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Passion to Perform

Issue 39, 2015

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Editor

Jessica Morrison, Head of APAC Market Structure
jessica.morrison@db.com

Quantitative Content

Winnie Khattar, Head of APAC Analytics
winnie.khattar@db.com

Contributors

Kirsten Yam, Timothy Murch, Wesley Wise, Rob Hogan, Shailendra Kumar, Gargi Purandare

APAC and ASEAN Summary

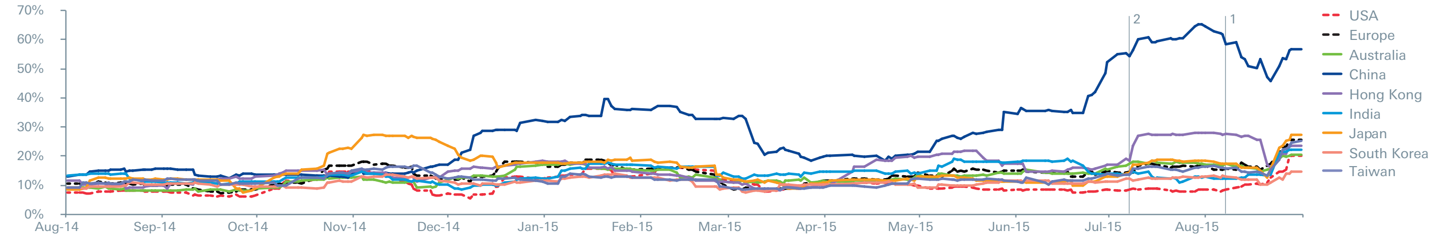
Welcome to Issue 39 of our Market Structure Newsletter where we provide a summary of some key developments across the region with a detailed review for each market. Questions and feedback are always welcome at global.marketstructure@db.com.

In this issue we continue to observe the development in China market structure as regulators took steps to stabilise the stock market, bring in the new guard and shows signs of returning to the reform agenda; the world's most traded futures contract CSI300, saw over a 99% drop in volumes as regulators tightened the creation of new positions to 20 lots and increase margin requirements. Benchmark indices across the region lost all of their gains this year as market volatility peaked inturn increasing the impact cost of trading, which is observed to have increased over 30% on average versus beginning of year for all markets.

HKEx has released the technical specifications for upgrades to the current Shanghai-Hong Kong Stock Connect as well as system updates for Shenzhen-Hong Kong Stock Connect to be ready from a technology perspective in November pending regulatory approvals. An HKMA speech highlights the role of Hong Kong in globalisation of RMB since 2004, the SFC fine BNP for deficiencies in their dark pool operation. Japan underwent Phase III of its tick optimisation program, this time widening the minimum tick for a subset of Topix 100 stocks, and upgrades Arrowhead to further reduce latency to 54 us and add a new connection point to TSE data center called TSE Access Point3. India returns attention to HFT and colocation practices and continues to debate implementation of MAT and double taxation treaties.

We hope you enjoy this issue and look forward to discussing any thoughts.

Fig 1: APAC Volatility (30 day index return volatility)



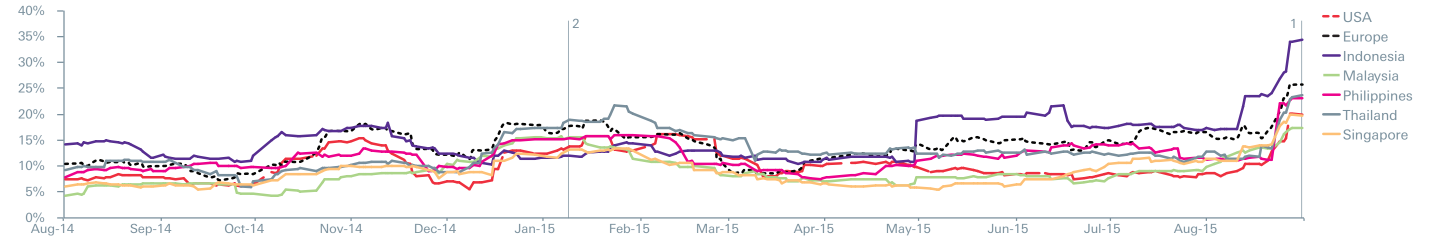
Source: Thomson Reuters

APAC Volatility	Aug-15	Aug-14
Australia	18%	9%
China	54%	15%
Hong Kong	24%	10%
India	17%	13%
Japan	20%	12%
South Korea	12%	10%
Taiwan	19%	12%

1. China's benchmark indices dropped 15% in July and another 12% in August, as regulators continued to investigate the market activity.

2. China futures exchange defined abnormal trading activity, changed its fee structure, increased minimum margin and banned several investors from trading in order to minimise speculative shorting in the market.

Fig 2: ASEAN Volatility (30 day index return volatility)



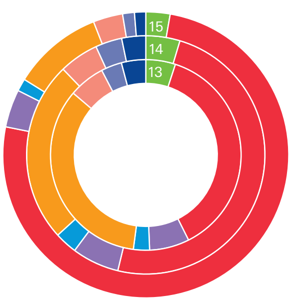
Source: Thomson Reuters

ASEAN Volatility	Jun-15	Jun-14
Thailand	18%	11%
Singapore	17%	6%
Malaysia	16%	7%
Indonesia	30%	12%
Philippines	22%	10%

1. Indonesia's stock market has had a difficult few months as the benchmark index dropped 20% this year and the currency has fallen to its 17-year low. Local regulators tightened daily price move restrictions among other moves to contain the volatility.

2. Thailand trading volumes have been surging since late 2013. Amidst high market volatility the new government in Thailand has aggressive infrastructure and economic growth plans that promise a growth track in 2015.

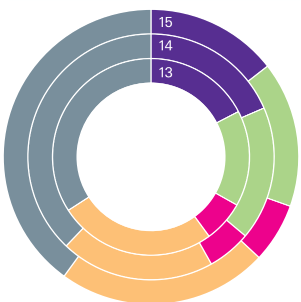
Fig 3: APAC Market Share Distribution



	2013	2014	2015
Australia	5%	5%	3%
China	37%	49%	75%
Hong Kong	7%	6%	4%
India	3%	3%	1%
Japan	34%	24%	10%
South Korea	6%	5%	3%
Taiwan	4%	4%	1%
ASEAN	4%	3%	1%

Source: Thomson Reuters

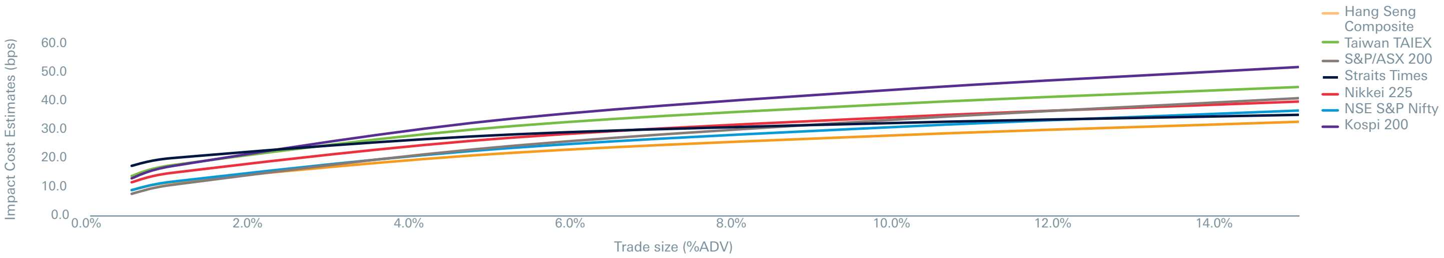
Fig 4: ASEAN Market Share Distribution



	2013	2014	2015
Indonesia	17%	18%	14%
Malaysia	16%	18%	16%
Philippines	7%	6%	7%
Singapore	26%	20%	23%
Thailand	34%	38%	40%

Source: Thomson Reuters

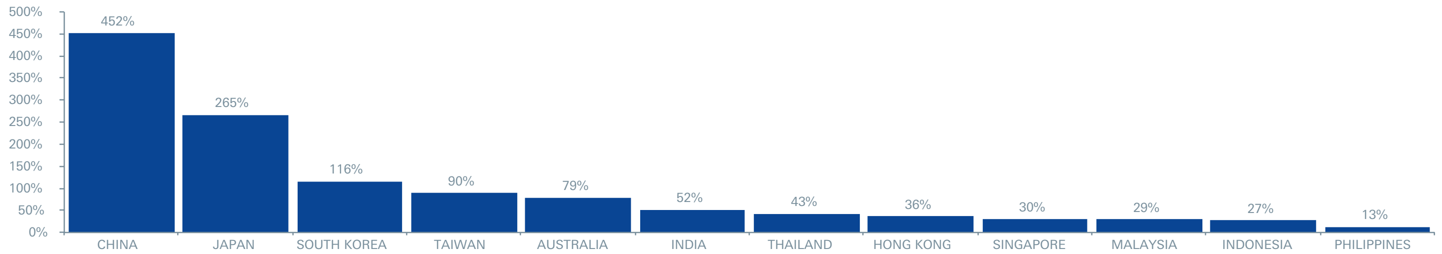
Fig.5 Impact Cost Estimate



Source: Thomson Reuters

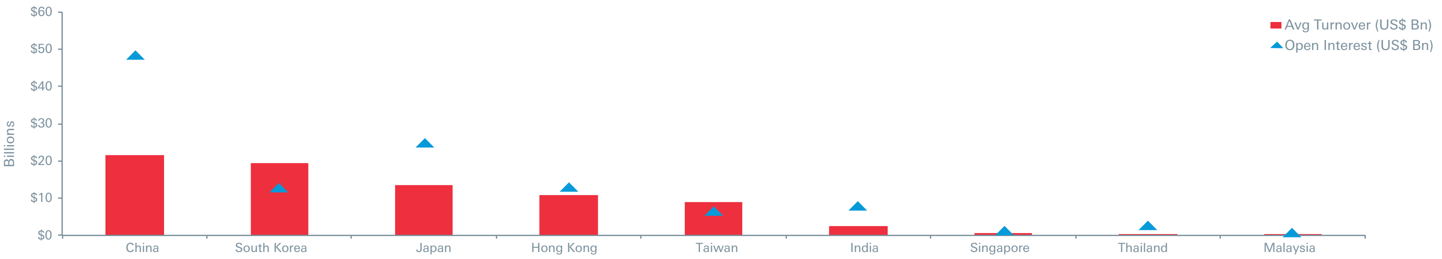
Fig 5. Average cost of trading in APAC markets has increased by 30% over the last 3 months due to increased volatility in the region. Taiwan and Japan have seen the most increase while Korea has seen the least increase in cost of trading over 3 months period.

Fig.6 Turnover Velocity



Source: Thomson Reuters

Fig.7 Primary Futures Turnover vs Open Interest



Source: Thomson Reuters

Fig 7. Futures turnover in China has dropped over 99% in the past month. See country section for more details. Key to note for China, this is the first time this year when Open interest in China futures market is greater than turnover as same day trading was restricted.

Fig.8 APAC Market Microstructure Matrix

Country	% APAC Market Share	Turnover Velocity	Primary/ ATS Market Share	Expected Arrival Cost 5% ADV Order Size (BPS)	MTD Index Return	YTD Index Return	Avg Spread (BPS)	Avg Trade size	20D Avg. Volatility	Avg. Daily Equity Volume (Mn USD)	Avg. Daily Futures Volume (Mn USD)	Avg. Daily ETF Volume (Mn USD)
CHINA	75%	452%	100%	-	-21%	-8%	9	7,904	57%	154,239	336,686	389
JAPAN	10%	265%	95%	28.4	-6%	10%	23	1,525	18%	27,385	21,223	199
HONG KONG	4%	36%	99%	22.8	-18%	-9%	13	5,324	25%	7,936	8,354	154
SOUTH KOREA	3%	116%	100%	35.3	-9%	-5%	22	64	12%	7,428	18,343	72
AUSTRALIA	3%	79%	83%	25.2	-6%	-4%	12	973	17%	8,088	6,829	30
INDIA	1%	52%	100%	24.6	-6%	-4%	7	129	14%	3,570	3,071	4
TAIWAN	1%	90%	100%	32.6	-13%	-12%	40	4,265	16%	3,168	9,997	75
THAILAND	1%	43%	100%	-	-8%	-8%	42	10,556	14%	1,173	2,580	1
SINGAPORE	0%	30%	100%	29.8	-12%	-13%	16	1,998	13%	905	368	2
MALAYSIA	0%	29%	100%	-	-7%	-8%	20	3,063	11%	452	363	0
INDONESIA	0%	27%	100%	-	-8%	-15%	19	8,324	21%	374	11	0
PHILIPPINES	0%	13%	100%	-	-6%	-2%	15	6,977	14%	168	-	1

Source: Thomson Reuters

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

2015 Timeline Summaries

Hong Kong
2015

Launch of new pre-trade check SPSA, and Short selling on Stock Connect

SFC's Julia Leung commented on Stock Connect and the MRF scheme at a summit

Completion of technology for Shenzhen-Hong Kong Connect (Northbound only), buys enabled for SPSA

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

HKEx clarifies their stance on beneficial ownership and other Connect matters

Volatility mechanism and closing auction consultations submission

SFC release ALP consultation conclusions

SFC rejects HKEx proposals on Weighted Voting rights

Mutual Recognition of Funds scheme goes live

HKEx to introduce closing auction and volatility control mechanism next year

SFC probes brokers & hedge funds over China investment products

Further improvements to Shanghai-Hong Kong Connect

China
2015

CSRC allows Mutual Funds to trade HK

Free Trade Zone expands its borders to include 3 new districts

CSRC release FAQ on beneficial ownership

CFFEX announces new requirement for stock index futures

CSRC bans intra-day short selling

China cuts dividend taxes for long-term shareholders

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Regulators promote stock loan

Retail Investors now allowed to open multiple A-share accounts

Shanghai Exchange to launch a Board of Strategic Emerging Industries

CSRC release consultation on margin trading and stock lending

Mutual Recognition Funds regime to launch 1st July

Irish UCITS given Stock Connect approval

China probes into program trading &suspends trading accounts

China revamps investment plan for China's pension funds

Consultation on stock index circuit breaker

Guideline to deepen reforms of SOEs

MSCI semi-annual reviews and will add ADRs in MSCI EM and China in two phases

SDR inclusion decision from IMF

Taiwan
2015

FSC announced their plan to tighten the current criteria for offshore fund launches

Taiwan Banks allowed to outsource the management of 25 % of their net worth

From 1st June, FSC changed price limit rules to 10% from 7%

Starting Jan 15th 2016, trading halt mechanism for companies announcing material information

TWSE to increase the information disclosure before the open and the close.

Taiwan Stock Exchange hits 100% on translation of regulations into English

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

FSC considers simplifying fund licensing and oversight

FSC broadens investment scope for ministries to include domestic equity ETFs

Companies asked to buy-back shares by TWSE

TAIFEX launched trading on RMB FX, two new China ETF futures

FSC announced changes to securities lending to apply from 1st Jan 2016

FSC raises margin on retail short sells, reinstates then removes uptick rule, and investigates 'unusual' trading by a foreign non-financial firm

Japan
2015

TSE and OSE open new branch office in Singapore

New corporate governance code may make it easier for banks to unwind cross-shareholdings

HFT firms gain remote membership at Japan exchanges

TWSE lists TOPIX ETF; JPX to list TAIEX futures in linkup between Japan and Taiwan bourses

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

OSE launch Nikkei 225 weekly options

Financial Services Agency releases 2014 annual report

New corporate governance code becomes effective in June

Japan Post subsidiaries apply for listing on TSE

Japan Exchange Group announced new products, trade rule revisions

Arrowhead renewal and Tick Size Optimisation Phase 3

India
2015

Mutual fund commission payouts capped at 1 %, mandatory holding periods reduced

Government appoints committee to review MAT, will not issue any further demands

SEBI releases conclusions for colocation consultation

India, Mauritius meet to discuss amendments to bilateral tax treaty

SEBI raises bar for participation in the equities derivatives market

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

National Pension System may increase investment flexibility for both individual participants and fund managers.

BSE extends cooperation with Deutsche Börse, launches new market data stream

SEBI to allow Foreign Venture Funds to register as FPIs

SEBI announced measures to encourage start-up IPOs

Indian exchanges implement for monthly reporting of suspicious trades

SEBI may reexamine high frequency trading following NSE whistle blower case

Foreign portfolio investors exempt from retrospective MAT

NSE introduces self trade prevention mechanism for futures and options

BSE enlarges lot-size in foreign index derivatives

South Korea
2015

Exemption of Securities Transaction Tax For Market Makers of Single Stock Futures & Options

Expansion of daily price limits to +/- 30% from +/-15% becomes effective starting June15, 2015

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

FSC approves expanding daily price limits and improving market stabilisation facilities

FSC outlines measure for Capital Market Reform

KRX relaxed listing and de-listing criteria for REITS

Widened investment scope for South Korea's national pension fund (NPS)

Appointed to chair int'l anti-money laundering policymaking body, FATF

2015 Timeline Summaries

Australia

2015

ASX released Guidance Note on disclosure following consultation

@Last at ChiX allows extra 8 mins of trading

ASIC consults on competition in warrants and ETFs

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

ASIC released financial benchmarks report

ASIC published its Regulator Performance Framework

ASIC unveils Corporate Plan 2015–16 to 2018-19 with Focus for 2015-2016

Expected launch of Chi-X warrants and ETFs

Thailand

2015

Launch of new clearing and depository system

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

SEC aims to boost foreign company listings

SEC is revising rules on private placement (PP) to be effective in August

Singapore

2015

Singapore updates AML/ CFT laws

MAS proposes enhancements to resolution regime for financial institutions

MAS reviews SGX's market oversight role

SGX announced a grant to support SME fund-raising platform

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

MAS moves to complete OTC derivatives reforms, proposes new short selling regime

Singapore government mulls fund, REIT tax break

SGX encourages ETF access for retail investors, temporary waiver of ETF clearing fees from 1st June to 31st December 2015.

SGX announced S$20million investment to improve technology systems

SGX consults on segregation of collateral for derivatives

Philippines

2015

PSE moves to new trading system

PSE experiences outage

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Philippines central bank sets minimum leverage ratio at 5%

Charter Change to lift cap on foreign equity ownership faces uncertain future

Consultation on new corporate governance code

Philippines SEC expects to release its Revised Code of Corporate Governance

Indonesia

2015

Exchange still considering joining the ASEAN Trading Link

Indonesia Exchange head planning for 3x growth in transaction values

"IDX" reduces circuit breaker to 10%

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Indonesia working to increase foreign ownership limits to 70 %

IDX target 20% growth in 2015

Indonesian Financial Services Authority, Indonesia Exchange consider exchange for SMEs

Malaysia

2015

6 % GST now in effect since April 2015

SC accepts applications for equity crowdfunding platforms

Fund managers now allowed to set up 'boutique fund management companies'

Bursa changes listing rules for ACE Market

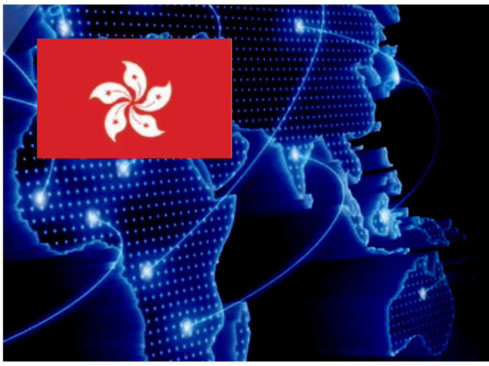
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

OTC derivative reforms begin to take shape in Malaysia

Securities Commission implements Lodge and Launch mechanism for wholesale products

BM consult on sustainability statements

Guidance on permissible non-cash incentives



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Hong Kong Newsletter Issue 39, 2015

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Hong Kong

Market Structure

SFC investigations in relation to China investment products

The SFC was reportedly investigating the use of operating licenses by brokers and hedge funds to trade in China. Reuters said the SFC started its investigation in the week of 24th September has been focusing on international brokers and Hong Kong subsidiaries of Chinese brokers which used more than US$100 billion investment quotas for Chinese stocks and bonds.

RMB Internationalisation Hong Kong: The Bridge Linking China with the Rest of the World

On 16th September, Mr. Normal Chan the Chief Executive of HKMA attended Treasury Markets Summit 2015 (jointly organised by the HKMA and the Treasury Markets Association) to share his view of the key elements for Hong Kong to maintain its role as a global hub for offshore CNH business as the Mainland moves towards the internationalisation of the RMB.

In his speech, Mr. Chan referred to three pillars: Policy, Infrastructure and People/Products. In relation to policy development, he set out the following milestones.

2004 - Hong Kong residents able to open RMB retail accounts. Limit on withdrawals of RMB20,000 per day, and RMB 80,000 cross border remittence.

2009 - Pilot scheme for cross border settlement.

2011 - Cross border settlement fully liberalised, policy headroom for the development of offshore RMB business, use of RMB for Overseas Direct Investment and Foreign Direct Investment permitted, launch of RQFII regime and opening of bond market to foreign investors.

2014 - Launch of Shanghai-Hong Kong Stock Connect. Mr. Chan further states

"We hope the Shenzhen-Hong Kong Stock Connect will be launched in the not too distant future."

Regarding Infrastructure, some comments were made on the RMB liquidity window provided by the HKMA. It was noted that the HKMA provides the following services:

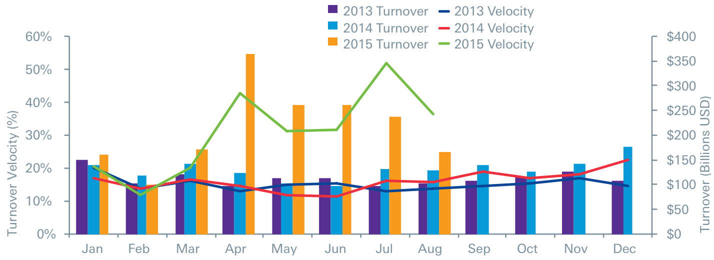
— Intraday Repo to facilitate smooth payments flowing through our RTGS system;

— Overnight Repo on a T+0 basis; and

— The appointment of 7 Primary Liquidity Providers, each of whom has a bilateral repo facility with the HKMA.

Mr. Chan explained that the RMB liquidity facilities are not meant to be a regular funding source for banks, and are not designed to prevent market interest rates from adjusting in response to market supply and demand of RMB funds. These liquidity facilities are intended to provide short term liquidity in episodes of market tightness and volatility to help banks manage their liquidity.

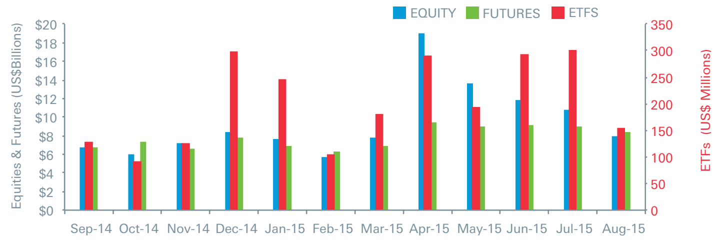
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Trading volumes in Hong Kong market had dropped amidst the volatility and holiday period in late July, early August, but picked back up towards the end of August.

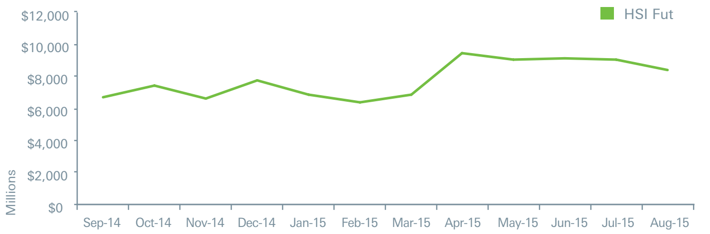
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Hong Kong benchmark index level is down 10% YoY, trading volumes across cash instruments are up year on year: Equities +18%, ETFs +20%, Futures +24%.

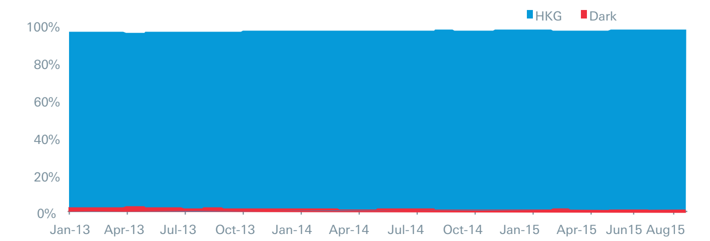
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Hong Kong futures turnover increased YoY by 24% and in the recent months the volume has been consistent and resistant to volatility from China.

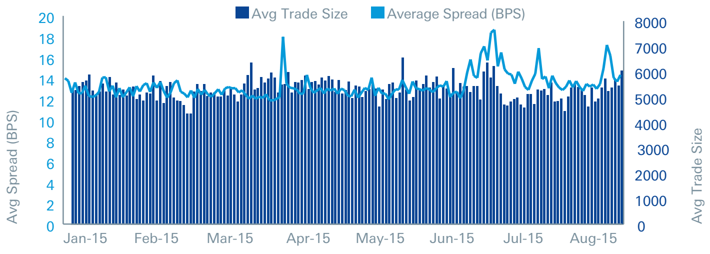
Fig 4: Lit versus Dark Market Share



Source: Thomson Reuters

Fig 34 1.2% of total trading in Hong Kong markets was executed in broker operated dark pool venues.

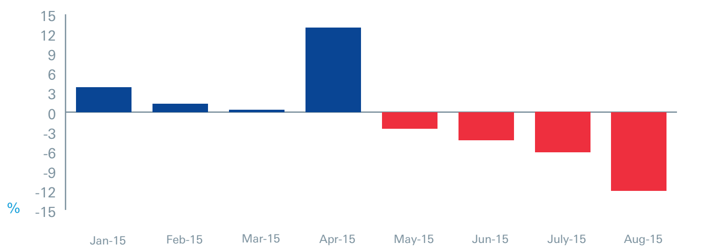
Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 5. Average trading spreads and trade sizes both saw steep change on a couple of days in July and August this year when benchmark indices dropped over 8%.

Fig 6: MoM Index Price Change



Source: Thomson Reuters

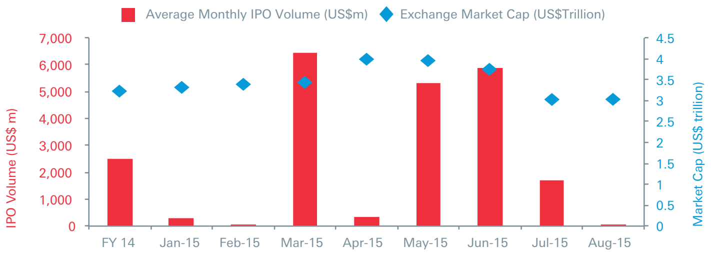
Fig 6. Hang Seng Index is down 7.8% YTD after last four months of consecutive drop.

