

AFSF 2017 Report

Asia Fund Standardization Forum



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I. Overview

The AFSF entered into its second year upon inauguration, and engaged in diverse activities aiming to advance discussion on fund standardization. The following report is a summary documenting the achievements made by the AFSF throughout 2017.

II. 2017 Achievements

1. AFSF activities

1-1. AFSF 2017 Knowledge Sharing Workshop

Following the first AFSF physical meeting held under the name AFSF 2016 Knowledge Sharing Workshop, a questionnaire was circulated among AFSF members to collect opinions on the future direction of the Forum. A majority of respondents opted for an annual meeting to facilitate knowledge sharing and information exchange among members, and thus the second workshop was decided to be held in 2017. The CDSL volunteered to be the next host and based on cooperation with the co-facilitators, the 2017 Workshop was successfully held in Mumbai, during September 12~13, 2017.

The Workshop invited not only AFSF members, but also non-AFSF ACG members as observers, and diverse participants from the Indian fund industry to utilize the Forum as an opportunity to learn about the local market. Ten among 14 regular members and all six advisory members joined the Workshop to deliver presentations on CSD fund services, cross-border trading and regional market trends.



< AFSF 2017 Workshop participants >

AFSF regular members	CDSL, CSDC, CSDI, KSD, KSEI, NSDL, PDTC, SGX, TDCC, TSD
AFSF advisory members	Clearstream, DTCC, Morningstar, Deutsche bank, Euroclear, SWIFT
ACG members	CDSC(Nepalese CSD), HKEX
Indian fund market	SEBI, HDFC Asset Management, Franklin Templeton India, BSE, etc.

1-2. Fund basic data survey

① Objective

During the initial year of the AFSF, the first research project was conducted to examine the fund markets of member economies and understand the general characteristics. Going forwards, the next study will focus on information used in the fund market, taking us closer to the goal of standardizing fund back-office operations in Asia.

To foster interoperability between different systems, a look into the elements that compose the system is essential. Moreover, an agreement on common terminology is needed to prevent confusion when exchanging information across jurisdictions. To this end, the AFSF conducted a study on the information communicated between the fund market and investors (fund basic data), and then plans to look into the information communicated between fund market players for back-office operations (fund trading data).

By understanding the status quo, commonalities and differences between Asian markets, the AFSF hopes to ultimately propose guidelines for fund data that can be used for fund back-office services for cross-border transaction.

In the survey, 'fund basic data' was defined as all the information that the general investor can access regarding a particular investment fund. The survey listed 40 data fields and asked whether the prospectus offered each of the items in each market, and if not, what the reason for this was. Is it because the data is not conceptualized or used in the market, or because the information is provided in other documents? The responses were collected and compiled to be shared as the survey outcome, which is attached to this report as appendix.

< List of fund basic data >

I. Basic information <ul style="list-style-type: none"> Fund name, fund code Base currency NAV calculation frequency Number of decimals for NAV Class Closed/Open-end 	II. Parties involved <ul style="list-style-type: none"> Asset manager Distributor Transfer agent Custodian Fund administrator Other entity Asset manager personal info. 	III. Subscription/redemption <ul style="list-style-type: none"> Cutoff time NAV calculation date Settlement cycle
IV. Distribution <ul style="list-style-type: none"> Country of domicile/distribution Accepted currencies Switch Umbrella/parent fund Min. subscription amount Min. redemption amount 	V. Fees and charges <ul style="list-style-type: none"> Sales charge Redemption fee Commission 	VI. Investment <ul style="list-style-type: none"> Dividend policy/frequency Investment strategy Asset type Fund past performance Comparison indices Investment risk Taxation

< Survey format sample >

Fund data	Description	Possible Values	Survey	
			Is this information prescribed in the investment prospectus?	If yes, what are the available fields? (multiple answers allowed)
2 Fund identifier code	A set of codes used industry-wide to identify funds	Local code, company code, ISIN code, etc.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> ISIN code <input type="checkbox"/> Local code (name of local code:)

② Conclusion

Upon collecting the survey answers, we derived the commonalities in terms of the data provided in each market. A total of 18 items were found to be offered in the prospectus of all 11 markets, which can be considered as critical fund data that is publicly disclosed across the region in general. The following table illustrates how commonly each data field was found, with the number indicating how many markets offered the data in question.

1	Fund Name			11	17	Subscription cutoff time		11	31	Comm-ission	Custodian		9
2	Fund identifier code	ISIN		2	18	Redemption cutoff time		11			Fund admin.		7
		Local		7	19	Subscription NAV calculation		11			Other entity		6
3	Base currency			11	20	Redemption NAV calculation		11	32	Dividend policy	Capitalization	7	10
4	NAV calculation frequency			11	21	Subscription settlement cycle		6			Cash	7	
5	Number of decimals (NAV)			11	22	Redemption settlement cycle		9			Stock	3	
6	Class			8	23	Country of domicile		4			Choice	6	
7	Umbrella fund			5	24	Country of distribution		4	33	Dividend frequency			7
8	Parent fund			7	25	Accepted currencies		7	34	Investment strategy			11
9	Closed/ Open-end	Closed-end	9	11	26	Switch		10	35	Asset type			11
		Open-end	10		27	Min. subscription amount		7	36	Fund past performance			8
10	Asset management company			11	28	Min. redemption amount		6	37	Comparis-on indices	Market index	10	10
11	Distributor			6	29	Sales charge		11			Peer	0	
12	Transfer agent			8	30	Early redemption fee		11	38	Investment risk	Risk scale	5	10
13	Custodian			11	31	Commission	Asset manager	11			Risk type	10	
14	Fund administrator			11			Distributor	7	39	Taxation			8
15	Other entity			7			Transfer agent	6	40	Others			
16	Asset manager personal info.			11									

Recommended Items	
Class	
Redemption settlement cycle	
Switch	
Commission – custodian	
Commission – fund administrator	
Dividend policy	
Comparison indices	
Investment risk	

Data offered in most markets were categorized as 'recommended items', meaning that such data is expected to be shared with investors in most regional markets. If one is hoping to export fund products to other markets in the region, s/he should be mindful of preparing such fund data. Examples included the redemption settlement cycle, which allows the investors to know after how many days they will be able to receive the redeemed amount. Commission paid to the custodian and fund administrator are also recommended data to be included in fund documents, as their existence is essential for the operation of the fund and hence, investors should know how much fee is being directed to those entities.

