Market Report at Asia Securities Forum 2024

LYNDON CHAO

ASIFMA Managing Director – Head of Equities

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ABOUT US

Our Mission

Our Mission

ASIFMA's mission is to **promote the development of liquid, deep and broad capital markets in Asia**, which is fundamental to its economic development and growth.

Global Alliance

ASIFMA operates as an independent regional organization with **global integration through membership in the GFMA alliance** with partners AFME in Europe (offices in London and Brussels) and SIFMA in the US (offices in New York and Washington, D.C.).

ASIFMA MEMBERS

Banks / Financial Institutions

ASIFMA MEMBERS

Asset Managers

abrdn
AllianceBernstein
Amundi Asset Management
apg
Baillie Gifford
BlackRock
Blackstone
BNP Paribas Asset Management
BNY Mellon
Capital Group
CUAM China Universal Asset Management
CICC 中金公司
Citadel
CLSA
eastspring investments
Fidelity International
First Sentier Investors
Franklin Templeton
Goldman Sachs Asset Management
HSBC Global Asset Management
Invesco
J.P.Morgan Asset Management
Legal & General Investment Management
Loomis | Sayles
M&G Investments
Manulife Investment Management
Morgan Stanley Investment Management
Ninety One
Nomura
nuveen A TIAA Company
Pictet Asset Management
Principal
QRT
Robeco The Investment Engineers
Schroders
State Street Global Advisors
Sun Life Investment Management
TCW
T.Rowe Price
UBS
Value Partners Investing through discipline
Vanguard
Wellington Management

