The way forward for cross-border portfolio investment and financial market infrastructure

2016 Asia Pacific Financial Forum High-Level Symposium
Public-Private Collaboration to Develop APEC Financial Markets – Achievements and Way Forward

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Presented by: Boon-Hiong Chan (boon-hiong.chan@db.com)
Sherpa, APFF FMI workstream
Global Transaction Banking, Deutsche Bank AG Singapore

APFF Financial Market Infrastructure (FMI)

Scope: The workstream seeks to address the significant obstacles to cross-border investment flows related to FMI – to raise the economies of scale for global investors and participants, enhance the liquidity and connectivity between markets while reducing operational and systemic risks. The workstream covers:

1. **Securities (equities)**
   a. Promote impact analysis and awareness of faster settlement cycles.
   b. More streamlined KYC/AML compliance process across the region.

2. **Fund Services**
   a. Increase the level of automation and standardisation in fund servicing.
   b. Promote greater ease of access to funds by investors.

3. **Fintech**
   a. Cybersecurity standards at the FMI level.
   b. ePayments as emergent FMI.
   c. KYC/AML requirements related to Fintechs as potential new FMI.

Deutsche Bank
Global Transaction Banking
Spotlight on FMI Fund Services – supports investors’ funds investment activities

Investor invests into funds (domestic, passport funds)

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<tr>
<th>Role</th>
<th>Description</th>
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<tr>
<td>Transfer Agent</td>
<td>Facilitates investors’ investments [handles cash flow, regulations like KYC/AML/CRS/FATCA]</td>
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<tr>
<td>Middle Office</td>
<td>Ensures investment accuracy and information</td>
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<tr>
<td>Fund Accountant</td>
<td>Report the investments’ value [valuation and accounting focus]</td>
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<tr>
<td>Custodian</td>
<td>Safe-keep invested assets [maintain efficient and effective linkages with FMIs]</td>
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Low automation and standardisation rate, with higher costs in the industry than necessary

1. Automation Rate (Transfer Agency)

2. ISO Standardisation Rate

3. Cost Savings (Transfer Agency, EMEA)

Source: Commission de Surveillance du Secteur Financier (CSSF), Clearstream analysis report, KPMG SCG Analysis Joint EFAMA SwIFT Standardisation Survey, 2010
The Way Forward

1. APFF proposes to convene a regional symposium in 2017 on the development of a regional roadmap to improve the regional FMI.
   a. Identify current and future potential challenges in the region
   b. Select harmonisation and convergence of KYC/AML, market access and repatriation practices to improve economies of scale
   c. Plan next steps with stakeholders

2. The proposed 2017 symposium to cover the agenda items of Fund Services and FMI Fintech
   a. FMI level Cybersecurity, ePayments, Fintech KYC/AML
   b. Fund services standardisation and automation; industry funds supermarket

3. “Mini” workshops in 2017 to deep dive into specific FMI issues or areas
   a. For example, on the results and learning of the APEC E-Payment Readiness Index, how fintech innovation can offer new ways to conduct KYC, addressing KYC/AML challenges and solutions, etc.