Another issue in point learned from the survey was the differences in terminologies used. For example, the difference of terminology between master-feeder(parent) fund and fund of funds was unclear in some markets, with the latter referring to the investment into funds managed by another operator. Terms used to describe the dividend policy were also different between markets, with some confusion between capitalization and stock dividend. Confusion lay behind the concept of NAV calculation date, as some markets referred to the date when the calculated NAV is confirmed and disclosed (generally, the morning after the calculation takes place), while others referred to the date from which the NAV information is pooled.

2. External collaboration

2-1. APFF

① Introduction of the APFF

The Asia-Pacific Financial Forum (APFF) is a platform for private-public collaboration aiming to promote the development and integration of the financial markets in the Asia-Pacific Region. The APFF brings together an extensive network of industry associations, firms, research institutions, and regulators to devise recommendations on financial policies that governments in the region establish. Proposed by the APEC Business Advisory Council (ABAC) in 2012, the APFF was endorsed during the 2013 APEC Finance Ministers' Meeting.

② Cooperation between the APFF and AFSF

Since the start of cooperation between the APFF and AFSF in 2016 as the two organizations sought to promote synergy for regional fund market integration, the introduction on the AFSF was reflected in the 2016 APFF progress report. Considering that the APFF progress report contains major discussion outcomes to be submitted to the APEC Finance Ministers, this significantly increased the AFSF's exposure to the regulating bodies and the general funds industry in Asia.

※ Excerpt from the 2016 APFF Progress Report

APFF hopes to engage central securities depositories (CSDs) in the region that are either actively promoting greater automation of funds servicing and industry utilities or investigating these possibilities. Having formed a regional forum called the Asia Fund Standardization Forum (AFSF), they are seeking to align their work more with regional funds passport initiatives like ARFP, as well as to form a more complete ecosystem to include regulators and asset managers that can drive a more holistic agenda.

③ FMI roadmap

The APFF is making efforts to develop a Financial Market Infrastructure (FMI) roadmap as part of the Cebu Action Plan, which is a ten-year regional development plan launched by the APEC Finance Ministers. The FMI roadmap aims to address obstacles to cross-border investment flows and enhance the liquidity and connectivity between markets. To facilitate discussion on the FMI roadmap, the FMI APFF Symposium was held in April, 2017, in Seoul, under the theme 'Developing APEC's Financial Market Infrastructure.' The Symposium dealt with a broad range of topics from regulatory perspectives, disruptive technologies to diverse

process and tools under FMI, among which the fund services session was included.



The KSD took part in the fund services session as a moderator, highlighting the trend of fund passports and increased interest for fund cross-border flows, significance of CSD's fund infrastructure, and activities of the AFSF. The TSD also

participated in the session as a panelist to discuss the emergence of CSD fund platforms based on collaboration with the regulator, and importance of fund standardization. The other two panelists each represented the views of a global custodian and fund market regulator.

The FMI roadmap, containing discussion outcomes of the FMI Symposium, was submitted to the APEC Finance Ministers in July 2017, attached as an appendix to the 2017 progress report.

※ Excerpt from the 2017 APFF Progress Report

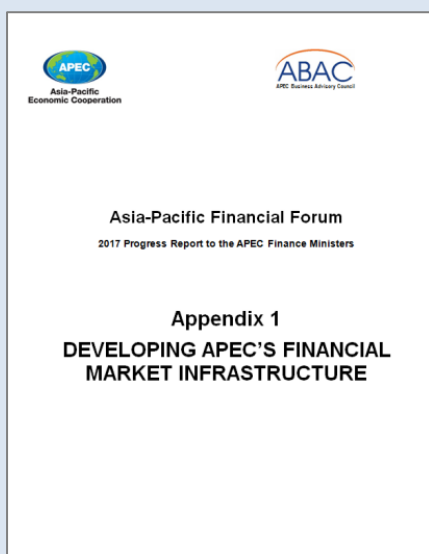


In an era where more investors are investing for retirement income and can benefit from the diversity of funds offered by fund passport initiatives like the Asia Region Funds Passport, managing the industry costs is important to facilitate these investors' activities. Automation is also required to bridge the "mismatch" between the high level of post-investment paper and inefficient spaghetti processes and the speed of electronic investments.

A regulator-supported funds back-office processing utility will be needed to progress this key industry that can support individuals' wealth management, pension accumulation and drawdown - in the later cases, reduction of unnecessary costs to preserve returns will be very important.

Industry utilities can facilitate these goals and can take the form of a centralized digital network that connects the fund industry's participants for more effective electronic exchange of information rather than via email or other manual processes. In order to promote the growth of portfolio investments in the form of funds among the region, support for the activities of public-private platform including Asian Fund Standardization Forum (AFSF).

※ Excerpt from the FMI Roadmap (appendix to the 2017 APFF Progress Report)



2-5. Fund Services

a) Regulatory transparency

In an era where more investors are investing for retirement income and can benefit from the diversity of funds offered by fund passport initiatives like the Asia Region Funds Passport, managing the industry costs is important to facilitate these investors' activities. In those economy currently relying on email or other manual process, a regulator-supported funds back-office processing utility can take the form of a centralized digital network that connects the fund industry's participants for more effective electronic exchange of information. It can improve industry cost efficiency and reduce operational risks to benefit asset managers and their investors. For cross-border fund investments, interoperability among such utilities can facilitate the

industry's more effective compliance on reporting and investor transparency regulatory

needs. Additionally, barriers to fund passport participation can be lowered due to the reduction of administration, operational and regulatory reporting complexities - and thus, contribute to the investment fund industry's development.

