

Global Market Structure

Asia Pacific Newsletter
Issue 40, 2015

Passion to Perform



Issue 40, 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, Nithin Nath, Shailendra Kumar, Gyanendra Agrawal, Niru Sureshkumar, Brandon Ong

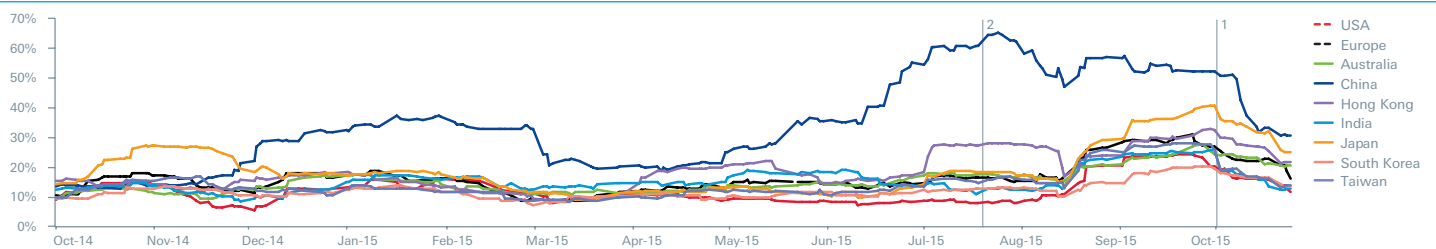
APAC and ASEAN Summary

Welcome to Issue 40 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 are able to return to the more normal format for China as the volatility subsides. With IPOs coming back on line, brokers able to run net short positions again and small changes to QFII the signals point towards a return to policy development. The circuit breaker rule is confirmed and will come into force on 1st January; the market awaits the conclusions of the Program Trading rules that propose the registration of execution and investment strategies showing the continued focus on developing a robust regulatory environment in synch with global developments.

The new dark pool – or Alternative Liquidity Pool – regime has gone live in Hong Kong with brokers publishing their operating guidelines. India goes into year end with a continued positive feel with the approval for the BSE and NSE to list coming through from SEBI after a number of years. Japan has moved to an upgraded version of Arrowhead showing improved latency, new functionality such as a kill switch and increased processing capacity. This will further support the activity in Japan with reports showing around 70% of the orders placed on TSE are from HFT.

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



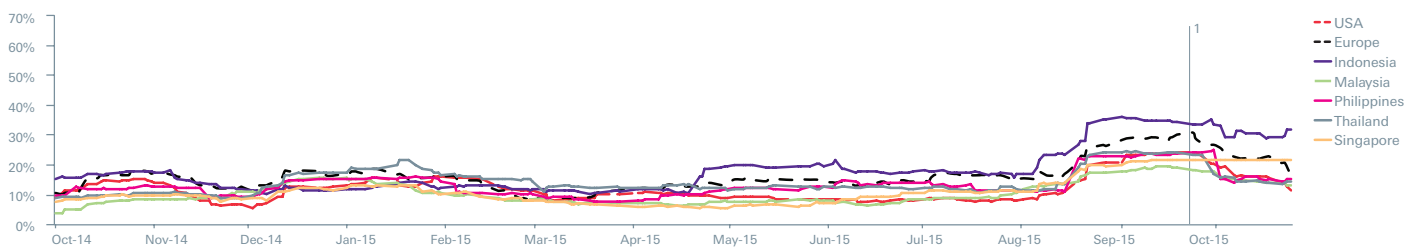
Source: Thomson Reuters

APAC Volatility	Oct-15	Oct-14
Australia	23%	12%
China	41%	14%
Hong Kong	27%	15%
India	17%	13%
Japan	33%	19%
South Korea	17%	11%
Taiwan	18%	13%

1. Following a period of regulatory reforms in China and legal actions against market offenders over the last two months, it is good to see the volatility levels stabilise.

2. China's benchmark indices dropped 15% in July and another 12% in August leading the central to stabilise the stock market.

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



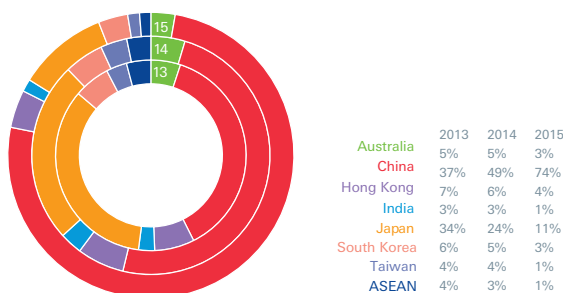
Source: Thomson Reuters

ASEAN Volatility	Oct-15	Oct-14
Thailand	16%	10%
Singapore	19%	9%
Malaysia	15%	7%
Indonesia	31%	17%
Philippines	17%	12%

1. Global and regional APAC markets have impacted volatility in ASEAN region as well. Indonesia's stock market has had a difficult few months as the benchmark index dropped 20%

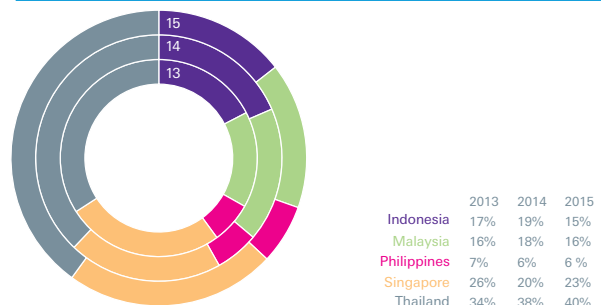
this year and the currency has fallen to its 17-year low. Local regulators tightened daily price move restrictions among other moves to contain the volatility.

