the development of Super SPSA (Omnibus Trading).
 - Continuing to lobby HKEX to introduce Holiday Trading and Block Trading solutions for Stock Connect.
 - Continuing to work with PASLA, Chinese regulators, and exchanges on SBL in both the QFII/RQFII channel and the Stock Connect channel.

- Warrants
 - Exploring streamlining the Listed Structured Products Issuance cycle and associated documentation, as well as the MCE Announcement process.
 - Partnering with IFEC to improve Hong Kong investor education regarding Listed Structured Products.

- Post Trade
 - Will recommend HKEX to accept non cash collateral and encourage the adoption of the tri-party model.
 - Will be requesting Thai SROs to introduce a rule requiring issuers to announce the restricted country list for corporate actions prior to the record date.
 - Exploring a standardized ASIFMA CCP questionnaire.

- Proprietary Trading WG
 - Will be exploring with HKEX whether it will be possible to tag and cross short sell blocks.

Fixed Income

- India Fixed Income
- IBOR Transition
 - Market education

Asset Management Group

- China
 - Onshore operational questions/issues
 - QFII/RQFII and other China developments (including move towards broker settlement model)
- Equities
 - Hong Kong IPO issues
 - Indication of Interest (IOI) and client facilitation
 - Stock Connect enhancements, such as Super SPSA and ChiNext investment
- Fixed Income
 - Bond Connect fee invoicing and other buy side issues with the Chinese and Hong Kong authorities
 - MAS and China on bond market development
 - New credit issuances in Asia and strengthening of covenants in bond issues
 - Bond defaults are dealt with overseas

Positive Developments

- **India FPI Reform:** SEBI Board decided on 21 August to adopt most of the recommendations of the Khan Committee that ASIFMA has suggested, in particular the removal of the broad based requirement for Category II Foreign Portfolio Investors (FPIs) which AAMG has been advocating for years.
- **New Provisions for the Administration of Equity Ownership in Securities Companies in China:** CSRC issued in July 2019 their final rules for shareholders of securities JVs. They announced the removal of the RMB100 bn net asset requirement and provided a five-year grace period to any securities companies whose controlling or major shareholders fail to satisfy certain conditions. These were two points ASIFMA had asked for in the consultation process and subsequent meetings with the CSRC.
- **CIBM Bond Trading Settlement Cycle Extension:** CFETS, ChinaBond (CCDC) and Shanghai Clearing House (SCH) jointly announced on 23 August that foreign institutional investors can now choose T+3 settlement cycle for their bond trading in CIBM in addition to the previously available T+0, T+1 and T+2 options. The T+3 option is available for any bond trades with at least one of the settlement counterparties being a foreign institutional investor. The types of bond trading eligible for T+3 settlement cycle include spot trading, pledged repo, outright repo and bond borrowing and lending. This is what ASIFMA has been advocating and was also mentioned in ASIFMA white paper, “China’s Capital Markets: The Pace Change of Accelerates” published in June 2019.
- **SFC DS-OL:** Over the last 6 months, ASIFMA has worked extensively with the SFC on their Data Standard for the Order Lifecycle (DS-OL). Further to ASIFMA feedback, the SFC adopted most of our suggestions in the final technical specifications and FAQs and importantly, extended the implementation timeline from 9 months to 15 months.
- **SEBI Prohibition of Insider Trading (PIT):** Following ASIFMA’s response to SEBI’s amended Personal Insider Trading rules and subsequent follow-up meetings with SEBI, SEBI confirmed that i) only pure investment/holding companies that do not have any other business purpose would be required to be identified as ‘designated person’ by the intermediary/fiduciary and ii) it was clarified that disclosure under Clause 12 would be required when a designated person gives a loan or gift during the immediate preceding 12 months, equivalent to at least 25% of his/her annual income and not if the payments received by the designated person as repayment of such loan.