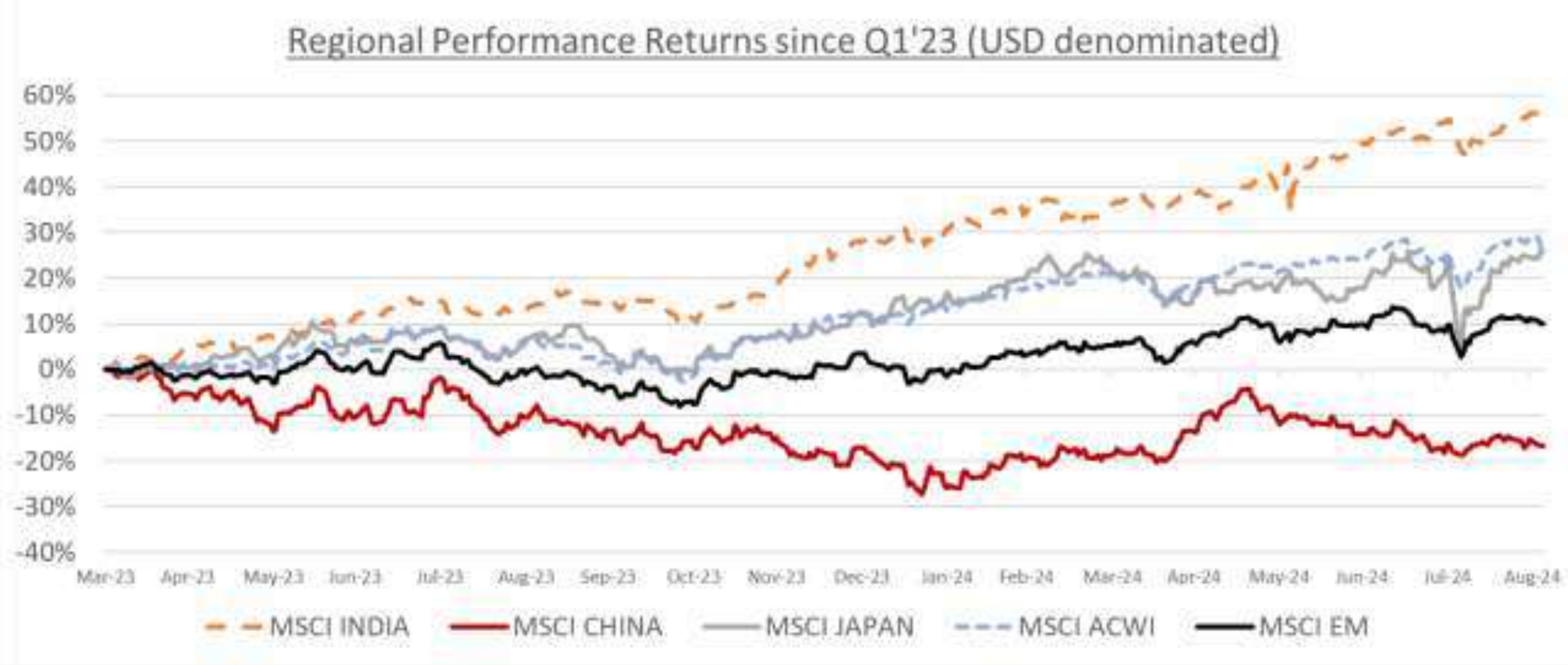
ASIFMA MEMBERS

Non-Banks

- ALLEN & GLEDHILL
- A&O SHEARMAN
- amazon web services
- Ashurst
- ASIANEXT By SBI Digital Asset Holdings and SIX
- Bloomberg
- Bovill Financial services regulatory consultants
- 卓纬律师事务所
- charles SCHWAB
- CHARLTONS 易周律師行
- 中诚信国际 CCXI
- clearstream DEUTSCHE BÖRSE GROUP
- CLIFFORD CHANCE
- CM LAW
- Davis Polk
- dealogic
- Deloitte.
- DENTONS
- DTCC
- EY
- euroclear
- FANGDA PARTNERS 方達律師事務所
- FitchRatings
- FRESHFIELDS BRUCKHAUS DERINGER
- GIBSON DUNN
- Google Cloud
- HAN KUN
- HERBERT SMITH FREEHILLS
- Hogan Lovells
- ION
- 君合律師事務所
- KIM & CHANG
- KING&WOOD MALLESONS
- KIRKLAND & ELLIS
- KPMG cutting through complexity
- LATHAM & WATKINS LLP
- Linklaters
- LINKS
- LONDON STOCK EXCHANGE
- MarketAxess
- Microsoft
- MIOTECH
- MOODY'S INVESTORS SERVICE
- MSCI
- MUREX
- Nasdaq
- Nishith Desai
- NORTON ROSE FULBRIGHT
- pwc
- Pgy.
- LAWYERS WHO KNOW ASIA
- 标普信评 S&P Global China Ratings
- 上海清算所
- SLAUGHTER AND MAY 司力达律师事务所
- Steptoe
- SWIFT
- THOMSON REUTERS
- Tradeweb
- TORSTONE
- TRILEGAL
- YOON & YANG