Fig 3: APAC Market Share Distribution



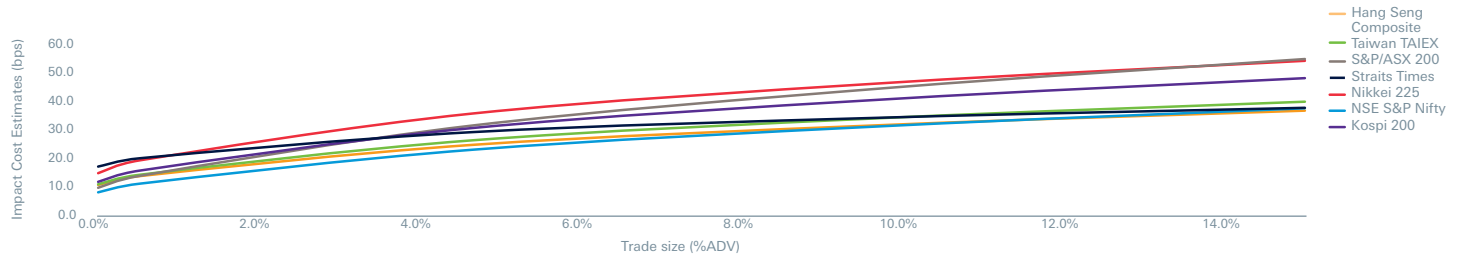
Source: Thomson Reuters

Fig 4: ASEAN Market Share Distribution



Source: Thomson Reuters

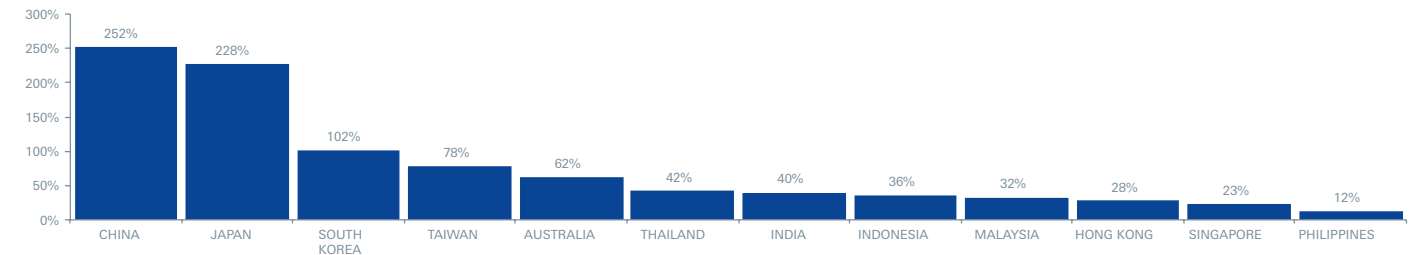
Fig.5 Impact Cost Estimate



Source: Thomson Reuters

Fig 5. As the volatility subsides, the implicit costs of execution have also come down versus last month as well as versus last 3 months average by 18% and 7% respectively.

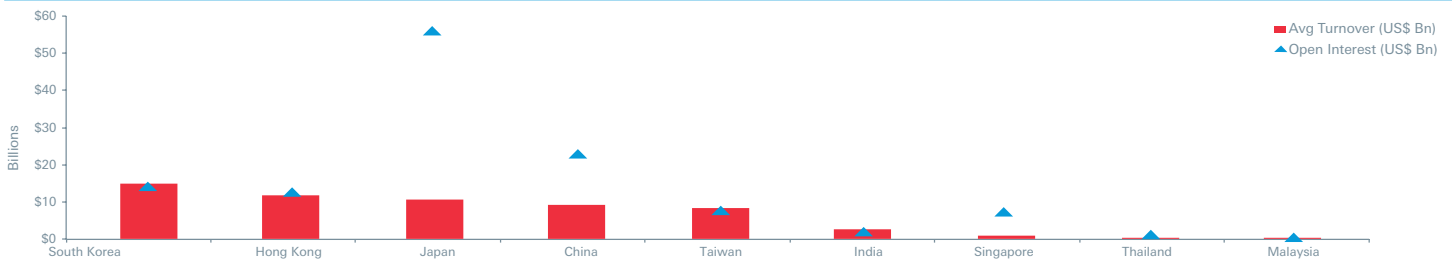
Fig.6 Turnover Velocity



Source: Thomson Reuters

Fig 6. Turnover velocity in China and Japan are almost at par after market volumes and index levels in China reached lifetime highs.