- **Potential Annulment of a Trade – Allied Financial / ISSL Case:** Successfully lobbied SEBI/MOF/NCL to uphold settlement obligations for the Allied Financial / ISSL F&O transactions frozen by the courts due to allegations of fraud, and not allowing for the annulment of the trades.
- **Implementation of Requirements for Distribution of Debt Instruments with Loss Absorption Features in Hong Kong:** Successfully advocated for the delay of the implementation of the HKMA's circular on Distribution of Debt Instruments with Loss Absorption Features and Related Products from 6 April to 31 December 2019. ASIFMA also successfully advocated for HKMA to grant exemptions for PIs and exempt RIs dealing with Institutional PIs and Corporate PIs from the enhanced investor protection measures. These measures are subject to making other adequate disclosure of relevant material information of the product, as covered in the SFC's Code of Conduct.
- **ASIFMA CCDC Event:** ASIFMA organized a CCDC event in Hong Kong on 5 July. It was a very well-attended event with around 70 ASIFMA members attending. CCDC presented the most updated information regarding CIBM direct and bond connect to members/offshore investors.
- **Industry Meeting with Bank Negara Malaysia:** Together with the Financial Market Association of Malaysia (FMAM), ASIFMA hosted an industry-led meeting with the Bank Negara Malaysia (BNM) team on the topic of "MYR – Access and Liquidity" on 19 August. The meeting was simultaneously held in the offices of Standard Chartered in Hong Kong, Singapore and Kuala Lumpur. The BNM Assistant Governor Norzila Abdul Aziz attended the event in Kuala Lumpur.
- **HKEX China Fixed Income Index Inclusion WG:** Participated in the first HKEX China Fixed Income Index Inclusion WG meeting on 25 July and continue to work with industry practitioners as well as regulator authorities to identify and tackle the issues that have been hindered further CIBM opening up.
- **India FPI reform:** SEBI Board decided on 21 August to adopt most of the recommendations of the Khan Committee that ASIFMA has suggested, in particular the removal of the broad based requirement for Category II Foreign Portfolio Investors (FPIs) which AAMG has been advocating for years.
- **Expansion of China onshore activities:**

- Wholly foreign-owned private fund management companies (PFM WFOEs) are now allowed to (a) provide investment advisory services to third parties, (b) invest through the southbound Stock Connect, (c) convert directly to a public fund management company (FMC) when 100% foreign ownership is allowed next year, all of which AAMG has been advocating over the past few years.
- CSRC draft QFII/RQFII regulations in January 2019 propose to allow QFII/RQFII to seed the funds of its PFM affiliate, appoint its PFM affiliate as its onshore investment advisor, and appoint multiple custodians, as well as to include clarification that the QFII clients have beneficial ownership of the assets in QFII accounts, all of which were suggested by AAMG.
- CSRC announced that the “one control, one participation” policy applies also to foreign owned asset/fund management entities on which AAMG had sought clarification.

[SEE ALL ASIFMA SUCCESSES](#)

Latest Publications



[ASIFMA Technology-Neutral Principles for Virtual Data Storage](#)

June 2019

ASIFMA published this set of technology-neutral principles with the aim to help ensure that financial regulators can continue to exercise their data gathering powers in relation to virtually stored data as much as reasonably and realistically possible as if they were exercising those powers against physically stored data within their home jurisdictions and at the same time, provide meaningful guidance to regulated firms about how they should structure, operate and govern virtual storage to comply with relevant regulations.

[SEE ALL ASIFMA PUBLICATIONS](#)

Recent Consultation Responses

Consultation: Consultation on Khan Report on FPI Regulations

Regulator(s): SEBI

Jurisdiction: India

Due Date: 14-Jun-19

Relevant Committee(s): India Forum

Relevant Working Groups: AAMG India WG

[Link](#)

Consultation: ASIFMA Feedback re Proposed Changes to Weights and Selection of Stocks in the NIFTY 50 Index

Regulator(s): NSE

Jurisdiction: India

Due Date: 21-Jun-19

Relevant Committee(s): Equities Committee and India Equities Steerco

[Link](#)

Consultation: Consultation on Evaluation of too-big-to-fail reforms terms of reference

Regulator(s): Financial Stability Board (FSB)

Jurisdiction: International

Due Date: 21-Jun-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Recovery and Resolution WG

[Link](#) (submitted through GFMA)

Consultation: Consultation on Measures on Review of Data Security (also referred to as Network Security)

Regulator(s): CAC

Jurisdiction: China

Due Date: 24-Jun-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Cybersecurity and Data WG

[Link](#) (submitted through GFMA)

Consultation: Consultation on Measures for Cybersecurity Review

Regulator(s): CAC

Jurisdiction: China

Due Date: 24-Jun-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Cybersecurity and Data WG

[Link](#) (submitted through GFMA)

Consultation: Consultation on Proposed Implementation of the Final Basel III Reforms in Singapore

