ASIA PACIFIC

AUSTRALIA

UNWEIGHTED

RANK		Score
1	BNP Paribas Securities Services	6.21
2	HSBC	5.33

WEIGHTED

RANK		Score
1	HSBC	6.59
2	BNP Paribas Securities Services	4.66

The ASX is continuing its project to replace its existing Chess platform, which has serviced cash equities in Australia since 1994. The assessment of distributed ledger technology (DLT) is being undertaken by the ASX with Digital Asset Holdings. ASX expects to be in a position to make a decision on the technology and vendor towards the end of 2017.

"The current focus for the ASX and the market participants is being directed to the business requirements for the system, irrespective of the underlying technology," said David Braga, head of securities services Australia and New Zealand, BNP Paribas. "Moreover, the ASX acknowledged that the existing Chess proprietary messages are not compatible with other international systems and standards."

ASX will replace the current proprietary format with ISO20022 standard and has contracted Swift. This work will feed requirements for the Chess replacement solution but is re-usable to any system – the specifications are technology-agnostic.

Peter Snodgrass, head of direct custody and clearing HSBC Australia, said: "The ASX stated that the investments in technology will help deliver greater innovation, efficiency and liquidity to customers. The initial six to twelve months will be used to develop a solution that demonstrates the benefits of DLT, while Chess will continue as normal alongside. This allows stakeholders to assess the benefits and implications before a final decision is made."

The Council of Financial Regulators (COFR) issued a Consultation Paper on Safe & Effective Competition in Cash Equities Settlement in Australia. The COFR seeks to ensure ASX remains responsive to user needs, and maintains transparent and non-discriminatory pricing of its monopoly cash equity clearing and settlement.

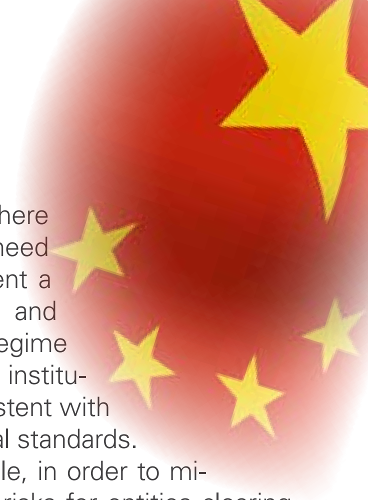
The Australian Securities Exchange (ASX) is looking into adopting pre-matching for debt securities. An automated process would decrease failed trades by enhancing the ability of clients to resolve unmatched trades before settlement date. "This step will provide a significant benefit to the cross border investment community," added Snodgrass.

The Australian Government enacted the new Attribution Managed Investment Trust (AMIT) legislation on 5 May 2016, with the aim of provide qualifying MITs with greater tax treatment certainty. The new regime has been mandatory since July 1 2016. Under the international Common Reporting Standards (CRS), Australian banks and other financial institutions will collect and report to the Australian Taxation Office (ATO) financial account information of their non-resident customers, and shares it with other participating authorities. This comes into effect in Australia from July 1 2017.

Stock exchange and derivatives market operator Chi-X is to launch Transferable Custody Receipts (TraCRs), which are intended to provide beneficial holders with the beneficial ownership of shares in leading global companies on the world's largest markets. Initially, the underlying securities will be US tradeable securities on the NASDAQ and the NYSE (S&P500). TraCRs issuers are separate entities to the company issuing the underlying assets. The TraCRs will trade on Chi-X at a set ratio to the underlying security, cleared and settled via ASX Settlement.

Australia moved to a T+2 settlement cycle, from T+3, for both cash equities and debt securities in March 2016. "It was the biggest change or challenge facing HSBC Australia and its clients in the last year," said Snodgrass.

> "The current focus for the ASX and the market participants is being directed to the business requirements for the system"
>
> **David Braga, BNP Paribas**



BANGLADESH

UNWEIGHTED

RANK		Score
1	Standard Chartered	4.57

WEIGHTED

RANK		Score
1	Standard Chartered	5.83

The Bangladeshi economy is dominated by a single industry, garment making, which makes up more than 70% of total exports. Business is once again booming, having recovered enough from the 2013 factory-collapse disaster to fuel 7% growth this year. $81m was taken from the Bangladesh central bank account at the Federal Reserve Bank of New York in 2016. The theft was linked to malware, which the FBI has alleged was developed by North Korea, and local lapses in security around Swift messaging passwords. The World Bank has been in talks with the government on financial reforms for several years but the country is reported reluctant to take the multinational lender's development policy credit to support reform.

CHINA

UNWEIGHTED

RANK		Score
1	HSBC	5.51
2	Deutsche Bank AG	5.43
3	Standard Chartered	5.08
4	Industrial and Commercial Bank of China	4.46
5	China Construction Bank	4.06

WEIGHTED

RANK		Score
1	Deutsche Bank AG	7.51
2	HSBC	6.72
3	China Construction Bank	5.54
4	Standard Chartered	5.52
5	Industrial and Commercial Bank of China	5.27

China's capital markets have progressed rapidly in recent years. Achievements include the opening of the Chinese Interbank Bond Market (CIBM) to a wide range of international investors in early 2016, the introduction of registration systems for the Qualified Foreign Institutional Investor (QFII) and RMB QFII (RQFII) programmes and the Stock Connect scheme. In 2017 market developments have centred largely on broadening access for foreign investors into China's Interbank bond market (CIBM) with the PBOC delivering on its commitment to liberalise access for international investors.

"With the inclusion of CIBM's bonds in global indices as a core objective, the PBOC and SAFE have led several key developments, most notably allowing foreign participation in the CNY (onshore) FX derivatives markets for the purposes of hedging. This is a key requirement for global insurance companies in particular and is part of a continuing programme of reform which we expect to see continue through 2017," said a spokesperson for Standard Chartered Bank, adding these reforms could potentially include the simplification of market entry documentation, extended trading hours and tax clarifications for QFII investors.

However, several reforms need to occur if China's capital and financial markets are to reach their full potential. The Asia Securities Industry and Financial Markets Association (Asifma) published a detailed study in March, China's Capital Markets: Navigating the Road Ahead.

Adopting global standards on trading suspensions, stock borrowing and lending, short selling, delisting of substandard companies and trading suspensions, and settlement of securities are among the recommendations proposed by Asifma in order to attract foreign investment in equities. The continued development of a liquid secondary bond market is needed to transition away from the majority of issues being held to maturity on banks' balance sheets.

Asifma also says China's capital markets would benefit from greater transparency and consistency in policy and regulation, which would improve international investor confidence. There is also a need to implement a resolution and recovery regime for financial institutions consistent with international standards.

Meanwhile, in order to minimise the risks for entities clearing on the Shanghai Clearing House (SHCH) there is a need to incorporate the enforceability of close-out netting in statute, support the exchange of margin through amendments to the Securities Law and allow for third-party custodians to hold initial margin on behalf of the posting counterparty. Asifma suggests the authorities, in conjunction with the SHCH, should prioritise the application of the SHCH to be recognised as an equivalent clearing house under European and US legislation.

