CONTENTS

I  AFSF at a Glance
   1. Overview  (Page 3-4)
   2. Progress  (Page 5-6)

II  2019 AFSF Survey
   1. Overview: Objective & Outline  (Page 7-8)
   3. Part 2: Post-trade Concerns  (Page 16-23)
I. AFSF at a Glance

1. Overview

2. Progress
A consultative body of Asian CSDs aiming to advance post-trade processing by harmonizing operations for cross-border fund trading.
I. AFSF at a Glance

Asia Fund Standardization Forum – Progress

AFSF Members

Regular Members: **14 CSDs from 13 Economies**

Advisory Members: **6 Global Fund Service Providers**

1. Bursa Malaysia Depository Sdn. Bhd. (Bursa) – Malaysia
2. Central Depository Services India Ltd. (CDSL) – India
3. Central Securities Depository & Clearing Corp. (CSDC) - China
4. Central Securities Depository of Iran (CSDI) - Iran
5. Hong Kong Monetary Authority (HKMA) - Hong Kong
6. Japan Securities Depository Center, Inc. (JASDEC) - Japan
7. Korea Securities Depository (KSD) - Korea
8. PT. Kustodian Sentral Efek Indonesia (KSEI) – Indonesia
9. National Securities Depository Ltd. (NSDL) – India
10. Philippine Depository & Trust Corp. (PDTC) – Philippines
11. Singapore Exchange (SGX) – Singapore
12. Taiwan Depository & Clearing Corp. (TDCC) - Taiwan
13. Thailand Securities Depository (TSD) - Thailand

AFSF Activities

- **2014**
  - Oct.: Proposed at 18th ACG GM
  - 18th ACG GM

- **2015**
  - Jan.: 2016 Survey
  - 19th ACG GM

- **2016**
  - Jun.: 1st AFSF Knowledge Sharing workshop
  - Nov.: Asia Fund Market Report

- **2017**
  - Mar.: 2017 Survey
  - Sept.: 2017 Annual Report
  - Dec.: 3rd AFSF Knowledge Sharing Workshop

- **2018**
  - Jul.: 2018 Survey
  - Sept.: 2018 Annual Report
  - Dec.: 4th AFSF Knowledge Sharing Workshop

- **2019**
  - Jul.: 4th AFSF Knowledge Sharing Workshop
  - Nov.: 2019 Survey
Feedback from Last Year & Change in 2019

- Bringing external insights into the forum
- More interaction rather than one-way talk
- Not just confined to funds
- More knowledge sharing on latest tech

- Two Guest Speakers (Day 1)
- Panel Discussion (Day 1)
- Investor Service Session (Day 2)
- DLT, e-voting, digital infrastructure, etc.
II. AFSF Survey

AFSF 2.0: Market Changes & Post-trade Concerns

1. Overview: Objective & Outline

2. Survey Results
   - Part I: Cross-border Trading
   - Part II: Post-trade Concerns
To have a reality check on **latest market changes** and **post-trade concerns** in Asia

<table>
<thead>
<tr>
<th>Topic</th>
<th>Period</th>
<th>Content</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-trade Concerns</td>
<td>(4 Months)</td>
<td></td>
<td>(Excl. Bursa, NSDL, SGX)</td>
</tr>
</tbody>
</table>

**I. Cross-border Trading**
- Statistics (Inbound/Outbound)
- Trading Process (Inbound/Outbound)

**II. Post-trade Concerns**
- Fund Structure
- Register Management
- Others
II. AFSF Survey

Survey Part I: Cross-border Trading

Preconditions:
1. End of 2018
2. Economies to be listed in alphabetical order
3. Unit of Cash: 1 billion USD (unless otherwise specified)
4. Cross-border Trading Term: Outbound vs. Inbound
1. Statistics (Inbound/Outbound)

Imported vs. Exported: Number of Funds Traded

Q1. How many foreign funds are being imported into your economy (as of end of 2018)?
Q3. How many of your domestic funds are being exported to other economies (as of end of 2018)?