Fig 7: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
0267.HK	2%	1,721,420,000	1.15	0066.HK	1%	346,956,400	1.05
0883.HK	1%	1,956,876,000	0.87	0002.HK	-2%	641,814,400	1.12
2628.HK	-3%	3,206,373,000	0.71	0762.HK	-5%	1,463,676,000	0.90
0941.HK	-6%	4,889,601,000	0.97	0688.HK	-6%	1,854,969,000	0.99
1088.HK	-8%	809,709,300	0.67	0003.HK	-7%	557,271,400	0.90
1398.HK	-14%	4,340,447,000	0.79	0011.HK	-13%	878,028,300	1.30
0857.HK	-14%	1,792,511,000	0.65	2388.HK	-15%	1,238,579,000	1.03
3328.HK	-14%	751,564,500	0.70	1113.HK	-16%	1,482,955,000	0.59
3988.HK	-16%	3,908,630,000	0.73	1928.HK	-21%	1,849,754,000	1.10
0016.HK	-17%	1,594,281,000	1.08	0027.HK	-28%	1,444,391,000	0.92

Source: Thomson Reuters

Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 8. Demand for IPOs on HKEx, world's most attractive venue for new listings this year, has dried up as Hong Kong Airlines International Holdings Ltd called off its IPO for the third time in four years. Investors and companies have turned cautious and several other IPOs are also delayed as market volatility continued through August.

He further pointed out that even on 24th and 25th August which were the two most volatile days in CNH money market of the month, the HKMA's capacity for offering T+0 Overnight Repo was "far from being exhausted" although the HKMA would "keep an open mind in considering suggestions from the market participants on how we can do better in this regard."

On the final pillar of People, he set out three "cs" "3 Cs" namely Competence, Control and Culture. For Competence, Mr. Chan announced the launch of another Enhanced Competency Framework in 2016 on anti-financial crime and compliance. Control and Culture were addressed together as while "Control" shapes the behaviour of a firm and its staff, it has a major drawback. "Control" only works when the system can promptly and effectively monitor and detect breaches. [...] Only when the right culture, supported by the appropriate incentive system, filters down to every level of the bank can we be confident that the desired outcomes and behaviours would result."

To access the press release by the HKMA:

http://www.hkma.gov.hk/eng/key-information/press-releases/2015/20150916-3.shtml

To access the full transcript of Mr. Normal Chan in the summit:

http://www.hkma.gov.hk/eng/key-information/speech-speakers/ntlchan/20150916-1.shtml

SFC fines BNP HK HK$15 million for dark pool failures

On 3rd August, the Securities and Futures Commission ("SFC") fined BNP Paribas Securities (Asia) Limited ("BNP") for HK$15 million due to dark pool operation failure, pursuant to section 194 of the Securities and Futures Ordinance. According the SFC announcement:

— BNP Internal Exchange ("BIX") failed to operate in accordance with the order price priority system which was represented in client materials between November 2009 to April 2011, e.g. a buy order with higher price would have priority over another buy order with a lower price. Owing to this, BIX failed to give priority and gave all orders equal price priority with allocations on a pro rata basis during that period;

— BNP halted BIX services between April 2011 and resumed its services after 7 months upon discovery of above mentioned issue. The SFC was not informed in a timely manner but 21 months later (in January 2013) which constitutes a breach

— BNP' s original business plan to the SFC stated it would first obtain client's consent before sending their orders into BIX. Nevertheless, the SFC found that client orders were 'automatically enabled' to enter BIX without seeking positive consent from clients, and BNP did not notify the SFC about this change of business plan; and

— failure to maintain sufficient records on specific auction and matching logic of matched trades.

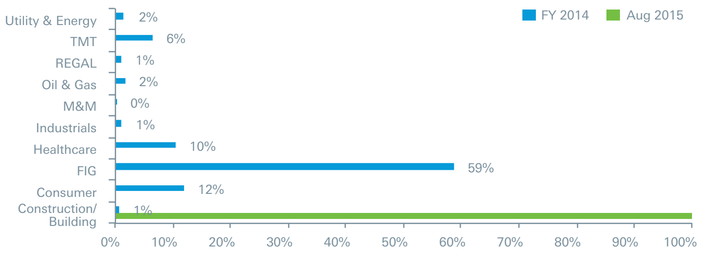
In the announcement, Mr. Mark Steward, the SFC's Executive Director of Enforcement, commented that:

"No one should dive into dark water without knowing what is hidden. Operators must have clear rules and procedures in place for operating dark pools, and equally important, they should operate consistently with representations to clients whose consent to enter the dark pool is clear and well-informed."

To access the SFC's announcement for more details:

http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=15PR82

Fig 9: IPO Sector Distribution



Source: Dealogic

Fig 10: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	10	7%	34%	12%
Feb-15	4	475%	277%	1024%
Mar-15	12	149%	188%	93%
Apr-15	3	348%	363%	131%
May-15	6	297%	260%	-25%
Jun-15	21	98%	-1%	24%
Jul-15	5	446%	15%	153%
Aug-15	2	22%	0%	9%

Source: Dealogic

Hong Kong seeks to enhance role as booking centre for financial institutions

The Hong Kong Financial Services Development Council ("FSDC") published a report on 17th September titled "Enhancing Hong Kong's Role as a Centre for Regional and International Financial Institution Operations: Booking". The study seeks to analyse why the level of transactions booked in Hong Kong appears disproportionately low for the amount of business conducted versus other major international financial centres. The report proposes becoming a preferred booking centre facilitates long-term development and promotes the also addresses ways to enhance competitiveness while balancing opportunities and risks.

The use of swaps and market access products for Shanghai-Hong Kong Stock Connect was flagged as an area where "Hong Kong is not maximizing its advantage" as positions are being booked to the relevant booking centre of the financial institution (for example a UK prime brokerage entity), not to Hong Kong. It is noted that the cost of capital in London and New York is more favourable than the 1.2 times necessary for regulatory capital under the SFC rules. Interestingly, the report notes the upcoming event of Shenzhen-Hong Kong Connect showing it is still very much on the regulators agenda. In summary they state

"The point is that, currently, it is not capital-efficient for international groups to book Stock Connect synthetic positions and conduct related business in Hong Kong."

The report examines the impact of capital requirements and regulatory framework as both pull and push factors noting the complexity of multiple regulators depending on the sector the business operates in. The following recommendations are made:

1. Align Hong Kong capital regime with international jurisdictions. Currently is based on liquid-assets assessment, could move to a Basel type risk based approach, as proposed in the recent SFC consultation on Financial Resources Rules ("FRR").

2. SFC to consider revision of guidance relating to offshore booking models.

3. To implement a consolidated resolution regime applicable to the various types of financial institutions (rather than the split jurisdiction of the various bodies such as the HKMA and the SFC).

4. HKMA and SFC (and the Insurance Authority in due course) to ensure a coordinated approach.

5. To review Hong Kong tax structure and deductions to incentivise or reduce deterrence for Hong Kong as a booking entity.

6. Promote collaboration between the HKMA, SFC, HKEx and OCI.

7. To enhance cooroperation with foreign regulators

8. To actively promote Hong Kong's rule of law.

To access the FSDC report click here:

http://www.fsdc.org.hk/sites/default/files/Booking%20model-press%20release-Eng%28final%29_0.pdf

Venue News

Improvements for Shanghai and Interface Specifications released for Shenzhen-Hong Kong Stock Connect

After the debut of Shanghai-Hong Kong Stock Connect in November 2014, the market has been expecting Shenzhen-Hong Kong through train in the second half of 2015. On 7th August, Hong Kong Exchange ("HKEx") CEO Charles Li said at a media briefing that the Shenzhen-Hong Kong Stock Connect might face a delay however, on 11th September, a China Banking Regulatory Commission ("CBRC") Guangdong office official (name not disclosed) who attended a Hong Kong/Guangdong Cooperation Joint Conference said that all preparation work for the through train is progressing in an 'orderly' manner, rounds of testing have been done and the it is expected to be launched officially in 2015.

Separately, on 18th September, HKEx issued a circular "Further CCASS Service Enhancements Relating To Shanghai-Hong Kong Stock Connect" about relevant report/file specification, subject to the SFC's approval. The circular also mentioned that Hong Kong Securities Clearing Company ("HKSCC") published on its website about the system interface specifications required for northbound clearing under the proposed Shenzhen-Hong Kong Stock Connect. The changes will be implemented in November 2015 'regardless of whether regulatory approvals have been given".

The Circular also highlighted a number of upgrades to the existing Shanghai-Hong Kong Stock Connect including:

Type	Description	Date
Interface specifications for Shenzhen-Hong Kong Connect	Details on requirements for Northbound trading only released. Relevant report specifications and sample files for Clearing Participants available	Upgrade complete Nov, launch TBC pending regulatory approvals
Enhance SPSA	Currently SPSA is only available for sell trades. Buy side indicator will be added	November 2015
Enhance SPSA	New online function for submitting forms for the adjustment of sellable balance	December 2015
Enhance SPSA	Trade files will be China Connect Clearing Participants as well as custodians	December 2015
Extension of hours	Closing times of various functions will be extended by 15 minutes. For the full list of changes see the full notice per below link	December 2015

Same day RMB settlement	Same day Settlement Instructions will be made on a same day basis. This will mean the proceeds from a sale will be delivered to the client on the same day although it is not yet clear how the HKEx proposes to fund such settlement given there is no corresponding change to the on shore settlement cycle (ie it does not seem that China Clear will deliver the funds any earlier that T+1). Further details will be published at a later stage.	April 2016

To access the HKEx circular please click here:
http://www.hkex.com.hk/eng/market/partcir/hkscc/2015/Documents/CE_244_2015.pdf

To access the HKSCC system interface specifications under the proposed Shenzhen-Hong Kong Stock Connect:
http://www.hkex.com.hk/eng/market/clr/secclr/ccass3/FurtherCCASSEnhancements.htm

HKEx welcomes Deutsche Bank as a first European clearing member of OTC Clear for OTC derivatives

On 9th September, HKEx's subsidiary OTC Clearing Hong Kong ("OTC Clear") which provides clearing services for OTC derivatives, welcomes Deutsche Bank Aktiengesellschaft, Hong Kong Branch ("Deutsche Bank") as its first European clearing member following OTC Clear's recognition by European Securities and Markets Authority ("ESMA") as a third country Central Clearing Participant ("CCP").

To access HKEx's news release:
https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/150910news.htm

HKEx CEO allegedly involved in J P Morgan's controversial China hiring

HKEx CEO Mr. Charles Li has been cited in the press for his involvement in hiring children and acquaintances of Chinese officials, clients and potential clients when he worked in JP Morgan China during 2003 to 2009 in order to win business in Mainland. According to Wall Street Journal, Mr. Li sponsored at least 8 referrals in 2008, which includes a friendly friend of Mr. Huang Hongyuan (ex-CSRC senior official and now the SSE president) for summer internships and others for one-year positions. Immediately after media reports, Mr. Charles Li issued the following personal statement

"I left JPMorgan Chase China in 2009 but I can recall that there was a formal process in place within the bank for dealing with these matters which I followed."

To access Mr. Charles Li's personal statement:
https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/Documents/Charles%20Li%20statement.pdf

Separately, HKEx issued an public statement on the same day to respond to media enquiries:
https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/150921news.htm

Personnel News

SFC appoints interim Head of Enforcement

The SFC announced appointment of Ms. Maureen Garrett, Deputy Chief Counsel of the SFC, as the Interim Head of Enforcement. Ms. Garrett will oversee the Enforcement Division to replace Mr. Mark Steward whose contracts ends on 25th September 2015 to take up a similar position with the UK's Financial Conduct Authority. According to the announcement, Ms. Garrett joined the SFC Legal Services Division in 1999, and she has great experience in leading the SFC's enforcement litigation work in HK's courts and tribunals. The SFC said they are conducing global recruitment exercise for a permanent replacement for Mr. Steward.

To access the SFC announcement about this new interim appointment:
http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=15PR89

Sources:
www.reuters.com
www.bloomberg.com
www.asiaasset.com
www.cctvfinance.com

Contact
Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

Deutsche Bank
Equities

Global Market Structure

China Newsletter Issue 39, 2015

Passion to Perform

China

Market Structure

Stabilisers and sanctions: How to train your dragon Part II

In the China section of Issue 38, we looked at how the new measures, particularly the Margin Trading and Short Selling rules released at the peak of the market on 12th June and brought in as regulation on 1st July, have permanently changed for the better the risk profile and transparency of lending in the Mainland. Although a correction was to be expected, it seems that the extent of the grey market leverage, and the knock on impact on others looking to close out positions, could not have been fully appreciated by any involved given the previously opaque, unregulated nature of the activity. Removing such leverage from the system was bound to impact the market but the sharp decline observed went beyond expectations. The regulators needed to stabilise the domestic market.

The subsequent measures demonstrate the ability - and appetite - of the regulators to take a stance despite the impact on volumes. The CSI300 saw a reduction of 99% in volumes going from being the most liquid index in the world to trading less in average daily turnover than the Singaporean listed FTSE A50, following a cap of 10 lots on new contracts and increased margin requirements. Similarly, the cash market used to see around US$5 billion per day of physical single name short selling which fell to under US$20 million following the removal of intra-day short selling. The PBoC also allowed for a devaluation of the currency of just under 2%.

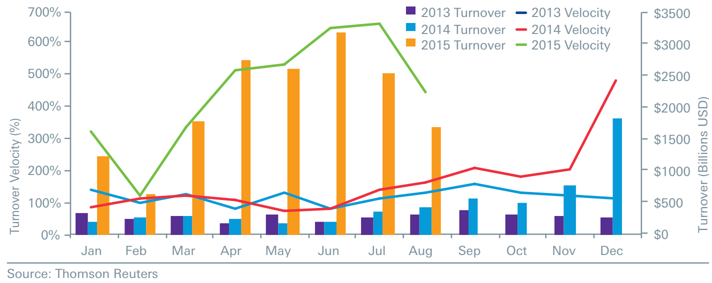
There has also been decisive enforcement action. HOMS and its peers have received significant fines. Between 28 – 38 accounts were frozen due to abnormal trading activities (only one of which was a foreign firm, Citadel), and 164 investors were prohibited from opening positions in index futures for one month after breaching the new definitions of abnormal trading (below stories contain detail of such definitions).

Positive progress towards previously stated policy objectives has also continued although to the mainstream press it has been largely lost in the noise. The concentration of the decision making for the various regional pension fund programmes into the central National Social Securities Fund ("NSSF"), with asset allocation permitted into the equity markets, furthers the framework to support the aging population. Reports indicate the NSSF will assume management of around US$ 551 billion with US$315 billion of investible assets.

Similarly for market microstructure, no market is immune to circuit breaker issues and the market was given the opportunity to comment on the proposed rules for the introduction of an index level circuit breaker that would also halt trading in the cash and other underlying securities markets. We await the conclusions of the consultation with the expectation of imminent roll out. On the topic of stock suspensions, despite seeing sharp drops in the SHCOMP in August, the proportion of halted stocks seen in July was not repeated and the company announcements are giving more clarity on the reason and length of the suspension.

It should be remembered that China has not yet achieved the status of Emerging Market according to MSCI requirements. While the scale of the market demands an attention to market structure that has not been received by other markets looking to gain EM status, it does not seem reasonable to expect a level of sophistication seen in Developed Markets at this time.

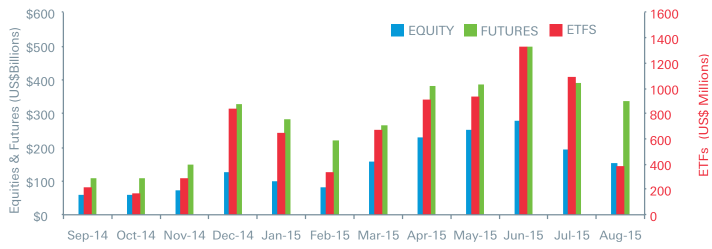
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Equities volumes in China market came down as regulators clamped down on grey margin lending activities and regulatory violations.

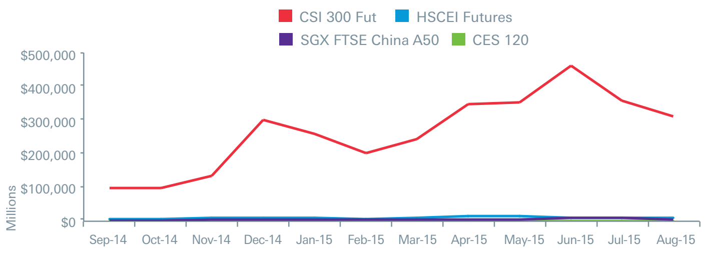
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. China market has seen big rise and then fall in stock market index this year, the trading volumes across cash products is still up year on year: Equities +163%, ETFs +80%, Futures +210%.

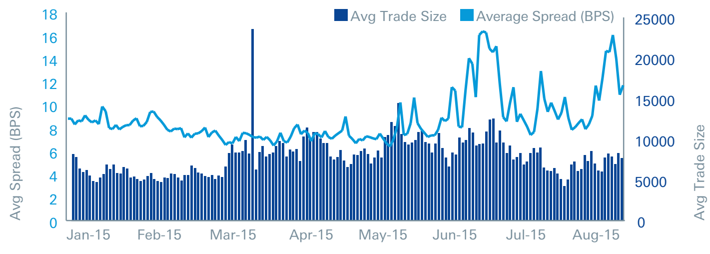
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Trading across all benchmark futures indices dropped significantly in China as CFFEX took a series of regulatory tightening measures to limit speculative trading. Since August, the futures turnover has further dropped to an average daily value of US$13Bn.

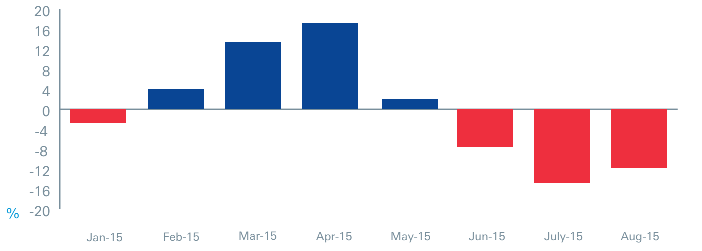
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. Stock spreads showed volatility similar to primary indices as markets dropped nearly 10% a day on multiple occasions with volume and PBOC intervened to stabilise the blue chip stock price levels.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

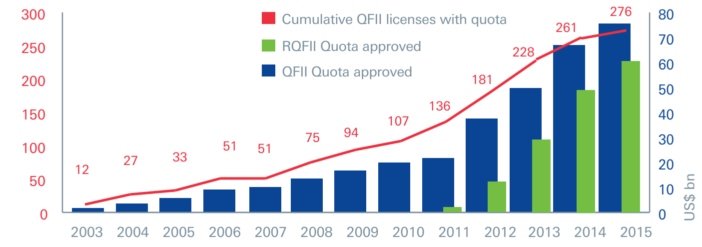
Fig 5. China's benchmark indices have come down nearly 50% over the last 3 months erasing gains made this year, the index level is now similar to where it was in mid-2014.

Fig 6: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
601919.SS	27%	1,787,371,000	0.76	600873.SS	16%	2,125,715,000	1.04
601618.SS	24%	5,869,322,000	0.74	000876.SZ	8%	896,012,200	0.51
601866.SS	23%	1,456,605,000	0.74	600150.SS	6%	7,934,342,000	0.82
600018.SS	6%	3,272,663,000	0.57	000027.SZ	5%	2,990,234,000	0.92
601169.SS	5%	5,608,159,000	0.49	000559.SZ	5%	8,770,312,000	1.45
000776.SZ	-29%	3,911,535,000	0.51	600157.SS	-29%	1,849,343,000	0.48
300104.SZ	-30%	7,796,062,000	0.50	000709.SZ	-30%	1,534,831,000	0.66
601111.SS	-31%	5,800,091,000	0.93	601555.SS	-30%	2,852,807,000	0.54
600958.SS	-31%	2,572,739,000	0.29	000728.SZ	-31%	2,970,449,000	0.47
002736.SZ	-32%	3,882,539,000	0.47	000338.SZ	-57%	2,097,538,000	0.49

Source: Dealogic

Fig 7: Cumulative QFII and RQFII Licenses and Quota Granted



Source: Deutsche Bank, CSRC, SAFE

Fig 7. Quoting the China based research agency on increased market access via QFII and RQFII being granted recently, Z-Ben believes this shows that regulators are focusing on a long term horizon for cross-border harmonization which goes beyond top-line access. See full report here: http://zben.com/edm/public/file/20150911%20China%20Alert%20Crossborder%20Mega%20RQFII%20quotas%20expected.pdf

Fig 8: Avg Monthly IPO size and Exchange Market Cap

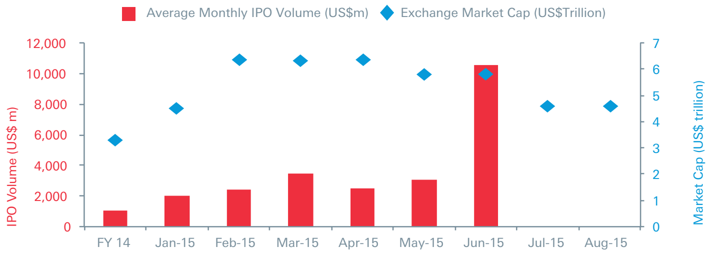


Fig 8. All new IPOs were frozen in the month of July in midst of market down turn, and new listings have not resumed yet.

although the market structure team continues to work on gaining greater access to information through the use of Wind (the on shore equivalent to Bloomberg), we again ask that you bear in mind the information supplied is on a best efforts basis and time will continue to provide further clarity.

July – August 2015: The developing role of the China Securities Finance Corporation ("CSFC")

Over the last two months, the CSRC has played a central role in the Chinese government's attempts to stabilise the market. CSFC was established in 2011 with the approval of the State Council and the China Securities Regulatory Commission ("CSRC"). It is 100% state-owned and its shareholders include the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Shanghai Futures Exchange, and the Dalian and Zhengzhou commodities exchanges.

The CSFC performs three functions:

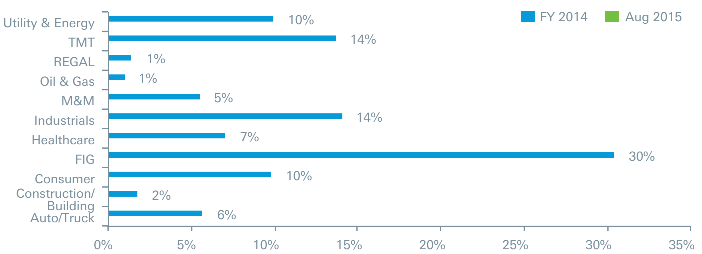
(1) Providing margin financing to qualified domestic brokerages to facilitate margin loans to brokerage client. This is collectively referred to as margin trading;

(2) Providing securities lending services to local brokerages to facilitate short sales; and

(3) Stabilising the market amid abnormal volatility through the investor protection fund created through the Measures for the Administration of the Margin Trading and Short Selling Business of Securities Companies promulgated on 1st July.

The CSFC's market stabilisation role has elevated its profile significantly. Official information about the size of CSFC's stabilisation funding and trading activity is limited, with most information coming through media reports. For example, the Shenzhen Daily reported that CSFC injected RMB 200 billion (~US$32 billion) from mid-July to the start of August into five Chinese funds. The funds were reported to be managed by China Asset Management, Harvest Fund Management, China Southern Asset Management, China Merchants Fund Management and E Fund Management. Each received RMB 40 billion (~US$6.3 billion).

Fig 9: IPO Sector Distribution



Source: Dealogic

According to the South China Morning Post, some of the funds that CSFC is using in its market stabilisation activities were raised in two instalments from local Chinese brokerages. In the first round in July, RMB 120 billion (~US$19 billion) was reportedly collected from the 21 biggest brokerages. In the second round in early September, RMB 100 -150 billion (~US$16-24 billion) was collected from 50 brokerages.

In addition to the broker funds, the CSRC announced in early July that CSFC would increase its capital base from RMB 24 billion (~US$3.8 billion) to RMB 100 billion (~US$16 billion). The CSRC also said that the PBOC would provide additional liquidity to the CSFC without providing additional details.

Details of the CSFC's trading activity are limited but CSFC has denied selling shares in Inner Mongolia Yili Industrial Group Co, telling Xinhua that an apparent reduction in CSFC's holding was in fact a transfer of holdings to 'fund management companies'.

On August 15th, China Daily also ran a story quoting Deng Ge, the CSRC spokesman, saying that CSFC had transferred a proportion of its stock holdings to Central Huijin Investment Ltd, the domestic investment arm of the country's sovereign wealth fund, and Huijin will become a long-term holder of the stocks.

Further, according to state-owned newspaper Takungpao, on 19th August, Central Huijin, an investment arm of China's sovereign-wealth fund, increased its holding in multiple listed companies in the A-share market through transfer agreements. Those companies include the Chinese Big 4 banks: Industrial & Commercial Bank of China ("ICBC"), Agricultural Bank of China ("ABC"), Bank of China ("BOC"), and China Constru ction Bank ("CCB"), details as follow:

— Increased stake in ICBC by ~1billion shares to 46% of total A shares, 35% of total capitalisation

— Increased stake in ABC by ~1.3billion shares to over 45% of total A shares, 40% of total capitalisation

— Increased stake in BOC by ~1.8billion shares to nearly 90% of total A shares, 65% of total capitalisation

— Increased stake in CCB by ~500million shares to about 7% of total A shares, 57% of total capitalisation

To access CSFC web site (English & Simplified Chinese):
http://www.csf.com.cn/publish/english/index.html

To read the CSRC announcement on the CSFC capital injection (Simplified Chinese):
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201507/t20150703_280388.html

To read the CSRC announcement on the PBOC liquidity provision to the CSFC (Simplified Chinese):
http://finance.sina.com.cn/stock/y/20150705/201622594530.shtml

To read the CSRC announcement on the transfer of assets from CSFC to Central Huijin (Simplified Chinese):
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201508/t20150814_282855.html

To read the State Council announcement on the transfer of assets from CSFC to Central Huijin:
http://english.gov.cn/state_council/ministries/2015/08/14/content_281475167943746.htm

July – August 2015: Progression of changes in the CFFEx market

The below table summarises changes made by CFFEX between 31st July to 2nd September 2015:

Announcement Date	Restrictions	Margin Ratios	Commission
31st July	<Effective 3rd August> Definition of "abnormal trading" (1) an investor engages in stock futures arbitrage or speculative trading, or (2) order cancellations in excess of 400 times per day per contract, or (3) cross-trades in excess of 5 times per day per contract	No relevant announcement on this date	<Effective 3rd August> Commission structure split into two parts: (1) "Trading Commission" and (2) "Order Placement" commission Trading commission of stock index futures contracts reduced to 0.0023%, and a charge of RMB 1 for each order placed
25th August	<Effective 26th August> Definition of "abnormal trading" Opening of more than 600 new futures contracts of the same index within same trading day. The calcu-lation of opening of new contracts includes the total of new long and short positions of all available contracts of a single index within a trading day. Only applies to 'non-hedging' or-ders. No further information about what constitute a non-hedging or hedging order.	<Effective 26th August> (1) From settlement on 26th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 10% to 12% of the contract value for 'non-hedging' orders. No further information about what con-stitute a non-hedging or hedging order. <Effective 27th August> (2) From settlement on 27th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 12% to 15% of contract value for 'non-hedging' orders. No further information about what constitute a non-hedging or hedging order. <Effective 28th August> (3) From settlement on 28th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 15% to 20% of contract value for 'non-hedging' orders. No further information about what constitute a non-hedging or hedging order.	<Effective 26th August> "Trading commission" increased by 5 times to 0.0115% (compared to 0.0023% since Aug 3rd) of the transaction amount for intra-day trading.

