

# 2020/21 AFSF Interim Report

Asia Fund Standardization Forum



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# I. Overview

## 1. About the Forum

The Asia Fund Standardization Forum (AFSF) has served as a consultative body for Asian CSDs in a quest for post-trade harmonization in cross-border fund trading since its official launch in 2015 at the 19<sup>th</sup> ACG General Meeting following KSD’s conceptual proposal at the 18<sup>th</sup> meeting. The Forum is comprised of 14 Asian CSDs and seven advisory members from the global fund service industry.

## 2. Rationale behind the Report

This special document is prompted by the extraordinary situation of the past several months. The growing expectations for AFSF events early in 2020 were dampened by the coronavirus outbreak and the ensuing March turmoil. With the World Health Organization officially declaring COVID-19 a pandemic in March 11, 2020, the world was gripped by the fear of catching the lethal, insidious virus in daily lives. The drive for vaccines and treatments didn’t do much to quell people’s anxiety due to slower-than-expected rollout, lingering safety concerns, and the emergence of new variants.

Amid strict lockdowns and entry bans, many of the key global conferences in post-trade fields have either been postponed to a later date or gone virtual: for instance, originally scheduled for June 2-5, 2020, the 20<sup>th</sup> ISSA Symposium will wait out the pandemic storm and be held on January 18-21, 2022, in Wolfsberg, Switzerland, whereas SWIFT cancelled its physical event Sibos 2020 in Boston and successfully transformed it into a virtual conference on October 5-8, 2020, by leveraging *sibos.com* and a conference-specific app.

Against such a backdrop, what should we do as a host, a coordinator, a co-facilitator, or a member of the Forum? As turning the page to a new year, we hope our readers take this report as a quick recap of developments in 2020 under the strain of COVID-19 and a clear signpost for our activities in 2021.

Sibos 2020 Going Virtual	20 <sup>th</sup> ISSA Symposium Postponed
<p>Home &gt; News &gt; Custody &gt; SWIFT cancels Sibos 2020 in Boston; eyes virtual alternatives</p> <p><b>CUSTODY, EVENTS, SECURITIES REVIEW</b>  <b>SWIFT cancels Sibos 2020 in Boston; eyes virtual alternatives</b></p> <p>Organisers of one of the financial services industry’s largest gatherings cancels its 2020 event due to the global coronavirus pandemic.</p> <p>By Jonathan Watkins April 14, 2020 6:42 PM GMT</p>	<p><b>ISSA</b>      International Securities Services Association</p> <p>Home &gt; News &gt; News &gt; ISSA Symposium Postponed</p> <p><b>20<sup>th</sup> ISSA Symposium will be 18<sup>th</sup> – 21<sup>st</sup> January 2022 in Wolfsberg, Switzerland</b></p> <p>In view of the uncertainties surrounding the Pandemic, the date has to be postponed to next year.</p> <p>ISSA Symposium Postponed</p> <p>Created: 10 March 2020</p> <p>In view of the present Corona virus situation, ISSA has decided to postpone the 20th ISSA Symposium to May or June 2021. This being the best option to ensure, providing certainty and protecting the attendees from additional travel and the associated costs.</p> <p>All scheduled sessions which have been done to prepare papers for discussion at the Symposium, are intended to break the papers and issue them via WebEx or similar. The rest of the Working Groups are continuing to deliver throughout this year. ISSA will release those papers as they are ready.</p>