"We believe facilitating access to China's capital markets by permitting international investors to use omnibus accounts would be welcomed by international players as it would allow them to benefit from cost savings and efficiencies through simplification of operating models," Asifma stated. "While China's priority is to develop its own market infrastructure, it is important to ensure that it is compatible with international standards if China is to expand the use of the RMB as an international currency."

HONG KONG

UNWEIGHTED

RANK		Score
1	BNP Paribas Securities Services	5.96
2	HSBC	5.82
3	Standard Chartered	4.92

WEIGHTED

RANK		Score
1	HSBC	6.24
2	Standard Chartered	5.22
3	BNP Paribas Securities Services	4.67

2017 has been an active year with key initiatives including the imminent launch of Bond Connect scheme as well as developments around real-time delivery versus payment (DVP) for China Connect, holiday trading, ETF Connect and Primary/IPO connect.

The development of the Hong Kong – China Stock Connect has resulted in global players such as Standard Chartered partaking in bilateral discussions on the applications of Ucits V in a Hong Kong and China context, leading to the approval of the "market DVP" mechanism by the Luxembourg Financial Sector Supervisory Commission (CSSF).

Cindy Chen, managing director and head of securities services for Hong Kong at Citibank, described these changes as new challenges to foreign investors, such as operating in a T+0 environment and associated risks with a compulsory buy-in market, choosing a solution that would satisfy Ucits, AIFMD and '40 Act requirements and understanding all changes related to the various China market access channels.

"The enhanced connectivity and interaction between Mainland China and Hong Kong authorities and a more stable market environment provide a good platform to expand China market access to other asset classes," said Chen. This effectively creates opportunities for foreign investors to introduce new products and lower the frictional cost of accessing China's "increasingly open, yet complex market."

With the Hong Kong Exchange (HKEx) working actively to extend its capabilities, developments in 2017 have focused on two key areas: the finalisation of the Hong Kong – China Stock Connect and the launch of the Hong Kong – China Bond Connect.

On the Stock Connect, banks including Standard Chartered have continued discussions with European regulators to secure support for the existing settlement models for A-shares in Hong Kong. "This has involved extensive bilateral discussions on the applications of Ucits V in a Hong Kong and China context and has successfully led to the approval of the market DVP mechanism by the CSSF in Luxembourg as a major milestone," said a Standard Chartered spokesperson. "Global investors are now able to fulfil their need under Mifid to demonstrate best execution on the Stock Connect – which was previously not possible."

On the Bond Connect, he added: "We have been a partner to the HKEx in the evolution of the operating model and, as the model now takes shape with investors we will continue to play a key role in reconciling the needs of global managers with those of the HKEx and HKMA."

INDIA

UNWEIGHTED

RANK		Score
1	BNP Paribas Securities Services	6.20
2	Société Générale Securities Services	6.20
3	Citi	5.59
4	Deutsche Bank AG	5.51
5=	Standard Chartered	5.40
5=	HSBC	5.35

WEIGHTED

RANK		Score
1	Citi	7.75
2	Deutsche Bank AG	6.34
3	HSBC	6.26
4	BNP Paribas Securities Services	5.09
5=	Standard Chartered	4.45
5=	Société Générale Securities Services	3.89

India continues to be an important investment destination for foreign investors, both in terms of portfolio and strategic investments on the back of strong fundamentals and well-developed capital markets. Net foreign portfolio inflows into India crossed $10bn in 1Q 2017.

The debt segment has been a focus area for increased reforms. "Regulators have taken various steps to streamline this segment for FPIs [foreign portfolio investors] including flexibility to transact in corporate bonds without involving brokers, direct access to online trading platform for government securities trades in secondary markets and allowing investment in unlisted debt securities," said Anuj Rathi, head of HSBC Securities Services India.

> "Regulators have taken various steps to streamline the debt segment for FPIs"
> **Anuj Rathi, HSBC**

There were also some important developments in taxation. India signed protocols to amend existing tax treaties with Mauritius, Cyprus and Singapore which came into force from April 1 2017. Furthermore, the Budget has clarified that Cat I &II FPIs are exempted from provisions of indirect transfer tax.

Regarding market entry simplification, the PAN verification process for FPI account opening has been relaxed. FPIs are now permitted to provide PAN card copies within 60 days of account opening or before remitting funds outside India, whichever is earlier.

"We are now awaiting the roll-out of the common application form for FPI registration and PAN card as announced in the Budget. This is a really

positive step as it will not only simplify the overall process but will also reduce the time-lag for the FPIs to start trading in the market," added Rathi.

The Reserve Bank of India (RBI) has notified new Central KYC Records Registry (CKYCR) rules aimed at centralising information for bank accounts. Foreign portfolio investors that follow Sebi uniform KYC under KYC registration agency (KRA), will be especially impacted by the new rules. A spokesperson for Standard Chartered Bank said: "Custodians had extensively discussed this requirement and in particular with regard to FPIs with MOF/RBI/SEBI to use exiting information with KRA and only seek additional information from FPI."

Custodians, including Standard Chartered Bank, have been in discussions with Sebi, RBI and the Ministry of Finance to introduce single application form for FPIs which should cover FPI registration including KYC requirements, in order reduce documentation complexity and worked with Sebi, RBI and the depository NSDL to formalise the consolidated form.

Regulators are consulting on the relaxation of rules for foreign investment in Indian government securities. A spokesperson for Standard Chartered Bank said: "We are working with RBI and [clearing house] CCIL in offering the facility to foreign portfolio investors to access the execution platform for trading and subsequent settlement of GOI trades. We had provided feedback for the automation of NDS OM WEB system.

RBI, in consultation with CCIL, is setting up a mechanism to monitor investments limits on real time basis applicable for FPI investments in GOI securities. "This will do away with exiting auction-based mechanism where FPIs post 90% utilisation need to bid for the limits," added the spokesperson.

› INDONESIA

UNWEIGHTED

RANK		Score
1	HSBC	5.72
2	Citi	5.33
3	Standard Chartered	4.84

WEIGHTED

RANK		Score
1	HSBC	6.97
2	Standard Chartered	5.77
3	Citi	4.92

President Joko Widodo (Jokowi) became president of Indonesia two-and-a-half years ago and is gaining the confidence of the market after reforming the country's fiscal budget, including big cuts to Indonesia's fuel subsidies, largely to finance the acceleration of infrastructure projects. Analysts at Lazard Asset Management note that there has also been a notable policy shift, with the government promoting a pro-business climate and an open door policy to foreign investors, which should ultimately improve the competitiveness of the country.

According to David Jauregui, senior vice president, product manager and Lazard Asset Management, since assuming the presidency, Jokowi has also begun reversing Indonesia's restrictive foreign investment policy to boost trade and competitiveness. "The government has been focused on satisfying the balance between domestic and foreign interests, attracting foreign companies where local expertise is lacking while protecting domestic small and medium enterprises," Jauregui noted.