Announcement Date	Restrictions	Margin Ratios	Commission
26th August	CFFEX banned 164 investors from opening positions of index futures for one month as their trading activities on 26th August violated the measures		
28th August	<Effective 31st August> Restriction: Opening new futures positions of the same index within the same day capped at 100 con-tracts Only applies to 'non-hedging' or-ders.		
2nd September	<Effective 7th September> Restriction: Opening new futures positions of the same index within the same day capped at 10 con-tracts Only applies to 'non-hedging' or-ders. No further information about what constitute a non-hedging or hedging order.		

31st July: CFFEX announces new requirement for stock index futures

The China Financial Futures Exchange ("CFFEX") implemented a series of measures to curb speculation in CSI 300, CSI 500 and SSE 50 index futures. CFFEX amended the definition of 'abnormal trading', tightened position limits on index futures, increased margin ratios and raised intra-day trading fees. Measures are described in the table above.

To access the CFFEX announcement about 'abnormal' trading definition (Simplified Chinese):

http://3g.xinmin.cn/mobile/news/content/28276069/5dd9c265d388dd3e07dd6fcd49e5004c

To access the CFFEX announcement detailing commission structure (Simplified Chinese):

http://www.cffex.com.cn/tzgg/jysgg/201507/t20150731_19201.html

3rd August: Media reports probe into program trading and suspension a number of trading accounts

International and domestic press reported a 3-month suspension from trading on the Shanghai Stock Exchange ("SSE") and/or the Shenzhen Stock Exchange ("SZSE") against several accounts due to frequent order cancellations via 'program trading' or other irregularities. Press accounts varied on the exact number of accounts suspended with Reuters and the South China Morning Post reporting 38 accounts, Xinhua saying 28 accounts and other outlets citing 34 accounts.

While official information is limited, according to the Shanghai Stock Information Service Corporation (www.cnstock.com), the accounts were suspended mainly for:

1. Excessive order cancellations, for example, on July 8th, a trading account reported around 16,000 accumulated 'sell' transactions during the day with a total size over RMB 1.5 billion and a cancelation rate of 99.28%.

2. Suspicion of intra-day market manipulation by influencing trading volume and individual stock prices. By doing so, they allegedly induced other investors to trade and thereby took opportunity to profit take or bargain hunt, especially near the close.

Citadel Shanghai Trading, an onshore wholly owned subsidiary of the Chicago-based Citadel Investment Group, was the only foreign account named in press accounts. Citadel Shanghai Trading's account was suspended on SZSE but its other accounts can still operate normally on SSE.

Citadel issued a public statement following the suspension of its trading account frozen on SZSE:

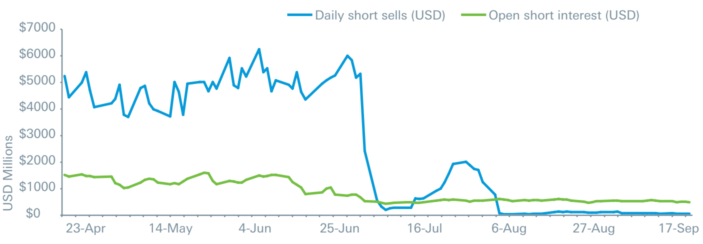
"Citadel has been actively investing in the region for 15 years, and has always maintained a constructive dialogue with regulators, including during the recent market volatility…We can confirm that while one account has had its trading on the Shenzhen Exchange was suspended, we continue to otherwise operate normally from our offices, and we continue to comply with all local laws and regulations."

3rd August: CSRC bans intra-day short selling

At the direction of CSRC, both the SSE and the Shenzhen Stock Exchange ("SZSE") modified their respective short sell rules to ban intra-day short selling (i.e. borrowing and then repaying the borrowed stocks on the same day). Previously, investors could short sell and close their positions same day, however the view has been taken by China's stock exchanges that short day trading tends to "add to abnormal volatility of stock prices and affect market stability." Under the new rule, short sellers must hold their position for at least one day.

According to data published on the Chinese version of the China Securities Finance Corporation ("CSFC") web site, daily short sell volume in the A-shares rarely fell below US$4 billion between the end of April 2015, when the information was first made available, and 1st July. However, the open short interest during this period had not exceeded US$2 billion showing the majority of short sells taking place was intra-day. This is further supported by the fact that short sell turnover fell more than 95% to less than US$50 million on 4th August.

Daily short sells vs open short interest



Source: China Securities Finance Corporation

To implement the CSRC directive, SSE amended Article 15 of the "SSE Detailed Rules for Implementation of Margin Trading and Securities Lending (Revised in 2015)" as follows:

"Article 15 – after short sale, the client may, starting from the next trading day, repay the financed securities to the member by purchasing securities, or directly repay the securities".

SZSE did the same by amending Clause 2.12 in the "SZSE Implementing Rules for Margin Trading and Securities Lending (Revised in 2015)"

Immediately after the new rule, Citic Securities (China's largest brokerage firm by assets), Huatai Securities (China's largest brokerage by trading volumes), Guosen Securities and Great Wall Securities temporarily halted their short-selling businesses.

In addition, the probes into "malicious" short-sellers and automated trading strategies have extended into overseas jurisdictions. Reuters reported that the CSRC has requested foreign and Chinese-owned brokerages in Hong Kong and Singapore provide stock trading records and to identify those with net short positions in Chinese-listed stocks. The Hong Kong Securities and Futures Commission ("SFC") and the Monetary Authority of Singapore ("MAS") did not comment.

To access official daily short sell data published by the CSFC (Simplified Chinese):

http://www.csf.com.cn/publish/main/1022/1024/1127/index.html

To access the announcement by SSE:

http://english.sse.com.cn/aboutsse/news/c/c_20150804_3959339.shtml

To access the "SSE Detailed Rules for Implementation of Margin Trading and Securities Lending (Revised in 2015)" (Simplified Chinese)

http://www.sse.com.cn/aboutus/hotandd/ssenews/a/20150701/9c1a109bfe99b77e2528c36484f2c1ae.docx

To access the announcement by SZSE:

http://www.szse.cn/main/en/AboutSZSE/SZSENews/SZSENews/39756431.shtml

To access the "SZSE Implementing Rules for Margin Trading and Securities Lending (Revised in 2015)"

(Simplified Chinese) click here: http://www.szse.cn/main/images/2015/07/01/20150701230411529.pdf

11st August: PBoC devalues RMB daily reference rate by record amount of 1.9%

The People's Bank of China ("PBoC") lowered RMB's daily reference rate by 1.9% on 11th August from 6.12 CNY/US$ to 6.23 CNY/US$, the largest depreciation in a single day since 1994. RMB fell sharply against other currency pairs.

Moreover, China announced a change in the process for daily midpoint fixing. Instead of being defined by the authorities, as of 11th August, the PBOC determines the CNY fixing according to the previous day's market closing rate, along with demand and supply in the foreign exchange market. Since March 2014, the exchange rate has been allowed to fluctuate within a 2% band around the daily midpoint fixing level.

In addition, PBoC spokesman said in a press briefing on 12th August that:

"Foreign exchange market development will be accelerated and foreign exchange products will be enriched. In addition, the PBoC will push forward the opening-up of the foreign exchange market, extending FX trading hours, introducing qualified foreign institutions and promoting the formation of a single exchange rate in both on-shore and off-shore markets.

Based on the developing condition of foreign exchange market and the macroeconomic and financial environment, the PBoC will enhance the flexibility of RMB exchange rate in both directions and keep the exchange rate basically stable at an adaptive and equilibrium level, enabling the market rate to play its role, and improving the managed floating exchange rate regime based on market demand and supply"

The PBoC spokesman also said both PBoC and SAFE will "severely" punish anyone found to be engaged in illegal FX activity.

To access Q&A session by the PBoC Spokesman on the RMB Exchange Rate:

http://www.chinamission.be/eng/fyrjh/t1288276.htm

17th – 26th August: Stock suspensions stay constant despite renewed market volatility

As detailed in Issue 38, more than 1,500 A-shares (about 50% of the stocks listed in Shanghai and Shenzhen) were suspended at some point between 1st and 17th July. The below table compares the number of suspended stocks to the universe of stocks on the Shanghai and Shenzhen Exchanges, constituents of the ChiNext Index, securities eligible for Northbound trading through Shanghai-Hong Kong Stock Connect and A-shares classified as SOEs in Wind.

	Total	Suspended	Ratio
China A	2,778	1,139	41%
Shanghai	1,061	346	33%
Shenzhen	1,717	793	46%
ChiNext	356	232	65%
Connect	596	175	29%
SOE	999	228	23%

Source: Bloomberg, Wind

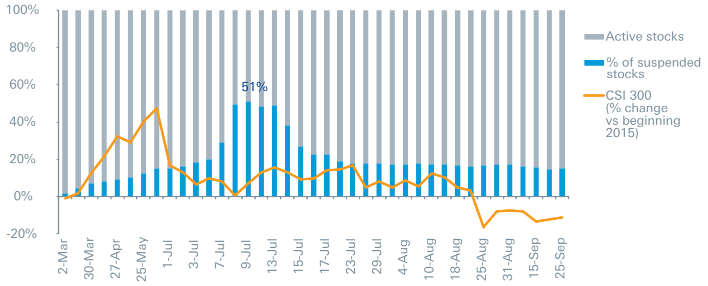
As previously highlighted, the majority of suspensions was triggered by the companies themselves. Under the current exchange rules, companies may suspend for various reasons including a "major event discussion", "employment stock ownership planning"or "asset restructuring". Reasons for a stock suspensions can be found in the company announcements, below is a sample.

"As advised by China Shipping, the relevant matters are still under robust contemplation at this stage. However, due to the complicated nature of such matters, which may involve asset reorganisation, they are currently still in the process of further research and analysis, including discussion with each intermediary about the details of the transaction and communication with regulatory authorities in respect of the relevant matters, among others.

In view of the fact that there exists significant uncertainty, trading in the shares of the Company (stock code: 2866) will continue to be suspended. It is expected that the trading suspension will not last more than one month since 16 September 2015."

The table below compares the percentage of suspended stocks to the SHCOMP Index. It shows there was no second wave of suspensions between the 19th and 26th of August despite at a fall in the index of nearly 20% over that period.

Suspended stock timeline



Source: Deutsche Bank Analytics, Bloomberg

Although the number of suspended stocks is still high compared to developed markets, it is worth noting that the rules have been constructed in a such as way as to allow for M&A activity to be conducted easily.

The listing rules of many other markets explicitly make clear that approval for companies to suspend trading in their shares ultimately lies with a regulatory body. In the UK, for instance, the Listing Rules of the Financial Conduct Authority ("FCA") clearly state that "the FCA will not suspend [a] listing if it is not satisfied that the circumstances justify the suspension".

Neither the listing rules of the Shanghai Exchange nor those of the Shenzhen Exchange include a similar provision in the section dealing with stock suspensions.

To access the section in the FCA's Listing Rules covering suspensions:

https://www.handbook.fca.org.uk/handbook/LR/5/1.html

To access the Listing Rules of the Shanghai Stock Exchange:

http://english.sse.com.cn/home/public/c/en_sserule20090408.pdf

To access the Listing Rules of the Shanghai Stock Exchange:

http://www.szse.cn/main/en/rulseandregulations/sserules/

23rd August: China revamps investment plan for China's pension funds

On August 23rd, China's State Council published the "Rules on Basic Pension Insurance Fund Investment Management" which permit pension funds (including Urban Enterprise Pension Schemes, Schemes for Public Service Unit Employees and Civil Servants, and Rural and Urban Resident Pension Schemes) managed by local governments to invest in China's domestic stock markets.

Previously, many of these pension funds could only invest in bank deposits and government bonds (though the National Social Security Fund ("NSSF") and enterprise funds were permitted to buy equities and other asset classes). The new rules will allow all the above-mentioned pension fund-types to invest up to 30% of their assets in Chinese equities (domestic stocks, stock index futures, and equity funds) as part of a diversified portfolio that includes other asset classes. See the link below for an analysis of the Rules from the Hong Kong Trade Development Council for a more complete breakdown of the target asset allocation).

You Jun, Deputy Minister of the Ministry of Human Resources and Social Security, said in a press briefing on 24th August that the pension funds are "not obliged" to buoy or rescue China's stock markets. He said China had RMB 3.5 trillion (~US$551 billion) in pension funds as of the end of 2014, of which about RMB 2 trillion (~US$315 billion) are investable after setting aside funds required for pension payments. This means about RMB 600 billion (~US$94 billion) could theoretically be channeled into China's equity markets, according to state media.

Comments made at the press briefing suggest that the National Council for the Social Security Fund ("NCSSF"), the supervisory body for China's supplementary pensions, will be the key decision-maker for investing these assets. The English transcript of the press briefing says "we will choose proven expertise and qualified institutions to be entrusted and make investments. At present, we have chosen the National Council for Social Security Fund as the entrusted organisation, and made explicit requirements for the choice of fund custody and investment management institutions".

Speaking to Asia Asset Management, Z-Ben Advisors analyst Constance Tan said that, over the last several years, China's government:

"had come up with five solutions to reform the (pension) market, including setting up local government pension investment vehicles, establishing a new centralised investment entity, and appointing the NSSF to manage local pension monies…Outsourcing local pensions to the NSSF is the most effective way from a cost-saving perspective. In addition, the NSSF is experienced in that it has been managing 100 billion RMB worth of pension funds for the Guangdong provincial government since 2012, with a cumulative investment return of 17.3 billion RMB".

Separately, in responding to how long it will take the funds to flow into the market, Deputy Finance Minister Yu Weiping said the Chinese government is drafting rules for pooling and transferring the funds into the stock market. It will take place after specific rules are made and the funds are pooled. "We are actively making the rules and hope it would come out as soon as possible. The entrusted agencies also have the right to decide when to invest." he said.

To access full script of the State Council policy briefing on 24th August (English):

http://english.gov.cn/news/policy_briefings/2015/08/28/content_281475177627078.htm

To access full script of the State Council policy briefing on 24th August (Simplified Chinese):

http://www.china.com.cn/zhibo/2015-08/28/content_36432961.htm?show=t

To access Rules of Basic Pension Insurance Fund Investment Management (Simplified Chinese):

http://www.gov.cn/zhengce/content/2015-08/23/content_10115.htm

For more about Chinese Pension System please click here:

http://www.paulsoninstitute.org/wp-content/uploads/2015/04/China-Pensions_Pozen_English_FINAL.pdf

http://www.unescapsdd.org/files/documents/ISS-Meeting_item3-dewen-wang.pdf

Hong Kong Trade Development Council ("HKTDC") article which details the investment scope of the "Rules of Basic Pension Insurance Fund Investment Management":

http://hkmb.hktdc.com/en/1X0A3GH7/hktdc-research/China-Launches-Basic-Pension-Insurance-Fund-Investment-Rules

25th August: CFFEX re-defines 'abnormal' trading, increases new margin ratios and trading commission

CFFEX revised the definition of 'abnormal' trading and changed margin requirements after index futures fell 10% to daily limit for 2 consecutive days.

The following measures apply to CSI300, CSI500 and SSE50 index futures with different effective dates:

— 'Abnormal' Trading: effective 26th August 2015, opening of more than 600 new futures contracts on the same index within same trading day will be considered 'abnormal' trading. The calculation of opening of new contracts includes the total of new long and short positions of all available contracts of a single index within a trading day. Only applies to 'non-hedging' orders.

— Margin ratios (staggered approach):

(1) From settlement on 26th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 10% to 12% of the contract value for 'non-hedging' orders.

(2) From settlement on 27th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 12% to 15% of the contract value for 'non-hedging' orders.

(3) From settlement on 28th August 2015, the minimum margin for CSI300, SSE50 and CSI500 index futures positions increased from 15% to 20% of contract value for 'non-hedging' orders. No further information about what constitute a non-hedging or hedging order.

"Hedging orders" applies to trades that are made in line with a CSRC approved investment strategy as submitted upon application for becoming a QFII or RQFII. In such cases, the scale of the hedging activity should be in line with the quota granted (as opposed to the market value). No official guidance has been given on how to apply to hedging exemption to trading that is not subject to license conditions.

— Trading Commission: Effective 26th August 2015, the trading fee imposed by CFFEX increased by 5 times to 0.0115% from the 0.0023% for the closing leg of intra-day trades. The trading fee for opening legs and for closing contracts left open for more than a day remained unchanged.

To access more information about CFFEX announcements (Simplified Chinese):
http://www.cffex.com.cn/tzgg/jysgg/201508/t20150825_19247.html
http://www.cffex.com.cn/tzgg/jysgg/201508/t20150825_19246.html
http://m.wallstreetcn.com/node/222866

25th August: Detailed for Peer-to-Peer ("P2P") rules likely to be released in October 2015

The Economic Information Daily reported that Chinese authorities have nearly completed the detailed rules for P2P lending ("the New rules") and may release them in October 2015.

According to Economic Information Daily, the New Rules stipulates that P2P platforms:

— shall be pure information agents;

— shall not set up any capital pools;

— must conduct fund depository business with banks (i.e. only banks can provide custodian service for investors' deposits);

— must have Paid-in Capital (aka Contributed Capital) of at least RMB 50 million (~US$7.9 million);

— can only use 3rd party payment platforms for small-amount services (according to Xinhua, many P2P platforms are using 3rd party payment platforms for capital depository and fund trusteeship services) ;

— are forbidden from taking deposits or providing guarantees and;

— are not allowed to raise funds for their own projects.

Zhu Mingchun, co-founder of www.wangdaizhijia.com (Online Lending Home), told Xinhua that if the minimum Paid-in Capital is set at RMB 50 million, about 90% of the existing P2P platforms will not meet the standard. Mr. Zhu also said that

"the policy side won't eliminate all unqualified platforms but will give them a term for rectification and reform, a buffer period. And banks won't give guarantee that P2P business is 100% safe in legal documents; when they are having fund deposit and management cooperation with banks, but in the eyes of ordinary investors, this will help promote credit of these P2P platforms because fund deposited and managed by banks is an implicit endorsement for the safety of P2P business, resulting in much fewer risks for investing in P2P platforms than that now".

In addition to the pending P2P regulations, CSRC imposed fines on four Chinese brokers for their Know-Your-Client practices in relation to P2P margin lenders accounts (see below comments for 11th September). CSRC also fined P2P operating system developers for developing an operating system that allowed securities investors to trade without opening accounts with real names, violating the Securities Act (see below 2nd September).

China's P2P industry has grown rapidly in the last 3 years and is now the world's largest direct lending market with more than 2000 P2P platforms, according to the Shanghai Daily. Volume in August was RMB 97.5 billion (~US$15 billion) almost double that of March and up 4 times YoY. Total transaction volume grew to about RMB 864 billion (~US$136 billion) this year as of August 2015.

26th August: CFFEX suspends 164 accounts

CFFEX banned 164 investors from opening positions in index futures for one month as their trading activities on 26th August violated CFFEX rules as amended on 31st July.

Specifically:

— 152 accounts opened positions of more than 600 contracts in one day;

— 13 accounts cancelled orders of over 400 times and;

— 1 account had self-cross trades of over 5 times.

Note the numbers above sums to more than 164 as some accounts were apparently suspended for violating multiple rules.

The CFFEX announcement on the suspensions is available at (Simplified Chinese):
http://www.cffex.com.cn/gyjys/jysdt/201508/t20150826_19257.html

July to mid-September: Media reports detail probes into illegal trading by regulatory officials, media and brokerages

Several media sources reported that the following people were accused of or had admitted to rules violations: one current CSRC employee in the public offerings department, one former CSRC employee in the market regulation department, several senior executives of Citic Securities in China and a journalist of a mainland financial magazine (Caijing Magazine).

Caijing Magazine

Reported by Xinhua on 30th August, journalist Wang Xiaolu admitted to colluding with others in fabricating and spreading false information via a magazine article dated 20th July which said that the CSRC was examining ways for local brokerages to withdraw government funds from the stock market. On the same day the article was published, the CSRC spokesman Mr. Zhang Xiaojun denied the story and said "the related publication was being irresponsible for publishing such a big market-moving report without checking with the regulatory department."

Citic Securities

Xinhua further reported that the four executives of Citic Securities admitted to insider trading, including managing director Mr. Xu Gang. The other three are Mr. Liu Wei of the Financial Market Management Committee (in charge of capital intermediary business), securities financing head Mr. Fang Qingli and alternative investments head Chen Rongjie.

On 15th September, a Citic disclosure on the SSE website stated that General Manager Mr. Cheng Boming, Director of Operation Management Department of Brokerage Development and Management Committee Mr. Yu Xinli and Mr. Wang Jinling of the Centre of Information and Technology "were commanded to accept investigation by the public security authorities according to laws for being suspected of insider trading and revealing inside information".

Separately, on 17th September, Bloomberg reported that Standard & Poor ("S&P") has placed Citic Securities and Citic International on a credit watch list after the firm's senior executives admitted insider trading, and said it does not expect any rating impact to be more than one level. Currently S&P rates Citic Securities and Citic International at BBB+/A-2 and cnA+/cnA-1 respectively. "The widened police probe may pose significant challenges for Citic Securities' business operations over the longer run," said S&P. "The impact could be acute if Citic Securities is found to be partially responsible for any wrongdoings by its senior managers, and therefore subject to regulatory sanctions."

The Citic disclosure on the Shanghai Stock Exchange website on 15th September:

http://english.sse.com.cn/listed/announcements/details_index.shtml?SEQ=409361

CSRC

Chinese media stated current and former CSRC staff members are suspected of insider trading and forging official documents. Xinhua reported on 31st August that CSRC staff admitted making millions of RMB from illegal activities and confessed to forging official seals to fake a court ruling on divorce and taxation certificates for his mistress. The CSRC has made no statement on the officials.

Separately, on 16th September, a statement from the Central Commission for Discipline Inspection said that Zhang Yujun, Assistant Chairman of CSRC, is being probed for "severe violation of discipline" according to a statement by the Central Commission for Discipline Inspection. (See also below 16th September: The new Vice Chair of CSRC named; Assistant Chairman under investigation).

28th August: CFFEX re-defines 'abnormal' trading and increases margin ratios for second time

Three business days after its previous announcement, CFFEX re-defined 'abnormal' trading and further increased margin ratios, effective 31st August:

— 'Abnormal' Trading: Opening of more than 100 new futures contracts on the same index within a trading day will be considered 'abnormal' trading (previously it was 600 as per Aug 26th announcement). The restriction only applies to 'non-hedging' orders.

— Margin ratios: Minimum margin ratios increased from 20% to 30% for 'non-hedging' orders.

To access more information about this CFFEX announcement (Simplified Chinese):

http://business.sohu.com/20150828/n420001119.shtml

To access CFFEX announcement about margin ratios (Simplified Chinese):

http://www.cffex.com.cn/tzgg/jysgg/201508/t20150828_19259.html

2nd September: CFFEX re-defines 'abnormal' trading for third time, increases margin ratios and trading commission

Three business days after previous announcement, CFFEX raised curbs on the futures market by re-defining 'abnormal' trading and margin ratios, effective 7th September:

— 'Abnormal' Trading: the threshold for 'abnormal' trading reduced from 100 to 10 contracts on a single index futures. This only applies to futures orders for 'non-hedging' purpose.

— Margin ratios: margin increased from 30% to 40% on 'speculative' orders; from 10% to 20% on 'hedging' orders

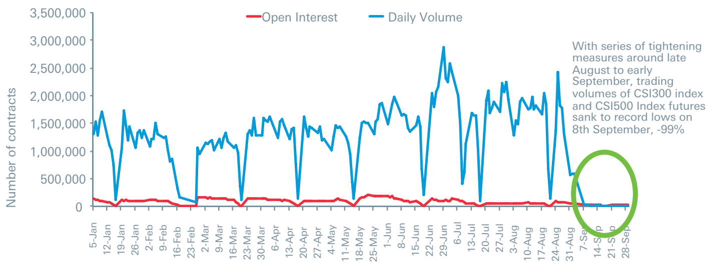
— Trading commission: trading commission for intra-day trading rose to 0.23% from 0.0115%, up by 20 times.

To access CFFEX official announcement (Simplified Chinese):

http://www.cffex.com.cn/gyjys/jysdt/201509/t20150902_19271.html

Ranked by the World Federation of Exchange as the most active market in July for index futures, China futures liquidity has shrunk from around 1.9 million futures contracts on 31st July to 38,000 futures contracts on 7th September. CSI300 index futures trading volumes on 7th September morning session fell over 90% from 2nd September, to about 27,000 contracts compare to a 20-day average of 1.5 million contracts. According to Bloomberg, with the string of tightening measures around late August to early September, trading volumes of CSI300 index and CSI500 Index futures sank to record lows on 8th September, fell 99% from their June highs.

CSI300 Futures



Source: Deutsche Bank Analytics, Bloomberg

China is targeting the futures market due to concern around the impact of short-term speculators. CFFEX is reportedly around 90% domestic retail and is attractive to speculators given the rules allow for intra-day trading (which is not permitted in the cash equities market).

"A sustained contraction in liquidity may spur some institution investors to give up hedging in futures, unwind futures position and reduce their stock positions,' said Dai Shenshen, a trader at SWS Futures Co. in Shanghai.

2nd September: CSRC fined 3 P2P operating system developers

China Daily reported that the CSRC fined Hundsun Technologies (a financial software company majority owned by Alibaba affiliate Ant Financial), Mecrt Corporation and Hithink Flush Information Network for developing an operating system that allowed investors to trade without opening accounts in their real names, a violation of the Securities Act.