## II. Looking Back to Move Forward (2020-2021)

### 1. Forum Activities

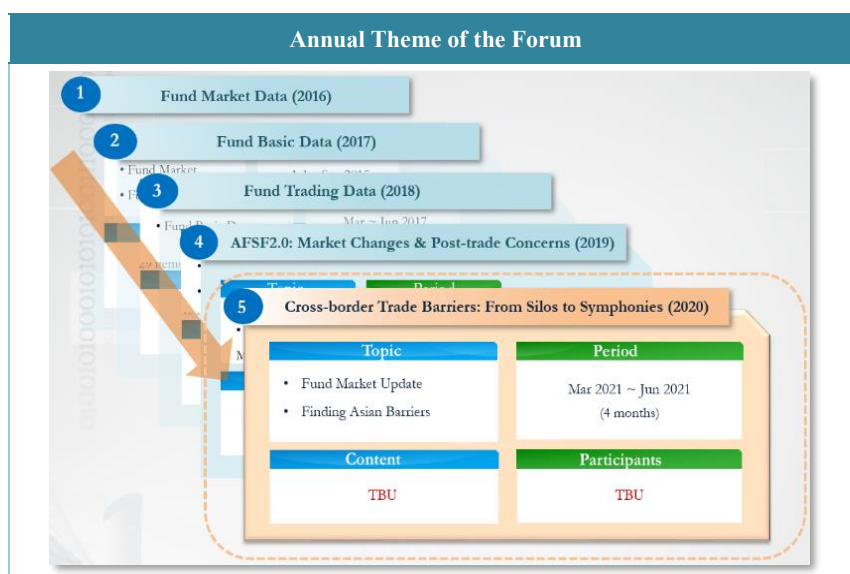
#### a. Knowledge Sharing Workshop

As the global pandemic raged on with no signs of abating, the 5<sup>th</sup> Knowledge Sharing Workshop was postponed to the year 2021 due to health and safety concerns. Although KSD alternatively suggested going virtual with a video conferencing tool, the consensus among members stated the otherwise because a virtual setting tends to be less interactive and engaging, interrupt the flow of discussions with technical hiccups such as sound and connection problems, and miss out many invaluable opportunities such as sideline talks, impromptu meet-ups, or more intimate networking events. All in all, TDCC will be hosting the 5<sup>th</sup> Workshop in Taipei (the exact date and time of which will be specified later in consideration of global progress toward reaching herd immunity).

#### b. General Theme

At the dawn of a new year, the Forum starts with an overarching theme that encompasses key issues and concerns regarding the post-trade processing of collective investment schemes in Asia, particularly from the perspective of regional CSDs. The usual workflow is to design a survey based on the annual theme, solicit feedback from members, and share and discuss the survey results during a knowledge sharing workshop. Since the outbreak of COVID-19, however, the inevitable postponement of the 5<sup>th</sup> Workshop has forced us to revisit our annual plan in a two-year time frame for the first time ever.

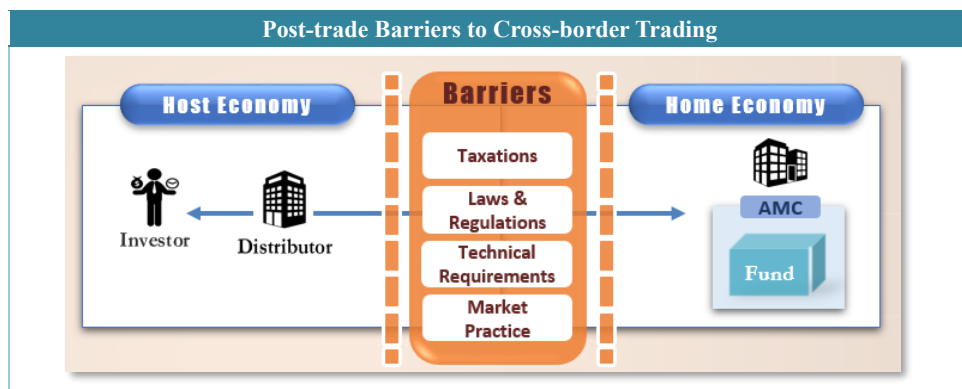
From 2020 to 2021, the Forum takes a closer look at the post-trade barriers to the cross-border trading in Asia under a theme called “*Cross-border Trade Barriers: From Silos to Symphonies*”. Under the premise that fund trading will increasingly cross borders in Asia, the Forum will explore what holds us back from delivering a truly “frictionless” experience in post-trade space such as account structure, order processing, cut-offs, etc. During the ideation phase in 4Q2020, the annual theme was already reviewed by our advisory members. The theme will prevail throughout the Forum’s 2021 activities unless any fundamental change is made during the first quarter of the year.



### c. Survey

As hinted by the theme above, the 2020-2021 Survey will identify the barriers in Asia that are causing (or may cause) risky and costly frictions in cross-border fund trading. The structure and contents of the survey are much influenced by the feedback from HKMA and CSDC on the Mutual Recognition of Funds (MRF) between China and Hong Kong, the questionnaire on the Giovannini barriers circulated among EU member states in the early 2000s, and the suggestions from other regular members and entire advisory members of the Forum.