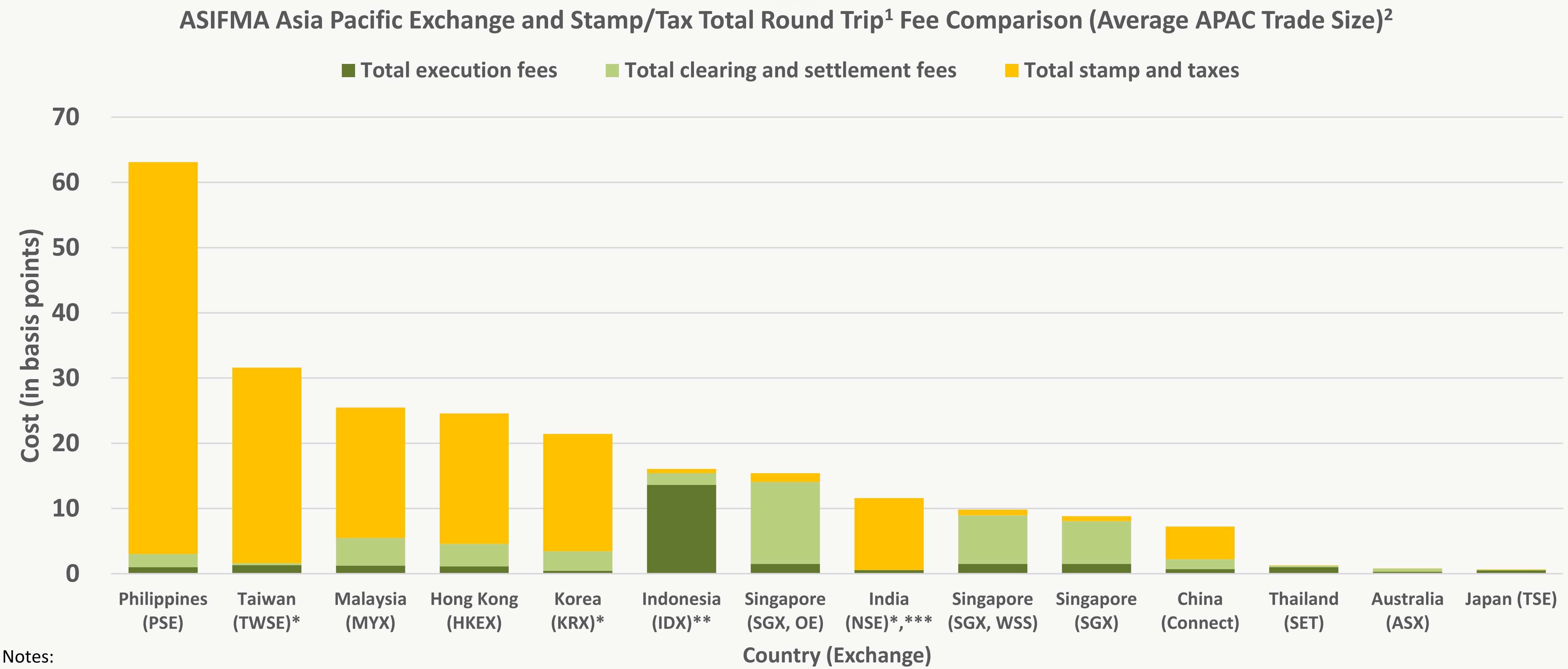
HIGH LEVEL OVERVIEW

Capital flows in APAC have been dynamic and shifting



UBS Market Analytics

APAC Markets Transaction Fee Comparison



Notes:

1. Round trip is defined as buying and selling the same position; for vanilla equity transactions with DVP settlement and settlement instruction; excludes fees charged by third parties / internal parties; some markets may have exemptions for ETFs.
2. The number of orders is based on the local market's average trade size.

* Includes stamp and/or tax charged for sell trades only.

** Includes a charge for sell trades only.

*** Clearing and settlement fees charged by membership and relative to volume.

Transaction Stamp / Tax Incentives

The highest contributors to costs in several markets are transaction stamp/tax. Recently, some markets reduced stamp/tax to boost activity.

China halves stamp duty on stock trading to invigorate capital market

Updated: August 28, 2023 16:04 Xinhua

BEIJING, Aug. 28 -- China halved the 0.1 percent stamp duty on stock transactions effective Monday to invigorate the capital market and boost investor confidence, according to the Ministry of Finance and the State Taxation Administration.

Strengthen the Competitiveness of the Stock Market

71. A vibrant stock market is vital for upholding Hong Kong's status as an international financial centre and maintaining our competitiveness. The Task Force on Enhancing Stock Market Liquidity has submitted its report. I have accepted the Task Force's recommendations, and will implement the following:

(i) reduce stamp duty on stock transfer – We will reduce the rate of Stamp Duty on Stock Transfer from the current 0.13% to 0.1% of the consideration or value of each transaction payable by buyers and sellers respectively. The target is to complete the legislative procedures by the end of November;

CNA file photo

Taipei, Sept. 12 (CNA) Taiwan's Executive Yuan approved on Thursday an extension of the reduced 0.15 percent day-trading tax rate until 2027 in an effort to "sustain trading momentum."

Market structure regulatory developments

There have been increased regulatory actions on these in recent years.

Themes

Securities lending and short selling restrictions


High frequency trading restrictions


Rushed shortening of settlement cycles (T+0/T+1)

CARROTS AND STICKS FOR MARKET LIQUIDITY

Recent Regulatory Changes for SBL in APAC

China

Oct 2023

Margin increased from 50% to 80% for securities financing (and 100% for private funds);

Suspend lending of shares held by firms' executives and core emplyees

Jul 2024

SBL suspended; existing SBL to be terminated by end of Sept

Korea

Nov 2023

Short selling ban imposed until end of Jun 2024

Jun 2024

Ban extended **until end of Mar 2025**;

NSDS being planned

Thailand

Mar 2024

Propose to reform zero-plus tick - 2 options considered:

1) **uptick** for **all stocks** or

2) **uptick only** for stocks with prices **down > 10%** (similar Japan)

Jul 2024

Uptick for **all stocks** imposed

Indonesia

May 2024

Regulator OJK announced relaxation of uptick to **zero-plus tick**

Oct 2024

IDX implemented **zero-plus tick**

Colocation

Co-location is a service offered by almost all developed market exchanges.

- **ACCESSIBILITY** - co-location is the process by which a designated space is provided for ALL participants to access (i.e. colocation is fairly accessible to all).

- **FAIRNESS** - most major exchanges enforce a policy of equidistance. This means that within co-location (which the exchange can control), the furthest customer rack is the exact same speed as the closest customer rack.