The reported fines were as follows:

— Hundsun Technologies: RMB 133 million (~US$21 million) was confiscated from the company and a fine of RMB 399 million (~US$63 million) was imposed. CSRC also issued warning letters to Chairman Liu Shufeng and General Manager Guan Xiaolan and fined them RMB 300,000 (~US$57,000) apiece.

— Mecrt Corporation: RMB 16 million (~US$3 million) was confiscated from the company and a fine of

— RMB 48million (~US$8 million) was imposed. CSRC also issued a warning letter to Chairman Liu Zhaobo and General Manager Xie Chenggang and fined them RMB 200,000 (~US$31,500) each.

— Hithink Flush Information Network: RMB 2.2 million (~US$346 ,500) was confiscated from the company and a fine of RMB 6.5 million (~US$1 million) was imposed. The deputy general manager and product manager will be fined RMB 100,000 (~US$16,000) and RMB 50,000 (~US$8,000) respectively.

To access CSRC announcement on the P2P fines (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150902_283593.html

7th September: Chinese exchanges release consultation on stock index circuit breaker

On 7th September, the SSE, the SZSE and the China Financial Futures Exchange ("CFFEX") jointly published an announcement seeking public comments on a proposed circuit breaker. The circuit breaker would temporarily suspend trading on the SSE, SZSE and CFFEX in response to substantial fluctuations in the CSI300 Index and it's related constituents. The consultation closed on 21st September 2015.

The proposed circuit breaker takes the CSI300 Index as the benchmark to measure broader market volatility given its constituents are the more liquid stocks from both Shanghai and Shenzhen.

Key components of the proposal include:

1. If CSI300 Index touches +/-5% from the previous close, the circuit breaker will trigger a 30 minute suspension in trading of:

   — all the stocks, funds, convertible bonds, detachable bonds, stock options and stock-related products on the SSE and the SZSE, and

   — all the stock index futures contracts on the CFFEX, and

   — specific securities products which will be subject to relevant announcements (note: treasury bond futures will still be traded normally)

2. At the end of the 30 minute suspension period, there will be an opening auction followed by continuous trading;

3. If the CSI300 Index touches +/-5% after 14:30, or it touches +/- 7% at any time during the day, trading is suspended for the rest of the day;

4. If market trading is suspended for the rest of the day, the closing price for the day will be set at the weighted average prices of all the transactions over the last 1minute, including the last trade executed prior to the trade halt talking effect;

5. On futures expiries dates, the circuit breakers are not applicable during the PM Sessions and trading will be resumed in the afternoon session even if a trading suspension is triggered in the morning session (by either the +/-5% or the +/-7% thresholds) and;

6. Circuit breakers not applicable during opening auctions. If the market open hits the first threshold of +/- 5%, the circuit breaker would take effect from 9:30 AM and, if the market open hits the second threshold of +/- 7%, the market would be closed for the day from 9:30 AM.

To access the proposed circuit breaker rules (English):

http://english.sse.com.cn/aboutsse/news/c/c_20150909_3977982.shtml

To access proposed circuit breaker rules (Simplified Chinese):

SSE:
http://www.sse.com.cn/aboutus/hotandd/ssenews/a/20150907/636fbc3ef6b7de9db58544ebbdaf7ec5.doc

SZSE:
http://www.sse.com.cn/aboutus/hotandd/ssenews/a/20150907/5a6497915bc0f542c780bdfc5432b7ba.doc

CFFEX:
http://www.sse.com.cn/aboutus/hotandd/ssenews/a/20150907/9ec8bfd41c47dd7b0c3424c714351bf0.doc

7th September: China cuts dividend taxes for long-term shareholders

China announced on 7th September that it would exempt Chinese investors who hold stocks for over one year from the 5% dividend tax, a move aimed at encouraging longer-term investment in equities. The new tax policy has eliminated the dividend tax on long-term investors, while dividend tax rates for short-term stock holdings will stay the same. Investors who hold shares for one month or less incur the full dividend tax rate of 20%; and those holding shares for between one month and a year are taxed at 10%.

Tax rate paid by Chinese taxpayers on dividends on stocks:

Holding period of shares	Before 2005	2005 - 2012	2013 - Sep 7th, 2015	As of Sep 8th, 2015
<1 month	20%	20%	20%	20%
1 month - 1 year	20%	10%	10%	10%
>1 year	20%	10%	5%	0%

Source: taxfoundation.org

Separately, any China-sourced gains derived by QFIIs/RQFIIs between 17th November 2009 to 16th November 2014 should be settled by 30th September 2015, according to Asset Management Association of China ("AMAC").

9th September: China announces commitment to make foreign investments in China easier

On 9th September, 2015, Premier Li told the 9th Summer Davos Forum at Dalian, attended by representatives of Chinese and foreign entrepreneurs, that China will open up more fields and more convenient entrance methods to foreign investors.

Premier Li stated that China's general policy for utilising foreign investments will not change but specific policies are being revised with the aim of attracting more foreign investment. This year, China has continued to expand sectors for foreign investments and reduced the number of restricted industrial sectors by about 50% (from 79 to 35). To facilitate foreign investments, the approval system has become a "filing" system and now just 5% of projects are awaiting approval.

Separately, according to a Shanghai-based consulting firm Z-Ben Advisory and a law firm Freshfields Bruckhaus Deringer, Hang Seng Bank will take 70% stake in a domestic joint venture fund management company in Qianhai, China, to provide fund sales, fund raising and asset management services. This is the first ever use of Supplement X to the Mainland and Hong Kong Closer Economic Partnership Agreement ("CEPA").

Premier Li also said that China is also carrying out bilateral investment treaty negotiations with the US and the EU, and free trade agreement negotiations with many other countries. Foreign investment in China was +7.7% in 20151H.

A summary of the Premier's speech is available at:

http://www.gov.cn/guowuyuan/2015-09/10/content_2928840.htm (Simplified Chinese)

http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1295860.shtml (English)

11st September: CSRC imposed fines on four Chinese brokers for KYC violations

Following about three weeks of investigation, the CSRC announced on 11th September that it had fined four listed brokerage firms and a futures trading company for negligence in verifying clients' background information. Haitong Securities, Huatai Securities, Founder Securities, GF Securities and Zheshang Futures were fined a total of RMB 240 million (~US$38 million).

The brokers allegedly traded on behalf of clients without collecting and recording the underlying clients' true identity, a violation of the Securities Act, said the CSRC. (See above 2nd September: CSRC fined 3 P2P operating system developers).

The CSRC also said on 12th July that it told brokers to clean up lending involving the unregulated grey-market margin lending. Since then, however, these five brokerages had not undertaken proper know-your-client ("KYC") to block illegal trading channels via these online lending platforms, therefore they should be "severely punished" for allegedly adding new and failing to block illegal trading channels, said CSRC in its public statement.

In addition, Reuters reported that several senior executives of these brokers, including general managers, risk and compliance officers and technology employees, were also fined and received warnings from the CSRC.

To access CSRC official public statement on 11th September (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150911_283830.html

To access Haitong Securities' Announcement on 25th August (Simplified Chinese):

http://www.cninfo.com.cn/finalpage/2015-08-25/1201494920.PDF

To access GF Securities' Announcement on 25th August (Simplified Chinese):

http://en.gf.com.cn/cn/information/company-announcement/1194457032

To access Huatai Securities' Announcement on 25th August (Simplified Chinese):

http://www.htsc.com.hk/upload/menu/pdf/20150826090452811.pdf

To access Founder Securities' Announcement on 25th August (Simplified Chinese):

http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2015-08-26/601901_20150826_1.pdf

13th September: China issues guideline to deepen reforms of State-Owned Enterprises ("SOEs)

Central Committee of the Communist Party of China and the State Council jointly issued long-awaited guidelines to deepen reforms of state-owned enterprises and speed up China's economic transition. The guidelines came nearly two years after President Xi Jinping called for market forces to play a 'decisive role' in resource allocation in a key meeting of the Communist Party of China.

The general theme of the reform is to enhance China's overall SOE efficiency. It calls for more focus on SOEs' capital returns, introducing "mixed ownership" by bringing in private investors to buy stakes, strengthening decision-making power of SOEs' board of directors, tightening corporate governance and forbidding intervention by government agencies. In addition, a flexible and market-based salary system will be established, more professional managers will be hired, SOE employees will be paid at market rates and evaluated based on company performance.

The Chinese government aims to achieve major reform results to become a multi-layered market with breadth of investors and depth of products, by 2020. To that end, SOEs are expected to have more robust management systems and more capable SOE entrepreneurs.

Key details about the reform guidelines include:

— The division of SOEs into two categories amid the reform process:

(1) Profit-making entities: to focus on market-based, commercial operations with the aim of increasing state-owned assets and boosting the economy; and

(2) Public welfare entities: to improve people's quality of life by providing public goods and services.

— "Mixed-ownership" reforms: SOEs should attract multiple types of investors and are encouraged to go public. No specific timetable for this reform was announced but authorities said they will promote it gradually. Non-SOEs will be encouraged to buy stakes and convertible bonds from or conducting share rights swap with SOEs. SOEs can also sell shares to their employees through employee shareholding programs.

Zhou Fangsheng, Deputy Director of the China Enterprise Reform and Development Society, a body under the SASAC, said these programs will result in diversification of shareholders and help rationalise the corporate decision making process.

Two large SOEs, China National Petroleum and China Telecom, reportedly began their own plans of mixed-ownership reform in July 2015.

— Corporate governance: Supervision will be intensified both inside and outside SOEs to prevent abuse of power and erosion of state-owned assets, ensure security of assets, and establish an accountability mechanism will be established to track breaches, corruption and fraud. SOE boards of directors will be provided with greater decision-making powers, tightened control over managers and intervention by government agencies will be prohibited.

To access official guidelines of deepen reforms of State-Owned Enterprises (Simplified Chinese):

http://www.gov.cn/zhengce/2015-09/13/content_2930440.htm（深化国有企业改革的指导意见）

16th September: The new Vice Chair of CSRC named; Assistant Chairman under investigation

According to Xinhua News, Li Chao, who was Deputy Head of the State Administration of Foreign Exchange, became Vice Chairperson of the China Securities Regulatory Commission, while Zhuang Xinyi was removed from the post.

In addition, Zhang Yujun, Assistant Chairman of China Securities Regulatory Commission ("CSRC"), is being probed for "severe violation of discipline" according to a statement by the Central Commission for Discipline Inspection. According to his profile page on the CSRC website, he previously served as general manager at the Shanghai and Shenzhen Stock Exchanges.

To access the official announcement of appointing of Mr. Li Chao as CSRC Vice Chairperson (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150918_284095.html

To access the official statement by the Central Commission for Discipline Inspection (Simplified Chinese):

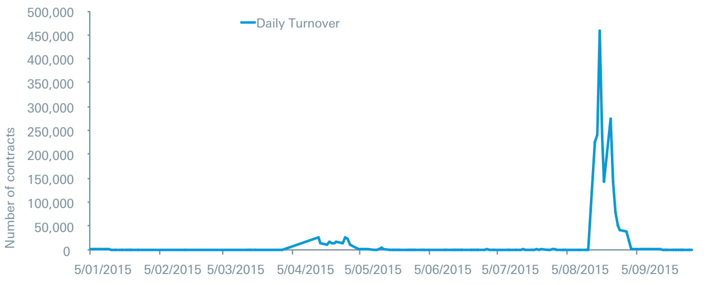
http://www.ccdi.gov.cn/jlsc/201509/t20150916_62001.html

17th September: China looks into 'program trading' in commodities futures

According to Reuters, the Dalian Commodity Exchange ("DCE"), Shanghai Futures Exchange ("SHFE") and Zhengzhou Commodity Exchange ("ZCE") were asked recently by the CSRC to draft rules designed to "regulate the behaviour of program trading" in futures markets.

Reuters reports that commodities futures volumes like iron ore "jumped sharply…just as new stock trading rules kicked in". The generic iron ore futures on the Dalian Commodity Exchange show an unusual spike in activity toward the end of August, though the cause is not clear.

DCE Iron Ore Futures Turnover



Source: Bloomberg

The draft rules, which have been circulated to a select group of members for feedback, focus on tightening control over program trading.

The draft rules propose:

1.Anyone who places more than 4,000 trades/day with more than 5 instances of 5 orders/second will be viewed as a program trader;

2.Traders must provide details of program traders' identities and the sources of their funding;

3. Traders must provide program trading strategies and location of trading servers to the exchanges;

4. Traders who send orders to the order-entry platforms of the exchanges but then withdraw their orders just before execution more than 60% of the time (on the more than 4,000 placed trades) "will also trigger increased regulatory oversight";

5. Traders will be "restricted to placing no more than 4,000 trades if they execute orders for more than 2 futures products" and;

6. Traders will be restricted to buy and sell orders of the same product in different futures contract months within one second.

This is still at preliminary stage and the commodities exchanges are still working on details.

18nd September: CSRC fines share owners holding more than 5% of shares for selling stock

CSRC provided an update about its investigation on illegal trading and business operation in its news conference on 18th September:

Market Manipulation

CSRC fined Hengxin Asset Management in Shandong province RMB 552 million (US$86.7 million) for market manipulation in an ETF that tracks the SSE180 index, Xinhua reported. The CSRC spokesman Mr. Deng Ge said in a news conference that Hengxin is the first case of ETF market manipulation. Besides Hengxin, the CSRC also fined four individuals for stock market manipulation through short sales and frequent order placement and cancellation to influence stock prices for profit taking.

Illegal sale of shares by shareholders (>5% holding)

In addition, the CSRC said it has completed second round of investigation into 19 cases of illegal share sales by large shareholders (over 5%) of listed companies, in which the largest case involved illegal sales of 7.8% shares for about RMB 950 million (~US$150 million) for selling stake within 6 months of purchase (a requirement stipulated by the CSRC since 10th July 10th). For the full list of 19 see last link below in Summary of CSRC press conference.

Illegal business operation

Xinhua also reported that the CSRC fined five asset management companies and one individual for illegal securities brokerage operation, including account opening and stock trading and settlement through 3rd party software systems like HOMS system developed by Alibaba's affiliate Hundsun technologies.

To access the summary of CSRC press conference (Simplified Chinese):
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwfbh/201509/t20150918_284144.html
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150918_284122.html
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150918_284093.html
http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201509/t20150918_284092.html

22nd September: State Council announced that Mr. Shang Bing is no longer the Vice Minister of the Ministry of Industry and Information

China's State Council announced that Mr. Shang Bing will no longer serve as Vice Minister of the Ministry of Industry and Information. Earlier in August, Xinhua and CNBC reported that China Mobile, a state-owned enterprise, appointed Mr. Shang Bin as the new chairman to succeed Mr. Xi Guohua who has resigned with immediate effect.

To access the announcement by the State Council on 22nd September(Simplified Chinese):
http://www.gov.cn/xinwen/2015-09/22/content_2936812.htm

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

Taiwan

Market Structure

FSC raises margin on retail short sells, reinstates uptick rule and investigates 'unusual' trading by a foreign non-financial firm

On August 13th, Bloomberg reported that Taiwan's Financial Supervisory Commission ("FSC") had increased the margin requirement on retail shorts from 90% to 120%.

On August 24th, after the Taiex dropped below 8,000 points, Taiwan's Financial Supervisory Commission ("FSC") removed the exemption from the uptick rule on nearly all securities in Taiwan.

The rules of the Taiwan Stock Exchange ("TWSE") include a provision that prohibits short selling below the previous day's closing price. Many stocks have been exempted from this provision over the years, most recently in 2013 when about 1,200 margin pool stocks were added to the exempted list. Prior to the margin pool exemption, only stocks in the Taiwan 50 Index, the Taiwan Midcap 100 index and the Taiwan IT indices were exempted.

The only exemptions that remain following the FSC's action are ETFs and short selling as part of market making activity by domestic brokers. Even when the exemption was in place, shares that closed limit down could not be short sold below their previous day's close.

In our last issue, we highlighted Taiwan's liberalization of the securities lending market, with the extension of the maximum loan term to 18 months from 1 year, the widening of limit up/down constraints from 7% to 10% and the announcement of plans to allow retail long holders to lend securities to their brokers outside of the margin system.

The FSC Chairman, Mr. William Tseng, additionally disclosed that the FSC "discovered some unusual transactions" by a non-financial company in the sale of some small and medium sized Taiwanese shares via "three to five local brokerages". "We will determine if the foreign company and the local brokerages have violated Article 155 of the Securities and Exchange Act in an effort to deflate trading prices for their own benefit," Tseng said. Among other things, Article 155 prohibits investors from attempting to inflate or deflate trading prices through round-trip trading between two counterparties acting in concert, continuously trading at high or low prices, or spreading of false information.

The Taiwan Stock Exchange web site has a good FAQ on securities lending and short selling in Taiwan, including the uptick rule and the rule on daily short sell quota here:

http://www.twse.com.tw/en/products/trading_rules/market_reform.php#market01

FSC order (Chinese) changing margin requirements:

http://www.fsc.gov.tw/ch/home.jsp?id=3&parentpath=0&mcustomize=lawnew_view.jsp&dataserno=201508120002&aplistdn=ou=newlaw,ou=chlaw,ou=ap_root,o=fsc,c=tw&toolsflag=Y&dtable=NewsLaw

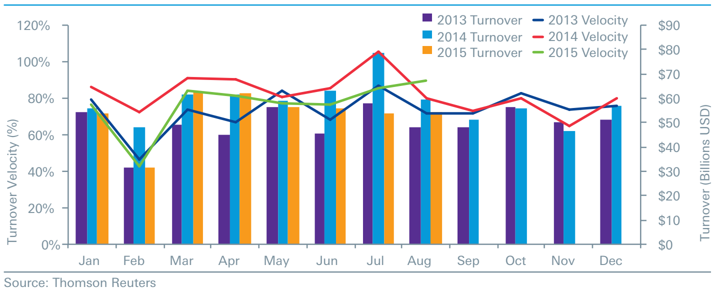
The FSC announcement (Chinese) announcing the removal of the exemption on Taiwan's uptick rule is available at:

http://www.fsc.gov.tw/ch/home.jsp?id=2&parentpath=0&mcustomize=news_view.jsp&dataserno=201508230001&aplistdn=ou=news,ou=multisite,ou=chinese,ou=ap_root,o=fsc,c=tw&toolsflag=Y&dtable=News

The September 2013 exemption for margin pool stock is available at:

http://www.twse.com.tw/en/products/trading_rules/market_reform.php#market01

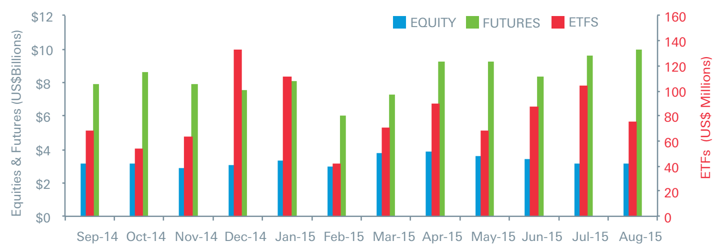
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity August 2015: 90% August 2014: 80% August 2013: 90%

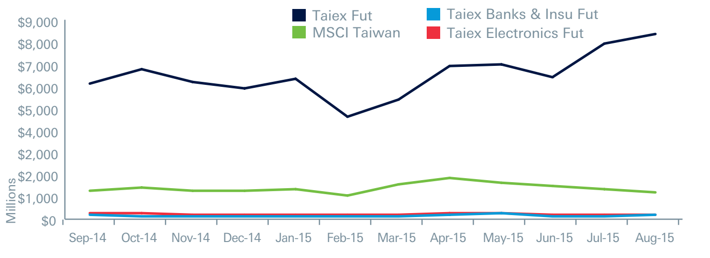
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Taiwan regulators took a series of measures to contain the benchmark index price volatility in the last two months however cash volumes have remained consistent through this year for equities, futures and ETFs.

Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Taiex futures value dropped 30% from peak to trough this year, but the volumes remain upbeat

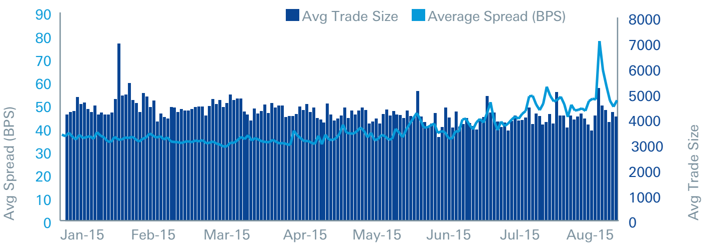
An English version of Taiwan's Securities and Exchange Act at is available at:

http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL007009&ModifyDate=1040701&Hit=1

Taiwan injects assets to stabilize stock market

In addition to action on short selling and securities lending (see above), the FSC encouraged firms in the banking sector to buy back their own shares and invest in blue chips. At a pledging ceremony organized by the FSC, about 200 participants, including senior bank managers and members of the Taiwan Financial Services Roundtable, the Bankers Association of the R.O.C., the Life Insurance Association of the Republic of China and the Fire and Casualty Insurance Association, were called upon to help stabilize the market. The FSC is also reportedly considering measures to allow domestic commercial banks to increase their equity holdings from 25% of their net worth to 30%.

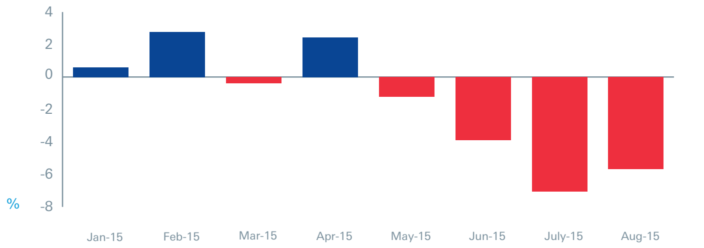
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. Continued widening of spread was observed across APAC markets through July and Aug either consistently or on specific high volatility days. Wider spreads in general translate into increased cost of trading especially for small cap names where volumes are low and cost of crossing the spread is higher.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

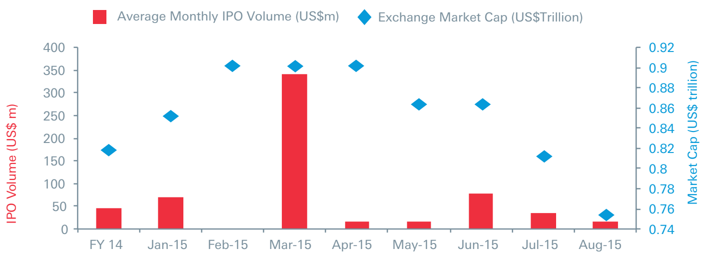
Fig 5. Taiwan's benchmark index dropped 28% this year in August from its peak in April, the lowest level seen since 2012 and the biggest drop in index since 2008.

Fig 6: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
1729.TW	39%	103,948,000	1.54	1533.TW	44%	16,859,440	1.29
9924.TW	38%	75,429,700	2.44	1309.TW	26%	9,494,262	1.72
1710.TW	25%	36,218,830	1.39	3598.TW	23%	40,930,210	1.47
2849.TW	22%	12,514,980	2.03	1457.TW	19%	80,932,970	1.17
6271.TW	21%	98,469,620	1.22	2614.TW	18%	10,615,960	0.62
1736.TW	-27%	26,577,180	1.02	9911.TW	-23%	7,461,363	1.19
3673.TW	-30%	1,426,139,000	1.11	3406.TW	-25%	37,128,770	0.41
2727.TW	-31%	42,466,980	1.15	3518.TW	-27%	10,644,570	1.09
2498.TW	-33%	596,747,500	1.05	3561.TW	-29%	25,589,950	0.80
3576.TW	-35%	148,203,300	0.95	3514.TW	-29%	47,467,190	0.92

Source: Thomson Reuters

Fig 7: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 7. Taiwan's IPO market was relatively quiet in the last 2 months as market capitalisation of listed firms declined in a falling market and companies chose to keep risk averse to new listings.

The Taiwan Cabinet, the Executive Yuan, also authorized the country's 4 largest government pension funds to step into the market and buy, with the FSC reporting that the funds bought more than NT$2.34 billion in shares.

The biggest boost, however, came from the intervention of the National Stabilization Fund ("NSF"), a NT$500 billion asset pool established by Taiwan's government in 2000 and charged with maintaining stability in Taiwan's stock market. This was NSF's first intervention in 4 years and market rose sharply following the announcement on August 26th.

The NSF is administered by the National Stabilization Fund Committee under the Regulation on the Establishment and Management of the National Stabilization Fund. It bought shares to support the market in the 2008 financial crises, during which the FSC banned short selling outright. The NSF also intervened during the European debt crisis in 2011, around the same time that the FSC reduced short sell liquidity by changing the cap on daily short sell volume from 3% of outstanding shares to 20% of a stock's average volume over the previous 30 days. The most recent NSF intervention coincides with the reinstatement of the uptick rule for most stocks.

Taiwan Stock Exchange lists it first-ever oil ETF

On September 7th, the Taiwan Stock Exchange ("TWSE") announced the listing of 'Yuanta S&P GSCI Crude Oil ER Futures ETF' (Yuanta Oil, code: 00642U), the Exchange's first ETF to track oil prices. Specifically, the new listing will track the track the S&P GSCI Crude Oil Enhanced Excess Return Index, which itself is a tracker of oil futures (primarily WTI) listed on the NYMEX.

Yuanta Oil is the second commodities ETF listed by the Exchange, with Yuanta brining a gold ETF to market in April of this year.

According to the TWSE press release announcing the new oil ETF:

— The value and turnover of Taiwan's ETF market has…increased significantly since the

— Introduction of leveraged and inverse ETFs in October 2014 and gold futures ETFs in April 2015.

— In the month of July 2015, the total size of the Taiwan ETF market was NT$234.7 billion, with an

— Average trading value of NT$9.8 billion. This represented 10.62% of total trading on TWSE.

The full release is available at:

http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=17329

'Forum for Capital Cooperation between Taiwan and Japan' held in Taipei

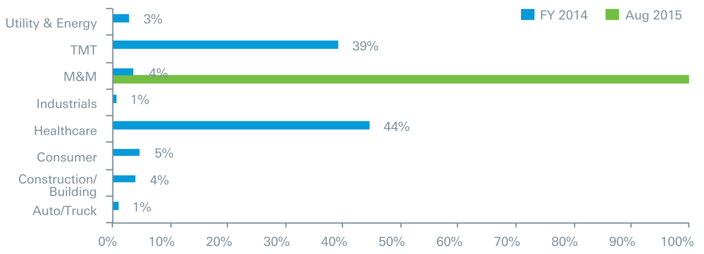
Leaders from Taiwanese and Japanese securities regulators, exchanges, and think-tanks met in Taipei to discuss the growing cross boarder investment flows between the two nations. Participants from Taiwan spoke to the growing importance of Japanese investors in Taiwan "as well as the reasonable P/E ratios, high liquidity and attractive dividend yields available" there. Mr. Yasuyuki Konuma, executive officer of New Listings and Market Business Development at JPX, highlighted Japanese retail interest in the Taiwan market given its close proximity and its popularity among Japanese tourists.