The post-trade barriers in this survey are confined to the local differences between Asian economies in terms of technical requirements and market practices, thus effectively ruling out the gaps in taxations, laws, and regulations which can be better addressed by state regulators or other public bodies. In this setting, the survey will map out the post-trade similarities and differences among Asian CSDs so as to see 1) what we can harmonize for the sake of safety, efficiency, and interoperability and 2) what we simply leave for now as room for respectful differences in norms and practices.



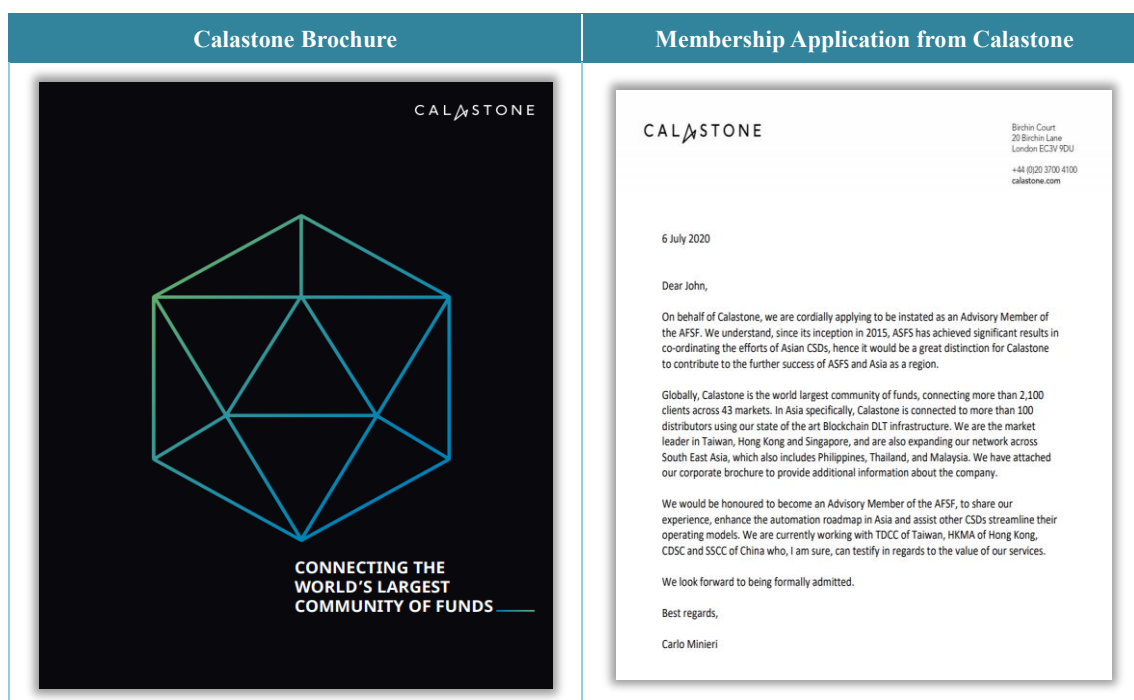
The post-trade mapping of Asian CSDs will be modeled after the bilateral mapping work between China and Hong Kong which was conducted to enable MRF-driven trading via the linkage of their respective fund processing platforms. Such comparative analysis will open our eyes to new problems and possible solutions in the context of intra-regional cross-border trading.

MRF Example of Inter-CSD Mapping Work			
Inter-CSD Linkage for MRF			
	China (CSDC)	<i>Harmonized!</i>	Hong Kong (HKMA)
Account structure	Segregated	Nominee	Nominee
SWIFT	X	O	O
Cut-off	9pm (HK time)	HK cut-off extended	6pm (HK time)
NAV disclosure	NAV(T-1) before 8am	NAV (T-2)	No NAV(T-1) before 8am
Decimalization	Up to 2 decimal places	Up to 2 decimal places	Up to 6 decimal places
Order Processing	Batch processing (Mandatory) Electronic order routing	Batch processing (Mandatory) Electronic order routing	Batch processing (Optional) Fax or electronic order routing
BD & Holidays	Local BDs & holidays	Common BDs only	Local BDs & holidays
Reporting Docs	Electronic docs	Electronic docs	Hardcopies still in use
Reconciliation	Daily	Daily	Monthly



## 2. Membership Enlargement

The Forum welcomed and embraced Calastone as its new advisory member on July 17, 2020, based on a unanimous consent of members highly recognizing the reputation of Calastone as a global fund service provider. Along with other advisory members, Calastone will contribute to the Forum with its rich insights and experiences as a seasoned market player.