Still leaning towards inbound trading from outside Asia while outbound trading remains quiet (except for CN-HK MRF)

Number of Funds Imported

- End of 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>12</td>
</tr>
<tr>
<td>HK</td>
<td>1,420</td>
</tr>
<tr>
<td>IR</td>
<td>920</td>
</tr>
<tr>
<td>JP</td>
<td>766</td>
</tr>
<tr>
<td>KR</td>
<td>700</td>
</tr>
<tr>
<td>TH</td>
<td>1,035</td>
</tr>
</tbody>
</table>

There is no inbound trading in:

- ID
- IN
- PH
- VN

Number of Funds Exported

- End of 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>Data Not Found</td>
</tr>
<tr>
<td>HK</td>
<td>Data Not Found</td>
</tr>
<tr>
<td>ID</td>
<td>22</td>
</tr>
<tr>
<td>IN</td>
<td>24</td>
</tr>
</tbody>
</table>

Note

There is no outbound trading in:

- IR
- JP
- KR
- PH
- TH
- TW
- VN
Q2. How large is the inbound trading volume in USD (AUM as of end of 2018)?
Q4. How large is the outbound trading volume in USD (AUM as of end of 2018)?

Still leaning towards inbound trading from outside Asia while outbound trading remains quiet (except for CN-HK MRF)
**Fun Fact: Fund AUM vs. Economy Size**

**HK** and **TW** have grown much in size in inbound trading compared to GDP. Others have ample potentials for more fund investments given the size of accumulated wealth.

<table>
<thead>
<tr>
<th>Inbound Trading Volume</th>
<th>Ratio to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK USD1294.8b</td>
<td>357%</td>
</tr>
<tr>
<td>TW USD106.2b</td>
<td>18%</td>
</tr>
<tr>
<td>KR USD81.9b</td>
<td>5%</td>
</tr>
<tr>
<td>JP USD49.2b</td>
<td>1%</td>
</tr>
<tr>
<td>TH USD36b</td>
<td>7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN USD13,407b</td>
</tr>
<tr>
<td>JP USD4,971b</td>
</tr>
<tr>
<td>ID USD2,716b</td>
</tr>
<tr>
<td>KR USD1,619b</td>
</tr>
<tr>
<td>IN USD1,022b</td>
</tr>
<tr>
<td>TW USD589b</td>
</tr>
<tr>
<td>TH USD504b</td>
</tr>
<tr>
<td>IR USD452b</td>
</tr>
<tr>
<td>HK USD363b</td>
</tr>
<tr>
<td>PH USD330b</td>
</tr>
<tr>
<td>VN USD241b</td>
</tr>
</tbody>
</table>

* Tailed in the end of 2018

Inbound trading data are not available in: **CN** **ID** **IR** **PH** **VN**
Q5. How are foreign funds sold in your economy?

Mostly sold via **distributor** (and/or fund of funds (FoF))

* TW: also via Investment-oriented insurance products*
Q6. What is the model that best describes the inbound trading process in your economy?

Sending orders to foreign TA either directly or via intermediary(ies) (domestic and/or overseas)

1. **Directly buying from TA**

   - Host Economy
     - Investor
     - Distributor
   - Abroad (Home Economy)
     - TA
     - AMC Fund

2. **Linkage with Global Intermediary**

   - Investor
   - Distributor
   - Intermediary
   - TA
   - AMC Fund

3. **Linkage with Domestic/Global Intermediary**

   - Investor
   - Distributor
   - Intermediary
   - Intermediary
   - TA
   - AMC Fund

**Networks and Technologies**

- FundNet (KSD)
- FundSettle (Euroclear)
- Vestima (Clearstream)
- FundConnext (TSD)
- Vestima (Clearstream)
- MRF

**Countries**

- HK
- JP
- KR
- TH
- TW
- CN

Q7. What is the model that best describes the outbound trading process in your economy?