The Taiwan Stock Exchange ("TWSE") and the Japan Exchange Group also announced their intention to launch cross-listed index products in each other's markets. The products include Taiex futures listed on the Osaka Exchange ("OSE") and leveraged and inverse ETFs on TOPIX listed on the TWSE. See the Japan section of this newsletter for a more detailed write-up on the new products.

The TWSE press release on the event is available at:

http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=17285

Fig 8: IPO Sector Distribution



Source: Dealogic

Fig 9: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	5	36%	26%	-8%
Feb-15	-	-	-	-
Mar-15	8	17%	33%	1%
Apr-15	2	52%	30%	-3%
May-15	4	44%	10%	-2%
Jun-15	2	35%	53%	12%
Jul-15	2	3%	-25%	-27%
Aug-15	1	0%	0%	0%

Source: Dealogic

Taiwan Stock Exchange hits 100% on translation of regulations into English

The TWSE hit a milestone in its efforts to provide international investors with more transparency when it announced at the end of August that 100% of its 236 regulations are now available in English. According to the Exchange, the most frequent website users from outside of Taiwan, in order of frequency, hailed from China, Hong Kong, the United States, Singapore, India, Vietnam, Japan, and the United Kingdom.

The English translation of its regulations is one of many efforts by the TWSE to globalize its securities market. It has signed MOUs with more than 30 foreign exchanges and holds promotional tours every year to "advance the liberalization and internationalization of Taiwan's securities market". It also holds conferences, like the one discussed above with Japan, and "participates in global securities meetings and organizations, such as the WFE, AOSEF, ANNA and IOSCO".

The TWSE English Rules and Regulations directory is available at:

http://twse-regulation.twse.com.tw/ENG/EN/Index.aspx

The TWSE press release can be found at:

http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=17252

Sources:

http://focustaiwan.tw

http://www.chinapost.com.tw

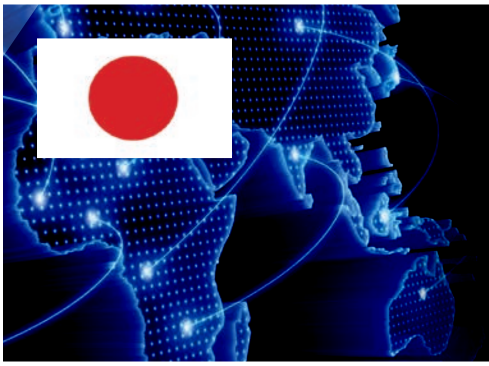
http://www.taipeitimes.com

http://www.reuters.com

http://www.cbc.gov.tw

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710



Deutsche Bank
Equities

Global Market Structure

Japan Newsletter Issue 39, 2015

Passion to Perform

Japan

Market Structure

FT editorial sees progress in diversity but says more female and foreign directors needed

In a recent editorial in the Financial Times, Barbara Judge, Chair of the Institute of Directors, recognised the change in Japanese board rooms since she first visited that country with the US Securities & Exchange Commission in the 1980's.

Among the positive developments in Japan's corporate governance, she notes that "the proportion of companies on the TSE that have appointed outside directors has grown from 48% in 2010 to 94% in 2015, rising 20% in the past year alone". She also praises the introduction of the Corporate Governance Code, which calls on boards to appoint more independent directors or explain why they do not.

Ms. Judge says there is still a way to go, however, as less than 50% of Japanese companies have more than 2 independent directors. She also notes the importance of more foreign board members, citing the impact of CEO Michael Woodford on Olympus and stating that "any Japanese company that chooses to appoint a foreigner is indicating it is prepared to take on the extra level of scrutiny involved".

The full editorial is available at:
http://www.ft.com/cms/s/0/f955fb3c-4821-11e5-af2f-4d6e0e5eda22.html#axzz3laxKmVfj

Venue News

Tokyo Stock Exchange to go live with Arrowhead renewal, including third phase of tick size amendments

The Tokyo Stock Exchange ("TSE") is revamping their matching engine over the five day 'Silver Week' period. Changes that took effect for trading from Thursday September 24th forward and include:

1. TSE Arrowhead+

— TSE Equity matching engine protocol upgrade;

— Dummy symbols for testing with live exchange intra-day;

— Cancel on disconnect;

— Kill switch (disable trading on a given virtual terminal upon broker instruction);

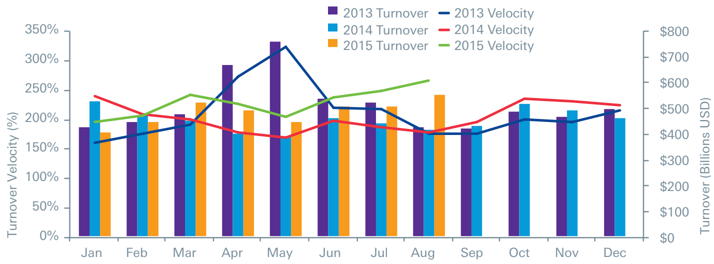
— Limit controls per exchange connection (virtual terminal);

— Increased bandwidth per exchange connection (60 msg/sec -> 200 msg/sec);

— Microsecond time stamp on exchange executions and;

— Market data changes – new fields.

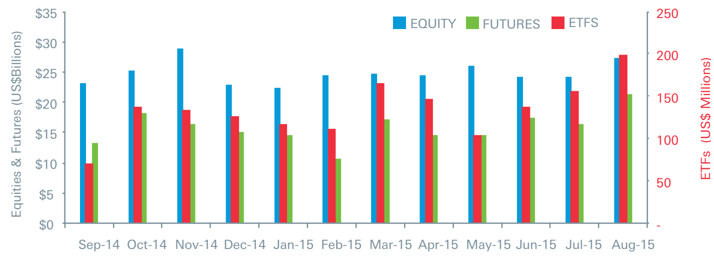
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity August 2015: 265% August 2014: 176% August 2013: 174%

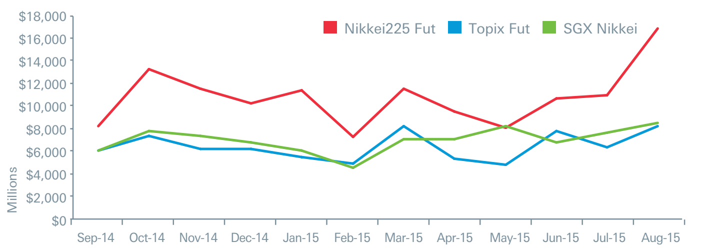
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Japanese equities market has seen steady growth in volumes this year visible in turnover velocity figures. Boosted by weaker yen and positive earnings in the past quarter, Japan is in good shape to regain the market share lost to China this year, however not immune to impact of China's volatility on its market.

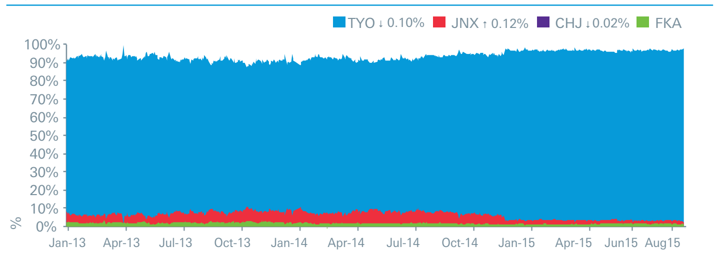
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Futures turnover in Japan remained quite high from July through August when the index dropped in July and mid August as well as through the recovery during late August.

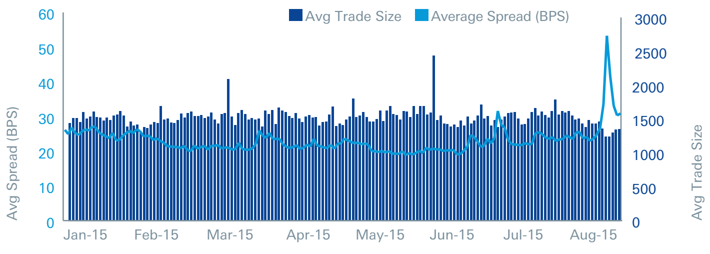
Fig 4: Market Share by Venue



Source: Thomson Reuters

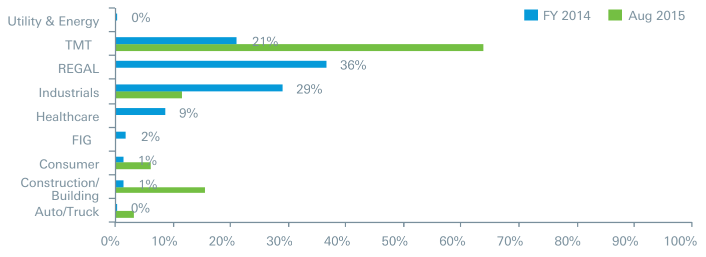
Fig 4. Next phase of Tick Optimisation program of Topix 100 stocks is due on Sept 24 when tick sizes for a subset of stocks will be widened. Observed from past events, tick reductions resulted in reduced market share for Chi-X and Japannext, a reverse event could help boost the PTS's market share in Japan.

Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 9: IPO Sector Distribution



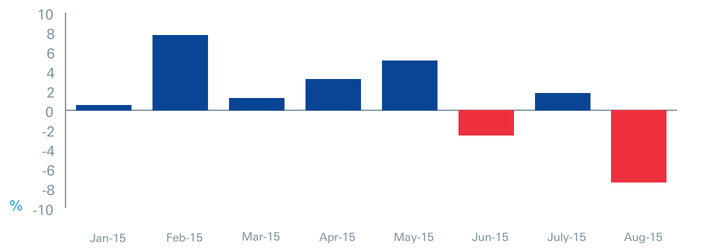
Source: Dealogic

Fig 10: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	-	-	-	-
Feb-15	7	50%	34%	2%
Mar-15	17	47%	77%	52%
Apr-15	11	49%	102%	96%
May-15	-	-	-	-
Jun-15	14	65%	78%	27%
Jul-15	6	49%	59%	87%
Aug-15	9	15%	0%	4%

Source: Dealogic

Fig 6: MoM Index Price Change



Source: Thomson Reuters

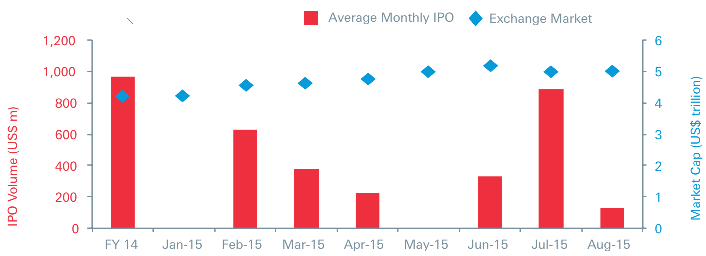
Fig 6. Topix index dropped 14% in August and closed 7% down at end of month as rest of the region also took a hit with China's index drop.

Fig 7: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
5122.T	80%	308,738,800	6.42	1811.T	55%	74,441,520	4.07
3076.T	35%	177,404,000	1.91	4092.T	47%	237,732,700	3.98
7408.T	23%	155,169,200	2.04	1899.T	46%	62,539,070	2.61
1820.T	23%	422,597,100	1.79	9090.T	45%	60,628,260	2.27
5715.T	22%	249,573,700	2.47	3514.T	43%	113,172,200	2.74
6592.T	-26%	752,783,100	1.48	9424.T	-25%	79,584,080	0.60
6588.T	-29%	139,835,200	1.06	7860.T	-25%	157,772,000	0.96
6479.T	-29%	1,507,742,000	1.02	2120.T	-25%	184,079,100	1.64
4612.T	-30%	641,372,800	1.26	3276.T	-30%	71,303,290	1.52
2379.T	-30%	427,809,000	1.42	6707.T	-31%	345,249,100	1.58

Source: Thomson Reuters

Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 8. Japan Post Holdings now has received the approval to IPO itself. The biggest IPO in Japan is expected to raise JPY 2.1Tn (US$17.4Bn) in November this year.

2. TSE Tick Optimisation Phase III – Next phase of tick size change for TOPIX 100 constituents. Price steps INCREASED in four price buckets effectively reversing prior "small tick program" changes for those price ranges but only for a subset of Topix 100 stocks.

The tick size change, "Phase III for the optimization of tick sizes of bids and offers", alters tick sizes for TOPIX100 Constituents as follows:

Price Range	Current	New
¥0 to ¥1,000	¥1	¥0.1
¥1,000 to ¥3,000	¥1	¥0.5
¥30,000 to ¥50,000	¥5	¥10
¥300,000 to ¥500,000	¥ 50	¥ 100
¥3,000,000 to ¥5,000,000	¥ 500	¥1,000
¥30,000,000 to ¥50,000,000	¥ 5,000	¥ 10,000

Our study released last year title "Realised Impact of Tick Size Reductions" covers the impact tick size reduction in July last year had on Japan's microstructure. Following from our conclusions in that analysis, it is fair to expect a trend reversal on micro structure on impacted names in case of upcoming tick size widening event which will include a widening of bid-ask spread, larger top of the book liquidity, VWAP costs may increase but trading volumes and volatility will remain unchanged.

We plan to release a follow up note assessing the impact of Tick Optimisation Phase III on market microstructure after the event once there is statistically significant data available to draw conclusions.

Also worth noting is a similar upcoming event in US where SEC has suggested a tick size widening pilot for less liquid names starting May 2016.

The most recent TSE announcement with details on the tick size change is available at:

http://www.jpx.co.jp/english/news/1030/20150908-01.html

For more details on the US changes, visit the SEC website at:

http://www.sec.gov/news/pressrelease/2015-82.html

3. TSE Access Point 3 – New access point for faster connectivity between Cube, the @Tokyo Data Center and the TSE matching engine with the new interconnect point AP3 reducing the latency "speed bump" for accessing the matching engine from outside co-location from around 250us to around 54us.

4. Significant increase in capacity and decrease in latency with:

— Total exchange daily capacity going from current 135 million messages to 270 million messages with the new plant;

— Order placement maximum total throughput at the matching engine going from 30K messages per second to 50K messages per second;

— Market data propagation latency going from 2 to 2.5ms to less than one ms; and

— Ack latency going from about 1ms to 500us.

The TSE announcement of the launch date of the Arrowhead Renewal from June 2014 is available at:

http://www.jpx.co.jp/english/news/detail/detail_1152.html

TWSE lists TOPIX ETF; JPX to list TAIEX futures in linkup between Japan and Taiwan bourses

On 8th September, the Japan Exchange Group ("JPX") and the Taiwan Stock Exchange ("TWSE") announced that they would cross-list index products. The first two, the Fubon TOPIX Leverage 2X Index ETF (BBERG: 00640L TT) and the Fubon TOPIX Inverse -1X Index ETF (BBERG: 60641R TT), began trading on 10th September, turning over about US$22 million and US$15 million respectively. The TWSE listed products from Fubon Asset Management mirror TSE listed ETFs which try to provide 2 times leveraged returns and the inverse return on the TOPIX Index respectively. They are Taiwan's first ETFs to track Japanese stocks.

In addition to the listing of Japanese ETFs in Taiwan, Taiwan index futures will be listed in Japan in mid-2016 under an agreement signed between JPX-subsidiary Osaka Exchange ("OSE") and the TWSE. The OSE has opened a public comment period for the contract specifications, which is based on the Taiwan Stock Exchange Capitalisation Weighted Stock Index ("Taiex").

The tie-up fits with the policy of strengthening Japan's connections to regional financial markets and developing Tokyo as an international financial centre. These goals are part of Japan's roadmap for its capital markets laid out in the various Statements for Vitalising Financial and Capital Markets from a panel of experts convened under the auspices of the Financial Services Agency and the Ministry of Finance.

It is also in-line with Taiwan's Financial Supervisory Commission's ("FSC") aims of strengthening international ties in finance. In the release announcing the launch, TWSE Chairman Mr. Sush-Der Lee said:

"TWSE is proactively building alliances with international exchanges in line with the FSC's mission of encouraging the Taiwan financial sector to explore new markets in Asia. The cross-listing of financial products with JPX is a significant milestone for closer regional cooperation. Both TWSE and JPX will continue to expand cooperation, particularly in the areas of cross-listing and market promotion. TWSE is also actively looking for more opportunities to enter into cooperation schemes with other stock exchanges in Asia in the future."

The consultation paper is available at the link below and comments are due 8th October:

http://www.jpx.co.jp/english/rules-participants/public-comment/detail/d08/20150908-1.html

JPX to undergo stock split effective October 1st, 2015

In our last issue, we highlighted the large number of stock splits among Japanese companies. The Japan Exchange group is joining that list with a 2-for-1 split planned for later this month. The company, which has traded above ¥3,000 for most of the year, stated that it is undergoing the split with the goal of "Increasing liquidity and enlarging the investor base". The record date for the stock split is September 30th, 2015 and the effective date is October 1st.

The JPX press release is available at:

http://www.jpx.co.jp/english/corporate/news-releases/0063/b5b4pj000000nntm-att/20150728-02e.pdf

Japan Exchange Regulation opens office to conduct market surveillance on cross-border transactions

Japan Exchange Regulation ("JPX-R") announced that it will set up the International Surveillance Office ("ISO") to study foreign trends and regulations in "unfair trading" as well as "conduct surveillance of cross-border transactions".

In its press release, JPX-R noted that the majority of orders on the TSE and the OSE originate outside the country.As a result, the JPX-R is working more closely with the Securities and Exchange Surveillance Commission and with self-regulatory organisations ("SROs") overseas through the Intermarket Surveillance Group.

In summarising the ISO's role, the JPX-R said it would:

— Monitor cross-boarder transactions

— Share information on market surveillance with foreign SROs

— Track foreign regulations and developments in "unfair trading

— Engage in dialog with foreign participants in the Japanese market

The full JPX-R press release is available at:

http://www.jpx.co.jp/english/corporate/news-releases/20150828-01.htm

Japan Exchange Group publishes "Analysis of High-frequency Trading at Tokyo Stock Exchange"

On 30th July, in an ongoing effort to provide more information to market participants in English, the Japan Exchange Group ("JPX") published an English-language version of its "Analysis of High-frequency Trading at Tokyo Stock Exchange" study from May 2014.

The purpose of the study, authored by Mr. Go Hosaka, was to "reveal the effect of [High Frequency Trading] on the Japanese stock market in terms of price formation and liquidity". The study specifically defines High Frequency Trading ("HFT") as a trading strategy where "profits are attempted to be made by rapidly buying and selling stock", an important distinction as HFT is sometimes conflated with any form of electronic execution or model driven trading.

The JPX's Working Paper on HFT looked at data on about 375 stocks from the TSE from 3 non consecutive periods in 2012 and 2013. To filter out the HFT trades, the paper screened execution data looking for trades that met the following criteria:

1. Orders came from virtual servers
2. Order cancellation rate exceeded 20%
3. Order execution rate was less than 25%

With these filters, the study found that HFT was about 20% of trading value though its order value ranged from about 30%-50%.

It then tested two broad hypothesis attributed to HFT activity; namely that it provides market liquidity and that it contributes to smoother price movement. To test the first hypothesis, the study looked at order time periods & prices, limit orders, resting time of market-to-limit orders and trading value by order type. Price movement was tested directly and through the distribution of "take" orders.

The paper concluded that HFT does provide liquidity to the market and also contributes toward smoother stock price movement.

The full study along with a very well organised summary of it can be found at:

http://www.jpx.co.jp/english/corporate/research-study/working-paper/index.html

Osaka Exchange cuts Nikkei 400 futures fees from September to December

In a bid to increase retail participation in JPX-Nikkei 400 Futures, the OSE introduced a fee discount on JPX-Nikkei 400 Futures from September through the end of the year for trading participants. The OSE is waiving trading fees of ¥7 per contract, leaving traders to pay only the ¥2 per contract clearing fee.

According to media reports, the OSE said that retail currently accounts for just 1% of the total Nikkei 400 Futures turnover, much lower than for the other futures listed in the OSE like the Nikkei 225 Mini.

Link to the JPX product page for Nikkei 400 Futures

http://www.jpx.co.jp/english/derivatives/products/domestic/jpx-nikkei400futures/index.html

Sources:

http://www.financemagnates.com
http://www.mondovisione.com
http://www.reuters.com

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

Deutsche Bank
Equities

Global Market Structure

India Newsletter Issue 39, 2015

Passion to Perform

India

Market Structure

SEBI may reexamine high frequency trading following NSE whistle blower case

Previous newsletters have touched on the growing scrutiny of algorithmic and high frequency trading in India. In Issue 38 we mentioned that the Reserve Bank of India ("RBI") referred to the topic in their annual Financial Stability Report.

Subsequently, the Bombay High Court has requested information from the National Stock Exchange ("NSE") with regard to its co-location practices and Mr. Veerappa Moily, Chair of the Parliamentary Standing Committee on Finance, has asked SEBI to "submit a report on alleged malpractices at the NSE involving allotment of co-location servers and sharing price-sensitive information." The request followed a story on personal-finance website Moneylife about a letter on co-location practices at the NSE from a Singapore-based hedge fund. The NSE said it has received no requests from SEBI on the matter and reports suggest NSE may be taking action for defamation.

The Association of National Exchanges Members of India ("ANMI") has proposed adding bulk cancel or kill switch functionality to allow for mass cancellation of orders, and also suggested offering drop copy to enable real time reconciliation.

Also, according to Live Mint, a group of algo providers plans to engage SEBI with suggestions on how to 'make high speed trading safer'.

"We want Sebi to adopt a consultative approach. We understand there are concerns, but extreme knee-jerk reactions would hurt market liquidity as well. There are restrictions on maximum order size. There are also around 10-12 pre-order checks and we are fine with more of such checks," said an unnamed spokesperson.

The group is reported to include AlphaGrep Securities Ltd, Tower Research Capital India Pvt. Ltd, Tradeworx Inc., Blackhat Capital, Mansukhani Securities Ltd, iRage Capital Ltd and uTrade Solutions Ltd.

Live Mint further posted the NSE's responses to questions about the specifics of its co-location programme following a Bombay High Court case presided over by Judge G.S. Patel. In this case, the NSE admitted that those who had taken up space in the data centre first would receive market data first. For those connecting via the TCP/IP model, a lag of up to 50 microseconds can be experienced by those last in the queue, depending on the levels of congestion.

To read the full article click here:

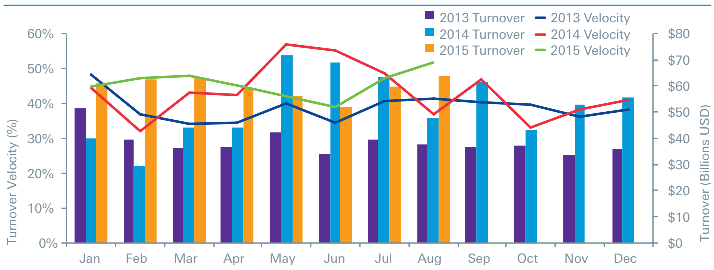
http://www.livemint.com/Money/dzpjFcLN3NXMMsAXfSIMbK/NSE-denies-employees-connived-with-trading-member-for-faster.html

While there is no formal consultation posted on the SEBI website, press reports suggest that SEBI is currently gathering feedback on measures including:

— Order randomisation – Bunching orders in the Exchange system and submitting them on a random basis to remove the potential advantage of one order arriving just head of another;

— Minimum resting times - Imposing a minimum time between submitting and canceling an order to make 'spoofing' (rapidly submitting and canceling orders) more difficult;

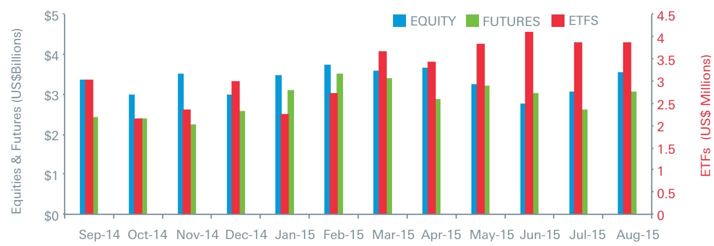
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity August 2015: 52% August 2014: 37% August 2013: 41%

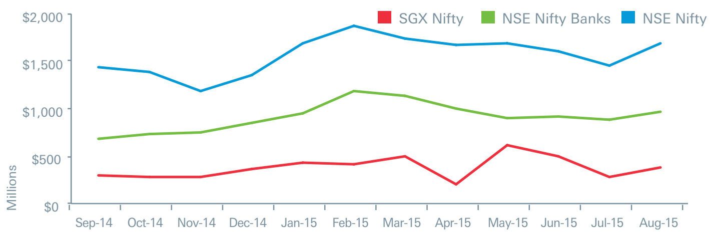
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. India's ETF volumes have continues to rise this year, and equities and futures turnover has also increased in the past two months. Equities volume is up 5% YOY, Futures volume is up 25% YoY and ETF turnover is up 27% YoY.

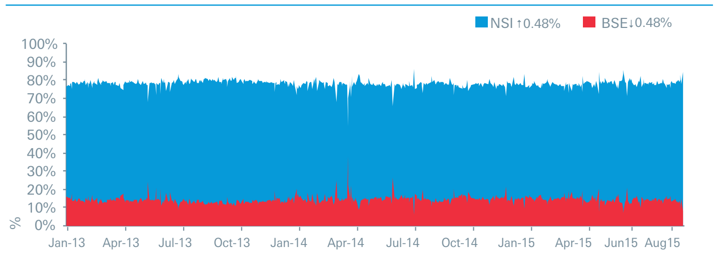
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

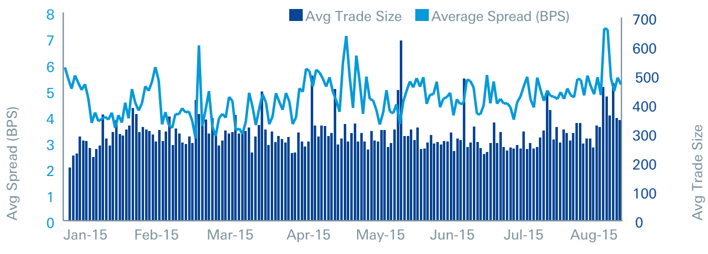
Fig 3. Offshore SGX Nifty and onshore Nifty both saw an increase in turnover of nearly 25% YoY.

Fig 4: Market Share by Venue



Source: Thomson Reuters

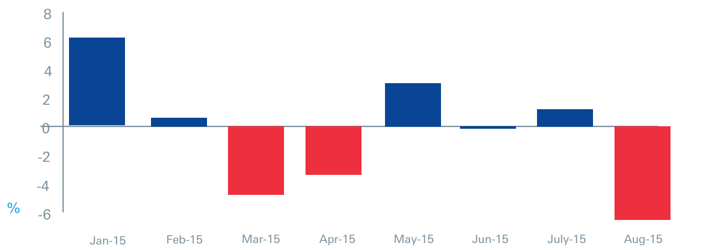
Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 5. Average trading spread in India has increased by 24% and average trade size by 15% this year. However, India still has the smallest trade sizes and narrowest bid-ask trading spread in the APAC region.