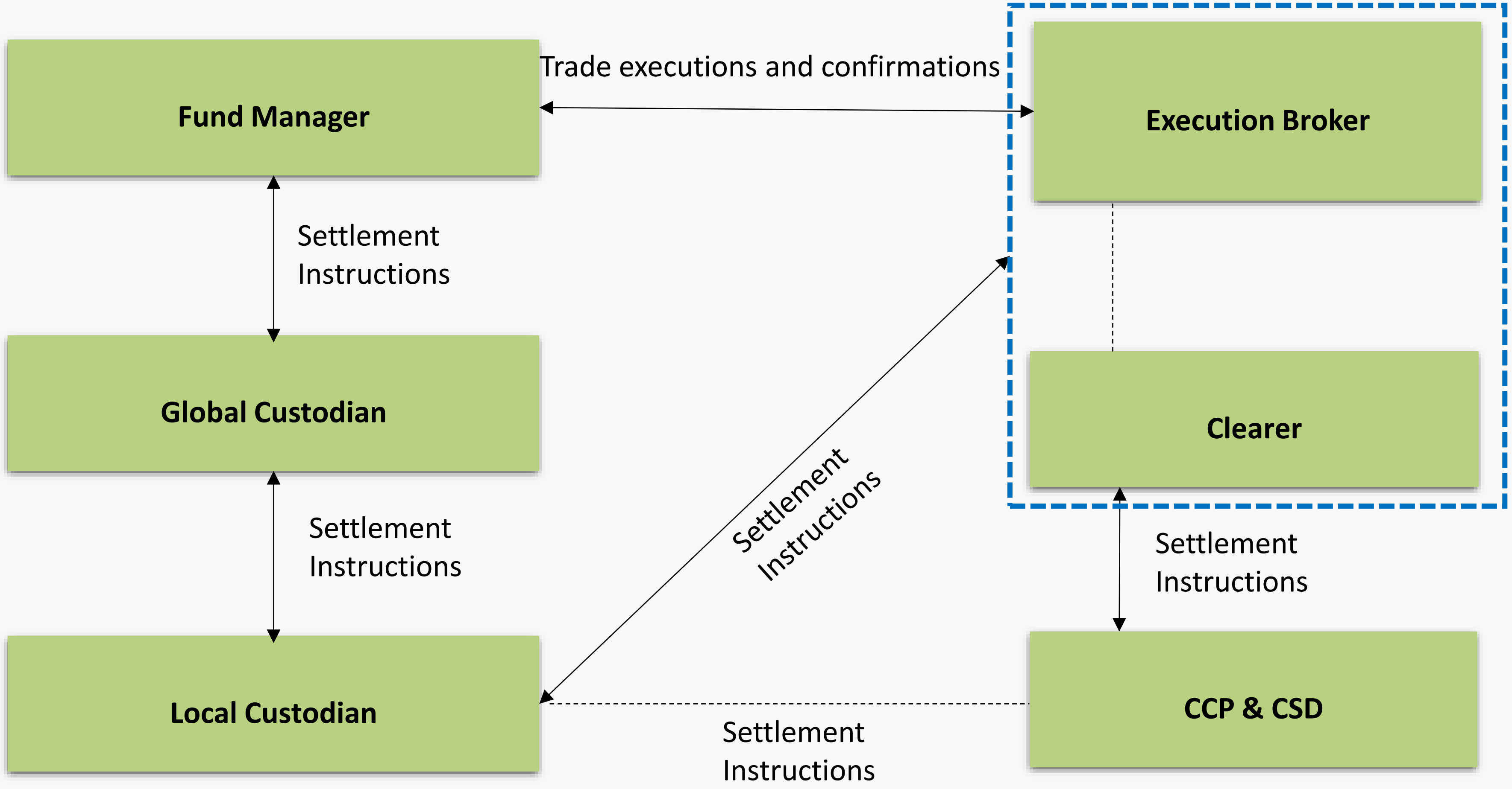
- **COST** - in certain markets, all major retail brokers are also co-located and are able to bear the costs by aggregating clients together.
  - Similarly, exchanges can look to recoup costs of colocation through message throttling services rather than cost of space, therefore ensure space cost is kept low and not a barrier to entry for small players.

Shortened Settlement Cycle

Shortened settlement cycle has various benefits, such as generating savings from clearing fund, enabling investors to receive shares or sales proceeds more quickly. However, some caveats below:

- **ID market** – most APAC markets are ID market, so the settlement needs to be effected at the end investor level, which is more cumbersome than omnibus markets like the US where the settlement only needs to be effected at the broker level.
- **No fail** – APAC markets impose heavy penalty/sanctions on fails compared to markets like the US.
- **Established ecosystem** – Institutional investors do not typically prefund their trades. Given the large size of their trades, there is already an established ecosystem to service such investors under the T+2 settlement cycle. Cutting off time for any process under this ecosystem would require significant technological upgrade (especially for ID, no-fail market).

Key stakeholders within global supply chains for financial markets – current model



Key stakeholders within global supply chains for financial markets – future model