Fig.7 Primary Futures Turnover vs Open Interest



Source: Thomson Reuters

Fig 7. Since the introduction of new rules in China to contain speculative behavior on futures trading, domestic futures volume has dropped over 98%.

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	74.29%	252%	100%	-	5%	-3%	9	7,604	46%	139,925	307,969	96
JAPAN	10.76%	228%	95%	35.0	5%	11%	25	1,438	34%	22,502	11,955	150
HONG KONG	4.27%	28%	99%	24.4	7%	-5%	13	5,357	28%	6,652	9,908	80
SOUTH KOREA	3.47%	102%	100%	30.1	9%	2%	21	63	17%	7,252	13,679	65
AUSTRALIA	2.97%	62%	83%	31.0	3%	-4%	13	924	23%	6,486	4,171	20
INDIA	1.47%	40%	100%	22.8	4%	-3%	7	131	21%	2,972	2,460	4
TAIWAN	1.43%	78%	100%	26.0	7%	-8%	41	4,198	23%	3,198	7,217	42
THAILAND	0.53%	42%	100%	-	1%	-9%	42	10,894	20%	1,119	2,043	0
SINGAPORE	0.31%	23%	100%	28.7	0%	-15%	17	2,121	21%	637	155	1
MALAYSIA	0.22%	32%	100%	-	4%	-5%	20	3,025	17%	487	263	0
INDONESIA	0.19%	36%	100%	-	1%	-16%	20	7,955	33%	490	11	0
PHILIPPINES	0.08%	12%	100%	-	1%	-2%	16	6,782	20%	136	-	1

Source: Thomson Reuters

Contact

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

2015 Timeline Summaries

Hong Kong

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		Launch of new pre-trade check SPSPA, and Short selling on Stock Connect							SFC highlights order level IDs to aid cross-border trade surveillance		New ALP rules go live
		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		HKEx Chief Executive said Shenzhen-Hong Kong Stock Connect won't be launched in 2015

China

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		CSRC allows Mutual Funds to trade HK	Free Trade Zone expands its borders to include 3 new districts		CSRC release FAQ on beneficial ownership	CFEEX announces new requirement for stock index futures	CSRC bans intra-day short selling		China cuts dividend taxes for long-term shareholders		Draft Rules of Program Trading released for consultation
		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	Irish UCITS given Stock Connect approval	China probes into program trading & suspends trading accounts China revamps investment plan for China's pension funds		Guideline to deepen reforms of SOEs		RMB gains SDR status IPO approvals resumed Circuit breaker rules confirmed

Taiwan

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	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		Taiwan Government to help local banks to expand into South East Asia
		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		Amended Guidelines on the Handling of Borrowing and Lending of Securities by Securities Firms

Japan

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			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		Japan keen to join China's RQFII scheme JPX appoints two new Executive Officers
			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		New Arrowhead Cash equity trading system goes live on Tokyo Stock Exchange	Japanese government invests in 'Fintech' S&P, JPX announced agreement to launch S&P/JPX smart beta index series in Japan High frequency trading through TSE's co-location service is 50% of TSE transactions		

India

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		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		SEBI releases disclosure rules for listed companies SEBI seeks public comments on interoperability report		SEBI, exchanges upgrade risk management systems SEBI approves new listing norms for NSE and BSE	
	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			India's stock market sees biggest IPOs in the last 5 years while take up of listing under new early stage company rules is limited	

South Korea

2015

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
		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 June 15, 2015		The role of Private Equity in the Evolving Financial System		KRX Fee Schedule Expansion of Clearing Eligible Transactions for KRW interest rate swap			
	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	China's economic slowdown and its impact on Korea's economy		Korea to exempt tax on overseas equities ETFs KRX seeks to boost ETF market		FSC plans to make it easier for start-ups to access funding