Fig 6: MoM Index Price Change



Source: Thomson Reuters

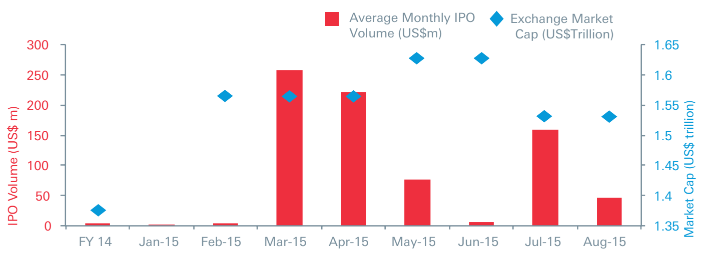
Fig 6. India's benchmark index dropped 10% from peak to trough this year as volatility in China had impact outside of China market but India was among the less impacted markets in the region.

Fig 7: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
SUN.NS	8%	1,229,446,000	0.60	LUPN.NS	16%	771,409,700	0.81
SUN.BO	8%	98,895,000	0.68	LUPN.BO	16%	57,932,780	0.91
HCLT.NS	4%	515,432,600	0.98	REDY.BO	4%	31,478,450	1.10
TCS.BO	2%	44,081,410	0.65	REDY.NS	4%	520,734,800	1.33
TCS.NS	2%	1,046,780,000	1.10	WIPR.BO	0%	17,853,330	0.77
INFY.BO	1%	69,506,120	0.71	BPCL.NS	0%	561,190,600	1.38
INFY.NS	1%	1,490,535,000	1.02	TEML.NS	-2%	369,451,100	0.71
WIPR.NS	0%	241,017,100	0.87	ASPN.NS	-3%	319,378,200	0.91
ITC.BO	-2%	53,350,970	1.15	MRTI.BO	-5%	55,337,600	1.09
HLL.BO	-5%	32,502,580	0.95	LART.BO	-10%	100,146,800	1.00

Source: Thomson Reuters

Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

— Batch auctions – Collecting all orders within frequent auction windows, matching bids and offers and then executing the trades to remove the time advantage; and

— Prohibiting stock exchanges from distributing tick data real time.

There is no timeline for action by SEBI.

SEBI's 13th May 2015 Circular on co-location is available at:
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1431512252858.pdf

Sources:
http://www.livemint.com/Industry/F3LUvGix8dPhzDtHZotvqL/Moily-panel-seeks-Sebi-report-on-alleged-malpractices-at-NSE.html

http://www.hindustantimes.com/business-news/machines-vs-humans-algo-trade-impacts-stock-market-traders/article1-1381011.aspx

http://www.livemint.com/Industry/FpMeK2sGnfRxnoajD9U2wJ/Algo-software-venders-to-write-to-Sebi.html

http://www.livemint.com/Money/dzpjFcLN3NXMMsAXfSIMbK/NSE-denies-employees-connived-with-trading-member-for-faster.html

Foreign portfolio investors exempt from retrospective MAT

The Finance Ministry accepted the recommendation of the Justice AP Shah Committee that the Minimum Alternate Tax ("MAT") should not be imposed on foreign investors for any period prior to 1st April 2015.

Finance Minister Mr. Arun Jaitley announced that Foreign Institutional Investors ("FII") and Foreign Portfolio Investors ("FPI") would not be liable to pay the MAT for the period prior to April 1, 2015. He also said that the required clarifying amendments will be made to the Income Tax Act, 1961 in the next session of Parliament.

The confusion around the payment of MAT by foreign portfolio investors began after the February Budget, which granted the MAT exemption on a forward looking basis from April 2015 without specifying whether the MAT exemption applied prior to that date.

As a result, tax authorities pursued demands against 68 FII taxpayers of about INR 6 billion for the previous years. The Indian government has announced it will instruct field offices to drop these cases.

In announcing that the Finance Minister commented that:

> "Confidence among investors will be a consequence of this. Having certainty and clarity in the tax laws is an essential function of the government. There was ambiguity on account of various interpretation of the law. The ambiguity needed to be resolved."

The full report of the Justice AP Shah Committee is available at:
http://finmin.nic.in/reports/ReportonApplicabilityofMinimumAlternateTax%20onFIIsFPIs.pdf

Sources:
http://www.livemint.com/Politics/P853Z0PdEEya8qe6fhZ9KN/No-retrospective-MAT-on-FIIs-govt-accepts-AP-Shah-panel-r.html

http://economictimes.indiatimes.com/news/economy/policy/foreign-portfolio-investors-may-get-mat-relief/articleshow/48646308.cms

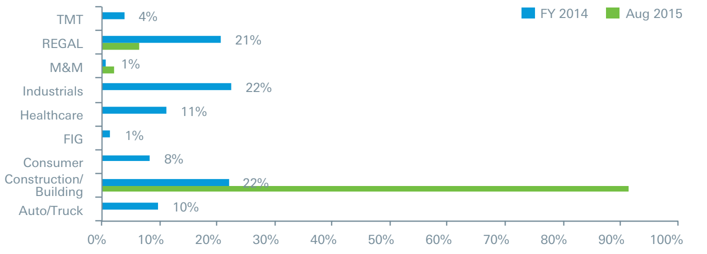
http://www.dnaindia.com/money/report-foreign-companies-with-no-permanent-base-may-get-minimum-alternate-tax-relief-2118880

http://www.pressreader.com/india/the-times-of-india-mumbai_edition/20150902/282570196871114/TextView

http://www.moneycontrol.com/news/economy/govt-decides-to-not-pursue-mat-cases-against-fiis-sources_2856161.html

http://www.moneycontrol.com/news/economy/govt-decides-to-not-pursue-mat-cases-against-fiis-sources_2856161.html

Fig 9: IPO Sector Distribution



Source: Dealogic

Fig 10: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	1	1%	2%	-2%
Feb-15	4	-5%	-8%	9%
Mar-15	8	19%	24%	11%
Apr-15	4	8%	-1%	8%
May-15	1	-5%	3%	27%
Jun-15	8	13%	52%	37%
Jul-15	7	10%	17%	14%
Aug-15	5	0%	0%	0%

Source: Dealogic

SEBI bars 59 entities for tax-evasion via illiquid BSE stock options; BSE halts trading in deep out-of-the-money contracts

The Securities and Exchange Board ("SEBI") barred 59 entities and high net worth individuals from the securities market and referred the cases to the Income Tax Department for follow-up. The 59 can square off existing positions but cannot open fresh ones. This is apparently the first time that SEBI has taken action against alleged tax evasion through the futures and options market.

According to SEBI's Order in the matter of Illiquid Stock Options, "Trading of these entities appeared abnormal because they were consistently seen making significant loss(es) by their trades which were reversed with the same counterparties either on the same day or the next day. The Order also noted that the "trades by these loss-making entities, in many cases, contributed to 70% to 100% of total traded volume for the contracts on those days".

In addition to SEBI action on the issue, the Bombay Stock Exchange ("BSE") announced that it had stopped trading "deep out of the money options" from July 2015. The Exchange now provides just 3 options series vs the 7 offered previously.

According to the Business Standard:

"In Indian markets, close to 90 per cent of equity derivatives contracts available are not traded every day and are, therefore, illiquid…(b)y stopping the trading in deep out of the money contracts, BSE took a precautionary step in this regard in July. BSE is looking into the issue relating to price bands for stock options, on the lines of equity markets."

SEBI's Order on this matter (WTM/RKA/ISD/106/2015) is available at:

http://203.199.247.102/cms/sebi_data/attachdocs/1440073317427.pdf

The BSE has also notified the market that as of 31st July for newly generated contracts expiring from 3rd September, the number of strikes available on the day of generation shall be 1 each for In the Money, At the Money and Out of the Money contracts. New strikes may be added at the end of the day based on the daily volatility of the underlying.

For the BSE notices see here:

http://www.bseindia.com/markets/MarketInfo/DispNoticesNCirculars.aspx?Noticeid=%7B89CC2FC7-940A-4607-9B20-0BF4826B624E%7D&noticeno=20150821-15&dt=08/21/2015&icount=15&totcount=39&flag=0

http://www.bseindia.com/markets/marketinfo/DispMediaRels.aspx?page=46e9d6a7-261d-40fa-825d-f854288e821d

Supreme Court appointed SIT takes stock of tax evasion investigation, cites P-notes

SEBI is responding to queries on safeguards and surveillance raised by the Special Investigation Team ("SIT") on the issue of 'black money'. The SIT was convened in May 2014 in response to a Supreme Court decision on "large amounts of money stashed abroad by evading taxes or generated through unlawful activities". Black money is the term widely used in India in reference to cash from illegal activity or legitimate cash flows on which appropriate taxes were not paid.

Highlights regarding stock trading include:

— Misuse of exemption on Long Term Capital gains tax for money laundering

The Release stated that "SEBI has recently barred more than 250 entities, including individuals and companies, from the securities market for suspected tax evasion and laundering of black money through stock market platforms. In one such instance the price of a scrip rose from Rs. 10.20 to Rs. 489 in 150 trading days – a rise of 4694%." Among those banned by SEBI were 59 entities accused of engaging in tax-evasion via illiquid BSE stock options (see story above).

The SIT recommended that SEBI build red flags into its trade monitoring platforms to identify such trading and share suspicious information with the Financial Intelligence Unit ("FIU") and the Central Board of Direct Taxation ("CBDT");

— Misuse of participatory notes for money laundering

The Release noted that there was about INR 2.75 trillion of Offshore Derivative Instruments ("ODI") outstanding at the end of February 2015 and that most of the end beneficial owners of these ODIs were from Cayman Islands (31.31%), US (14.20%), UK (13.49%), Mauritius (9.91%) and Bermuda (9.10%).

With regard to the INR 850 billion held by Cayman owners, SIT said "it does not appear possible for the final beneficial owner of ODIs originating from Cayman Islands to be from that jurisdiction" given that the island nation has a population of just 55,000 people. The SIT recommended that SEBI "come up with regulations where the 'final beneficial owner' of p-notes/ODIs are known", saying that company or trust information is not enough and that KYC should look through to the 'real owners/effective controllers'.

It also stated that the transferable nature of p-notes "make it impossible to track the 'true beneficial owner'" and that "SEBI needs to examine if this provision of allowing transferring of p-notes is in any way beneficial for easing foreign investment" given foreigners can invest directly as Foreign Portfolio Investors ("FPI") ;

SEBI whole-time member S. Raman said that SEBI does not "dismiss the concerns raised by SIT with regard to p-notes but SEBI has been very proactive on such matters much before these concerns were raised and will continue to be so". Outgoing Revenue Secretary Shakikanta Das told the Economic Times that "It's nobody's intention to ban p-notes overnight. The SIT report highlights that there is a need for further improvement in p-notes regulations" .

The Supreme Court has asked the SIT for a fourth report on the progress of its black money investigation by 7th October and called on the Government to implement SIT's recommendations on the repatriation of INR 700 billion in 'black money' currently held in foreign banks.

Press release on the creation of SIT in May of 2014:

http://pib.nic.in/newsite/PrintRelease.aspx?relid=105219

Sources:

http://www.thehindu.com/business/Economy/black-money-sebi-to-discuss-sit-suggestions/article7512173.ece

http://articles.economictimes.indiatimes.com/2015-08-20/news/65667382_1_p-notes-secretary-shaktikanta-das-capital-market-regulator-sebi http://articles.economictimes.indiatimes.com/2015-08-24/news/65808382_1_government-and-sebi-stock-markets-participatory-notes

http://www.dailymail.co.uk/indiahome/indianews/article-3221463/Supreme-Court-asks-Special-Investigation-Team-submit-report-black-money-probe-RS70-000-crore-kept-foreign-banks.html

http://www.moneycontrol.com/news/economy/sit-asks-sebi-to-clamp-downtax-evaders-p-note-misuse_2142101.html

US, India sign agreement to promote FATCA implementation

India and the US have signed an Inter Governmental Agreement to implement FATCA in order to improve transparency and curb tax evasion. This agreement will enable both countries to share information pertaining to bank accounts or financial investments made by their citizens in the other country.

The US passed the FATCA in 2010 to procure information about bank accounts of US taxpayers in other countries. FATCA also enables US financial institutions to withhold tax on payments made to foreign financial institutions which do not permit reporting of information about US account holders.

The SEBI circular on FACTA is available at:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1440580845807

SEBI releases circular on continuous disclosure requirements

SEBI published a circular on continuous disclosure requirements for listed entities under Regulation 30 of Listing Obligations and Disclosure Requirements, Regulation 2015. The circular requires entities whose equity and convertible securities are listed to make timely, adequate and accurate disclosure of requisite information on a regular basis in a specified format.

The following is an illustrative list of the information that must be disclosed by listed entities:

a. Acquisitions, Mergers, De-mergers, Sale of divisions, subsidiary, other restructuring: relevant agreement, name, size, turnover etc of the target/ merging/ de-merging entity, whether the transaction is a related party transaction, brief details of governmental and regulatory approval required, objects and effects of restructuring, the industry to which the target/ merging entity belongs, indicative time period for the completion of transaction, cost and mode of transaction, changes in shareholding pattern, share exchange ratio, consideration received from sale/ disposal, details of buyers etc;

b. Issuance or forfeiture of securities: share split or consolidation, type of security proposed to be issued or forfeited, type of issuance-public offering, rights issue, preferential allotment etc, total number of securities offered, total amount for which securities are offered, information about buy back of shares, buy back price, information about any action which will result in alteration of capital structure;

c. Revision in Ratings: details of any new rating or revision of rating assigned from a credit rating agency to any debt instrument, fixed deposit program or any or proposal of the listed entity. In case of a downgrade in rating, the listed entity should also specify reasons for the downward revision;

d. Meetings of the Board of Directors: listed entities are required to disclose the outcomes of meetings which are held to consider issues such as dividends, buy back of securities, financial results, increase of capital by issue of securities, voluntary delisting etc;

e. Agreements: shareholder agreements, joint venture agreements, agreements which are binding and not in the normal course of business- details of the parties involved, purpose of the agreement, whether the parties to the agreement are related;

f. Fraudulent activity of promoters, key personnel: information regarding nature of fraud, default by the concerned personnel, estimated impact on the listed entity, estimated amount involved, persons involved, corrective measures taken subsequent to discovery of fraud;

g. Change in directors: reason for change, brief profile of the new appointees, term of appointment, relationship between directors in case of appointment of a director;

h. Appointment or removal of share transfer agent: reason for change, date on which the appointment or removal takes effect;

i. Corporate Debt Restructuring ("CDR"): reasons for opting for CDR, details of the loan made subject to restructuring, details of the CDR proposal;

j. One time settlement with a bank ("OTS"): reasons for opting for OTS, brief description of OTS

k. Reference to BIFR and winding up petition: reasons for the reference or petition, impact of either on the listed entity

l. Issuance of notices, call letters, resolutions, circulars sent to shareholders/ creditors: date of the letter, notices, resolutions etc, brief detail of the purpose and agenda to be taken up;

m. Annual and Extraordinary General Meetings: date of the meeting, brief details of the issues discussed and results thereof;

n. Amendments to memorandum of and articles of association of listed entity and;

o. Schedule of analyst and investor meets, presentations on financial results

The following is an illustrative list of information which should be disclosed by listed entities if it is regarded as material:

a. Commencement or any delay in the commencement of commercial production or commercial operations;

b. Changes in general nature of business carried out by the listed entity: strategic, technical, manufacturing tie ups, adoption of new line of business, closure of operations of any unit or division- either partially or wholly;

c. Additional capacity or new product launch: existing capacity, new capacity added, investment required, period within which capacity is proposed to be added, rationale for extra capacity, name of the product, category of the products etc;

d. New order contracts, along with amendment and termination thereof: names of the parties involved, nature of orders/ contracts, date of execution of orders/contracts;

e. Loan agreements as a borrower: names of the parties, purpose of the agreement, size of the agreement, whether agreement is between related parties etc;

f. Disruption of operation of one or more divisions due to force majeure: reason for disruption, expected quantum of loss, estimated impact, factory/ unit where the event occurred, insurance amount claimed, steps taken to restore normalcy;

g. Effects of changes in regulatory framework;

h. Litigation, disputes, regulatory actions and their impact;

i. Fraudulent activity of directors, other than key managerial personnel;

j. Options to purchase securities;

k. Giving guarantees or indemnity or becoming a surety for a third party: name of the parties involved, brief details of such guarantee/ surety/indemnity, impact of such actions and;

l. Information about key licenses: grant, withdrawal, surrender, cancellation or suspension and impact thereof, name of the licensing/ regulatory authority

The full circular is available at:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1441799529193.pdf

SEBI committee examines clearing corporation rules, deliberates interoperability

At its 24th August board meeting, SEBI was presented with the "Report of the Committee on Clearing Corporations" by the Committee on Clearing Corporations ("CoCC"). SEBI is seeking public comment on the contents of the report by 24th September, 2015.

The primary recommendations of the Report included:

— Maintaining the current structure of a separate clearing corporation for each Exchange but "keep(ing) the interoperability option open" and " consider(ing) the proposal for implementation when ground conditions are met";

— Considering a halt to the requirement under Regulation 33 of SECC Regulations 2012 that recognised stock exchanges transfer 25% of their profits to the Core Settlement Guarantee Fund ("SGF") now that the SGFs requirements have been met. (Before agreeing to this change, however, the CoCC recommends that SEBI's Risk Management Review Committee "review the stress test model used to determine the Minimum Required Corpus of Core SGF) and;

— Mandating that Depositories transfer 5% or "such percentage as may be prescribed by SEBI from time to time" of profits "from depository operations every year to the Investor Protection Fund (IPF)"

— Separately, SEBI issued a circular requiring clearing corporations to provide detailed monthly reports on "settlements, actions taken against trading members, and information about the clearing corporations' governance". The reporting requirement includes details about "their latest shareholding pattern, net worth, and status on implementation of (SEBI directives)".

The request for public comment is available at:

www.sebi.gov.in/cms/sebi_data/pdffiles/31878_t.pdf

The full CoCC report is available at:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1441101030969.pdf

The SEBI circular is available at:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1438852103993.pdf

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SEBI relaxes public offer norms, removes cap on number of anchor investors

SEBI has announced that it will ease anchor investor norms by removing the cap on the number of anchor investors in a public offer. At its 24th August board meeting, SEBI replaced the current hard limit of 25 anchor investors in public issues worth more than INR 2,500,000,000.

Under the new approach, 10 additional investors are permitted for every additional allocation of INR 250 billion in share issuance, subject to a minimum allotment of INR 50 million per investor.

The SEBI board memo on the Anchor Investor change is available at:

http://www.sebi.gov.in/cms/sebi_data/boardmeeting/1441083937731-a.pdf

The press release for the August 24th board meeting is available at:

www.sebi.gov.in/cms/sebi_data/docfiles/31803_t.html

Source:
http://www.vccircle.com/news/finance/2015/08/25/sebi-relaxes-ipo-anchor-investment-norms

Venue News

NSE introduces self trade prevention mechanism for futures and options

The National Stock Exchange ("NSE") introduced a mechanism to prevent self-trading on the futures and options ("F&O") segment. Self-trades are trades which have the same buyer and seller and do not lead to an ownership change. The NSE facility to prevent self-trading in equities, currency derivatives and F&O was announced back in May and took effect in F&O from the 7th September.

Under the new rules, active orders likely to match with passive orders belonging to "the same member-client or same member-proprietary combination in the same order book" will be canceled by the Exchange with the rejection message 'Order cancelled by the System - The order could have resulted in self-trade.'

The new rules are only applicable to Proprietary (PRO) and Client (CLI) – non custodial participant orders.

Prior to the introduction of this mechanism, self-trades were not prohibited but SEBI took action against entities self-trading with the intent of inflating volumes or manipulating markets under the 'Prohibition of Fraudulent and Unfair Trade Practices'.

The SEBI circular is available at:

http://www.nseindia.com/content/circulars/FAOP30625.pdf

Sources:
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http://articles.economictimes.indiatimes.com/2015-05-19/news/62368797_1_currency-derivatives-nse-options-segments

BSE enlarges lot-size in foreign index derivatives

The Bombay Stock Exchange ("BSE") has implemented SEBI's July 2015 directive to raise the minimum market lot size for equity derivatives from INR 200,000 to INR 500,000. The BSE index derivative market lots, which refer to the number of contracts that make up one derivative security, have been changed as per below for FTSE/JSE Top 40 Futures, Hang Seng Index Futures, Micex Index Futures and iBovespa Futures.

Sr No.	Name of Underlying indices	Asset Code	Existing Market Lot	Revised Market Lot	Effective Date
1	FTSE / JSE Top40 Futures	ALS	10	15	September 18, 2015 (for new generated and existing contracts)
2	Hang Seng Index Futures	HSI	15	20	September 30, 2015 (for November 2015 and subsequent Expiries)
3	MICEX Index Futures	MIX	150	300	September 16, 2015 (for new generated and existing contracts)
4	iBovespa Futures	IBV	5	10	October 15, 2015 (for new generated and existing contracts)

Source: BSE

The BSE circular is available at:

http://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20150828-25

Sources:

http://articles.economictimes.indiatimes.com/2015-08-30/news/66032845_1_minimum-contract-size-micex-index-futures-ftse-jse-top-40-futures

Personnel Moves

Finance Ministry searches for new SEBI chairman; Arun Sathe appointed as a part-time board

The Finance Ministry has released a formal advertisement inviting applications to the post of chairman of SEBI as the term of the current chairman, UK Sinha, comes to end in February 2016. There is speculation in local media that Mr Rajeev Kumar Agarwal, a whole time SEBI member, and two other senior bureaucrats are being considered for the post. The appointment of the chairman will be based on the recommendations of a search and selection committee which will be headed by the cabinet secretary.

The tenure of the chairman is 5 years or until he or she reaches 65 years of age, whichever is earlier. This post is also eligible for re-appointment. UK Sinha was appointed as the SEBI chairman in February 2011 and succeeded CB Bhave. He was appointed for a period of 3 years after which his term was extended by another 2 years.

In addition to the Finance Ministry announcing the search a new chair, the Government also appointed Arun Sathe, an experienced senior tax lawyer and brother of Lok Sabha Speaker Ms. Sumitra Mahajan, as a part time member to its board. Mr Sathe will replace retired member Mr PC Chhotaray and serve a term of 3 years.

His appointment has been made in accordance with the SEBI Act which empowers the Government to appoint 5 members to the board of the key regulator. Mr Sathe has deep connections with the Bhartiya Janta Party ("BJP"), the ruling party in India.

Sources:

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http://indianexpress.com/article/india/india-others/lok-sabha-speaker-sumitra-mahajans-brother-arun-sathe-on-sebi-board/

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

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Global Market Structure

South Korea Newsletter Issue 39, 2015

Passion to Perform

South Korea

Market Structure

Domestic institutional investor's investments in foreign securities near record level

South Korea's institutional investors have steadily increased their investment into overseas securities this year, and in the second quarter of 2015 this investment reached close to its record high. The amount of foreign securities held by Korean institutional investors was US$115.3 billion at end of June 2015, versus the record level of US$116.5 billion observed in 2007, according to data from the Bank of Korea.

FSC meeting to discuss global markets condition and its impact on Korea's market

FSC held a meeting with the FSS, KRX, and KCIF on 21st August to discuss recent global financial market conditions and the impact on Korea's stock market.

Foreign investors have turned net sellers of KRW4.3 trillion KOSPI shares since June this year as external uncertainties heightened. Global markets have seen similar outflows of funds with US$ 13 billion of outflows in emerging markets and US$19.3 billion of outflows in advanced markets according to FSC.

The Korean government will strengthen monitoring and take actions, if necessary, in order to prevent recent global market uncertainty from causing excessive volatility in Korea's stock market. It was also noted during the meeting that the drop in the Korean stock market index was less relative to its Asian peers China, HK and Taiwan.

Korea's foreign exchange reserves stood at US$374.7 billion, the world's sixth largest as of the end of June, 2015.

Korea's POBA to create a dedicated investment department

South Korea's Public Officials Benefit Association ("POBA") will create a new dedicated investment department to manage its overseas and alternative assets and seek higher returns. The move follows the lead its larger South Korean pension fund peers.

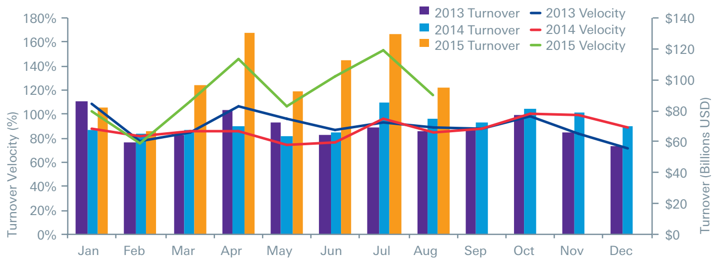
The US$6.1 billion pension fund already has significant allocation to alternative investments. As of end-2014, POBA allocated 49.2% of its assets to alternative investments. According to Yoo Sang-soo, the new chairman of POBA appointed on 25th August, overseas and alternative investments are not optional but mandatory in the current era of low interest rates and low economic growth rate in South Korea.

POBA currently has a single team for both domestic and foreign investment, and has decided to establish a new stand-alone department to manage overseas and alternative investments.

National Pension Fund due to start its first investment into hedge funds in November

South Korea's Nation Pension Service ("NPS"), the fourth largest pension fund in the world, with US$422 billion in assets as of May 2015, is set to make its first ever investment into hedge funds by November 2015, according to its chief investment officer, Hong Wan-sun.