<Case Study>

- Common regulatory arrangements for fund passport regimes such as the ASEAN Collective Investment Scheme (CIS), China-HK Mutual Recognition of Funds (MRF), APEC ARFP, etc.

Recommendation 2-5a: Based on the ASEAN CIS experience, securities regulators are encouraged to set highly standardized registration process for funds between passporting economies, in order to ensure that benefits of streamlined regulations are felt by the market. The case of China-HK MRF shows that attractiveness of the product is key in promoting passport scheme, and that large-scale funding for pilot funds received a lot of attention from the industry.

b) Standardization and harmonization

Standardization between business processes will be essential for the automation and efficiency of fund services. Fund services are especially highlighted for cross-border trading, because fund operators, distributors, registrars, administrators, and custodians located in different jurisdictions have to seamlessly connect their line of services without compromising the product's attractiveness.

Amid the call to better understand different fund services in the region and develop recommendations for standardized practices, a consultative body of CSDs was established under the name of Asia Fund Standardization Forum (AFSF) in 2015. However, it will be important to note that standardization activities will only have meaningful impact if industry-wide implementation is encouraged on the regional scale, as failure to do so will result in a development of multiple standards that are not harmonized.

<Case Study>

- Establishment and activities of the AFSF

Recommendation 2-5b: Responsible authorities are encouraged to support for the activities of AFSF. Harmonization can be achieved in many parts of the business process (usage of same fund codes or message formats, required information for fund products by regulators or market players, account opening forms, KYC process, etc.) Standardization in the terminology used between fund markets will be essential for market players to communicate effectively for cross-border transactions.

c) Infrastructure inter-operability

Fund services are an integral part of the investment fund business as an infrastructure that supports back-office processing and execution of order, and their service scope encompass account ownership management, order routing, trade confirmation, corporate action, fund balance record-keeping, and settlement. The importance of fund services is accentuated when fund markets mature, as the plateauing of revenue growth from asset management urge companies to turn their attention to margin protection, efficiency, and speed. Although fund services conventionally relied on manual intervention, they are moving towards automation and STP, which can promote economies of scale, scalability and inter-operability.

Despite the need to integrate fund services for cross-border flows, efforts are often hindered by vastly disparate practices, absence of a market standard and prevalence of proprietary systems found across the region. In this regards, an interesting solution surfacing is the

adoption of centralized fund hubs that interconnects the domestic market, streamlining the many-to-many communication between diverse players. As is often the case, CSDs are in a good position to invest in infrastructure projects for the entire market, providing a level-playing field for large asset management companies and SMEs alike. In the longer term, such local platforms can help increase investors' access to less globalized markets and open the door for service linkage between multiple markets, thereby accelerating fund market integration.

<Case Study>

- Centralized fund platforms in Asia (Korea: FundNet, Taiwan: FundClear, Indonesia: S-INVEST, Thailand: FundConnex, etc.).
- Korea: A centralized digital network called the FundNet was developed by the KSD in 2004, linking every fund market player in Korea. Market players can send trade/ settlement orders by logging into the FundNet interface, which sends the information to all relevant parties on STP technology without having to rely on manual methods. Vastly improved operational efficiency has driven market development and daily operating volume for the fund business has jumped by 17 times from 2005 to 2016, from 0.14mn to 2.6mn trade messages. Cost saving effect in the industry due to FundNet is estimated to be USD 67mn per year (KPMG Strategic Consulting Group, Dec.2013).
- Thailand: Faced with the challenges of excessive manual processes and spaghetti-like connection between market players, the Stock Exchange of Thailand (SET) developed a platform called the FundConnex in 1Q 2017 to drive industry development. As an outcome of close collaboration with the regulator and industry members, FundConnex standardizes many aspects of business practices in the Thai fund market, including account opening, KYC, and Net Asset Value (NAV) disclosure, and facilitates the STP messaging between market players.

Recommendation 2-5c: Regulators are encouraged to support for the development of fund platforms led by infrastructure providers. The recent case of Thailand's platform is a good illustration of constructive cooperation between the regulator, CSD, and the market.

d) Comprehensive statutory understanding

When financial market infrastructure projects are envisaged, they need to have commercial viability. Where the retail market is involved, there needs to be continued focus on investor education and to provide investors with sufficient transparency to make informed decisions

There also should be provisions for the instances where the mechanisms do not work as planned. For example, there must be a clear, well-defined dispute mechanism – which, for example in the cross-border context, might include using an agent. All infrastructure projects should be run with an entrepreneurial spirit

2-2. ARFP Joint Committee

① Introduction of the ARFP

The Asian Region Funds Passport (ARFP) is a multilaterally agreed framework between signatories (Australia, Japan, Korea, New Zealand and Thailand) to simplify the registration process of investment funds and lower regulatory barriers, with an aim to promote fund cross-border trading. Upon the establishment of the Joint Committee (JC) under the ARFP Memorandum of Cooperation, there have been three physical meetings to make working-level preparations for the launch of the ARFP, expected to take place during 2018.

② Cooperation between the ARFP JC and AFSF

During the first JC meeting, held in November 2016 in Kuala Lumpur, the KSD participated in the meeting as a representative of the AFSF, and delivered a presentation on the importance of fund back-office processing for facilitating cross border flows of funds and the objective of the AFSF. The KSD also joined the second and third meeting, held in April, Tokyo, and October, Thailand, respectively, to respond to issues related to fund back-office processing and fund standardization. This led to increased awareness of regulators on back-office operations, expanding the focus from regulatory harmonization to pragmatic approach on everyday market practices.