Indonesia New Fund System (INFS) is an integrated system initiated by the Indonesia Financial Services Authority (OJK) and the local Indonesian CSD (KSEI) that provides a centralised platform for Indonesian investment fund-related participants.

"This initiative aims at digitising current paper/faxes/emails instructions, by implementing a standardized and automated channel for all Indonesia mutual fund market participants, including, but not limited to, custodian banks, selling agents or fund's distributors, and brokers," a spokesperson for Standard Chartered Bank said.

INFS is the first system in Asean to connect all mutual fund managers, and improves efficiency and reducing operational risk. Phase one of the programme went live in Sep 2016 by bringing more transparency in the funds ecosystem. OJK and KSEI is working closely with banks including Standard Chartered Bank on phase 2, which aims to further enhance and automate the process for asset managers to integrate with the trading and back-office platforms.

Indonesian depository has been working with custodian banks to build an online connectivity with their post-trade. "This will improve the turnaround times for settlement make the entire process faster and streamlines, added the Standard Chartered spokesperson, adding that the bank is currently working with Indonesian regulators and agen-

ASEAN demands attention

CLIVE TRIANCE

HSBC

Clive Triance, HSBC's Managing Director, Global Head of Banks and Broker Dealers Sector in Hong Kong, explains why the ASEAN region is increasingly important to Asia's capital markets for international investors

WHAT REGULATORY AND DEMOGRAPHIC FACTORS ARE DRIVING ASIAN CAPITAL MARKETS?

Regulatory change and the development of Asian infrastructures are driven, in large part, by what happens in the US and the EU. In the same way, investors from the US and the EU, who represent about two-thirds of global portfolio flows into Asia, are the principal target of efforts by regulators in the region to improve and extend their capital markets and the regimes that govern them.

The reforms include changes to make markets fairer, more efficient and safer. Progress signals to key index providers, and the investors that watch them, that these markets are capable of transitioning from frontier to emerging markets. When the designation becomes official – by inclusion in the appropriate MSCI index, for example – the effect is considerable additional inflow into the market in question.

Specific recent examples of improvements to the securities servicing environment in Asia can be found in the growing adoption of T+2 across the region. Australia, New Zealand and Vietnam made the shift in 2016; Singapore should achieve T+2 sometime in 2018.

WHY SHOULD INVESTORS PAY SPECIAL ATTENTION TO THE ASEAN BLOCK?

The ASEAN region – Thailand, Malaysia, Singapore, Vietnam, Philippines and Indonesia – has attracted a good deal of excitement over the last couple of years.

The region's favourable demographic picture is already beginning to have an effect on the economic one; the region has a combined population of 568m. Between 2007 and 2015, ASEAN recorded an annual growth rate of 5.3%, and its 2015 GDP of $2.4trn makes it the third largest

> The demographic case for investing in the ASEAN region is compelling.

economy in Asia and the 6th largest globally. In 2015, the region also accounted for the fourth largest share of global trade, at $2.3trn[1].

In the near term, the demographic case for investing in the ASEAN region is compelling. By 2015, according the World Bank, ASEAN countries boasted a quarter of the world's total population. By 2030, the IMF estimates that 55% of these will be in the middle class, a total of about 400m people (by the same date two-thirds of the world's middle class will be Asian).

If the ASEAN region is treated as a single country it would rank first in the world for the number of cities in the top 100 business process outsourcing (BPO) locations worldwide, second in total foreign direct investment (FDI) flows; second in the number of monthly Facebook users, as well as third in overall population, annual gross national savings and the number of households with an income of $10,000 or more.

› WHAT INFLUENCE WILL DEMOGRAPHIC AND ECONOMIC FACTORS HAVE ON THE DEVELOPMENT OF ASEAN CAPITAL MARKETS?

In addition, the region is enjoying a process of rapid urbanisation, a broad shift to representative democracy and a young, tech-savvy population. The factors combine to provide circumstances that could be ideal for the growth of financial services. In particular, growing affluence and a favourable demographic balance bodes well for the growing penetration of investment and insurance products.

With Chinese GDP growth figures continuing to slow – despite small recent gains, the growth rate remains below its recent historical average – investors and companies are looking increasingly to ASEAN countries as alternative investment destinations. While increasing labour costs have ramped up the cost of manufacturing in China, for example, those in ASEAN countries continue to be low. This likely result in the coming years could be a continuing shift of manufacturing to ASEAN countries. I think this will, in turn, continue to favour the development of the region's local securities markets.

› ON BALANCE, HOW DO THE PROSPECTS FOR ASEAN COMPARE WITH THOSE FOR CHINA AND INDIA?

At the level of individual countries, none of the ASEAN members may attract as much interest from international investors as say, China or India. Collectively, however, the ASEAN region's strong demographics should ensure the stories of these countries remain compelling ones over the mid-term.

HSBC has been active in helping shape the regulatory and commercial landscape in each of these countries. Regulators have consulted with us, seeking advice and insight into what neighbouring countries are doing and how far they should adopt the same approach. We will continue to have a central role and an exclusive perspective on how these markets develop in the coming years.

1 ASEAN.org

The prospects of ASEAN countries

› SINGAPORE

With around 5.8m of ASEAN's total of 568m people, Singapore is small in population terms. However, the country has developed as a leading regional economy and has established itself in particular as an offshore financial services location.

The country's regulator is looking to attract further foreign investment by positioning the country as the financial technology hub of Asia. To this end it has committed itself to developing a "regulatory sandbox" in the coming years: a safe space in which financial technology firms can develop and test products under more flexible regulatory standards. In exchange for appropriate safeguards in their testing models, companies can be confident that their experimental innovations will not be curbed by sudden regulatory crackdown.

In 2014, Prime Minister Lee Hsien Loong announced plans to make the city state into the world's first smart nation by 2030. The government has pledged to use technology throughout the economy – and in all areas of society - to improve citizens' standard of living. At the heart of the new vision are efforts to promote collaboration between the sectors of technology, financial services, the research industries and institutions of higher learning as well as other innovation professions and government agencies.

In financial services efforts are focussed on developing Application Programming Interfaces (APIs) to open up the banking system. (APIs refer to the system or programming innovations that allow existing applications to interact – combining mobile retail banking interfaces with back office settlement systems, for example).

All this is helping to build a vibrant ecosystem for innovation, which should attract the best in international talent, specialising in the cutting edge research necessary to achieve ground-breaking discoveries that propel industry and society forward. A recent report by Ernst & Young for the UK Treasury put Singapore fourth in the world for the quality of its innovation, ahead of Germany and Hong Kong and behind only the east and west coasts of the US and the UK.

Singapore may not be about to win the population race – or even the competition for the world's fastest growing economy – but it may yet become one of the world's leading centres for innovation in general and financial technology in particular.

