



**Asia-Pacific
Economic Cooperation**



Fund Services

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



 China	<ul style="list-style-type: none"> ➢ 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	<ul style="list-style-type: none"> ➢ Growth on SWFs and Insurers ➢ Dev on private trust ➢ Retail Funds: Increasing positive investor sentiment towards mutual funds in Singapore ➢ Leveraged/Inverse and REIT ETF
 Malaysia	<ul style="list-style-type: none"> ➢ 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	<ul style="list-style-type: none"> ➢ Bank of Thailand plans to allow more offshore investment ➢ ASEAN Exchange Trade Link and CIS Funds Passport ➢ RQFII with China
 Indonesia	<ul style="list-style-type: none"> ➢ Shariah funds for GC and FA ➢ Growth in insurance sector ➢ Offshore non-shariah fund to launch in 2017
 Philippines	<ul style="list-style-type: none"> ➢ 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	<ul style="list-style-type: none"> ➢ 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	<ul style="list-style-type: none"> ➢ Growth on Pensions. Large AUC pools ➢ Growth on asset aggregators ➢ Connectivity with Korea, HK (via JDR)
 Taiwan	<ul style="list-style-type: none"> ➢ Growth in insurers and pensions ➢ Pension reform in discussion ➢ Link with HK, link with SG in discussion ➢ ETF growth ➢ Global bond custody with TDCC
 Hong Kong	<ul style="list-style-type: none"> ➢ 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	<ul style="list-style-type: none"> ➢ Development on ASL for insurers ➢ Growing insurance segment ➢ Large pension and SWF growth ➢ ETF growth
 India	<ul style="list-style-type: none"> ➢ 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.
 Australia /NZ	<ul style="list-style-type: none"> ➢ 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