③ Annual report

As an outcome of such persistent effort, the first ARFP annual report published in July 2017, covering activities of the JC and achievements between 2016 and 2017, contained a separate section on fund back-office processing.

※ Excerpt from the 2016-2017 ARFP Annual Report



Annual Report 2016-2017



To promote better understanding of issues and challenges related to fund back-office processing, in April 2017, the JC took part in the Asia Pacific Financial Forum (APFF) in Seoul, Korea, to discuss a range of topics including ARFP funds, fund service infrastructure, and fund back-office standardization. In regards to passporting schemes, the importance of a standardized fund registration process in the ASEAN CIS framework, as well as the successful establishment of a pilot fund in the China-HK Mutual Recognition for Funds (MRF) were highlighted. The discussion on fund back-office processing focused on the need to harmonize different business processes and terminology used between markets. In addition, the JC took note of the activities undertaken by a consultative group on fund back-office processing standardization (AFSF) led by national central securities depositories in the region.

Fund back-office processing refers to the administrative activities that follow a trading order, including account opening, order routing/execution, book-keeping, registration, settlement, etc. between market players. Currently, fund back-office operations across Asia see a prevalence of disparate practices, manual interventions, and proprietary systems. The JC will continue to support discussion related to fund back-office processing, in order to enhance efficiency and accuracy for fund market players seeking to engage in the trading of ARFP funds.

3. Others

3-1. Co-facilitator meetings

The AFSF co-facilitators (CDSL, KSD, TDCC, TSD) held regular conference calls to discuss various agenda on the operation of the AFSF, including feedback on survey questions, presentation topics for the workshop, future plans, etc. The co-facilitators also held one-on-one meetings to discuss issues related to workshop preparations and possibilities for a CSD linkage service.



3-2. New members

The Philippine Depository & Trust Corp.(PDTC), which is the Philippine CSD, and the Clearstream joined the AFSF, on May 2017 and December 2016 respectively. The AFSF now consists of 14 regular members and 6 advisory members, as of December 2017.

< AFSF member list (as of Dec.2017) >

Regular participants : 14 CSDs from 13 economies

- Bursa Malaysia Depository Sdn. Bhd. - Malaysia
- Central Depository (Services) India Ltd. - India
- Central Securities Depository of Iran - Iran
- China Securities Depository & Clearing Corp. - China
- Hong Kong Monetary Authority - Hong Kong
- Japan Securities Depository Center, Inc. - Japan
- Korea Securities Depository - Korea
- Philippine Depository and Trust Corp. - The Philippines
- PT.Kustodian Sentral Efek Indonesia - Indonesia
- Singapore Exchange - Singapore
- National Securities Depository Ltd. - India
- Taiwan Depository & Clearing Corp. - Taiwan
- Thailand Securities Depository - Thailand
- Vietnam Securities Depository - Vietnam



Advisory participants : 6 global fund service providers

- Clearstream
- Deutsche Bank
- DTCC
- Euroclear Bank
- Morningstar
- SWIFT



3-3. Publication

An article on fund standardization, fund back-office processing, and the AFSF activities was published in the September edition of the Funds Global Asia, an investment strategy magazine for the asset management business.

<http://www.fundsglobalasia.com/september-2017/inside-view-setting-standards>



✂ Article 'Setting Standards' (September 2017, Funds Global Asia)

Standardising post-trade operations is necessary for a healthy cross-border funds industry in Asia. The Korea Securities Depository helped establish a forum to promote co-operation.

The global fund industry's eyes are on Asia, a region brimming with potential for growth with dynamic and unique developments.

One such development is the emergence of multiple fund passport schemes, or mutual recognition agreements, as the region aspires to create its own version of Ucits. Separate approaches are taking place based in different blocs, with the ASEAN Collective Investment Scheme (CIS) established in August 2014, Mutual Recognition of Funds between mainland China and Hong Kong effective from July 2015, and the Asia Region Funds Passport poised to launch in early 2018. Their current outcomes are modest at best, but to be fair, the success of Ucits wasn't achieved overnight and the differences in terms of regulation and market practice found between Asian economies are much wider than in the European market.

Overall, it is significant to note that the deeply fragmented region is trying to build bridges across the traditionally domestic-centric markets with regulatory arrangements that will gradually push for more cross-border fund flows.

However, even when one overcomes regulatory barriers by signing co-operation deals on complicated issues like tax, market players face another hurdle when trying to engage in cross-border trading: back-office processing. What kind of trading information should be conveyed overseas, to whom, and in what format, to open a fund account and manage book-entry? How are corporate actions notified, net asset values exchanged, and KYC [know-your-customer] verified? What constitutes a settlement instruction, and how is it delivered between entities? These are just a few examples of questions that companies need to answer in a region where market practices are disparate and un-harmonised, with the diversity of currency and language causing further complications. As many markets still largely rely on manual methods for back-office operations, which is itself inefficient and costly, processing across different time zones can result in substantial increase of operational risk.

Evolution

Meanwhile, another regional trend is the emergence of domestic fund platforms driven by market infrastructures and often urged by regulators. In some of the more advanced fund markets, market players have evolved their post-trade services to cut margin and increase competitiveness, more so because, when the front office matures, the focus is shifted towards the back office.

For economies with a shorter history of fund market development and less globalised environment, there hasn't been the leisure of investing in back-office operations. Instead, the energy is concentrated in honing asset management skills and shaping the market. Hence, market infrastructures such as central securities depositories (CSDs) came into the picture, introducing fund platform services to be used across the industry, boosting automation, offering harmonised business standards and cutting costs for everyone. Although differing in the scope of services provided, CSD fund platforms generally offer a single channel of contact to market players to avoid the spaghetti model of many-to-many connection. This system assists in post-trade operations such as order routing, trade confirmation, transfer agency and settlement.