› MALAYSIA

A recent $32bn bilateral agreement was signed between Malaysia and China, as part of China's Belt and Road initiative. Malaysia is also pursuing a national transformation plan, the goals of which include increasing the population from its current 31m to 50m by 2050.

In March, the Alibaba Group and the Malaysia Digital Economy Corporation (MDEC) launched Malaysia's Digital Free Trade Zone. It is the world's first special trade zone and targets the growth of e-commerce by providing a supportive environment in which small and mid-sized companies can transact products and services. The project is aiming to account for $65bn in trade for Malaysia by 2025. Jack Ma, Alibaba's founder, launched the project and it will be the firm's first e-hub outside its home market of China.

› INDONESIA

The world's fourth most populous country holds considerable potential when it comes to the development of its capital markets. Demographically, it boasts a young and increasingly affluent population; 100m monthly Facebook users and a capital city, Jakarta, where residents are the world's most active Twitter users. Its proximity to China and key role in the ASEAN network means it is well placed for future development, which is set to include considerable infrastructure investment. Financial markets, and the involvement of international investors, will be the key to the financing of this.

> "These markets are capable of transitioning from frontier to emerging markets."

› PHILIPPINES

The Philippines also benefits from the favourable macro-economic trends that are helping many of its ASEAN neighbours develop their capital markets. With big commitments to infrastructure spending, a young population and high domestic consumption the fund industry is set to grow, led by the insurance and trust sectors. The labour force is well educated, has strong language skills and a reputation for working hard.

The regulator is working to develop an investor-friendly environment as well, approving new products, including dollar-denominated listings for public-private partnerships. The central bank has relaxed FX regulations, including the purchase limit for domestic residents, which allows residents to trade more. Reforms have also speeded up the cheque clearance system, which is now achieved in one day.

› THAILAND

In 2015, the Thai government announced a 20-year national strategy including a five-year economic plan. The latter includes changes in tax regulations, improvements to government transparency, reform of state enterprises and moves to improve governance standards. A recent memorandum of understanding has been signed with China to create a $5bn high-speed rail link – once again, part of China's Belt and Road initiative.

Further government initiatives have targeted innovation, technology, aviation and the creation of a medical and biotech hub, with another for robotics. Capital markets are benefitting from plans to introduce T+2 as well as a national e-payment initiative. Progress on the former includes the establishment of a pre-settlement matching system, which should see T+2 go live in September.

› VIETNAM

Vietnam enjoys low labour and input costs and a young workforce, both of which are helping to attract a high level of foreign development capital to the country. The government has embarked on a programme of selling stakes in many of the country's state-owned enterprises, helping to raise government revenue, reduce the costs of subsidies and increase dollar investment in the country.

cies during testing and implementation of these platforms.

JAPAN

UNWEIGHTED

RANK		Score
1	Mizuho Bank Ltd	6.48
2	Bank of Tokyo-Mitsubishi UFJ, The	5.64
3	Sumitomo Mitsui Banking Corporation	5.54

WEIGHTED

RANK		Score
1	Mizuho Bank Ltd	6.07
2	Sumitomo Mitsui Banking Corporation	6.04
3	Bank of Tokyo-Mitsubishi UFJ, The	5.04

Increasing foreign investment in equities, the Japanese Exchange Group's (JPX) business-model shift amid severe global exchange competition and the gradual shift from deposits to investment by domestic retail investors continue to be the dominant trends influencing the Japanese capital markets, according to experts at Aite Group.

"The relative stability and reliability of the Japanese securities market continue to attract investment and trading flow into the Japanese market from the active foreign investor community," Gabriel Wang, analyst at the capital markets consultancy, wrote in a 2016 report.

Explosive growth of ETF trading has been driven by domestic retail investors, the good performance of the equities markets and foreign institutions that took a market-making position. Among institutional investors, banks are rapidly increasing ETF ownership.

Aite's study Japanese Securities Market: The Sun Rises Again suggests that low trading fees and long operation times are not enough for Japanese proprietary trading systems (PTSs) to increase their shares under current regulations. "The market structure monopolised by JPX will not change, at least not in the next five years, because of its overwhelming liquidity and sophisticated trading platform."

Meanwhile JPX has also the importance of derivatives trading to attract foreign investors and to stabilise the revenue under global exchange competition. The bourse also plans to enhance partnerships and derivatives cross-listing between Asian exchanges rather than consolidating other derivatives exchanges. "The biggest challenge for JPX is its high dependence on equities trading over derivatives trading, compared with other main Asian exchanges. Its primary IT investments are derivatives trading systems and OTC clearing systems," added Aite's Wang.

Japan Securities Clearing Corporation (JSCC) is a subsidiary company of JPX and is responsible for clearing cash products in exchanges in Japan. After July 2013, when the clearing operation of exchange derivatives was moved to JSCC from Osaka Exchange, JSCC began to undertake all exchange futures and options clearing (index futures and options such as Nikkei 225 and TOPIX), individual options and Japanese government bonds futures and options, and OTC government bonds.

For OTC derivatives, JSCC started clearing indexed CDS (July 2011), Libor interest rate swaps (October 2012), Japanese overnight index swaps (November 2014), DTIBOR swaps (December 2014), and non-JPY IRS clearing (September 2015), keeping pace with regulation updates about OTC derivatives after the financial crisis. In Japan, the current clearing cycle of stocks is mostly T+3.

It's also worth noting that over twenty companies are taking part in a blockchain consortium spearheaded by the JPX. The capital markets infrastructure-focused project was announced last November, with the Tokyo Stock Exchange and the Osaka Exchange, in conjunction with the JSCC, forming the initial members of the group. On March 17, new members were revealed, including Mizuho Bank, Daiwa Securities Group, Merrill Lynch Japan Securities and Nomura Holdings, among others.

KAZAKHSTAN

UNWEIGHTED

RANK		Score
1	Citi	5.00

WEIGHTED

RANK		Score
1	Citi	6.31

Kazakhstan has become something of an economic model in its region, having been granted market economy status by the United States, and now accounts for 60% of the central Asian GDP. It has suffered from declining commodity prices and is pursuing economic diversification, although this is at a relatively early stage. It does not lack ambition, however; its Strategy 2050 aims for it to become one of the world's top 30 economies and join the OECD.

MALAYSIA

UNWEIGHTED

RANK		Score
1	Deutsche Bank AG	5.52
2	HSBC	5.52
3	Standard Chartered	5.19

WEIGHTED

RANK		Score
1	HSBC	6.61
2	Deutsche Bank AG	6.07
3	Standard Chartered	5.17

The central bank, Bank Negara Malaysia (BNM), has successfully enabled Swift message interface for securities-related messages between their Real-time Electronic Transfer of Funds and Securities System (RENTAS), Scripless Securities Depository System (SSDS) and its SSDS participants.

"This platform has provided a more efficient and straight-through processing environment by eliminating manual pre-matching of bonds transactions. It will transform the competitive dynamics of Malaysia's capital market," said Aloysius Wee, head of HSBC Securities Services Malaysia.