Regulator(s): Monetary Authority of Singapore (MAS)

Jurisdiction: Singapore

Due Date: 8-Jul-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Prudential WG

[Link](#)

Consultation: Consultation on Measures for Personal Information Outbound Transfer

Regulator(s): CAC

Jurisdiction: China

Due Date: 13-Jul-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Cybersecurity and Data WG

[Link](#)

Consultation: Introduction of Sectoral Weight Caps and Surveillance Related Parameters Imposed by Stock Exchanges for Selection of Stocks in NIFTY 50 Index

Regulator(s): NSE

Jurisdiction: India

Due Date: 21-Jul-19

Relevant Committee(s): India Equities Steerco and Equities Committee

[Link](#)

Consultation: FSB Consultation on Public Disclosures of Resolution Planning and Resolvability; Consultation on Solvent Wind-down of Derivative and Trading Portfolios

Regulator(s): Financial Stability Board (FSB)

Jurisdiction: International

Due Date: 2-Aug-19

Relevant Committee(s): Public Policy Committee

Relevant Working Groups: Recovery and Resolution WG

(submitted through GFMA)

Consultation: MEITY request for additional comments on Personal Data Protection Bill (PDPB)

Regulator(s): MEITY
Jurisdiction: India
Due Date: 25-Aug-19
Relevant Committee(s): Public Policy Committee
Relevant Working Groups: Cybersecurity and Data WG
[Link](#)

Consultation: CSRC's Consultation on Administrative Measures for Securities Brokerage Businesses
Regulator(s): CSRC
Jurisdiction: China
Due Date: 26-Aug-19
Relevant Committee(s): Equities Committee, Post Trade Committee
Relevant Working Groups: China Equities WG
[Link](#)

ASIFMA Response to MAS Consultation Paper on Requirements on Controls Against Market Abuse
SEPTEMBER 2019

ASIFMA Submission to CSDC Consultation re QFII/RQFII Registration and Settlement Rules
SEPTEMBER 2019

ASIFMA response on HKMA's Revised Draft of the Supervisory Policy Manual (SPM) Module RE-1 on "Recovery Planning"
OCTOBER 2019

ASIFMA-ISDA response to HKMA consultation on market risk (FRTB)
OCTOBER 2019

[SEE ALL CONSULTATION RESPONSES](#)



ASIFMA 9th China Capital Markets Conference

29 November 2019, Hong Kong

This event brings together high-level regulators, ASIFMA members and their clients, issuers and treasurers, invited guests of both sell side and buy side to discuss key China capital market developments. Topics will be across China macro, fixed income, FX, equities, regulatory and asset management aspects. Attendees will participate in both interactive and networking sessions.

Media Advocacy

Bloomberg: A \$3.4 Billion Hedge Fund Is Let Down by Japan on Foreign Buying Rules - 15 October 2019

Economic Times: ASIFMA quoted in story "Withdraw higher surcharge on debt instruments also: FPIs" - 29 August 2019

Regulation Asia: ASIFMA quoted in story "China Allows Foreign Investors to Use T+3 Bond Settlement" - 26 August 2019

Economic Times: ASIFMA quoted in story "Market players oppose NSE's plan on sectoral caps - 6 August 2019

BloombergQuint: ASIFMA quoted in story "India's Tax Hike On Super Rich Will Lead To FPI Outflows, Says Asifma" - 25 July 2019

Economic Times: ASIFMA quoted in story "Question of trust: Government seeks info on FPI origins from Sebi" - 12 July 2019

Global Investor: ASIFMA quoted in story "EU BMR obstacles for third countries persist – Asifma" - 22 July 2019

Economic Times: ASIFMA quoted in story "Question of trust: Government seeks info on FPI origins from Sebi" - 12 July 2019

Thomson Reuters: ASIFMA quoted in story "Foreign investors' lobby group asks India to reconsider high taxes" - 12 July 2019

AsianInvestor: [ASIFMA quoted in story "The steps China can take to attract offshore investors" - 10 July 2019](#)

Economic Times: ASIFMA quoted in story "FPI body opposes more inspection powers for Sebi: Currently, FPIs submit only information of their beneficial owners (BO) to Sebi " - 10 July 2019

Regulation Asia: [ASIFMA quoted in story "ASIFMA Standardises Underwriter Documentation for Hong Kong IPOs " - 24 June 2019](#)

[SEE ALL NEWS](#)