Examples of CSD fund platforms include the Korea Securities Depository's FundNet (2004), Taiwan Depository & Clearing Corporation's FundClear (2005), Hong Kong Monetary Authority's CMU Fund Order Routing and Settlement Service (2009), China Securities Depository & Clearing Corp's Central Data Exchange Platform (2011), PT Kustodian Sentral Efek Indonesia's S-INVEST (2016) and the most recent case of Stock Exchange of Thailand's FundConnex (2017).

In some economies such as Korea and Indonesia, the use of the CSD platform for fund

subscription/redemption is mandated by law, while for others, the CSD provides competing services in the market. Based on close relationships with regulators, CSDs are in a good strategic position to encourage industry-wide adoption of standardised practices. Hence, a growing number of CSDs in the region are seeking to expand and evolve their post-trade infrastructure, supporting the mutual development of the fund industry.

Against the backdrop of increased interest towards fund cross-border trading and expanding fund services of CSDs, a consultative body called the Asia Fund Standardisation Forum (AFSF) was established in November 2015, as an initiative under the ACG (Asia-Pacific CSD Group), an international organisation aiming to promote mutual co-operation among CSDs. The objective of the AFSF is to exchange information about different models of fund post-trade processing and to make recommendations on standardised practices to promote inter-operability and automation. Its regular members consist of 14 CSDs from 13 Asian economies (India has two national CSDs) and advisory members include six global fund service providers (Clearstream, Deutsche Bank, DTCC, Euroclear, Morningstar and SWIFT) as of August 2017. Its membership is continuously increasing.

The KSD, the national CSD of Korea, is leading the AFSF activities as a co-ordinator, being the initial proposer to establish the forum.

Knowledge exchange

Upon establishment, the AFSF has focused efforts on knowledge exchange among members through various means. For example, a survey on member economies' fund markets was conducted to understand different characteristics and structures, and as a result, the 'Asia Fund Market Report' was published in December 2016.

The second survey conducted during 2017 aims to compare and analyse what types of fund information are documented for general investors. The aim is to learn whether the information disclosure in one economy meets the standards of another when funds are traded across borders.

Apart from surveys, the first physical meeting was held in June 2016 in Seoul, where members discussed fund platform features, business processes and plans for new services. The second was held in September 2017, in Mumbai, inviting not only AFSF members but also market players and regulators.

The activities of the AFSF have been noted and introduced in external outlets, including the '2016 Progress Report' which was published by the Asia-Pacific Financial Forum (APFF) to be submitted to the APEC finance ministers' meeting. Following this event, the AFSF participated in the APFF financial market infrastructure symposium, held in April 2017, to lead the fund services discussion on passport funds, fund processing standardisation and AFSF activities.

The AFSF and the importance of standardising fund back-office processing was also introduced in the 2016-17 annual report published by the ARFP joint committee, a working group overseeing the implementation and operation of the ARFP. Such exposure through diverse channels is expected to increase awareness of the organisation.

It is difficult to foresee how trends such as various fund passport schemes, CSD-operated platforms or regional discussion forums will shape the fund markets in Asia.

Asia is going through vibrant changes and unique developments not seen elsewhere, making comparison with other cases difficult.

Whether these initiatives will, albeit slowly, successfully integrate the fragmented markets together, time will have to tell. For sure, Asia will stay under the focus of the global fund industry for some time to come.

III. 2018 Plans

1. Research

With the fund basic survey result as the basis, the AFSF plans to extend its research into data for fund trading. Understanding the types of information that need to be exchanged between different parties for the trading of funds will bring value working-level-wise, and contribute to the standardization of how business is done in each market. Questions for the survey may include the type of processing model, processing flow, payment model, accepted currencies and foreign exchange, etc. The survey may also ask the type and format of data for trading, method for data exchange, and the entity that records and receives the data. Survey questions will be drafted during early 2018 and confirmed by the co-facilitators to be distributed to the AFSF members.

2. 2018 Workshop

The AFSF knowledge-sharing workshop will be hosted by the KSEI in Bali, Indonesia. The date is yet to be decided, although likely to be held during the 2nd or 3rd quarter, in between the ACG CTM and General Meeting.

3. Networking and collaboration

The AFSF will continue collaboration with other initiatives related to fund cross-border flows and standardization. In particular, as the ARFP is set to launch in 2018, the AFSF hopes to align its activities with the trading of regional passport funds to derive working-level implications for fund standardization. This may involve consultation with the ARFP Joint Committee or discussion on fund back-office operations with market players seeking to import or export passport funds.

Fund basic data survey outcome

The table illustrates whether each data is prescribed in the fund prospectus or not, regardless of the actual use in the fund market or prescription by other means.

1_Fund name

- Definition : Name of the fund set by the asset manager

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Name	○	○	○	○	○	○	○	○	○	○	○

2_Fund identifier code

- Definition : A set of codes used industry-wide to identify funds

Codes could be internationally standardized codes such as the ISIN, or local codes used in each market (e.g. TSE code, CSISC code, Bloomberg Ticker, KOFIA code, S-INVEST code, etc.). Hong Kong and Singapore commonly offered Bloomberg Ticker as local codes, and also ISIN codes. Thailand only recently started offering ISIN codes in the prospectus in September 2017. Meanwhile, for Japan and Indonesia, the ISIN code can be found in the CSD system although not offered in the prospectus. Thailand doesn't have a standard form for local codes, and often they are acronyms or short version of fund name, e.g. BTP, for Bualuang Top-Ten Fund.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
ISIN Code				○				○		○	
Local Code		○	○	○		○		○		○	○

3_Base currency

- Definition : The basic currency of the fund used to measure the NAV and fund performance (NAV : [Fund asset value - liabilities] / total number of shares)

Singapore showed NAV data in multiple currencies (SGD, USD), while for most it was the home currency. For some economies, the NAV is not price per share, but for a multiple of shares. For example, the NAV used in Korea refers to the price per 1000 units, while in Japan, it is the price per 10,000 units. In Indonesia, a fund can be established in a single currency of choice as stated in the prospectus, with the IDR being most common, followed by other options such as USD, SGD or AUD.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Base currency	○	○	○	○	○	○	○	○	○	○	○

4_NAV calculation frequency

- Definition : The frequency at which the NAV is calculated

The NAV calculation is daily for most economies with the exception of Vietnam, where the frequency varied between different asset management companies, with most funds said to have weekly NAV calculation.