"In an effort to restrict the usage of the MYR NDF [non-deliverable

forward], we saw stronger enforcement of the Foreign Exchange Administration Rules by BNM to curtail excessive speculation on the MYR. Stringent efforts in reducing MYR NDF activities brought about greater migration of flows to the onshore deliverable market, which resulted in subsequent reduction in the MYR NDF market."

To provide greater flexibility for market participants to manage FX risks, new measures were introduced. Resident and institutional investors can register with BNM and manage their FX exposure up to 25% of their Ringgit invested assets. Residents (including resident fund managers) may freely and actively hedge their USD and CNH exposure up to a limit of MYR6m per client per bank. And, to broaden the accessibility of foreign investors and corporates to the onshore FX market, offshore non-resident financial institutions may participate in the appointed overseas office (AOO) framework.

On the exchange, Bursa Malaysia Berhad's long-standing commitment is to make Malaysia a comprehensive Islamic investment. Bursa launched Bursa Malaysia-i, a shariah-compliant platform and the world's first fully-integrated Islamic securities exchange platform. "In creating a more facilitative trading environment, Bursa has effectively enabled multi-currency fixed income instruments in its web-based Electronic Trading Platform (ETP) to ensure the ongoing relevance of the platform for fixed income instruments," said Wee.

Bursa also launched the Equities Margining Framework to meet Principle 6 of the Principles for Financial Market Infrastructures issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions.

Bursa Malaysia recently expanded the Securities Borrowing and Lending Negotiated Transactions (SBLNT) framework to facilitate settlement of potential failed trades and revised the uptick rule on regulated short selling (RSS). The withholding tax on REIT distributions for non-resident companies will be 24% arising from amendments introduced in the Finance Act 2015, gazetted on December 30 2015 for distributions in 2016 and subsequent years. This will reduce tax obligations, making investments more attractive to both local and foreign investors.

NEW ZEALAND

UNWEIGHTED

RANK		Score
1	BNP Paribas Securities Services	6.73
2	HSBC	5.44

WEIGHTED

RANK		Score
1	HSBC	6.63
2	BNP Paribas Securities Services	4.83

The Reserve Bank of New Zealand has previously advised that they are replacing the NZClear and ESAS systems. "Replacement is required to significantly improve system resilience and security," says David Braga, head of securities services Australia and New Zealand BNP Paribas [SS].

NZClear has chosen to partner with SIA-Perego to develop and deliver a

> "SECP published a comprehensive Capital Market Development Plan outlining the future roadmap for the capital market, including reforms"

new CSD platform aimed at delivering as close to current functionality as possible. NZClear is also considering whether to use this re-platforming project to remove non-core CSD functionalities such as NZClear existing cash payment facilities.

In the meantime, the NZX is proposing to offer a competitive CSD and OTC settlement for all listed and unlisted equity and debt products offered by NZClear leveraging on their existing platform (e.g .BaNCS Market Infrastructure) relying on existing and published messaging interface.

"This competition in the post-trade settlement sector will hopefully offer to domestic and foreign investors the benefits of lower market charges and enhanced market capabilities in the near future," added Braga.

PAKISTAN

UNWEIGHTED

RANK		Score
1	Deutsche Bank AG	5.20

WEIGHTED

RANK		Score
1	Deutsche Bank AG	5.76

The three stock exchanges located in Karachi, Lahore and Islamabad were integrated into a single, unified, national level trading platform under the name of Pakistan Stock Exchange Limited (PSX) in 2016. More recently, the country has been upgraded by the MSCI from a frontier to an emerging market.

The Securities and Exchange Commission of Pakistan (SECP) published a comprehensive Capital Market Development Plan (2016-18), outlining the future roadmap for the capital market, including reforms for issuers and capital market intermediaries and reforms for product and market development.

Elsewhere, central depositories (licensing and operations) regulations were approved last year. Private fund management regulations introduced in 2015 continue to be promoted to facilitate the launch of private equity, venture capital and alternative funds including SME, infrastructure, debt and hedge funds.

Growth in the commodities' market is continuing and can be attributed to the listing of new products such as red chilli weekly futures contracts and gold futures contracts denominated in Canadian and Australian dollars, and Swiss francs.

In order to promote Islamic finance in the country and on the SECP's proposal, a 2% tax rebate for Sharia-compliant listed manufacturing companies was also approved in the Finance Act, 2016. Subsequently the federal government, on the recommendations of the SECP, has accorded tax neutrality to sukuk by allowing certain tax exemptions that were earlier available only to conventional securitisation issues.

It is hoped these measures would result in growth of Islamic finance in the country as the corporate entities have the compatible option to raise capital requirements in accordance with Sharia. Various pieces of legislation were promulgated, including the Futures Market Act, 2016, establishment of NCCPL as a central counterparty and settlement guarantee fund, new brokers' regime and others have contributed to better superintendence and control over capital and financial services market.

The National Clearing Company of Pakistan Limited (NCCPL) is responsible for computing and collecting capital gains tax (CGT) on behalf of the Federal Board of Revenue in Pakistan. "In order to streamline the process, SCB made number of suggestions to improve the way the information is gathered and communicated to the investors for their action i.e. to validate and make the tax payment," said a spokesperson for Standard Chartered Bank.

Two suggestions have been accepted and implemented by NCCPL. Firstly, CGT reports should be available on a fixed date every month and the information should be given at the investor level to allow custodian banks to immediately pass on the details to clients/investors without any manual intervention. The second change is the extension of the payment deadline by three to five additional days to allow sufficient time to review, and instruct local custodian to make the payment.

PHILIPPINES

UNWEIGHTED

RANK		Score
1	Deutsche Bank AG	5.62
2	HSBC	5.19
3	Standard Chartered	5.08

WEIGHTED

RANK		Score
1	HSBC	6.51
2	Standard Chartered	5.29
3	Deutsche Bank AG	5.05

The Philippines economy continues to grow at one of the fastest rates in the region, anchored on strong economic fundamentals and efforts to enhance the country's capital markets. In 2016, regulators approved several new regulations to introduce new products in the market, including equities trading of dollar-denominated securities and listing of public-private partnership (PPP) companies.

A plan to merge the country's stock and fixed income markets has been on the cards since 2013 and has not lost steam despite delays. In the Philippines, the trading platform for equities is run by the Philippine Stock Exchange (PSE) while the bond exchange is run by the PDG Group. The PSE has offered PHP2.25bn ($0.45bn) to buyout of PDS Group as a way to push forward unification.

The merger has to gain approval of the SEC – and in March 2013 the regulator unanimously denied the request, not being convinced it was in the public interest. "On the other hand, the SEC said that its decision to deny the proposed merger 'is without prejudice to any subsequent application by the PSE for similar reliefs in the future'. The PSE is currently reviving its plan and has signed agreements to resume discussions on the merger with some of the stakeholders," said a spokesperson for Standard Chartered Bank. "The merger is expected to deliver efficiencies and the lowering of costs."