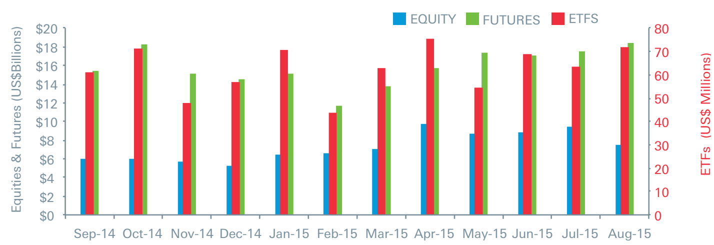
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity August 2015: 116% August 2014: 85% August 2013: 89%

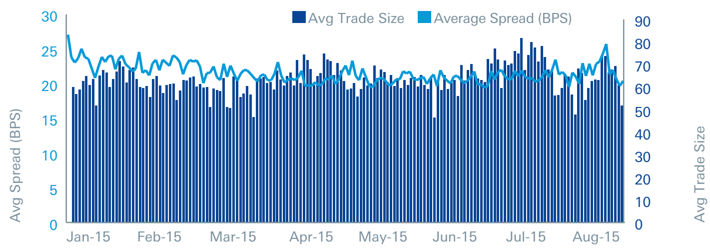
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

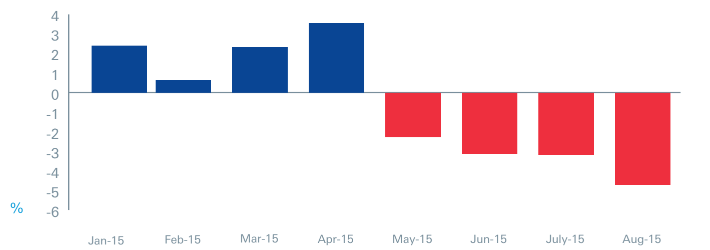
Fig 2. Korea may have emerged as the dark horse in the recent equities market turmoil in the region. While all regional indices including Kospi dropped on volumes, Korean market showed the fastest recovery and benchmark ended the month only 5% down in August. Local regulators did not make any changes to trading rules, showing confidence and fair play in the domestic market. All equities, futures and ETFs volumes were higher than full year average in July and August.

Fig 3: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4: MoM Index Price Change



Source: Thomson Reuters

Fig 4. KOSPI index dropped 5% in the month of August, this is the fourth consecutive month of index level decline in Korea.

According to Hong, the NPS's first investment will be made in overseas market as the domestic hedge market (estimated size US$3.3 billion) is too small. The NPS will consider investing in domestic hedge fund markets as well in future as the market's size grows. NPS's plan to invest in foreign hedge funds is considered an effort to "minimise risks and develop investment know-how".

The NPS already allocates US$39.7 billion or 9.4% of its portfolio to other alternative investments, including infrastructure, real estate and private equity strategies. Within that US$18.2 billion is invested in the domestic market and US$20.9 billion is invested overseas.

It is interesting to note that in July this year, the Financial Reform Advisory Group (which is a government-backed advisory panel) raised concerns that NPS tends to favour foreign managers when handing out non-domestic equities mandates despite their mediocre performance and high fees according to media sources.

FSC to introduce crowdfunding for start-ups and SMEs

The FSC made amendments to the Enforcement Decree of the Financial Investment Services and Capital Markets Act ("FSCMA") to allow start-ups and SMEs to raise funds through crowdfunding. The amendments, open for public comments from 23rd July to 1st September, are expected to take effect as early as January 2016 after reviews by the Regulatory Reform Committee and the Ministry of Government Legislation. The key provisions introduced are:

i. Start-ups and SMEs with business operations less than 7 years will be allowed to issue securities through crowdfunding platforms. SMEs engaging in projects such as technology development and cultural business will be allowed to raise funds through crowdfunding regardless of how many years they are in business. A company will be allowed to raise up to KRW700 million per year through crowdfunding.

ii. Investors will be subject to different caps on the amounts of investment they are allowed to put into a company or a year, depending on their professional investment knowledge and risk-absorbing capacity per details below:

	Cap on investment in a company	Cap on investment per year
General investors	2 million won	5 million won
Investors that meet certain income requirements	10 million won	20 million won
Professional investors, etc.	No cap	No cap

iii. In principle, investors will be prohibited from selling securities within a year of issuance. It will be exceptionally allowed for investors to sell securities within a year of issuance to those who acquire sufficient information about the company such as professional investors, securities issuers.

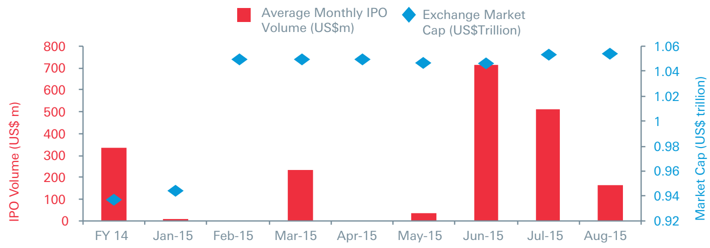
iv. A minimum equity capital will be set at KRW500 million for an online brokerage firm to be registered as 'crowdfunding business.'

Fig 5: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
007070.KS	31%	535,431,400	2.14	011200.KS	38%	1,121,840,000	2.10
128940.KS	16%	1,716,792,000	0.89	105630.KS	26%	245,452,900	2.06
000270.KS	15%	1,086,695,000	1.05	002270.KS	21%	135,798,700	1.42
071050.KS	13%	230,237,500	1.30	007310.KS	19%	233,314,100	2.76
009150.KS	13%	487,794,100	0.96	004170.KS	18%	436,214,200	0.98
000830.KS	-15%	1,003,849,000	0.48	017800.KS	-17%	445,228,400	1.46
021240.KS	-15%	479,785,000	1.67	001680.KS	-18%	291,819,900	1.52
012630.KS	-15%	435,608,200	0.92	012450.KS	-21%	350,699,700	0.78
001800.KS	-17%	429,264,100	1.15	014820.KS	-22%	86,917,160	1.03
002380.KS	-17%	332,131,900	0.94	010780.KS	-23%	451,047,200	2.69

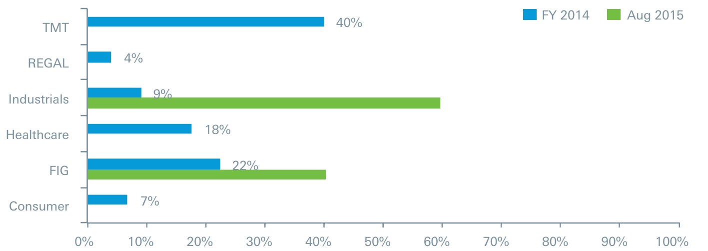
Source: Thomson Reuters

Fig 6: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 7: IPO Sector Distribution



Source: Dealogic

Fig 8: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	1	76%	30%	-5%
Feb-15	-	-	-	-
Mar-15	3	19%	12%	-7%
Apr-15	-	-	-	-
May-15	2	63%	117%	61%
Jun-15	12	62%	49%	21%
Jul-15	8	78%	69%	67%
Aug-15	2	0%	0%	0%

Source: Dealogic

Venue News

Short Selling volumes hit record in July

Short selling of South Korean shares hit a record high in July as more investors took a view on a fall in prices of companies with poor earnings amid a risk-averse industry sentiment. The average daily short selling was US$370.9 million in the main KOSPI and secondary KOSDAQ markets in July, the biggest tally since KRX started compiling the data in January 2008.

KRX plans to draw funds with Asian index

KRX plans to develop an Asian index based on leading stocks across the continent, in order to attract more global funds interested in diversifying their portfolios in Asian markets.

According to KRX executive director Lee Kyu-yeon, officials from other Asian countries are in agreement with the idea and have decided to exchange reports on the project. The index will target global institutional investors who want to invest in Asian markets with diversified portfolio. He said a wide range of stocks from Korea, China and Japan among other Asian countries will be included in the index, though it has not yet been discussed.

Lee said it is too early to announce the timetable for rollout, but confirmed that it will take one year or so. The bourse operator will form a working group to discuss further details.

KRX listing of mini KOSPI200 futures and options

Mini KOSPI200 futures and options started trading on 20th July 2015. Trading has been smooth since launch and investors from all the investor groups are evenly participating on this market.

Trading proportion by investor group

Mini futures: (Institutions) 24.2%, (Foreigners) 41.6%, (Individuals) 34.2%

Mini options: (Institutions) 11.3%, (Foreigners) 61.2%, (Individuals) 27.5%

KOSDAQ 150 Index, a new Benchmark Index of KOSDAQ Market

KRX developed a new benchmark index, named KOSDAQ 150 which began to publish on 13th July, 2015. The launch of KOSDAQ 150 is expected to promote index investments in the market such as ETFs and index funds, and risk-hedging investments, increasing the participation of domestic and foreign institutional investors.

KOSDAQ 150 is an equally weighted index developed by benchmarking the methodology of KOSPI 200 with emphasis on bigger representation of the technology sector. The 150 constituent stocks cover up to 60% of the market capitalisation. The base date of the index is set at 4th January, 2010 with base index value of 1,000. The index is trading down 9% at the end of August since 13th July launch.

KRX designated as Trade Repository

On 17th August, the KRX was designated as Trade Repositories ("TR") after going through a screening process on two bidders for - the KRX and Korea Securities Depository. G20 nations are introducing TRs as one of the workstreams to reduce systemic risk relating to over-the-counter derivatives market. A TR is a financial market infrastructure data repository that collects, manages, and analyzes reports related to OTC transactions.

Introduction of TR is expected to improve the credibility and global competitiveness of Korea's financial market infrastructure. It will also enhance financial transaction transparency and strengthen market monitoring capability as it enables more efficient management and analysis of data related to OTC derivatives transaction.

KRX completes requirement for EU recognition as International Clearing House

In another workstream related to G20 commitments to reduce systemic risk relating to OTC derivatives, KRX cleared the last requirements to be recognised by the European Union as an international clearing house after the National Assembly passed a bill in early June to revise a related law. With the revision, the KRX said it can compensate investors directly as a central counterparty clearing house ("CCP") in the event that a member brokerage house fails to pay investors upon default. A CCP carries out clearing and settlement of market transactions.

EU recognition is crucial for the bourse operator which seeks to become a global player. So far, only four markets in the Asia Pacific region - Japan, Hong Kong, Singapore and Australia have been recognised by the European authority.

European investors account for about 8% of the derivatives market in Korea. This recognition will enable Europe to invest in local derivatives markets more comfortably with few worries about a possible contagion of a financial crisis stemming from Korea.

Personnel News

Korea's KTCU names new CIO

Korea Teachers' Credit Union ("KTCU") announced on 28th August that it has promoted Kang Sung-seok, a former head of the overseas investment department, as its new chief investment officer.

Kang will serve as the CIO from 1st September to 31st August next year. KTCU, a US$21 billion pension fund, established in 1971, is a welfare agency for educational personnel that are guaranteed by the Korean government.

Korea's NPS made additions to its alternative investment team

South Korea's Nation Pension Service ("NPS"), made its first hire to its new alternative investment team to assist with hedge fund investments, appointing James Young, Seoul-based director of operations at private investment office TCK Investment.

The pension fund is also planning to hire many more in-house investment experts to increase its ability to do overseas investment.

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https://www.koreatimes.co.kr

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

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Equities

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Australia Newsletter Issue 39, 2015

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ASIC unveils Corporate Plan 2015–16 to 2018-19 with focus for 2015-2016

On 31st August, the Australian Securities and Investment Commission ("ASIC") published its Corporate Plan 2015–16 to 2018-19 and Focus for 2015-16. The document lays out ASIC's strategic priorities and challenges over the coming years.

ASIC identified its long term challenges as "balancing a free market-based system with investor and financial consumer protection, digital disruption, structural change, financial innovation-driven complexity, and globalisation".

In order to address these challenges, the agency will focus on "areas of gatekeeper conduct, cyber-attacks, poor financial advice, misalignment of retail product design and distribution with consumer understanding, and cross-border businesses, services and transactions".

ASIC articulated its strategic priorities as promoting "investor and financial consumer trust and confidence ensure fair, orderly, transparent and efficient markets and providing efficient and accessible registration".

For markets, ASIC's focus on gatekeepers from a surveillance perspective includes:

— Reviewing market practices on confidential information;

— Benchmarking investment banks' approaches to managing conduct risk;

— Performing proactive surveillance in the wholesale market, particularly around "benchmark manipulation through bank bill issuance/trading and benchmark submitters;

— Assessing ASX standards and administration of its securities listing function ;

— Reviewing certain transactions "that pose a high conduct risk", particularly backdoor listings, substantial overseas assets or management and business models based on intangibles and;

— Identifying "inappropriate conduct by assessing breach reports and reports of misconduct and deciding whether further action is warranted we expect licensees to report breaches promptly so it can rectify problems with individual entities quickly and effectively":

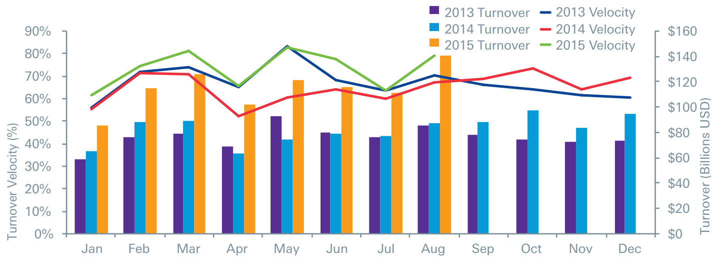
Specifics among the ASIC's other priorities highlighted in the document which may touch on markets:

— Reviewing "advice in large, vertically-integrated institutions, including how the largest banks deal with 'bad apple' advisers";

— Reducing the "sale of inappropriate products" with a focus on retail over-the-counter derivatives and;

— Contributing to the development and implementation of the Asia Region Funds Passport.

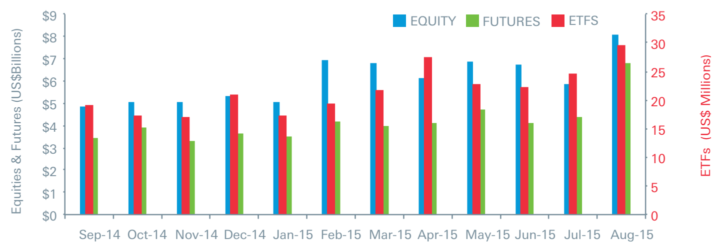
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity August 2015: 79% August 2014: 67% August 2013: 70%

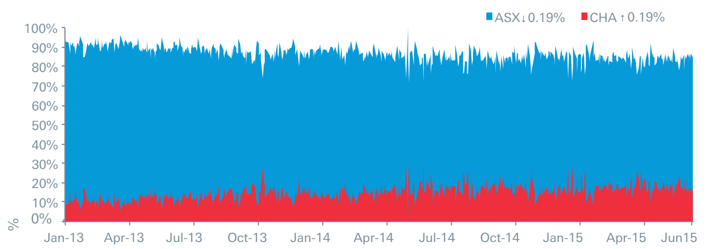
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Equities turnover in Australia was up 67% in the month of August, and futures and ETFs turnover was similarly higher compared to previous months.

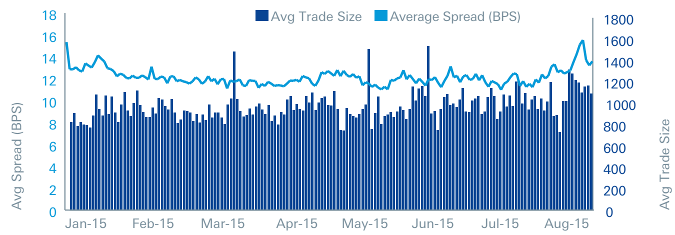
Fig 3: Market Share by Venue



Source: Thomson Reuters

Fig 3. With both lit and dark trading choice at the same Chi-X venues, the market share of Chi-X has been progressing positively from 15% in the beginning of the year to 17.5% last month.

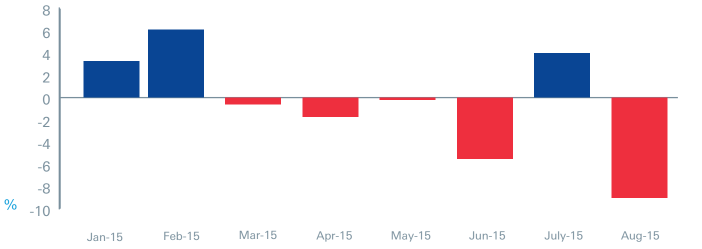
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. Trading on Australia's main derivative platform was halted for more than two hours on Sept 16, expiry date for stock-index futures due to technical difficulties.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

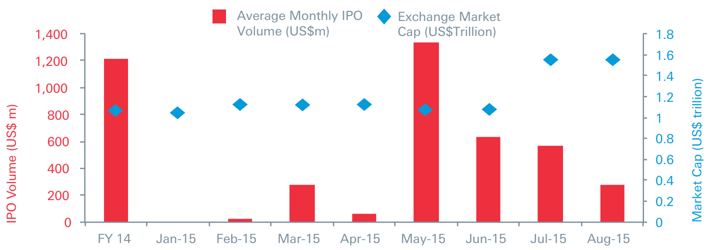
Fig 5. ASX index has dropped 4% on 24th August now termed as "Black Monday" when China's equity market fall was seen and felt in all regional and global markets.

Fig 6: Large and Mid Cap Index movers

Market Movers - Large Cap				Market Movers - Mid Cap			
Stock	Price Return	Volume traded (US$)	20D/ 100D ADT	Stock	Price Return	Volume traded (US$)	20D/ 100D ADT
SPK.AX	13%	153,043,400	1.23	SGM.AX	24%	348,976,000	1.07
MPL.AX	10%	1,035,645,000	1.46	BSL.AX	21%	548,868,700	1.27
AIO.AX	5%	2,128,829,000	2.42	SRX.AX	12%	362,323,900	1.15
AGL.AX	5%	1,128,572,000	1.33	NEC.AX	9%	128,303,300	0.71
FMG.AX	3%	1,353,834,000	0.95	MFG.AX	6%	337,174,200	1.26
CWN.AX	-16%	875,846,900	1.29	CSR.AX	-17%	360,628,500	0.97
ORI.AX	-17%	1,385,572,000	1.20	MTU.AX	-17%	246,848,100	1.03
CPU.AX	-18%	1,043,174,000	1.73	SKT.AX	-18%	89,125,990	1.13
ORG.AX	-24%	1,702,396,000	1.42	GMA.AX	-18%	310,616,300	1.06
STO.AX	-28%	1,711,212,000	1.32	SEK.AX	-19%	851,538,900	1.22

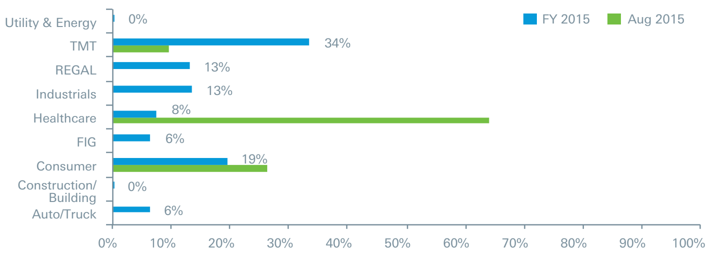
Source: Thomson Reuters

Fig 7: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 8: IPO Sector Distribution



Source: Dealogic

Fig 9: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	-	-	-	-
Feb-15	3	8%	62%	-8%
Mar-15	6	24%	18%	10%
Apr-15	4	36%	23%	44%
May-15	7	17%	3%	1%
Jun-15	10	-4%	-1%	-3%
Jul-15	7	11%	17%	35%
Aug-15	4	5%	0%	6%

Source: Dealogic

Fig 9. Despite the volatility in equities market, most of the new listings in Australia this year are trading in positive territory.

ASIC focuses on the importance of culture throughout the report, noting in the Markets gatekeeper section that it will "incorporate culture and incentives more explicitly into (it's) risk-based surveillance reviews, use the findings to better understand how culture and incentives are driving conduct, and communicate to the markets (it) regulate where (it) see(s) problems with their culture, incentives and conduct.

The full report is available at:

http://asic.gov.au/about-asic/what-we-do/our-role/asics-corporate-plan-2015-2016-to-2018-2019/

ASX publishes Australian Share Ownership Study

The most recent Australian Share Ownership Study by the Australia Stock Exchange ("ASX") found that about 6.5 million Australians, approximately 36% of the adult population, own shares. This number excludes participation in the share market through superannuation, apart from self-managed superannuation funds.

While overall share ownership declined from 38% when the survey was last conducted, direct-ownership remained stabled and international investment was up. The study also found that Australia has one of the highest proportions of share ownership globally, more investors trade the market through online accounts (58%) than traditional brokers or advisers (31%), and more investors get their investment advice from family and friends than any other source (38%).

The full study is available at:

http://www.asx.com.au/documents/resources/australian-share-ownership-study-2014.pdf

ASIC reviews supers online transparency

The Australian Securities and Investment Commission ("ASIC") recently conducted a survey of the web sites of Australian superannuation funds to check their compliance with executive officer pay and other governance disclosures required by recent Stronger Super amendments to the Superannuation Industry Supervision ("SIS") Act.

Information that super funds are required to disclose includes remuneration of trustee directors and senior executives and the voting record of the trust on listed shares held by the fund.

ASIC Commissioner Greg Tanzer said that, overall, superannuation trustees understood what was required under the transparency reforms and "made a good effort to comply". "However, there were pockets of non-compliant trustees who appear to have struggled with the new requirements. In some instances we could not find any websites for funds", Mr Tanzer said.

Among the recommendations that ASIC made following the survey were:

— Making Transparency Information easier to find on the web site, ideally on its own page

— Disclosing the periods that trustee directors have served the trustee

— Including voting record on international as well as Australian shares

— Summarizing the trustee's voting record by issue in easy to read format

ASIC's media release on the survey:

http://asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-245mr-asic-reviews-transparency-information-on-super-websites/

The relevant regulation under the SIS Act is available at:

http://www.austlii.edu.au/au/legis/cth/consol_act/sia1993473/s29qb.html

ASIC puts out consultation paper on rule changes required for Chi-X to list warrants and ETFs

ASIC has asked for feedback from market participants on proposals to amend ASIC Market Integrity Rules (Chi-X), ASIC Market Integrity Rules (Competition), and various ASIC class orders and apply a class waiver to allow Chi-X to list warrants and ETFs on its trading venue. The consultation period closed 9th September and the updated rules are expected to take effect 2nd November.

Market Integrity Rules (Chi-X)

ASIC plans to introduce into the ASIC Market Integrity Rules (Chi-X) rules relating to:

(i) accredited derivatives advisers (ADAs) (Part 2.4 (ASX));

(ii) explanatory booklets for warrants (Rule 3.1.2 (ASX)) and;

(iii) client agreements (Rule 3.1.8 (ASX)).

It also needs to amend existing ASIC Market Integrity Rules (Chi-X) to:

(i) introduce the term 'cash market product' to capture existing products traded on Chi-X and the proposed new investment products (Rule 1.4.3 (ASX)) and;

(ii) ensure that materially-updated information is given to clients in respect of third-party execution and clearing arrangements.

Source: ASIC consultation paper 235

ASIC Market Integrity Rules (Competition)

In addition, ASIC proposes "to amend the ASIC Market Integrity rules (Competition) so that":

(a) Chapters 2–5, 6 and 7 (Competition) apply to ETFs that are admitted to quotation under the Chi-X Operating Rules and traded on the Chi-X market. Currently these provisions only apply to ETFs that are admitted to quotation by ASX and quoted and traded on the ASX market; and

(b) Chapter 5A (Competition) applies to warrants and ETFs that are admitted to quotation

Source: ASIC Consultation Paper 235

ASIC Market Integrity Rules (ASX)

The proposal will also make changes to the ASIC Market Integrity Rules to:

(a) reflect recent amendments to definitions in the ASX Operating Rules for ETF and managed fund products that are currently admitted to quotation on the ASX market and traded on both the ASX and Chi-X markets and;

(b) recognise accreditation and client agreements for warrants under the ASIC Market Integrity Rules (Chi-X), in the ASIC Market Integrity Rules (ASX).

Source: ASIC Consultation Paper 235

Class waiver

Finally, the consultation seeks feedback on extending existing ASIC relief:

(a) applicable to ETFs and warrants quoted on the ASX market to ETFs and warrants admitted to quotation on the Chi-X market and;

(b) in [CO 13/721] from s1017B of the Corporations Act (available for ETFs quoted on the ASX market) to managed fund products quoted on the ASX market.

Source: ASIC Consultation Paper 235

After approval from ASIC the rules and amendments to Chi-X's license would need to be approved by the government.

ASIC Consultation Paper 235:

http://asic.gov.au/regulatory-resources/find-a-document/consultation-papers/cp-235-proposed-amendments-to-asic-market-integrity-rules-and-instruments-for-the-chi-x-investment-product-market/

Chi-X consultation paper on warrants and ETFs (February 2015):

http://www.chi-x.com.au/Portals/15/Consultation%20Paper%2001-2015.pdf

Personnel Moves

ASX board member retires after 12 years

Ms Jillian Segal, a member of the board of directors for ASX stepped down after 12 years with the organization. She was Chair of the Remuneration Committee, a member of the Audit and Risk, and Nomination Committees, and a director of ASX Compliance. She was Commissioner and then Deputy Chair at ASIC from 1997 to 2002 before becoming a professional company director.

ASX has appointed two new directors, Mr Damian Roche and Ms Yasmin Allen, over the last 12 months as part of its board renewal program. Mr. Roche was formerly a member of the global Corporate and Investment Bank Operating Committee for J.P. Morgan and head of Markets and Investor Services Sales and Distribution for Asia Pacific. Ms. Allen has more than 20 years of finance experience having served in senior roles at Deutsche Bank, ANZ and HSBC Group.

Sources:

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www.asx.com.au
www.mondovisione.com
www.chi-x.com.au
www.austlii.edu.au
www.asic.gov.au

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

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Thailand Newsletter Issue 39, 2015
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Thailand

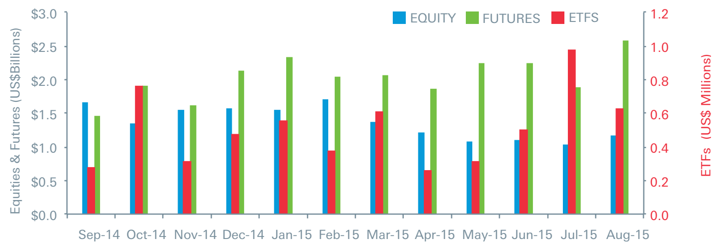
Market Structure

The Secretary General of the Thailand says SEC to operate within existing regulatory framework

Rapee Sucharitkul, the Secretary General of the Thailand Securities and Exchange Commission ("SEC"), has stated a desire to work within the country's existing regulatory framework for capital markets rather than introducing more regulations to shape market behaviour.

The exception to the SEC's position is the long awaited opening of Thailand's managed fund industry to allow for the introduction of alternative Thai investment vehicles, for which new regulations are expected by the end of September 2015.

Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 1. Foreign-investor confidence in Thai shares for the upcoming three months has dropped to a 15-month low from a bearish 62.50 points to an extremely bearish 40 points because of ongoing and expected fluctuations in the country's capital markets according to The Federation of Thai Capital Market Organisations (FETCO).