Case in Vietnam

- Daily: VFMVF1 Fund & VFMVF4 Fund of Viet Fund Management
- Weekly: Funds of VCBF Company
- Twice a week: VEOF Fund of Vinawealth, BVPP
- Twice a month: VCAMBF Fund of VietCapital Asset Management

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
NAV freq.	○	○	○	○	○	○	○	○	○	○	○

5_NAV decimals allowed

- Definition : Maximum number of decimals for fractional values

This is important data to consider when processing cross-border transactions, as the system will need to allow the input of different decimals. Iran, Japan, and Vietnam don't allow any digits after the decimal point. India and Indonesia allow for multiple decimals according to type of funds. For example, in India, up to 3 decimals are allowed for equity funds, while the value of fixed-income funds is calculated to the fourth decimal. In Indonesia, decimals up to 2 and 4 are accepted each for funds denominated in Rupiah and funds denominated in foreign currencies.

111	Iran, Japan, Vietnam
111.1	
111.11	Korea, Indonesia, Taiwan
111.111	India, Singapore
111.1111	China, India, Hong Kong, Indonesia, Thailand

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
NAV decimal	○	○	○	○	○	○	○	○	○	○	○

6_Class

- Definition : Designation for funds that offer different fees or distribution arrangements within a same investment portfolio

Japan doesn't allow class funds under Japanese regulations, and hence the concept doesn't exist. In addition, the survey found that there are various ways to distinguish between different classes apart from fee structures, such as distribution channels or currency.

India	Regular plan / Direct plan (Use of distributor is different. For direct plans, investors submit application directly on/offline to the AMC)
Korea	Class A / Class B / Class S etc. (redemption fee and commission are different)
Singapore	SGD / USD / RMB / JPY (currency denomination is different. eg; RMB class has different min. investment amount and sales charge)

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Class	○	○	○	○		○		○	○	○	

7_Closed/Open-end fund

- Definition : Whether the number of shares that can be issued is fixed or variable. Open-end funds have a variable capital and can issue or cancel shares, while closed-end funds have fixed capital and issue a limited number of shares

All funds in Iran are close-end, and open-end funds are only allowed with the permission of the Fund General meeting. Sometimes the right of decision for capital increase belongs to the preferred unit holders. Meanwhile, in Hong Kong, publicly offered funds in Hong Kong are all open-ended funds unless otherwise specified.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Closed-end	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Open-end	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8_Asset management company

- Definition : Entity responsible for the creation and management of the fund (also known as fund manager, fund sponsor, investment manager, etc.)

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
AMC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9_Fund manager information

- Definition : Information regarding the person who is in charge of managing the fund, such as his/her name, title, career, size of AUM or name of funds handled, etc.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Manager info.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10_Custodian

- Definition : Entity responsible for the safekeeping and custody of fund assets

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Custodian	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11_Fund administrator

- Definition : Entity responsible for fund accounting and NAV calculation

In some cases, the fund administrator was a separate entity, while in many others, the asset manager or the custodian provided fund administration functions. For example, in Indonesia, the custodian act as the TA and fund administrator, and in Vietnam, asset managers or custodians provide fund administration service.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Fund admin.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12_Distributor

- Definition : Entity responsible for the marketing and sales of the fund

About half of markets provided the actual names of the distributor, while the other half just offered information on where the investor can find the list of distributors. For example, the prospectus in India and Korea stated that the distributor list is available in the asset management company or an industry association's website. Indonesia only states whether or not the fund can be sold through a selling agent. KSEI manages this information, in order to allow selling agents access to the S-INVEST.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Distributor		○	○		○				○	○	○

13_Transfer agent

- Definition : Entity responsible for ownership management, order processing and shareholder services (also known as registrar)

Some economies such as Japan don't explicitly state the transfer agent in their prospectuses, although the function is carried out by the CSD.

As for Korea, the Capital Markets Act (FSCMA) stipulates the sole transfer agent in Korea as the KSD, but the Korean prospectus does not specifically mention an entity designated as a transfer agent. The prospectus only states that the KSD is in charge of informing investors of corporate action and notifying them of beneficiary meetings.

Some economies such as Singapore and Thailand refer to transfer agents as 'registrars'. Hong Kong doesn't disclose TA information in documents offered to the public. In Taiwan, it is common for funds not to have separate TA, with the asset manager providing transfer agency service. In some cases, the asset manager may designate a third party as TA.

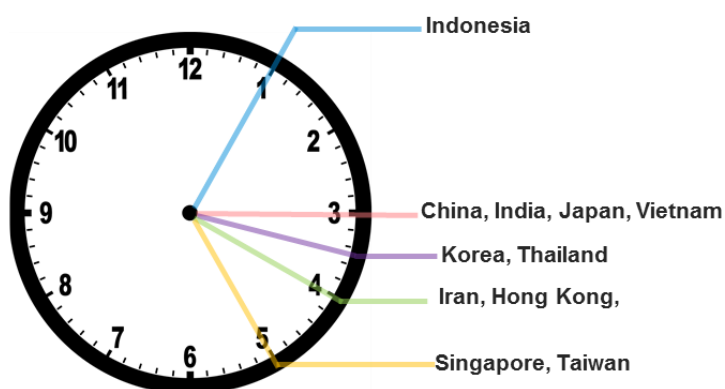
Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
TA	○	○	○				○	○	○	○	○

14_Other entity

Auditors, trustees, and guarantors were cited as some examples of other entities involved in the trading of funds.