The Philippine Central Bank, Bangko Sentral ng Pilipinas (BSP), relaxed foreign exchange regulations, including an increase in residents' FX purchase limit without BSP approval and providing an additional one-year grace period for the registration of foreign direct investments.

Maris Flores, head of HSBC Securities Services Philippines, said: "Two much-awaited regulatory changes expected within the year include the relaxation of foreign exchange regulations to enable repatriation of funds from disapproved rights subscriptions and the streamlining of the tax treaty relief process for dividend, interest and royalty income."

The launch of the Securities National Market Practice Group in November 2016 is expected to bring in best practices/standardisation and short-term efficiencies, especially in the trading and settlement as well as corporate actions streams.

The Bureau of Internal Revenue (BIR) released Revenue Memorandum Order (RMO) No. 8-2017, which prescribes the procedures for claiming tax treaty benefits for dividend, interest and royalty income of non-resident income earners in the Philippines. The RMO simplifies the procedure for claiming tax treaty benefits for dividend, interest and royalty income of non-resident income earners and amends RMO 72-2010.

"Instead of filing tax treaty relief applications (TTRA), non-residents' income earned in the Philippines can automatically be applied with the preferential rate or exemption prescribed under tax treaties on these types of income by submitting, to the International Tax Affairs Division of the BIR (BIR-ITAD), a Certificate of Residence for Tax Treaty Relief (CORTT) duly accomplished by the non-resident and withholding agent," said a spokesperson for Standard Chartered Bank.

SINGAPORE

UNWEIGHTED

RANK		Score
1	BNP Paribas Securities Services	5.58
2	DBS Bank Ltd (formerly Development Bank of Singapore)	5.42

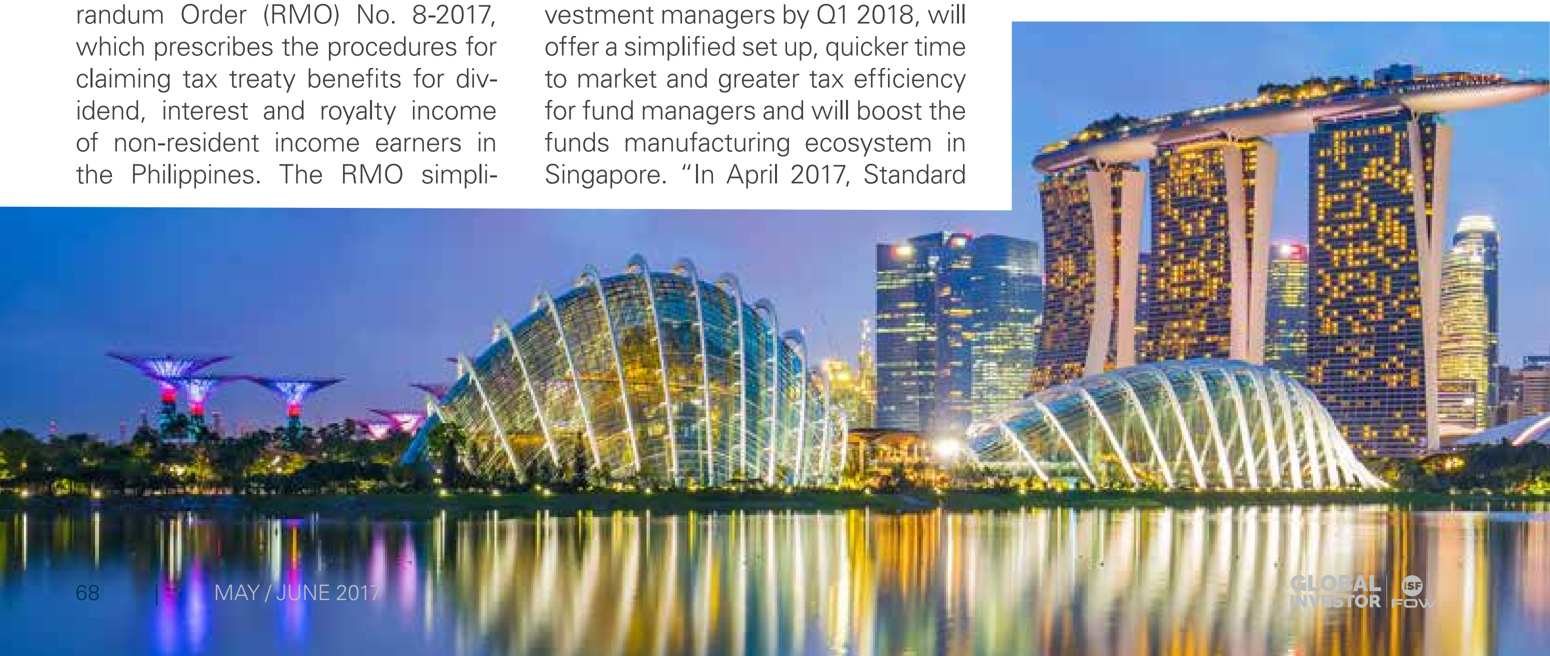
WEIGHTED

RANK		Score
1	DBS Bank Ltd (formerly Development Bank of Singapore)	7.19
2	BNP Paribas Securities Services	4.34

The Monetary Authority of Singapore (MAS) is establishing a Singapore Variable Capital Company (S-VACC) structure, which will provide an alternative fund vehicle for asset managers. S-VACC, to be available to investment managers by Q1 2018, will offer a simplified set up, quicker time to market and greater tax efficiency for fund managers and will boost the funds manufacturing ecosystem in Singapore. "In April 2017, Standard Chartered was the first bank in Singapore to host an S-VACC event and will be embarking on a series of road shows in Europe to promote Singapore as a leading fund centre in APAC," a spokesperson for Standard Chartered Bank said.

There have been significant developments in the post-trade market infrastructure for the Singapore Exchange (SGX). Standard Chartered is as a leading provider of account operator services to international broker dealers managing more than 60% of volumes on the exchange for its clients. In Q1 2017 it successfully transitioned all its broker-dealer clients to ISO20022. SGX has initiated the next phase and will incorporate changes to both cash and securities settlement frameworks and will affect numerous depository agents functions.

"Standard Chartered is excited to be working with SGX on making these transformative changes that include the removal of two tier bank guarantees, moving buy in process to the day of settlement date and simultaneous DVP. These changes will benefit the broker-dealer community tremendously and strengthen the overall settlement process," said the spokesperson, who added that the bank is an active participant in the project working committee and that the industry is working to



build industry standards and new frameworks.

MAS has embarked on an ambitious initiative on cross-currency payment and delivery versus payment (DVP) using cash on ledger concepts and utilising new technologies. In its end state, it will allow banks and custodians to have longer service windows and queueing algorithms to resolve deadllocks to transactions.

SGX is conducting a proof-of-concept for a blockchain project for a platform in the fixed income market that to be launched within the next two years, to improve secondary trading in the OTC fixed income market.