2015 Timeline Summaries

Australia

2015



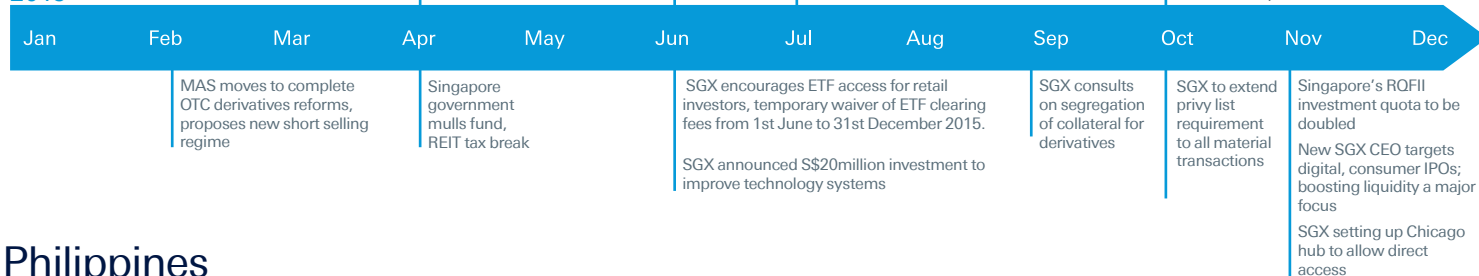
Thailand

2015



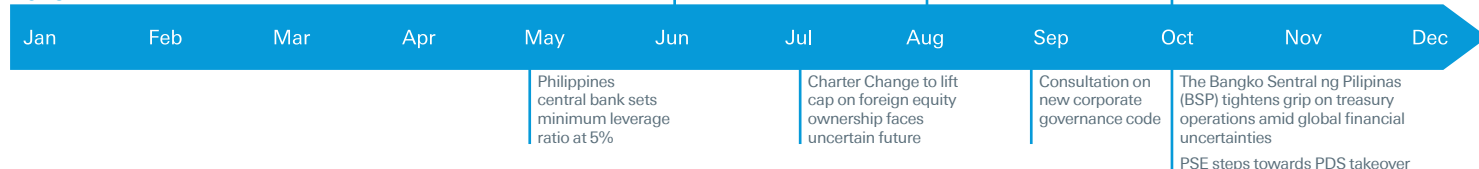
Singapore

2015



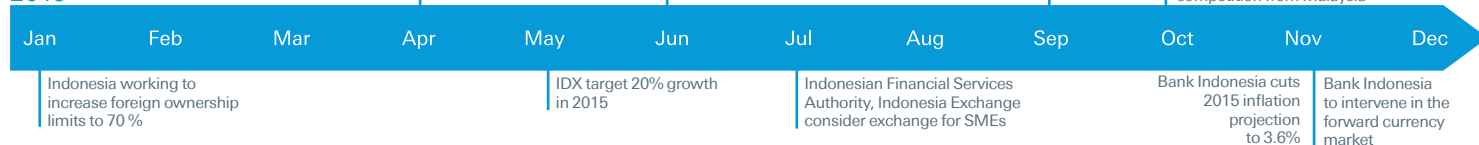
Philippines

2015



Indonesia

2015



Malaysia

2015





Hong Kong

Market Structure

ALP rules come into force 1st December

The new Alternative Liquidity Pool (“ALP”) rules came into force following a consultation and preparation period of over 18 months. Previous to the rules coming into play, the operators of ALPs (more commonly known as dark pools), were subject to individually agreed licenses which depending on when the license was granted could contain differing conditions. By bringing the conditions into regulation, these conditions were harmonised and a level playing field created for the providers.

According to the SFC’s conclusions, the regulatory issues relevant to the new rules were:

- (a) Restricting user access to ALPs to “institutional investors”;
- (b) Enhancing the level of disclosure to users of ALPs through ALP guidelines;
- (c) Ensuring user order priority over the proprietary orders of ALP operators and their affiliates;
- (d) Restricting the level of visibility of trading information that is available to the staff of ALP operators;
- (e) Not restricting the hours of operation of ALPs;
- (f) Allowing ALPs to transact overseas listed securities as well as Hong Kong listed securities;
- (g) Ensuring the system adequacy of ALPs by addressing issues such as system controls, reliability, capacity, security and contingency measures; and
- (h) Enhancing risk management control, record keeping and reporting requirements.

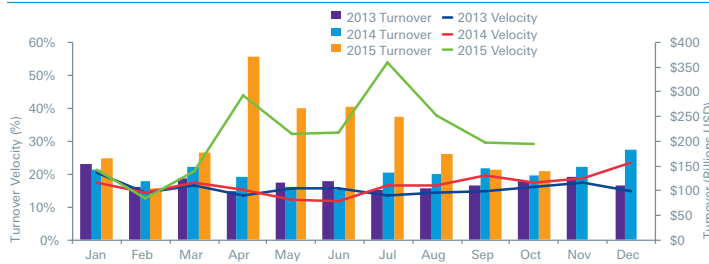
The rules may result in a reduction of the number of operators with BNP stating they would no longer provide an ALP from 1st December due to the additional burden. Those who received their license in more recent years are less likely to need to make changes given the conditions could already have been imposed.

To access Deutsche Bank’s ALP Guidelines for SuperX, click here:

SFC considers order level IDs for surveillance purposes

SFC’s Chief Executive Ashley Alder gave a speech in the 6th Pan-Asian Regulatory Summit where he stated that the regulator was exploring ways to strengthen ties with CSRC, in particular trade surveillance on Stock Connect, and shared the themes which it is working on. One of the themes that may have a fundamental impact on the market structure in Hong Kong is the potential introduction of identification (“I.D.s”) information for the better detection of misconduct. The SFC is looking into the feasibility of identifying market orders directly at a client level rather than at a broker level. The move towards having I.D.s for surveillance purposes can be seen in other jurisdictions such as the requirement for large trader IDs in the US and the proposal for IDs on algo orders in MiFID II. Mr. Alder stated:

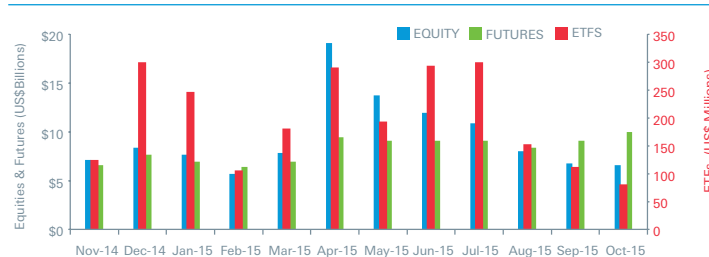
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 28% October 2014: 17% October 2013: 15%

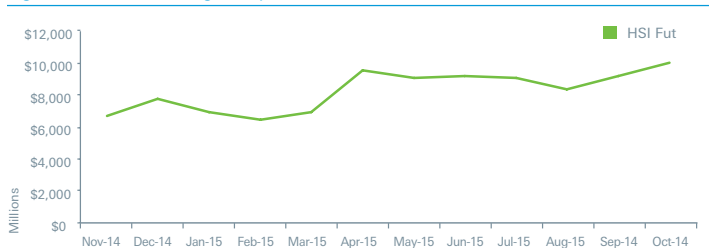
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Equities and ETF trading volumes in Hong Kong have come off the peaks seen during the summer this year, down 8% and 37% respectively vs last year. Futures turnover however continues to be strong, up 37% vs last year.

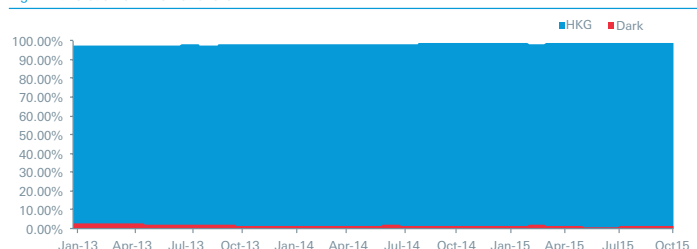
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Hong Kong futures turnover is up 37% YoY and in the recent months the volume has been consistent and resistant to volatility from China.

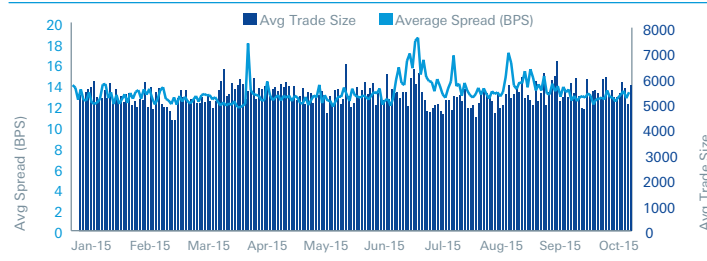
Fig 4: Lit versus Dark Market Share



Source: Thomson Reuters

Fig 4 New rules restricting individual investors from participating in ALPs (alternate liquidity pools) in Hong Kong went live 1st December.

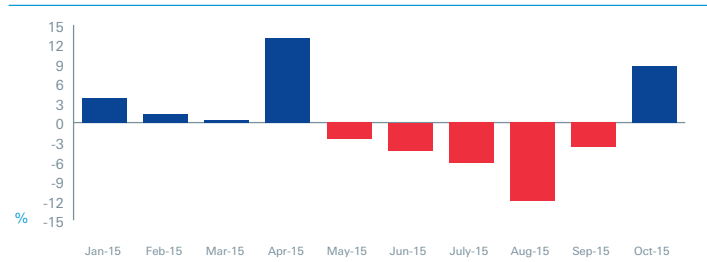
Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 5. Trading microstructure of Hong Kong has not changed significantly this year outside of a few weeks in summer where volatility in China had impact on all global markets.

Fig 6: MoM Index Price Change



Source: Thomson Reuters

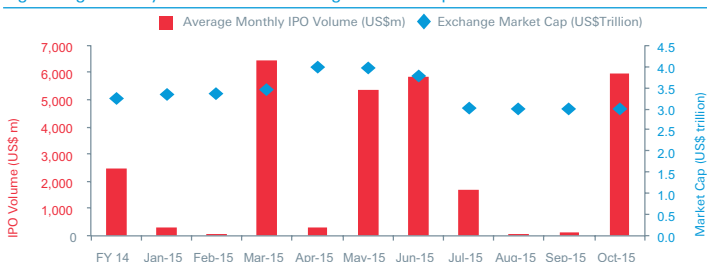
Fig 6. Hang Seng Index has recovered over 8% from its lowest level in September this year but is still down 4% versus beginning of the year.