15_Subscription cut-off time / 16_Redemption cut-off time

- Definition : The time that orders must be placed on the trade date, for the next available NAV to be reflected in the fund order. Trade date is the day when the investor makes the buy or sell order.



This is important data to consider for cross-border trading, as the time difference between fund market entities can complicate or extend the processing. For certain types of funds, Thailand offers two cutoff times, each for normal order and electronic channel.

For offshore funds in Hong Kong, the cutoff time may be based in another timezone and orders from different regions shall be forwarded within that time (e.g. 13:00 LUX time). In Singapore, subscription /redemption cutoff time is referred to as dealing/realisation deadline.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Subs. cutoff	○	○	○	○	○	○	○	○	○	○	○
Redemp. cutoff	○	○	○	○	○	○	○	○	○	○	○

17_Subscription NAV calculation / 18_Redemption NAV calculation

- Definition : Number of business days after the trade date for the calculated NAV to be reflected in the fund order. The NAV date refers to the day for when the fund value is used for calculation

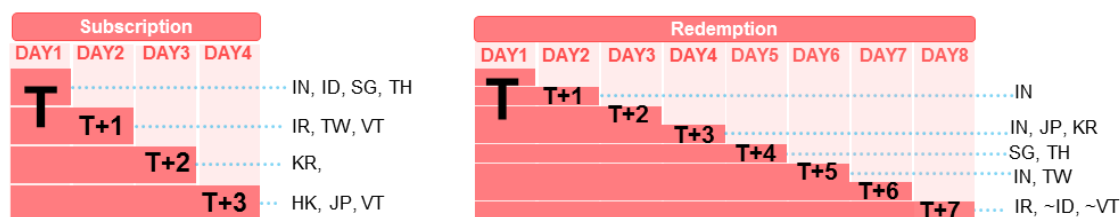
For all economies, the NAV calculation for subscription & redemption was $V=T$, with the exception of Taiwan where $V=T+1$ applied for redemption. Note, that even for cases where the act of calculating takes place the next day, if the value was derived from the trading day, it is perceived for the NAV date to fall on trade date.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Subs. NAV	○	○	○	○	○	○	○	○	○	○	○
Redemp. NAV	○	○	○	○	○	○	○	○	○	○	○

19_Subscription settlement cycle / 20_Redemption settlement cycle

- Definition : Number of business days until the day cash settlement is made after the trade date

This is important data to consider for cross-border trading, as the payment has to be settled between the distributor and custodian located in different region with possibly different timezones. Note that the settlement should not be confused with the payment that takes places between the investor and distributor. For Vietnam, the subscription settlement cycle differs between some asset managers (e.g. $S=T+3$ for funds of VFM, $S=T+1$ for funds of SSIAM). For China, the redemption settlement cycle is provided in the contract between the asset manager and investors. For Thailand, the redemption settlement cycle is $T+4$ for equity fund, $T+1$ for money market fund, and $T+5$ for feeder funds.



Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Subs. SET	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Redemp. SET	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

21_Country of domicile

- Definition : Country where the fund is established, registered, and governed

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Domicile	<input type="radio"/>			<input type="radio"/>				<input type="radio"/>	<input type="radio"/>		

22_Country of distribution

- Definition : Country where the fund is registered for distribution

Most don't offer information on the country of domicile or distribution, as it is deemed to be in that market. As for Hong Kong, country of distribution is not provided because HK prospectus is meant for HK distribution

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Distribution	<input type="radio"/>				<input type="radio"/>			<input type="radio"/>	<input type="radio"/>		

23_Accepted currencies

- Definition : Different currencies accepted for fund order and payment

Only Hong Kong, Singapore and China accept multiple currencies. Many economies don't offer currency information because it is deemed obvious. In Hong Kong, currency exchange service without conversion fee is commonly provided to facilitate trading in multiple currencies

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Name	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>		<input type="radio"/>

24_Switch

- Definition : Whether it is allowed to take money out from one fund and put into another fund. Investors may switch assets between funds in the same family, or into a different family, with low or no charges

All except Japan included information on whether the fund allowed for switching of assets. Singapore refers to switch as conversion (a holder of units of a sub-fund has the right to convert units into another sub-fund). Sometimes the concept of switching within a family fund and outside into other fund are differentiated, and different terms can be used such as 'conversion' vs 'exchange'. Switching fee is stated in the prospectus as in Hong Kong, which says '1% on redemption amount is deducted for switching fee'

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Switch	○	○	○	○		○	○	○	○	○	○

25_Umbrella fund

- Definition : Name of the umbrella or legal entity to which the fund class belongs to

Umbrella funds make it cheaper for investors to move from one sub-fund to another and save cost from regulatory duplication. It is related to the concept of switch, as umbrella funds facilitate switching between sub-funds with low, or often no charges.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Umbrella			○	○	○	○		○	○	○	

26_Parent fund

- Definition : Whether the fund is a master-feeder structure (Investors put money into feeder funds, which ultimately invest assets into the master fund. Fees are paid at the feeder-fund level)

Iran didn't have any master/feeder funds, but they have been approved by the SEO and are under construction. Master/feeder types are not common in Indonesia. Japan refers to master/feeder funds as family fund or mother-baby fund

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Parent			○	○		○		○	○		

27_Minimum subscription amount / 28_Minimum redemption amount

- Definition : Minimum subscription/redemption amount required for the fund buy/sell order to be placed (Amount can be either in cash or number of shares)