SOUTH KOREA

UNWEIGHTED

RANK		Score
1	Deutsche Bank AG	5.54
2	HSBC	5.41

WEIGHTED

RANK		Score
1	HSBC	6.20
2	Deutsche Bank AG	6.11

The Korean Exchange (KRX) announced the extension of trading hours of the regular trading session of its markets (equity, derivatives and commodities) by 30 minutes from August 1 2016, to improve global competitiveness and investment efficiencies.

The FSC shared detailed proposal procedures for placing an order through special nominee accounts

> The Korean regulator, Financial Supervisory Service, introduced an omnibus account structure for foreign investors, effective from March 2017

(SNA) for bond transactions but advised that the bond omnibus account structure will not be in scope of the July 2017 implementation, mainly due to complex capital gains tax issues. An amendment to Regulation on Financial Investment Business to include provisions of the SNA will appear before July 2017.

FSS amended the Enforcement Decree of the Regulation on Financial Investment Business regarding the omnibus account structure for foreign investors. Effective March 10 2017, a global firms may apply for omnibus IRC/account structure, with supporting documentation and permissions, with IRC applications requiring an additional report.

The Korean regulator, Financial Supervisory Service (FSS), introduced an omnibus account structure for foreign investors, effective from March 2017. The Omnibus Account allows settlement of multiple end investors to be done in a single settlement instruction. Trading orders and settlements of each end investor registered with the FSS had to be made separately for each end investor before the Omnibus Account was introduced.

"The Omnibus Account is not mandatory but optional as per investor's needs and is only applicable to trading and settlement of equities. Only Global Investment Managers and Global Broker-Dealers are qualified to apply for an Omnibus Account to the Korean regulator," said a spokesperson for Standard Chartered Bank. "All the existing regulatory obligations imposed on each underlying investor remain the same."

The KRX has detailed its plans to introduce a member margin requirement in the securities market, to enhance settlement stability, effective September 2017. For securities, KRX members will be required to deposit with the KRX a member margin in order to guarantee the repayment of debt to the KRX. Eligible transactions are equities in the KOSPI/KOSDAQ/KONEX market and listed equity-linked products such as ETF, ETN, ELW – so it will be applied to equities and equity-linked products with a settlement cycle of T+2. The KRX will decide whether to expand the requirement to products with a shorter settlement cycle (ie T+1, T) after further review.

The FSC has proposed legislation on short-sale position reporting, which would mean the KRX will designate overheated short-selling issues at the close of market under the following conditions: Short-selling ratio is 20%, or 15% Konex and Kosdaq; the short-selling ratio increases to more than double the 40 trading-day average; or there is a fall of 5% from the previous closing price. Rajesh Atal, head of HSBC Securities Services Korea, said: "In case of being designated as an overheated short-selling issue, the stock will be suspended from short-selling the following day."

The deadline on disclosure of short sale net positions will be cut by one day. Currently, investors need to disclose their short sale net position via the exchange immediately after the market close (ie after-hour session close) of the third business day following the date of trigger. "However, the proposal amendment requires the investor to disclose their short sale position immediately after the market close (ie after-hour session close) of the second business day following the date of trigger," added Atal.

FSC (Financial Services Commission) revised regulations to enable collateral top-up via securities lending; Korea Securities Depository (KSD) and Korea Securities Finance Corporation (KSFC) added 'collateral transaction' as one of the transaction types in March 2017. "With this regulation change, collateral pledge can be done in the form of an SBL transaction type called collateral transaction. Before, there were regulatory limitations for utilisation of SBL transactions to top-up collateral," the Standard Chartered Bank spokesperson added.

SRI LANKA

UNWEIGHTED

RANK		Score
1	HSBC	5.23

WEIGHTED

RANK		Score
1	HSBC	6.58

The Securities and Exchange Commission of Sri Lanka (SEC) rolled out its Capital Market Strategy 2020 in March 2017. The document outlines plans to strengthen regulation, address a scarcity of liquidity, enhance the country's product offering to investors and fill market infrastructure and technology gaps.

Regulatory enhancements include the establishment of a clearing house acting as a central counterparty (CCP), regulating demutualised exchanges, recognising new categories of market intermediaries and introducing a wide range of enforcement tools to deal with market misconduct.

The changes follow a recent invitation from the SEC to the International Organisation of Securities Commissions (IOSCO), the global standard-setter for securities market regulation, to conduct a country review and developing a roadmap for enhanced compliance.

Sri Lanka has also placed significance on the procurement of an advanced system for market surveillance and regulatory reporting to ensure that transactions are carried out in compliance with the rules governing capital market activity.

In order to better evaluate and address systemic risk, the SEC intends to adopt a risk-weighted capital adequacy framework for capital market institutions and intermediaries. This initiative is now underway and would address prevailing post-trade risks including asset commitment risk and counterparty risk.

Meanwhile, the implementation of new listing platforms for issuers of varied size, scale, maturity, and value-recognition needs is underway collaboratively with the Colombo Stock Exchange (CSE). The SEC along with the CSE is also keen to improve the efficiency and cost-effectiveness of the equity fundraising process through both operational and technological enhancements. Creating a robust bond market is also a significant component of the Capital Market Strategy 2020.

Funds and pension funds are also being encouraged to diversify their portfolios and increasing asset allocation to capital market investments. Headway has also been made in terms driving the implementation of a common stock broker back office and customised order management systems in conjunction with the CSE. This sets the infrastructural foundation for the proposed phased implementation of a CCP.

To increase portfolio choice of investors, the SEC is developing a sequencing framework for the introduction of new products ranging from real estate investment trusts (REITs) and exchange-traded funds (ETFs) to derivatives.

Over the medium to long term, far-reaching reforms proposed as part of the Capital Market Strategy 2020 would support the proposition to Morgan Stanley Capital International (MSCI) to reclassify Sri Lanka as an emerging market, providing for broader visibility as an attractive portfolio investment destination.

TAIWAN

UNWEIGHTED

RANK		Score
1	Standard Chartered	5.63
2	HSBC	5.46
3	Citi	5.44
4	Bank of Taiwan	5.32
5	JPMorgan	5.29

WEIGHTED

RANK		Score
1	Citi	7.53
2	Bank of Taiwan	7.17
3	JPMorgan	7.06
4	HSBC	6.75
5	Standard Chartered	5.96

In 2016, the Financial Supervisory Commission (FSC) and the Exchanges implemented a number of initiatives to improve corporate governance, boost trading and further enhance market efficiency, including three major changes. The first was to requiring all listed companies adopt e-voting as one of the options for shareholders' voting exercise with effect from 2018.

The second was revising the regulations governing public tender of-

> "The Securities and Exchange Commission of Sri Lanka rolled out its Capital Market Strategy 2020 in March 2017"

fers, which simplified the shares delivery process for foreign institutional investors (FINIs) to directly transfer the shares to the escrow account. The third was to allow dual-currency ETF trading, exempted transaction tax for corporate bonds/financial debentures and listed bond ETFs for ten years.