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
0386.HK	14%	1,414,564,000	0.90	0027.HK	23%	1,796,604,000	1.18
0857.HK	9%	1,696,243,000	0.89	1928.HK	14%	2,076,939,000	1.25
1398.HK	9%	3,194,913,000	0.74	0388.HK	11%	3,101,312,000	0.59
2318.HK	9%	4,126,719,000	0.64	0823.HK	9%	417,418,100	0.66
3988.HK	8%	2,741,304,000	0.66	0003.HK	8%	457,762,900	0.86
0016.HK	4%	945,977,600	0.69	0019.HK	2%	391,028,600	1.00
0001.HK	3%	1,543,061,000	0.72	0011.HK	2%	559,020,900	0.85
2628.HK	1%	2,645,609,000	0.78	0688.HK	1%	1,578,416,000	0.98
0267.HK	-1%	718,545,600	0.66	1113.HK	-4%	802,976,500	0.45
0941.HK	-2%	4,700,096,000	1.06	0762.HK	-4%	1,890,087,000	1.40

Source: Thomson Reuters

Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 8. Demand for IPOs is starting to revive again after the summer volatility period, when both investors and issuers were very cautious. Biggest prospective IPO coming up by the end of this year is China Energy Engineering, which has started premarketing a deal, expected to raise US\$2 billion.

“Our next step is usually to require the broker who handled the trades to tell us more, including who was behind the trades, and this in turn can lead to a broader investigation. [...] Specifically we’ll see whether it would be feasible for us to identify market orders directly at a client level rather than at a broker level to better detect potential misconduct.”

The project will be a longer term initiative.

Other highlights from the speech include:

1. Further integration of Mainland and Hong Kong

- In light of strengthening supervision, Mr. Alder noted that information sharing between the two agencies has been working well with “consistent rapid responses” to enquiries.
- The increased integration has also allowed further supervision coordination with the CSRC on Mainland-headquartered financial firms whose subsidiaries are licensed by SFC. Information sharing can give the SFC a far better idea about how those firms function, and how they manage risks across Hong Kong and China markets.
- The SFC has established a dedicated Mainland Affairs Unit this year, headed by an experienced former CSRC Deputy Director General and was also a former Deputy General Manager at the Dalian Commodity Exchange.

2. Themes that the SFC is currently working on

- To extend Hong Kong’s lead as an Asian asset management centre, including MRF.
- To enhance the SFC’s Fund Manager Code of Conduct around topics such as commissions and distribution channels. Currently, distribution channels are limited to banks which make fund investment too expensive for investors. The introduction of different types of distribution platforms means the SFC will need to issue more guidance on suitability and Know Your Clients requirements.
- The SFC is in early stage of discussion with the HKEx on an exchange-based platform aimed at fund distribution through brokers.
- Continued focus on listing regulation. They are “very conscious” of issues to do with small public floats ripe for manipulation, problems with backdoor listings and corporate misconduct.

To read the complete speech by the SFC’s CEO, Mr Ashley Adler, at 6th Pan-Asian Regulatory Summit, please click:

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=15PR98>

SFC proposes to expand short position reporting

The SFC launched a consultation on expanding the scope of short position reporting to “all” securities that can be short sold. The proposed expansion also covers collective investment schemes (“CIS”) with reporting threshold of HK\$30 million only (i.e. no percentage). Consultation period will end on 31st December 2015.

The SFC’s CEO Mr. Ashley Alder said in a statement that “We have seen growth in short selling since the short position reporting regime was introduced in 2012. The expanded regime will help improve monitoring and enhance market transparency, and this will be conducive to the long-term development of the industry.”

To access the proposed consultation of short position reporting (expanded):

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=15PR114>

Fig 9: IPO Sector Distribution

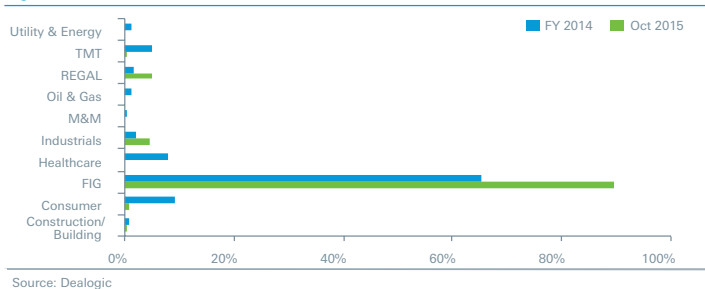


Fig 10: IPO Performance

	# 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

SFC launches pilot initiatives to enhance retail fund authorisation process

The SFC released a circular (Circular to management companies of SFC-authorized unit trusts and mutual funds - Launch of pilot revamped fund authorization process) on 9th October 2015 detailing a pilot period for a new retail fund authorisation process ("revamped process") for new fund applications and for new Mandatory Provident Funds ("MPF") and Pooled Retirement Fund ("PRF") products with effective date 9th November 2015.

The pilot period will last for 6-month from 9th November 2015 to 9th May 2016. The SFC may extend the pilot period beyond 9 May 2016 and may make refinements before the initiatives adopted as policy. In addition, the regulator also released an information checklist and FAQ on the revised procedures and transitional arrangements.