For China, this information is provided in the contract signed between the asset manager and custodian bank. For Korea, this information is provided in the contract signed between the asset manager and custodian bank (KRW 1 for subscription, and KRW 1 or 1 unit for redemption). Although asset managers in Taiwan don't designate min. redemption amount, distributors usually set them.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Min. subs.	○			○	○		○	○	○	○	
Min. redemp.	○			○	○		○	○		○	

29_Sales charge

• Definition : Type of charges for placing an order, usually as a one-off fee paid to the distributor

- Front-end load : fees are charged for subscription orders
- Back-end load : fees are charged for redemption orders, also known as 'deferred charge'
- No load : no fees for subscription/redemption orders

All but India commonly provided front-end load information, and all but Hong Kong provided back-end load information. Since 2009, the fund market regulator (SEBI) has barred any front-end load to be charged to investors. India refers to front-end load and back-end load each as entry load and exit load. Singapore refers them each as initial sales charge and realization charge

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Front-end load		○	○	○	○	○	○	○	○	○	○
Back-end load	○	○	○		○	○	○	○	○	○	○
No load	○				○	○	○	○			○

30_Redemption fee

• Definition : Fee charged as a penalty for early redemption

For Indonesia, the prospectus would only state the maximum fee (%) applied to the redemption amount, which gives the fund managers some freedom to determine the fee

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Redemp. fee	○	○	○	○	○	○	○	○	○	○	○

31_Commission

• Definition : Type of charges paid to market players involved in the management of the fund, usually as a percentage off investment returns during the period that the fund is managed

In Indonesia, the TA and fund administrator fees are all combined under custodian fee. As for Thailand, the custodian fee is referred to as 'trustee fee'. Japan and Korea don't have transfer agents in the fund market, and hence no need for a separate fee. Example of 'Others' are promotional cost, audit, trading costs, guarantor, custody-safekeeping, etc.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Asset manager	○	○	○	○	○	○	○	○	○	○	○
Distributor	○	○	○	○	○	○					○
Transfer agent	○	○	○				○		○	○	
Custodian	○	○	○	○		○		○	○	○	
Fund admin.	○	○	○	○	○	○					
Others	○	○		○	○	○				○	

32_Dividend policy

- Definition : Policy of how fund income/dividend is managed
 - Capitalization : dividend is not distributed, but capitalized and reflected in the fund NAV
 - Cash dividend : distributed to investors as cash on payment date
 - Stock dividend (reinvestment) : distributed to investors as shares on payment date
 - Choice dividend : investors can choose whether to receive dividend by cash or stock

All except Korea offer dividend policy information. For Korea, this information is found in the contract between the asset manager and the custodian bank. For Iran, the policy is automatically set as 'stock dividend' for most public funds. However, 'stock dividend' in the Iranian market refers to NAV increase, not stocks directly given to investors, and hence falls under 'capitalization'. In India, 'capitalization' is referred to as 'growth option.'

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Capitalization	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Cash	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
Stock	<input type="radio"/>		<input type="radio"/>				<input type="radio"/>			<input type="radio"/>	
Choice	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>		<input type="radio"/>	<input type="radio"/>			<input type="radio"/>

33_Dividend frequency

- Definition : Frequency with which income is allocated to investors

For India, the frequency varies per fund and can be daily, weekly, monthly, yearly, as/when etc. (for daily, it is stock dividend with no payout). Some economies provide this information by other means, as can be found below.

China	Available in the dividend announcement issued by the asset manager
Hong Kong	Available in the asset manager's website and sales desk fact sheet
Korea	Available in the contract signed between the AMC and custodian bank

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Frequency	<input type="radio"/>				<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

34_Investment strategy

- Definition : Major strategies for the fund, including information on the investment objective, philosophy, characteristics of invested assets, etc.

Hong Kong	Aims to provide capital growth by investing in equity/securities of HK Special Administrative Region companies
Korea	Focus on popular blue-chip stocks, refer to recommendations from in-house analysts, conduct consistent rebalancing based on daily reviews
Taiwan	Aimed at actively pursuing long-term capital gains. The total amount of investments in TWSE, GTSM listed stocks will not be lower than 70% at all time.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Inv. strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

35_Asset type

- Definition : Type of assets in which the fund is investing

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Asset type	○	○	○	○	○	○	○	○	○	○	○

36_Fund past performance

- Definition : Amount of return the fund has generated during a certain timeframe

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Performance	○		○	○	○	○		○	○	○	

37_Comparison indices

- Definition : A standard that the fund performance can be compared against, for the investor to have a better understanding about the investment outcome
 - Market index : performance is compared against well-known market indices (eg. S&P 500, Russell 2000)
 - Peer comparison : performance is compared to other funds similar in nature (peers) or relevant fund categories

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Market index	○	○	○	○	○	○	○	○	○	○	
Peer											

38_Investment risk

- Definition : Explanation about the general risks of investing in the fund
 - Risk scale : categorization of the level of risk on a scale, based on comparative evaluation
 - Type of risks: description of the types of risks associated with the fund

For China, R5 funds are the riskiest among the scale of R1~R5, while for Korea, L1 funds are the riskiest among the scale of 1~6.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Risk scale	○		○			○			○	○	
Risk type	○	○	○	○	○	○	○	○	○	○	

39_Taxation

- Definition : Tax policy or tax rate on the returns, dividends, capital gains, etc. of the fund

All except Vietnam offered data on the type of risks. Funds in Iran and Taiwan are tax-free.

Data	IN	IR	CN	HK	JP	KR	ID	SG	TW	TH	VT
Taxation	○			○	○	○	○	○	○		○

40_Others

Examples of other required data included fees or requirements for conversion, minimum holding period, operating guidelines, etc.

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