Furthermore, the Taiwan Stock Exchange (TWSE) planned several other initiatives, including extending SBL trading hours from January 9 2017, allowing all FINIs to engage in securities borrowing and lending trades from March 15 2017, and submitting a proposal for legislators' approval on reduction of transaction tax on day trading from 0.3% to 0.15%.

Eric Jai, head of direct custody and clearing, Taiwan, HSBC, said: "Following continuous industry efforts in 2016, FSC recently lifted the daily limit for short-selling of borrowed securities and exempted privately placed convertible corporate bonds from the 30% rule of non-equity investment."

As the chair of the custodian working group and co-chair of the Capital Markets Committee of the American Chamber of Commerce, HSBC Taiwan was engaged in the discussions related to market initiatives with the local regulators and industry members, and collected international market practices and institutional investors' suggestions to continuously lead market development.

Recent initiatives include developing market standard Swift message types for rights issues in Taiwan. The TWSE has worked with participants to build up a platform to permit custodians to collect details of SBL trades booked under broker-scheme SBL for client reporting.

THAILAND

UNWEIGHTED

RANK		Score
1	HSBC	5.64
2	Standard Chartered	5.32

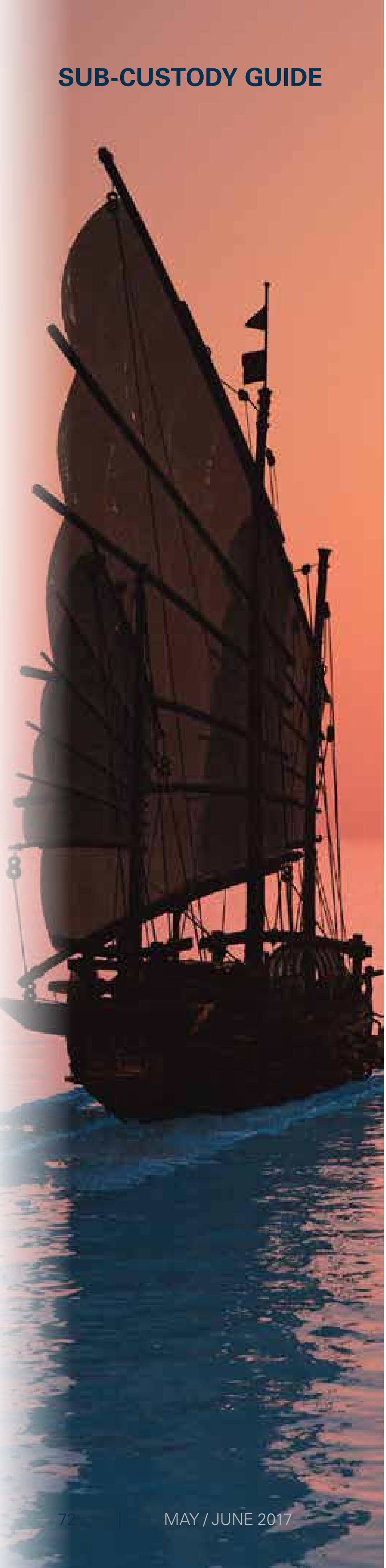
WEIGHTED

RANK		Score
1	HSBC	6.38
2	Standard Chartered	5.63

In 2016, Thailand was focused on the implementation plan to move the settlement cycle for equities from T+3 to T+2 to align with other markets within the region. The Stock Exchange of Thailand (SET) announced that the targeted first trade date under a T+2 scheme will be March 2 2018.

One of the key factors for T+2 is to bring more automation and STP in the process through the Pre-Settlement Matching System (PSMS). There are two projects to complete in advance – the enhancement of PSMS function for onward transactions, tentatively by September 11 2017, and the pending settlement model by November 6 2017.

The T+2 sub-committee meetings bring together the SET and regulators, which include the Bank of Thailand (BOT), Securities and Exchange Commission (SEC), Association of Thai Securities Companies (ASCO), and the Thai Bank Association (TBA) as well as Utumporn Viranuvatti, head of HSBC Securities Services Thailand and chairperson of the



Custodian Club.

"HSBC Thailand is a member of the industry working group that closely works with SET and other representatives on these two market initiatives and led the discussion with the SET to adopt the concept of using Swift to auto-link onward transactions with POOL ID in order to perfect PSMS functionality."

The Securities and Exchange Commission (SEC) is working to relax the annual documentation renewal for notarisation and consularisation by foreign juristic investors. It has consulted on the non-standard validity period of documentation required by some issuing companies to participate in voluntary corporate events, such as proxy voting, warrant exercise and rights offering. "As a result of continued advocacy and lobbying, the SEC has issued guidelines for all listed companies to rely on documentation submitted by local custodian banks acting as agents for foreign juristic customers," said Viranuvatti.

The issued guidelines aim to help reduce the burden of investors in preparing documentation, to gain good corporate governance in the Thai market and to be in line with other countries' practices in the region.

› VIETNAM

UNWEIGHTED		
RANK		Score
1	HSBC	5.33
WEIGHTED		
RANK		Score
1	HSBC	6.90

There are currently two stock exchanges in Vietnam – the Hanoi Stock Exchange and the Ho Chi Minh City Stock Exchange. It was announced in October 2016 that the Hanoi and Ho Chi Minh exchanges will merge, with a target completion date of 2018.

"Drivers for the merger include a more prominent profile for Vietnam's capital markets sector generally and a competitive edge for Vietnam over its Asean neighbours, which have smaller exchanges – particularly those of Thailand and the other CMLV countries [Cambodia, Myanmar and Laos]," experts at law firm LNT Partners wrote in a note to clients in January.

In 2016 certain industries including, securities firms, were opened up to 100% foreign holding encourage foreign investment in the country. This has encouraged private equity and M&A interest from Thailand, Japan, China, Korea and Indonesia. There are 18 sectors including transportation, construction and real estate where offshore investors can take a degree of ownership subject to certain conditions.

Meanwhile, Vietnam's benchmark VN Index (VNI) has been one of the fastest growing markets in Southeast Asia. The country plans to open a derivatives market in June this year in a bid to draw more investment to its capital markets, with futures contracts set to launch first.

"In frontier countries, the equity markets tend to be the focus for foreign investors seeking access to and participating in the rapid growth these countries are experiencing, and Vietnam is no exception," experts at VinaCapital wrote in a note last year. "After starting the year affected by global issues, Vietnam's stock markets have recovered well, breaking through several historical barriers and reaching eight-year highs.

"Corporate earnings are generally solid, liquidity has been increasing, and additional privatisations and the lifting of foreign ownership limits all point to continued market growth. In contrast, Vietnam's bond markets have, until very recently, shown little such promise. While government bonds continue to be an important vehicle for raising funds and have seen reasonably robust sales in the past six months, corporate bonds have been relatively static."