The key points of this revamped process are as follow, according to law firm Dechert:

1. The SFC decided to accept or reject a new application for fund authorisation processing within 5 business days since receipt of the application.
2. The initial vetting period allows the SFC to categorize the applications into
 - (i) Standard Applications; or
 - (ii) Non-Standard Applications
3. A "Standard Application" is one where the fund under application is a new sub-fund of an existing SFC-authorized umbrella fund. Authorization (if granted) will be granted, on average, within 2 months from the date of receipt of application.
4. A "Non-Standard Application" is any application which is not a Standard Application. By definition, all applications for the authorisation of a new fund or umbrella fund range will be classified as a Non-Standard Application. Authorisation will be granted, on average, within 3 months from the date of receipt of the application. In order for Non-Standard Applications to be authorised within 3 months, applicants will be given strict timelines to respond to SFC requisitions, and such timelines may not be extended.

5. The revamped process only affects new fund and sub-fund applications, and no change applied to the existing process of applying for scheme changes of an existing SFC-authorized fund, or of notifying the SFC of immaterial changes or other changes that do not require prior SFC approval.

To access the SFC's Circular to management companies of SFC-authorized unit trusts and mutual funds - Launch of pilot revamped fund authorisation process for complete information, please click below:

<http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=15EC49>

SFC's announcement about the issuing the Circular:

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=15PR96>

HKMA's Exchange Fund assets rise to HK\$3,471 billion in Oct-end

As of end of October 2015, HKMA's Exchange Fund, which is used for backing HKD, totaled HK\$3,471 billion (~US\$448 billion). This figure is about HK\$180 billion higher than that of September, due to rising foreign currency assets and HKD assets. The HKMA's Press Release says:

"The rise in foreign currency assets was mainly due to the purchase of U.S. dollars under the currency board system, the increase in market value of overseas equities and an increase in unsettled purchases of securities. The rise in Hong Kong dollar assets was mainly due to the increase in market value of Hong Kong equities."

To access the full version of HKMA's Press Release, please click:

<http://www.hkma.gov.hk/eng/key-information/press-releases/2015/20151130-3.shtml>

Venue News

HKEx's Chief Executive said Shenzhen Connect won't be launched in 2015, reaction to PBoC comments

HKEx held a ceremony in Hong Kong on 17th November 2015 to celebrate one-year anniversary of the Shanghai-Hong Kong Stock Connect. In the ceremony, HKEx Chief Executive, Mr. Charles Li, made a remark in the ceremony that Shenzhen-Hong Kong Stock Connect will not be launched in 2015. "It would need three to four months to prepare the launch of the Stock Connect between Hong Kong and Shenzhen," Mr. Li said. "As such, it's too late for this year but it will happen sometime next year."

Mr. Li also said there will be further developments for Shanghai-Hong Kong Stock Connect, for example increasing quotas, expanding product scope, as well as rule changes. All these will be introduced at the same time when launching Shenzhen-Hong Kong Stock Connect.

The average daily turnover of northbound flows since the launch total around RMB 6.7 billion (US\$ 1.1 billion), about 0.6% of Shanghai's daily market turnover; for Southbound flows total around HK\$3.3 billion (US\$426 million), less than 1% of Hong Kong turnover. In respond to the low turnover of both places, Mr. Li said "Stock Connect is like building a bridge between Hong Kong and Shanghai," he said. "This is for use for 10 years, 20 years and longer. People who do not choose to walk on the bridge today may walk on it tomorrow."

To read more about the HKEx one-year anniversary ceremony, please click:

<https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/151117news.htm>

In reaction to the publication of a PBoC comment that Shenzhen Connect would go live this year, HKEx released a statement on 4th November 2015 noting the unusual price and trading volume movements of its listed shares on the same day.

In the statement, HKEx clarified that the proposed Shenzhen Connect is subject to regulatory approval and no agreement with the Mainland Chinese counterparts has been entered into yet, and it will make an

announcement to update investors and the market when appropriate. Apart from the re-posting of this comment, the exchange was not aware of any other reasons that could cause the price and volume movements in the morning trading session.

The news release from the exchange is available at:

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/Documents/151104news.pdf>

HKEx introduced new stock futures contracts and new stock option classes

HKEx introduced a total of 34 new stock futures contracts and 2 new stock option classes. According to Charles Li, HKEx's Chief Executive, these 34 new stock futures contracts are most actively-traded stocks in Southbound trading under Stock Connect, accounting for around 60% of Southbound trading turnover. The additions brought the total number of stock futures traded in HK to 71.

At the beginning, 18 of the new stock futures contracts and the 2 new option classes were available for trading starting from 30th November 2015. The remaining 16 new stock futures contracts start trading on 7th December 2015.

The exchange has also invited applications for market makers for the new futures and options.