Description

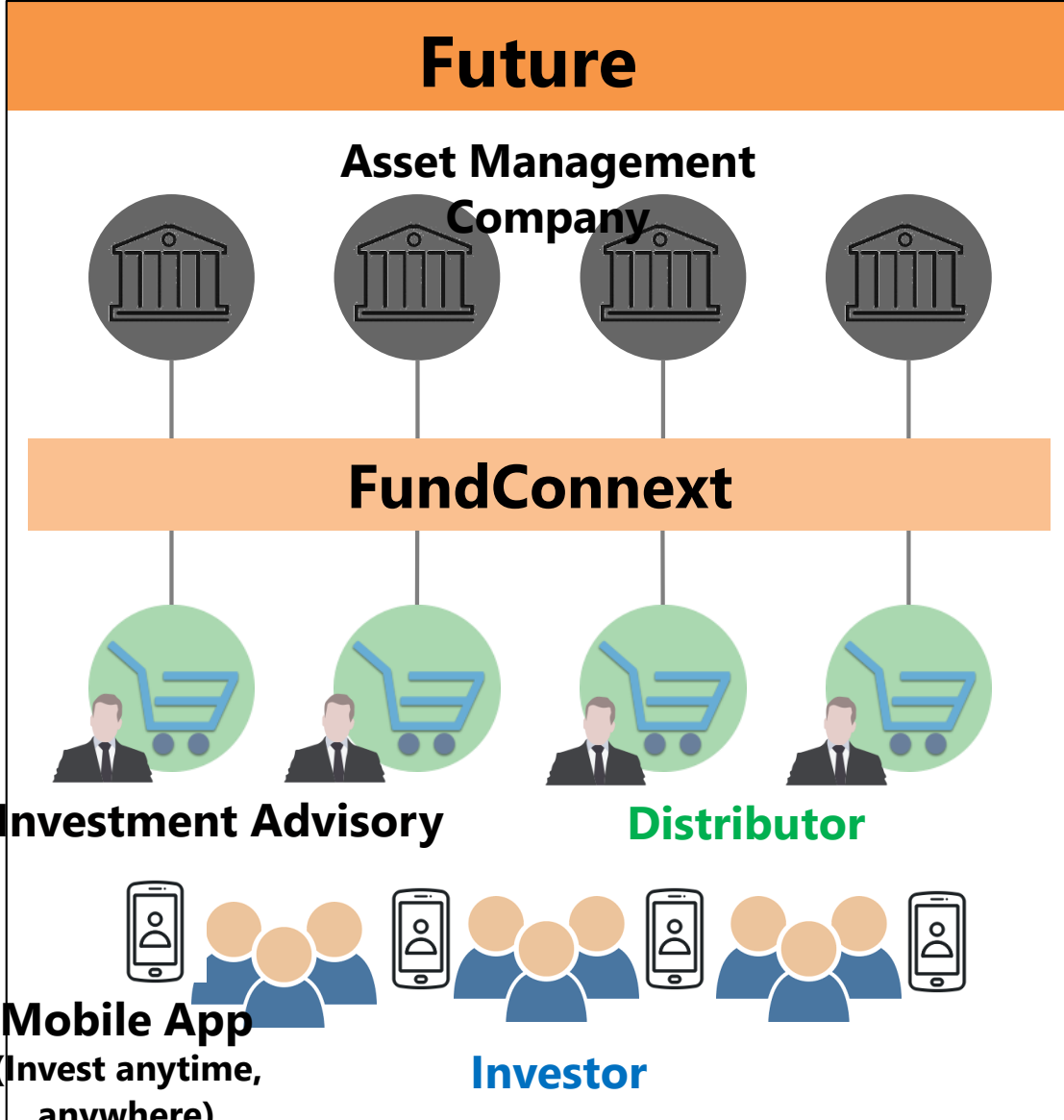
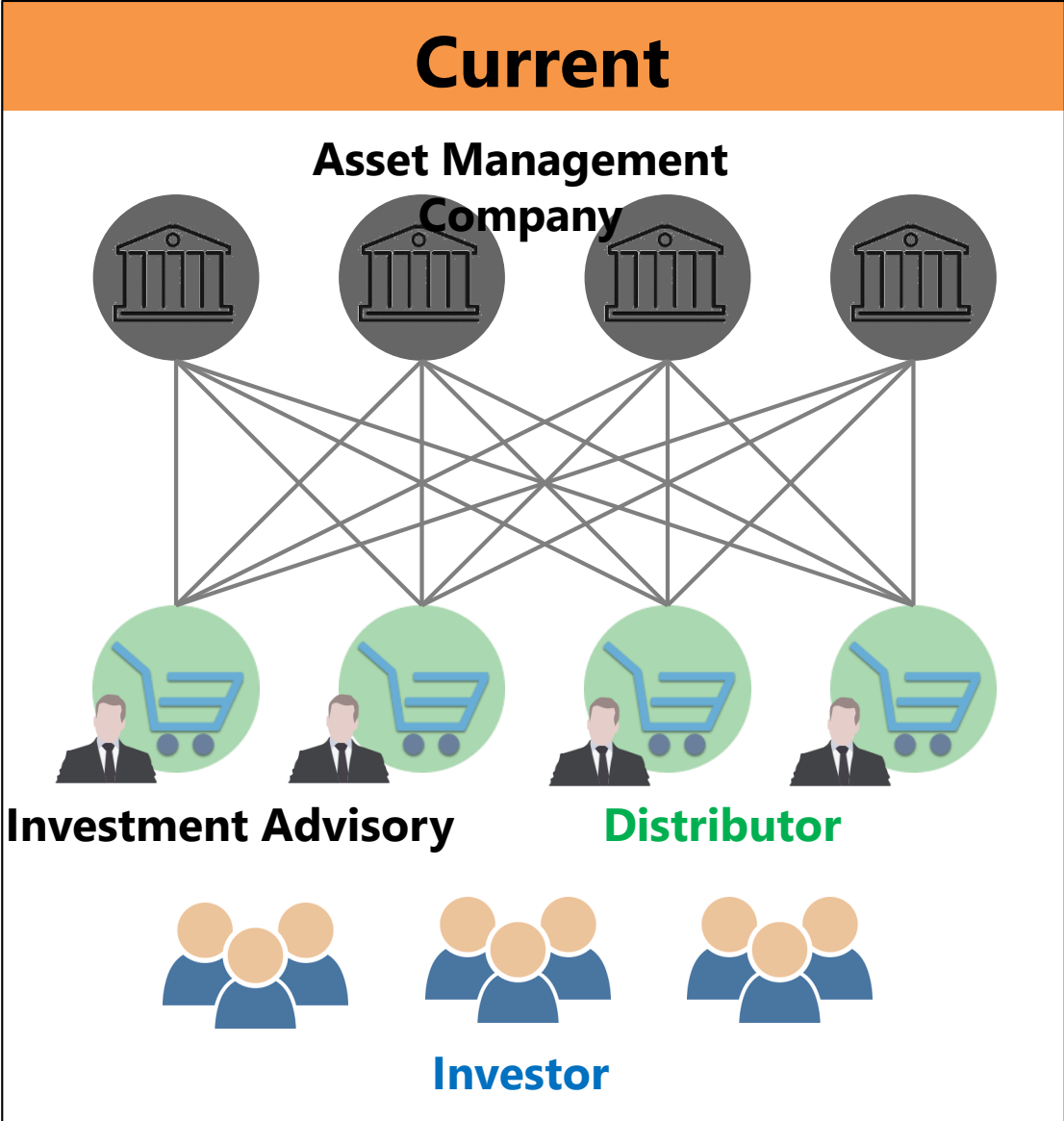
- 1. Rise of asset aggregators** – Growth in big local banks (NAB Australia), insurance companies (e.g. Great Eastern) and national mutual fund company (e.g. PNB Malaysia) as significant asset aggregators of wealth
- 2. Building connectivity in Asia** – Disparate markets in Asia is increasingly coming 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
- 3. Independent/accuracy of NAV** – regulator and clients are increasingly demanding a better process to perform oversight/validation of accuracy of NAV produced
- 4. Support for Private Equity as an asset class** – Robust process to support this in Operations
- 5. Increased regulatory reporting** – Pension reform to continue amid aging population, public debate on universal pension scheme on going in Hong Kong, China and Taiwan
- 6. Need to strengthen tax capabilities** – FATCA and CRS reporting

