Fund Services

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What’s Trending in APAC – Clients, Countries & Segments

**China**
- QDII suspended since Dec 2015 but starting to see interest in QDLP/QDIE
- WOFE gaining momentum, foreign manager rolling out local funds
- Formation of AIIB and NDB

**Singapore**
- Growth on SWFs and Insurers
- Development on private trust
- Retail Funds: Increasing positive investor sentiment towards mutual funds in Singapore
- Leveraged/Inverse and REIT ETF

**Malaysia**
- Active securities lending with asset owners
- Growing offshore investments
- Collaboration among Asean regulators, ASEAN fund passport
- May become RMB offshore clearing center, RQFII with China
- ETF link with HK in discussion

**Thailand**
- Bank of Thailand plans to allow more offshore investment
- ASEAN Exchange Trade Link and CIS Funds Passport
- RQFII with China
- ETF link with HK in discussion

**Indonesia**
- Shariah funds for GC and FA
- Growth in insurance sector
- Offshore non-shariah fund to launch in 2017

**Philippines**
- Low insurance penetration
- Local fund managers looking to differentiate investment offerings
- Concentrated with HSBC/DB/Citi however Foreign Bank Liberalization Act may introduce more competition

**Vietnam**
- Mutual fund market remains undeveloped
- SBV is drafting regulations to permit offshore investments by local broker dealer, AM, local bank
- ETF link with HK in discussion

**Japan**
- Growth on Pensions. Large AUC pools
- Growth on asset aggregators
- Connectivity with Korea, HK (via JDR)

**Taiwan**
- Development on ASL for insurers
- Growing insurance segment
- Large pension and SWF growth
- ETF growth

**Hong Kong**
- Stock Connect, Mutual Recognition of Funds etc., RQFII/QFII leading to HK markets (Eq, FI, funds)
- Default Investment Scheme (DIS)
- Leveraged/Inversed ETFs
- OEIC – alternative to Cayman SPC

**Korea**
- Development on ASL for insurers
- Growing insurance segment
- Large pension and SWF growth
- ETF growth

**India**
- Increasing product appetite across markets
- FPI capability key for direct access. Citi differentiator due to E2E offering across DCC, FCC, FX, PB etc.
- Consolidation in Asset Mgmt.

**Taiwan**
- Development on ASL for insurers
- Growing insurance segment
- Large pension and SWF growth
- ETF growth

**Australia/NZ**
- Reform funds regime – increase competitiveness (cost pressure, retail flows, TA, outsourcing)
- APRA / ASIC policy impacting supers, fund mgrs, custodian
- Trend toward internalization and offshore investing leading to third party opp(contingent custodian, ASL)
- Working on mutual fund recognition with SG/ North Asia
2017 Market Trend and Key Challenges to Custodian Bank

<table>
<thead>
<tr>
<th>Description</th>
<th>Implications</th>
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<td><strong>1. Rise of asset aggregators</strong> – Growth in big local banks (NAB Australia), insurance companies (e.g. Great Eastern) and national mutual fund company (e.g. PNB Malaysia) as significant asset aggregators of wealth</td>
<td>• Need to improve custody technology/platform to enable global 24/7 asset servicing capabilities, demand for better cut off time</td>
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<td><strong>2. Building connectivity in Asia</strong> – Disparate markets in Asia is increasingly is coming together as one market with regulator relaxing on master-feeder fund structure (e.g. funds in Korea can feed into funds in Hong Kong) and fund passport in various clusters of Asia, e.g. Hong Kong China, ASEAN, Australia/Japan/Korea. The connectivity of markets in Asia benefits the regional fund hubs of Hong Kong and Singapore</td>
<td>• Work with regulators, asset owners and fund managers to create co-managed fund structure</td>
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<td><strong>3. Independent/accuracy of NAV</strong> – regulator and clients are increasing demanding a better process to perform oversight/validation of accuracy of NAV produced</td>
<td>• Investment in NAV validation tool(s)</td>
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<td><strong>4. Support for Private Equity as an asset class</strong> – Robust process to support this in Operations</td>
<td>• Tend to be manual process, GC/FA process is unique and manual</td>
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<td><strong>5. Increased regulatory reporting</strong> – Pension reform to continue amid aging population, public debate on universal pension scheme on going in Hong Kong, China and Taiwan</td>
<td>• Less tolerance for error, important to invest into automation</td>
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<td><strong>6. Need to strengthen tax capabilities</strong> – FATCA and CRS reporting</td>
<td>• Need to have clear scope of services, operating model has to be robust given the potential franchise risk</td>
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FundConnext will be a revolution that will take Thailand’s mutual fund industry to the next growth phase
FundConnext streamlines end-to-end processes

**Phase 1**

**Distributor System**
- Online trading
  - Order Placement
  - Fund Data
  - Portfolio
- Front Office
  - Order Placement
  - Open Account
  - Fund Data
  - Portfolio
- Back Office
  - Statement
  - Confirmation
  - Reports

**Existing System**

**FundConnext**
- Account
- Fund
- Order Routing
- Settlement
- Confirmation
- Corporate Action News
- Reconciliation

**Phase 2**

**Future Services**
- Central Registrar
- AMC
- AMC
- Custodian
- Settlement Bank
- Linkage to cross-border fund

**Data Dissemination**
- Order Routing
- Confirm Order
- Order Routing
- Confirm Order

**Order**
- Investor
- View
- Notify

**Distributor**
- Online trading
- Mobile
- Fund Data
- Portfolio

**Web**

**Central Registrar**
- AMC
- Settlement

**Central Registrar**
- AMC
- Custodian
- Settlement Bank

**Settlement Bank**
- Fund Settlement
- Fund Account
- Order Routing
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**Settlement Bank**
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**Corporate Action News**
- Reports
- Linkage to cross-border fund

**Existing System**
- Order
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**Existing System**
- Order
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**Order**
- Distributor
- Open Account
- Order Placement
- Order Routing
- Confirm Order

**Order**
- Distributed
- System
- Open Account
- Order Placement
- Order Routing
- Confirm Order
Towards Standardization

STANDARDIZATION

ACCOUNT
- Application Form
- Suitability Form

ORDER
- Order Form
- Order Details
- Fund Rule Validation

CASH SETTLEMENT
- Payment
- Settlement Cycle

CONFIRMATION
- Order Confirmation

DISCLOSURE
- Dividend Payment
- Corporate Action News

MASTER AND REFERENCE DATA

RULES AND REGULATIONS
THANK YOU