## 3. External Collaboration

### a. ARFP Joint Committee

#### • Overview of ARFP Joint Committee (JC)

The Joint Committee on the Asia Region Funds Passport (JC) is a working group established under a Memorandum of Cooperation (MoC) which was signed in June 2016 by the five founding members (Australia, Japan, New Zealand, the Republic of Korea, and Thailand) with an aim to launch and implement the Passport scheme. KSD joins JC meetings as part of the ARFP Working Group of the Republic of Korea in order to support the Financial Supervisory Service (FSS) and the Financial Services Commission (FSC) and promote the dialogue for post-trade harmonization in Asia.

#### • JC Meeting

Since first convened in Kuala Lumpur, Malaysia, in November 23-24, 2016, the JC Meeting has gathered representatives from five signatory states on a biannual basis to refine the details of MoC, prepare for the official launch of the Passport scheme, and monitor the post-launch progress of member states. Due to the elevated risks of COVID-19, the 8th JC meeting was exceptionally held on a virtual conference platform on May 28, 2020.

As for market updates, the Republic of Korea has revised the Financial Investment Services and Capital Markets Act and other relevant rules for the implementation of the Passport. FSC will ensure the operational readiness for ARFP registration by the end of 2020. Also, FSC published a press release on regulatory revisions on May 19, 2020. The Financial Markets Authority (FMA) of New Zealand is currently working with the first applicant for ARFP registration.

The JC acknowledged the impact of COVID-19 over the course of recent months. While there are many challenges to be confronted, the JC will continue to engage and raise awareness in the industry and highlight the opportunities of the Passport for fund operators, investors, and the capital market at large. Plus, as the pandemic persists, the next JC meeting will be also held virtually in the first half of 2021.

Event	Date	Venue
1 <sup>st</sup> Meeting	November 23-24, 2016	Kuala Lumpur, Malaysia
2 <sup>nd</sup> Meeting	April 20-21, 2017	Tokyo, Japan
3 <sup>rd</sup> Meeting	October 3-4, 2017	Bangkok, Thailand
4 <sup>th</sup> Meeting	April 25-26, 2018	Sydney, Australia
5 <sup>th</sup> Meeting	September 19-20, 2018	Auckland, New Zealand
6 <sup>th</sup> Meeting	May 8-9, 2019	Seoul, Republic of Korea
7 <sup>st</sup> Meeting	October 21-22, 2019	Singapore
8 <sup>st</sup> Meeting	May 28, 2020	Virtual
9 <sup>th</sup> Meeting	<i>Postponed to 2021</i>	<i>Virtual</i>

### III. Conclusion

Knowledge fades into oblivion if not shared. The Forum will make continued efforts to identify pressing issues at hand in post-trade space and serve as a vital platform in Asia where our members can freely exchange ideas and best practices for the betterment and alignment of their services in both domestic and cross-border trading.

As explained herein, under the new theme, “Cross-border Trade Barriers: From Silos to Symphonies”, the Forum will conduct a survey and hold a knowledge sharing workshop with a hope to turn the cacophonies of silos into beautiful symphonies of a more close-knit Asian community. Such advancement in regional discourse will pave the way for fulfilling our ultimate goal of designing an ideal model for post-trade harmonization in the region such as *a central securities depository and real-time gross settlement linkage (CSD-RTGS)* or *a regional settlement intermediary (RSI)*.

Furthermore, the Forum will continue to expand its outreach by engaging in international conferences on cross-border trading and passport schemes including APEC ARFP, ASEAN CIS, and MRFs. Also, as the convener of the ACG New Business Initiative Task Force and the coordinator of the Forum, KSD will bolster its global branding strategy by broadly publicizing Forum activities and promoting knowledge sharing in the form of bilateral/multilateral meetings, conference calls, webinars, etc.

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