Venue News

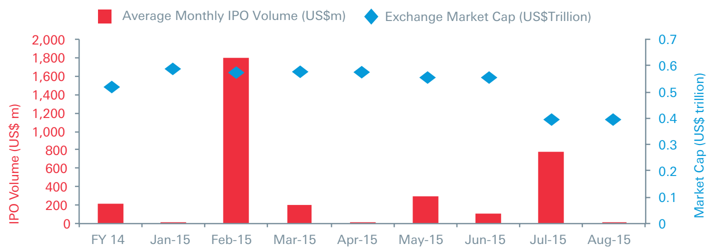
SET rolls out new clearing and depository systems

The Stock Exchange of Thailand ("SET") began operation of its new clearing and depository systems on 24th August. The systems are intended to improve overall market structure by enhancing Straight-through Processing ("STP"), risk management and operational efficiency.

The clearing system has been moved to a single platform to facilitate settlements of both equities and derivative products. There will also be pre-settlement matching between members and custodians. The Thailand Securities Depository Co. Ltd., a SET subsidiary, will also adopt the STP system. The Securities Borrowing and Lending System will be enhanced in ways yet to be disclosed.

The SET has also launched a member buy-in process allowing members to buy securities where a client has failed to deliver on a given delivery date.

Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

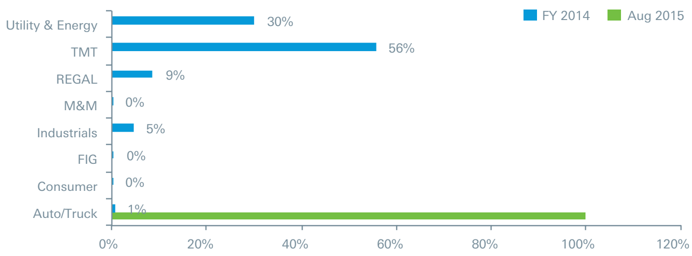
Futures Platform wins award

The Thailand Futures Exchange PCL ("TFEX") has been selected as the winner of "Best Technology Innovation by an exchange" for outstanding trading system innovation, at the 2015 Futures and Options World (FOW) Awards held on 23rd August in Singapore.

According to the press release, TFEX Managing Director Rinjai Chakornpipat said that since 2014 TFEX has implemented a new derivatives trading platform from Cinnober that allows for low latency execution, facilitating multi-asset class of underlying, providing shorter time to market for introducing new products and supporting growing business volume.

The new clearing platform, developed by the Korean Exchange, to enhance its operational efficiency, facilitate multi-market and multi-currency products as well as increase risk management capacity.

Fig 3: IPO Sector Distribution



Source: Dealogic

Strategic training programme launched for CFO's of listed Thai companies

The SET has announced the commencement of a training program targeting the strategies and skillsets employed by CFO's of That-listed companies. The design of the program will be conducted by the

Fig 4: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	1	107%	106%	81%
Feb-15	4	121%	79%	91%
Mar-15	3	10%	-7%	-26%
Apr-15	1	5%	-8%	19%
May-15	1	-4%	-3%	-17%
Jun-15	2	83%	38%	37%
Jul-15	7	70%	17%	18%
Aug-15	1	0%	0%	0%

Source: Dealogic

Thailand Securities Institute and complements range of other programs recently launched by the SET.

The program adds to a growing culture of good corporate governance, recently recognised in Thailand's top ranking in the ASEAN CG Scorecard 2014.

To access the SET press releases about training program for CFOs of listed Thai companies:

http://www.set.or.th/set/newsdetails

To access the SEC News Release about ASEAN CG Scorecard:

Thai listed companies continue to lead ASEAN in CG development

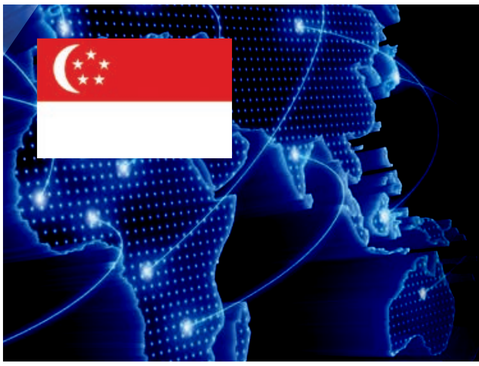
Personnel changes

The SEC has appointed new directors as follows (effective 1st August):

1. Mr. Pariya Techamuanvivit Director, Corporate Affairs Department
2. Mrs. Somsuda Tanchanpongs Director, Corporate Governance Department
3. Mrs. Sittasri Nakasiri Director, Enterprise Risk Management Department
4. Ms. Sarica Apiwatthakakul, Acting Director, Intermediaries Licensing and SME Financing Department
5. Ms. Oratai Nimtavorn acting Director, Investment Management Supervision and Inspection Department
6. Mrs. Namtip Synsukpermpoon acting Director, Securities Regulation Department 2
7. Mr. Chatchai Thisadoldilok acting Director, Research Department

Sources:
www.set.or.th
www.nationmultimedia.com
www.asia-first.com
www.automatedtrader.net

Contact
Email: global.marketstructure@list.db.com
Tel: +852 2203 5710



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Singapore Newsletter Issue 39, 2015

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Market Structure

MAS consults on extending oversight to non-bank financial companies

On 18th September, the Monetary Authority of Singapore ("MAS") published a consultation paper on legislative changes covering a range of market participants, aiming to extend recent enhancements to supervisory powers over banks to other kinds of financial firms. While the MAS do not specify timing of implementation, due to recent elections it is unlikely legislative changes can be passed before Q2 2016. Further detail would then need to be set out in regulations and notices.

In a consultation earlier this year, the MAS proposed amendments to the Banking Act to enhance its powers in relation to:

— Pre-approval of senior individuals as "fit and proper"

— Takeovers of financial firms

— External auditors and foreign regulators' inspections of MAS-regulated firms

This latest consultation proposes similar provisions for other types of financial firms and adds new requirements such as the need for banks to notify the MAS of adverse developments which would have a material effect. Such institutions could be fined if they persistently furnish inaccurate information (even if the information is not material).

The MAS also proposes new arrangements for pledging collateral to facilitate implementation of new requirements announced last year for brokers of listed securities to collect collateral from customers, at a minimum of 5% of their net open positions. The proposed changes would make it easier for investors to meet this requirement by pledging securities already held in their depository account at the Singapore Exchange.

This consultation closes on 16th October and is available at:

http://www.mas.gov.sg/~/media/MAS/News%20and%20Publications/Consultation%20Papers/Consultation%20Paper%20on%20Proposed%20Amendments%20to%20SFA%20FAA%20and%20TCA.pdf

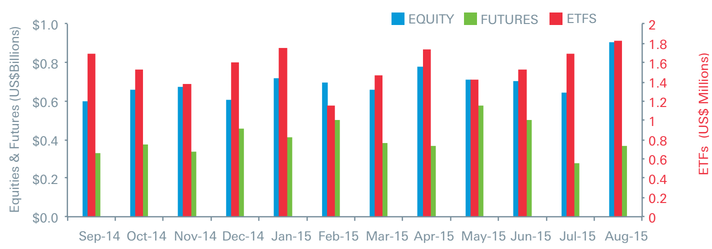
Cross border capital raisings in ASEAN nearing integration with handbook issue for framework implementation

A handbook detailing the implementation of the Streamlined Review Framework for the ASEAN Common Prospectus has been jointly issued by the MAS and Singapore Exchange ("SGX"), the Securities Commission Malaysia and the Thailand Securities and Exchange Commission. The framework will require host and home authorities to complete a prospectus review process simultaneously, within three to four months from the date a prospectus is submitted.

The Common Prospectus provides ASEAN issuers of multi-jurisdictional equity or plain debt securities faster times to market. It has endorsement from the finance ministers of the participating ASEAN members.The full handbook is available at:

http://www.mas.gov.sg/~/media/resource/legislation_guidelines/securities_futures/sub_legislation/Streamlined%20Prospectus%20Review_Handbook.pdf

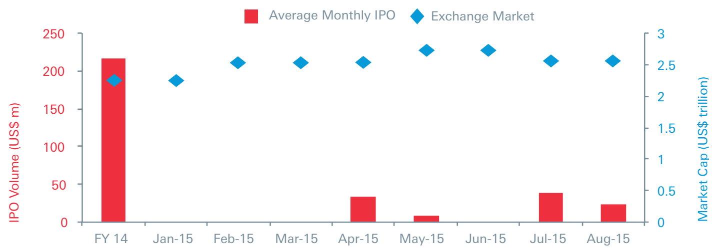
Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

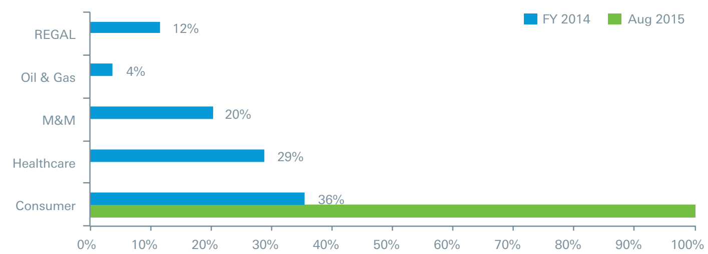
Fig 1. Trading in the Singapore-listed FTSE China A50 futures, a proxy for China's main CSI300 peaked at a record 4.1Mn contracts in the first week of July as it was being used as the hedging tool for all offshore investors trading China. Since the recent drop in China market, the index futures trading revenue to SGX through A50 futures has been cut off as the volumes have nearly disappeared.

Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 3: IPO Sector Distribution



Source: Dealogic

Fig 4: IPO Performance

	# of IPO	1 day	1 month	Current
Jan-15	-	-	-	-
Feb-15	-	-	-	-
Mar-15	-	-	-	-
Apr-15	2	-19%	-39%	-43%
May-15	1	154%	164%	158%
Jun-15	-	-	-	-
Jul-15	4	8%	-18%	-25%
Aug-15	1	-18%	0%	-38%

Source: Dealogic

Global Market Structure
Singapore

Venue News

Segregation of collateral for derivatives clearing members' affiliates proposed by SGX

SGX has proposed and sought public consultation on the introduction of Affiliate Segregation of SGX Derivatives Clearing (SGX-DC) member's collateral in instances where a member defaults on its own contracts. Under the proposal, which is intended to protect the collateral of an affiliate of a clearing member in the event of a default by the member, affiliate positions would be transferable to other SGX-DC members. The arrangement under consideration would "help (member's) bank affiliates achieve greater capital efficiency under Basel III".

The consultation closed on 4th September 4 and SGX is currently considering the feedback received.

The Futures Industry Association Asia ("FIA Asia"), an industry body which counts many large investment banks and stock exchanges as members, wrote a detailed submission requesting more information as part of the public consultation process.

Key issues highlighted by FIA Asia include:

1. Consistency of the proposed segregation of collateral with existing Singapore laws pertaining to futures contracts.

2. Capital adequacy implications for clearing member affiliates in the context of new global standard and rules.

The full press release is available at:
http://www.sgx.com/wps/wcm/connect/sgx_en/home/higlights/news_releases/sgx_proposes_segregation_of_collateral

The FIA Asia feedback is available at:
https://asia.fia.org/sites/default/files/uploaded/SGX%20-%20Affiliate%20segregation%20accounts_FIA%20Asia%20Letter_Submission%20-%207%20Sept%202015.pdf

SGX named 'Derivatives Exchange' and 'CCP' of the Year by Asia Risk

SGX held onto the title of "Derivatives Exchange of the Year" and won "Clearing Counterparty of the Year" at Asia Risk Magazine's Asia Risk Awards.

Key contributors to SGX's win were its position as Asia's most liquid offshore market for pan-Asian listed derivatives, acting as a single point of access for exposure to 90% of Asia's GDP, and the diversity of its product offering.

SGX's increased contribution to the Clearing Fund (in the event of a member default) provides more protection to clearing members than other leading global clearing counterparties.

The full press release is available at:
http://www.sgx.com/wps/wcm/connect/sgx_en/home/higlights/news_releases/SGX-named-Derivatives-Exchange-and-CCP-of-the-Year-by-Asia-Risk

Sources:

www.mas.gov.sg
www.sgx.com
www.fia.org

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

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Philippines Newsletter Issue 39, 2015

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Market Structure

SEC releases consultation on new corporate governance blueprint

The Securities and Exchange Commission ("SEC") released a new Corporate Governance Blueprint and Implementation roadmap running to 2020. The Blueprint includes ASEAN Corporate Governance Scorecard ("ACGS") questionnaire which although presented as guidelines, are expected to be observed under the "comply or explain" principle. The paper was led by Dr. Jesus P Estanislao.

The paper considers the development of the Philippines market in the context of work done by the Asian Corporate Governance Association ("ACGA"), a not for profit organisation based in Hong Kong that looks to promote various standards across the Asian region. The AGCA sets out corporate governance standards for various countries to work towards.

Table 1: ACGA CG Watch Market Scores 2014 vs 2012 vs 2010

Rank	Market	2010	2012	2014	Change fr 2012	Change fr 2010
1	Singapore	67	69	65	-4	-2
2	Hong Kong	65	66	64	-2	-1
3	Thailand	55	58	60	+2	+5
4	Japan	57	55	58	+3	+1
5	Malaysia	52	55	58	+3	+6
6	Taiwan	55	53	56	+3	+1
7	India	49	51	54	+3	+5
8	Korea	45	49	49	+0	+4
9	China	49	45	45	+0	-4
10	Philippines	37	41	40	-1	+3
11	Indonesia	40	37	39	+2	-1

Table 2: ACGA - The Philippine Category Scores 2014 vs 2012

	2012	2014	Change
Corporate Governance Rules/Practices	35	40	+5
Enforcement	25	18	-7
Policy & Regulatory Environment	44	42	-2
IGAAP	73	65	-8
Corporate Governance Culture	29	33	+4

The full paper can be found here, comments closed on 28th September:

http://www.pse.com.ph/resource/memos/2015/CN_2015-0123.pdf

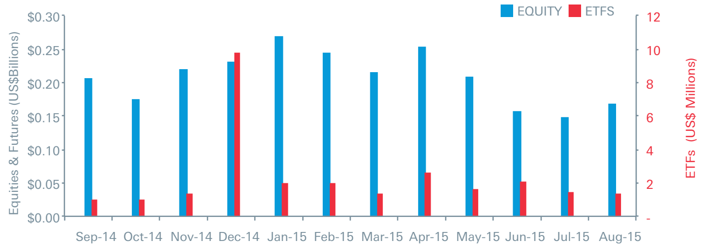
To find out more about the ACGA click here:
http://www.acga-asia.org

Venue News

Philippine Stock Exchange shutdown due to technical glitch results in SEC probe, step-down of CTO

The Philippine Stock Exchange ("PSE") was shut down for five hours on 25th August due to a technical glitch caused by an issue in the software that sends information to front end trading terminals, resulting in some market participants receiving information at a slower rate than others.

Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 1. Philippine's benchmark index was the worst hit among ASEAN markets by China's volatility as it dropped 16% from peak to trough in the month of August and closed 6% down for the month. Philippines dependency on Chinese exports makes for higher correlation among the two markets.

Trading was halted to prevent unequal access to newly released public information by market participants. Halts had already occurred on the 23rd August when the PSE fell 6.7% and on 18th August due to problematic reference price data.

PSE CEO Hans Sicat has stated that the problem has been isolated and that the decision to close the market was made to ensure a fair and orderly market.The outage resulted in the SEC launching an investigation, a written report was provided by the PSE on 28th August.

To access the circulars about the technical glitch:

http://www.pse.com.ph/stockMarket/circulars.html

PSE index constituents change

On 26th August, the changes to the PSEi were announced in line with the below calculation from the period July 2014 - June 2015:

- Companies must have a free float of at least 12%
- Companies must be in the top 25 in terms of median daily value per month for at last 9 of the last 12 months
- The Top 30 is based on the full market capitalisation

The changes took effect on 14th September, the full list of constituents can be found in the notice here:

http://www.pse.com.ph/resource/memos/2015/CN_2015-0116.pdf

Personnel Changes

CTO leaves PSE

PSE's Chief Technology Officer, Emmanuel Caintic, resigned from office effective 1st September following an outage (described above).

Sources:

www.pse.com.ph
www.acgo-asia.org
www.rappler.com
www.business.inquiere.net

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710

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Indonesia Newsletter Issue 39, 2015

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Indonesia

Venue News

State firms buy-back shares, IDX imposes new measures to curb volatility

The Indonesia Stock Exchange ("IDX") has introduced new rules for listed stocks preventing price decreases of more than 10% per day in any one company.

Starting 1st September, stocks that fall by 10% intraday will automatically be blocked from further trading until the following day. The previous loss-limit depended on individual stock prices and was banded between 20%-35%.

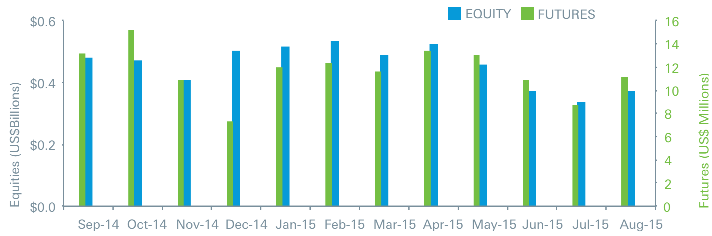
The new rule follows announcements that Indonesian state-owned companies could buy-back as much at US$700 million worth of their own shares. According to the Jakarta Post, the buy backs are possible under "a recent policy issued by the Financial Services Authority (OJK) in April that allows companies to repurchase (up to 20% of) their floated shares without having to secure approval from an extraordinary shareholders meeting".

"The 16 state firms (reported to be) considering buybacks were Bank BTN, Bank BRI, Bank Mandiri, Semen Baturaja, Jasa Marga, Wijaya Karya, Bank BNI, Krakatau Stell, Garuda Indonesia, Adhi Karya, Perusahaan Gas Negara, Kimia Farma, Semen Gresik, Aneka Tambang, Indo Farma, Timah, and Bukit Asam."

The Jakarta Post published a list of the potential buy-back sizes on 3rd September 3:
http://www.thejakartapost.com/news/2015/09/03/companies-may-spend-412m-shares-buyback-support-prices.html

To access the IDX official announcement of the new measures (in Indonesian):
Perubahan Batasan Auto Rejection

Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 1. Indonesia's stock market has had a difficult few months as the benchmark index dropped 20% this year and the currency has fallen to its 17-year low. Local regulators tightened daily price move restrictions among other moves to contain the volatility.

Venue News

FY2014, H12015 Factbook released

The IDX has released the 2015 Factbook, a 178 guide to the framework, systems and products traded on the exchange platform. Of note are the statistics which give a detailed insight into the volumes, participants and stocks traded. Highlights include:

- In H1 2015, foreign participants were net sellers of shares to the value of IDR3.9 billion (US$2.7 million). 2014 had seen foreign investor's net buy reached the highest record in history at IDR42.60 trillion (US$2.9 billion).
- Further, 8 new companies have listed vs 24 for FY2014, short of the target given of 30 new company listing for the year.
- 6 releasing rights issues
- The IDX is working towards welcoming the ASEAN Economic Community in 2015 in efforts to become more competitive
- 2014 saw over 22% growth in the Jakarta Composite Index ("JCI") with an all time high on 8th September. JCI growth in the past six years (2008-2014) posted the second best performance globally with 282.05% growth.
- There are a total of 117 Participants, consisting of 61 Securities Companies, 37 Commercial Banks, and 19 Custodian Banks.

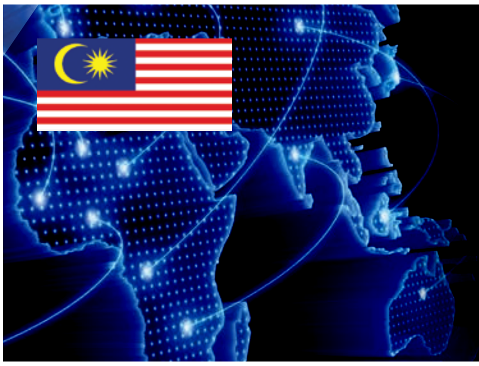
For the full publication click here:
http://www.idx.co.id/Portals/0/StaticData/Publication/FactBook/FileDownload/20150918_FB-2015.pdf

Sources:

www.idx.co.id
www.thejakartapost.com
www.straitstimes.com
www.antaranews.com

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710



Global Market Structure

Malaysia Newsletter Issue 39, 2015

Passion to Perform

Malaysia

Market Structure

Bursa Malaysia issues guidance on permissible non-cash incentives for clients

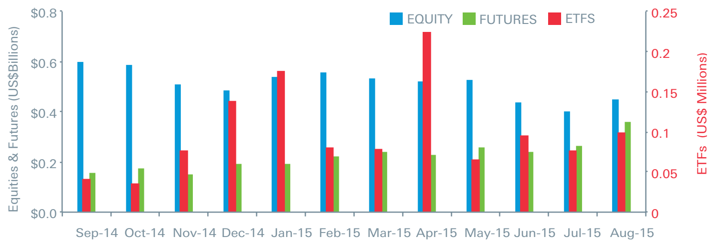
On 9th September, the Bursa issued guidance clarifying the rules relating to non-cash incentives that currently state that "a Participating Organisation and its Dealer's Representatives must not give any rebate on the commission that results in the client paying less than the minimum commission". The exchange explained that this rule refers to an obligation not to give any cash rebate on the commission that results in the client paying less than the minimum commission. Non-cash rewards or incentives do not form part of the obligation and may be offered to clients without being subjected to the minimum commission.

Examples of permitted non-cash incentives include:

— Educational training and research materials. Participating Organisation and its Dealer's Representatives may offer its Clients free investment seminars or talks, or a free subscription to financial journals or magazines;
— Accumulation and redemption of points or free gifts – "Participating Organisation and its Dealer's Representatives may offer its Clients electronic products such as computers or telephones based on the accumulation and redemption of points, or free gifts";
— Lucky draws

The Bursa guidance is available at:
http://www.bursamalaysia.com/misc/system/assets/15465/Annexure%201-%20Best%20Practice%2011%2002(3B)%20-%20rewards%20and%20incentives9Sept2015.pdf

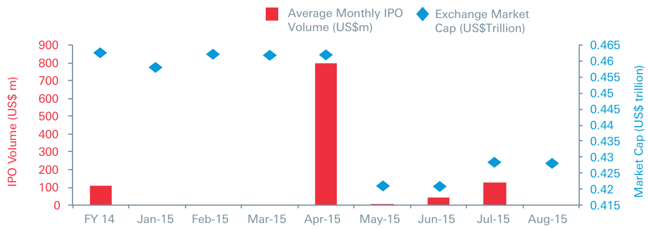
Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

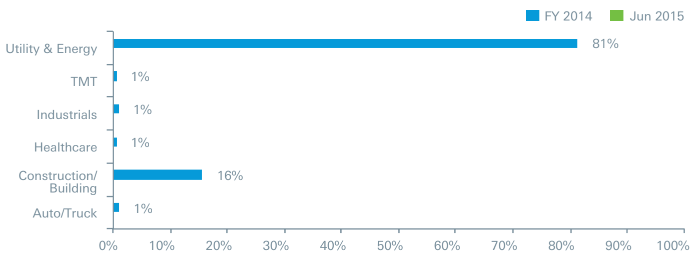
Fig 1. The Malaysian government has announced a spending of 20Bn ringgit (US $4.6Bn) through ValueCap state investment fund starting 14th Sept this year to boost its equity market. It is also cutting taxes for manufacturers in a bid to boost the investor sentiment after Malaysian ringgit dropped 20% versus US dollar and the benchmark index dropped 9% this year.

Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 3: IPO Sector Distribution



Source: Dealogic

Venue News

Exchange consults on sustainability statements

According to the paper released by the exchange on 27th July, currently, a listed issuer is required to disclose its corporate social responsibility ("CSR") activities or practices in its annual reports. In order to promote awareness of the importance of material economic, environmental and social ("EES") risks and opportunities, changes have been proposed to the Main Market and ACE Market listing requirements. New resources include:

— A Sustainability Reporting Guide
— A Sustainability Toolkit including templates, matrix and case studies
— An updated website
— A series of advocacy programmes for company directors

The consultation closed on 24th August, to read the full paper click here:
http://www.bursamalaysia.com/misc/system/assets/14961/ConsultationPaper(Sustainability)vfinal(Master_fair)_27Jul2015.pdf

Derivatives Exchange wins award

In a ceremony hosted in Singapore on 23rd September, the Derivatives Exchange of Bursa Malaysia won Best Emerging Exchange at the Futures and Options World Awards. It was noted that the exchange had been awarded by the CFTC Foreign Board of Trade status in Janaury 2015. Bursa Malaysia CEO Dato' Tajuddin Atan, said:

"It has been an eventful year for the derivatives mar ket. It started with the US CFTC granting BMD the Foreign Board of Trade in January this year, allowing US participants to directly access BMD market through the electronic order entry and trade matching system on CME's GLOBEX®. The opening of the BMD market to US participants is the final regulatory building block for BMD. It has opened up more opportunities for US participants to trade, hedge and arbitrage on our derivatives products."

Sources:
www.bursamalaysia.com
www.mondovisione.com

Chart Definitions

Volatility: Standard deviation of index price returns over last 30 day period

Market Share: Percentage distribution of total value traded (USD) on the exchange/venue year to data

Estimated Cost of Trading: Expected arrival price impact calculated using Deutsche Bank's internal market impact model for all index constituents, weighted average

Turnover Velocity: Ratio of USD volume traded on the exchange versus exchange market cap for the given month, annualised

ETF Volume: Total traded value (USD) of listed equity ETFs for the given month, average

Futures Volume: Total traded value (USD) of equity index futures for the given month, average

Equities Volume: Total traded value (USD) of listed stocks on equity exchanges in respective country for the given month, average

Primary Index* Spread: Primary index bid/ask spread, averaged over the trading day

Average Trade Size: Bid/Ask size of primary index constituent averaged over the day, across constituents

Index Price Change: Monthly percent change in country's primary index level benchmarked to beginning of the year level

Market Movers: Stock constituents of the primary index with biggest change in price levels in the given month

Total IPO Volume: Aggregated US$ size of all new equity listings in the given month

Exchange Market Cap: Aggregated US$ market capitalisation value of all individual equity instruments listed on the exchange

IPO Performance: Percentage change in price level from day of listing of the equity instrument, until the close of next following day (1day), month (1month) and last trading day of previous month (current)

*List of primary indices by country:

Australia	S&P/ASX 200 Index
China	Shanghai Shenzhen CSI 300 Index
Singapore	FTSE Straits Times Index
Hong Kong	Hang Seng Index
Indonesia	Jakarta SE Composite Index
Malaysia	FTSE Bursa Malaysia KLCI Index
Korea	Korea SE Kospi 200 Index
India	CNX Nifty Index
Philippines	Philippine SE Composite Index
Thailand	SET 50 Index
Japan	TOPIX Stock Price Index
Taiwan	Taiwan SE Weighted Index
United States	S&P 500 Index
Europe	Europe 600 EUR Price Index

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