Mostly taking orders from distributor via intermediary(ies) (domestic and/or overseas)

1. **Directly with Foreign Distributor**

   - My Economy (Home)
     - AMC Fund
   - Abroad (Host)
     - TA
     - Distributor
     - Investor

2. **Linkage with Foreign Intermediary**

   - My Economy (Home)
     - AMC Fund
   - Abroad (Host)
     - TA
     - Intermediary
     - Distributor
     - Investor

3. **Linkage with Domestic/Global Intermediary**

   - My Economy (Home)
     - AMC Fund
   - Abroad (Host)
     - TA
     - Intermediary
     - Intermediary
     - Distributor
     - Investor

*KR: KSD is the sole TA in Korea.*
Preconditions:

1. **Unit trust** vs. **Investment company**

2. **Investor register** may/may not contain **end-investor details**.
**1. Fund Structure**

### Unit Trust vs. Investment Company

**Q1.** What is the **current proportion** of **investment company** and **unit trust** in terms of market share?

**Unit trust still rules** (except for TH) in Asia.

<table>
<thead>
<tr>
<th>Unit Trust</th>
<th>Investment Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>99.2%</td>
</tr>
<tr>
<td>CN HK</td>
<td>98.2%</td>
</tr>
<tr>
<td>JP KR PH</td>
<td>60.25%</td>
</tr>
<tr>
<td>ID IN IR TW VN</td>
<td>98 %</td>
</tr>
<tr>
<td>TH</td>
<td></td>
</tr>
</tbody>
</table>

(Data: End of 2018)

**Note**

It is **not legally allowed** to structure funds as investment company in:

- ID
- IN
- IR
- TW
- VN
Q1-1. What’s the reason for the dominance of unit trusts/investment companies?

Either **chosen by market** or **driven by law**

### Chosen by Market

<table>
<thead>
<tr>
<th>Country</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK</td>
<td>Cost-effective and simple</td>
</tr>
<tr>
<td>IR</td>
<td>Operational ease &amp; tax treatment</td>
</tr>
<tr>
<td>IN</td>
<td>Tax benefits</td>
</tr>
<tr>
<td>PH</td>
<td>The norm was established by banks. Operational ease</td>
</tr>
</tbody>
</table>

### Driven by Law

<table>
<thead>
<tr>
<th>Country</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>TH</td>
<td>Law defines that mutual fund must be structured as investment company except REIT.</td>
</tr>
<tr>
<td>ID</td>
<td>Legally impossible to structure funds as investment company</td>
</tr>
<tr>
<td>IN</td>
<td>Legal/business settings were established earlier.</td>
</tr>
<tr>
<td>VN</td>
<td></td>
</tr>
<tr>
<td>IR</td>
<td></td>
</tr>
<tr>
<td>TW</td>
<td></td>
</tr>
<tr>
<td>JP</td>
<td></td>
</tr>
<tr>
<td>KR</td>
<td></td>
</tr>
</tbody>
</table>
**Asian Funds Expected to Soar with OFC, VCC, and CCIV**

Q3. Does your economy plan to change laws and allow for a SICAV-like investment company?

HK, SG, and AU are moving fast to promote **global marketability** of their domestic funds.

### Fund Structure

<table>
<thead>
<tr>
<th>Fund Structure</th>
<th>AU’s CCIV</th>
<th>HK’s OFC</th>
<th>SG’s VCC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unconventional corporate investment scheme</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory Authority</td>
<td>ASIC</td>
<td>SFC</td>
<td>MAS/ACRA</td>
</tr>
<tr>
<td>Legal Framework</td>
<td>Corporations Act 2001 (Corporate Collective Investments Bill)</td>
<td>Code on Open-ended Fund Companies (under the Securities and Futures Ordinance)</td>
<td>Variable Capital Companies Act 2018</td>
</tr>
<tr>
<td>Enacted?</td>
<td>X</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Umbrella Structure</td>
<td>Must (At least one sub-fund)</td>
<td>Allowed</td>
<td>Allowed</td>
</tr>
<tr>
<td>Tax Treaties</td>
<td>44</td>
<td>37</td>
<td>88</td>
</tr>
</tbody>
</table>
Q2. Will there be any difference in post-trade operations depending on fund structure?

Our members believe **that there won’t be significant impact** on their operations.