Implications

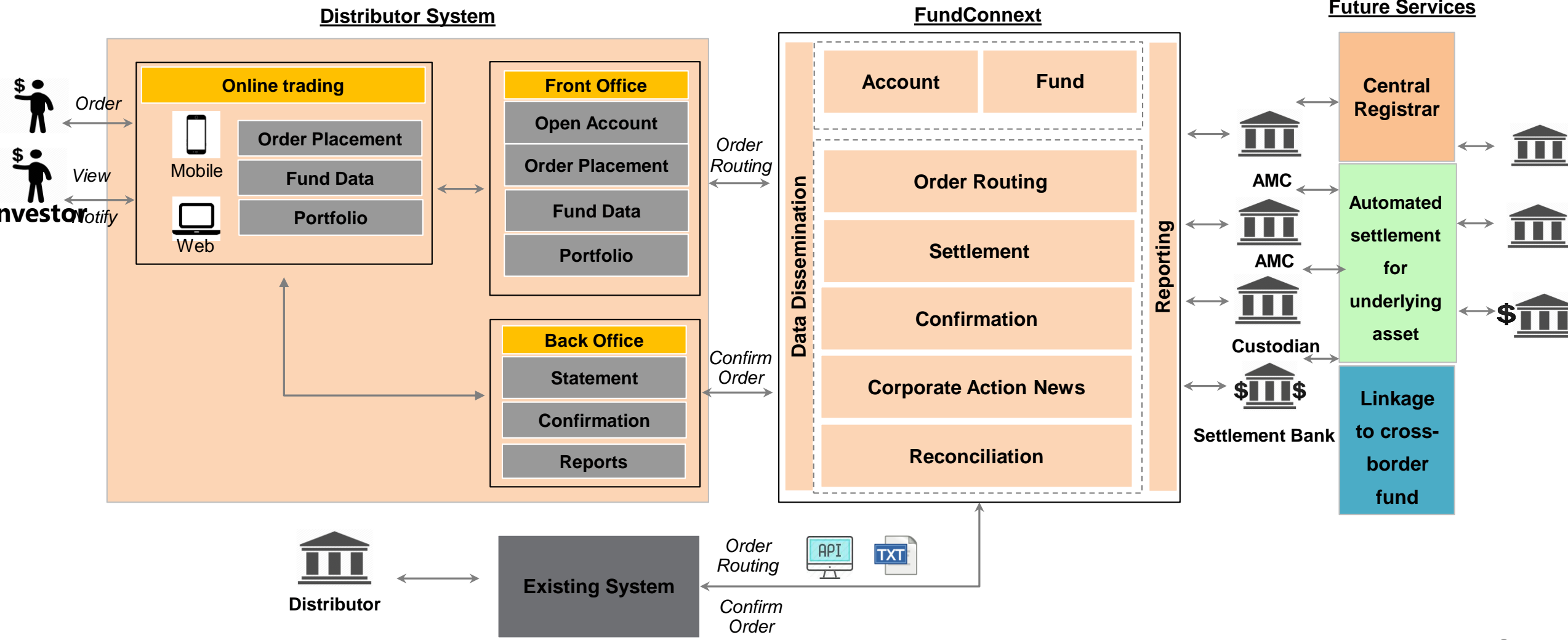
Further Discussion

- Need to improve custody technology/platform to enable global 24/7 asset servicing capabilities, demand for better cut off time
- Work with regulators, asset owners and fund managers to create co-managed fund structure
- Investment in NAV validation tool(s)
- Tend to be manual process, GC/FA process is unique and manual
- Less tolerance for error, important to invest into automation
- Need to have clear scope of services, operating model has to be robust given the potential franchise risk

FundConnex will be a revolution that will take Thailand's mutual fund industry to the next growth phase



FundConnex streamlines end-to-end processes



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

Investors

Distributors

Asset
Management
Companies

MASTER AND REFERENCE DATA

RULES AND REGULATIONS



THANK YOU