<table>
<thead>
<tr>
<th>CSD to be Affected?</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDSL</strong> No</td>
<td><strong>We do not envisage any major change</strong> in CSD’s back-office operations.</td>
</tr>
<tr>
<td><strong>CSDC</strong> No</td>
<td>-</td>
</tr>
<tr>
<td><strong>CSDI</strong> No</td>
<td><strong>There won’t be any change</strong> since it is legally impossible to structure funds as investment companies.</td>
</tr>
<tr>
<td><strong>HKMA</strong> No</td>
<td>From operational prospective, <strong>there is no difference</strong> in respect of various fund structure.</td>
</tr>
<tr>
<td><strong>JASDEC</strong> No</td>
<td>As long as the investment companies are exchange-traded securities, <strong>there will be no impact</strong>. For your reference, JASDEC doesn't handle non exchange-traded investment companies.</td>
</tr>
<tr>
<td><strong>KSD</strong> No</td>
<td>Legal frameworks are already well-established for both unit trusts and investment companies, and so are KSD’s post-trade operations for both structures.</td>
</tr>
<tr>
<td><strong>KSEI</strong> No</td>
<td><strong>There won’t be any change</strong> since it is legally impossible to structure funds as investment companies.</td>
</tr>
<tr>
<td><strong>PDS</strong> No</td>
<td>Unknown yet</td>
</tr>
<tr>
<td><strong>TDCC</strong> No</td>
<td><strong>There won’t be any change</strong> since it is legally impossible to structure funds as investment companies.</td>
</tr>
<tr>
<td><strong>TSD</strong> No</td>
<td><strong>No impact to</strong> CSD’s back-office operations as currently funds in the form of investment company are operated outside CSD. The impact, though, will be with Transfer Agent as some parts of the operation are still manual.</td>
</tr>
<tr>
<td><strong>VSD</strong> No</td>
<td><strong>There won’t be any change</strong> since it is legally impossible to structure funds as investment companies.</td>
</tr>
</tbody>
</table>
Q1. Who keeps a register of investors in your economy?

Mostly kept by AMC\(\text{s}\) or TAs

Q2. Does the register contain the end-investor details? If not, who keeps the details?

Mostly kept by distributors, AMC\(\text{s}\), or TAs
Q3. If a foreigner in another economy invests in a fund in your economy and wants to see their investment details in the register, who should be providing the copy of register?

In most of the cases, **distributor(s) in host economy**

<table>
<thead>
<tr>
<th>Who should be providing?</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDSL Registrar &amp; TA as AMC</td>
<td>-</td>
</tr>
<tr>
<td>CSDC Distributor in host economy</td>
<td>-</td>
</tr>
<tr>
<td>CSDI Distributor in host economy</td>
<td>-</td>
</tr>
<tr>
<td>HKMA Distributor in host economy</td>
<td>(As for MRF trading), mainland investors should go to their local distributor to see their investment details in the register.</td>
</tr>
<tr>
<td>JASDEC Unanswered</td>
<td>There have been few cases of non-residents buying Japan-domiciled funds. If a non-resident purchases Japan-domiciled funds from a distributor in Japan, it is considered that the non-resident makes an inquiry to the distributor.</td>
</tr>
<tr>
<td>KSD Distributor in host economy</td>
<td>-</td>
</tr>
<tr>
<td>KSEI Custodian bank</td>
<td>-</td>
</tr>
<tr>
<td>PDS AMC/TA in PH</td>
<td>-</td>
</tr>
<tr>
<td>TDCC Distributor in host economy</td>
<td>-</td>
</tr>
<tr>
<td>TSD Distributor in host economy</td>
<td>-</td>
</tr>
<tr>
<td>VSD Distributor in VN</td>
<td>-</td>
</tr>
</tbody>
</table>
Q. Aside from fund structure and register management, there could be some other matters of importance that we may have not noticed yet. Please share with us latest market movements that may impact the post-trade operations in your economy’s fund industry.

The following factors arising from different practice between Mainland and Hong Kong also affect the post-trade operations.
- fund cut-off time
- fund information disclosure schedule
- the number of decimal places for fund unit
- calculation and type of sales charge
- order submission mode
- medium of submission
- business day and holiday
- frequency and process for handling reconciliation process
- legal and regulatory framework

It is determined to conduct shortening period for creation and exchange of ETFs.
Thank You

afsf@ksd.or.kr