To access the lists of new futures and options introduced by HKEx:

<https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/151118news.htm>

To access the speech by Mr. Charles Li:

<https://www.hkex.com.hk/eng/newsconsul/blog/blog.htm>

Hong Kong Futures Exchange and London Metal Exchange to build "London – Hong Kong Connect"

The Hong Kong Futures Exchange Limited ("HKFE"), HKFE Clearing Corporation Limited ("HKCC"), the London Metal Exchange ("LME") and LME Clear Limited ("LME Clear"), subsidiaries of HKEx and members of the HKEx Group, signed a non-binding memorandum of understanding ("MOU") on 21st October 2015 to establish a trading link between HKFE and the LME and a clearing link between HKCC and LME Clear, named "London – Hong Kong Connect". The MOU was signed as part of a series of initiatives announced between Chinese President Xi Jinping and British Prime Minister David Cameron during Mr Xi's state visit.

The link will allow HKFE's eligible Exchange Participants to trade LME products, and HKCC's eligible Clearing Participants to clear those trades. According to HKEx Chief Executive Charles Li, the link will enhance market access for participants and expand the potential investor base of the LME market.

The proposal is subject to regulatory approval in Hong Kong, the United Kingdom and the European Union. No formal deal has been entered into and HKFE, HKCC, LME, and LME Clear will further discuss the model's details at a later date.

The news release from the exchange is available at:

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/151021news.htm>

The supplementary information on "London – Hong Kong Connect" is available at:

http://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/Documents/151021FAQ_e.pdf

Personnel News

SFC welcomes re-appointment of Chairman

The SFC announced welcoming of the re-appointment by the Hong Kong Chief Executive of Mr. Carlson Tong as the Chairman of the SFC for a term of three years effective from 20th October 2015. Mr. Tong has been serving as a non-executive director of the SFC since 1st April 2011 and was first appointed as Chairman on 20th October 2012.

To access the SFC announcement about this re-appointment:

<http://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=15PR91>

HKEx announces senior appointment

HKEx has appointed Brian Roberts as a Senior Vice President in its Product Development Department. Mr. Roberts joined HKEx on 22nd October 2015, and will be overseeing the exchange's Exchange Traded Funds (ETFs) business. He reports to Rebecca Brosnan, HKEx's Head of Product Development.

Before this, Mr. Roberts worked for 12 years at Vanguard, where he was part of the company's global ETF business. He led the launch of Vanguard's Canadian ETF business, and was critical in expanding the company's ETF business in Asia. Mr. Roberts has been based in Hong Kong since 2012 where he focused on developing Vanguard's Asia ETF strategy.

The news release from the HKEx is available at:

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/151022news.htm>

HKEx announces group structural changes and names new COO

In preparation to launch its strategic plan for 2016-2018, HKEx announced appointment of Trevor Spanner, currently CEO of the London Metal Exchange clearing house (LME Clear) and Head of Global Clearing (Europe) to replace Henry Ingrouille to HKEx's COO starting January 2016 to head the new platform-development division. This new division will be comprised of group project management and selected information technology development teams.

Also, there will be new creation of three divisions, namely the Clearing Division, the Markets Division and the Market Development Division. The Clearing Division will be headed by Calvin Tai, which will include HKEx's Hong Kong clearing businesses and clearing risk management. The Markets Division will be headed by Roger Lee, which will include cash trading, derivatives trading, market data, and market surveillance and monitoring functions. The objective of setting up Clearing Division and Markets Division is to gradually consolidate all Hong Kong clearing and trading businesses to utilise synergies. Separately, the Market Development Division will be co-headed by Romnesh Lamba (who heads Global Markets) and Li Gang (who co-heads the Mainland Division). Market Development will be responsible for developing new revenue and product initiatives in both the international and Mainland markets across all asset classes.

To know more about the HKEx's group structure change, please click:

<https://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/1511182news.htm>

Contact

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

Sources:

<http://www.sfc.hk>
<http://www.hkex.com.hk>
<http://www.lexology.com>
<http://www.reuters.com>
<http://www.wsj.com>



China

Market Structure

QFII and RQFII updates:

The following new QFII licenses received quota in October and November 2015:

October:

1. Keywise Capital Management (HK) Limited, US\$ 75million
2. E Fund Management (Hongkong) Co., Limited, US\$ 698million
3. Taikang Asset Management (HK) Company Limited, US\$ 240million

November:

4. Oppenheimer Funds, Inc., US\$ 500 million
5. GF International Investment Management Limited, US\$ 375 million
6. The Bank of Nova Scotia, US\$ 85 million
7. Pictet Asset Management Limited, US\$ 108 million
8. Robeco Institutional Asset, US\$ 126 million
9. Oversea-Chinese Banking Corporation Limited, US\$ 102 million
10. T. Rowe Price Associates, Inc., US\$ 160 million
11. Aberdeen Asset Management Asia Limited, US\$ 200 million
12. Aviva Investors Global Services Limited, US\$ 45 million
13. Assicurazioni Generali S.p.A., US\$ 83 million
14. Grantham, Mayo, Van Otterloo & Co.LLC, US\$ 75 million
15. British Columbia Investment Management Corporation, US\$ 500 million
16. CMS Asset Management (HK) Co., Limited, US\$ 20 million
17. Greenwoods Asset Management Hong Kong Limited, US\$ 237 million
18. Skandinaviska Enskilda Banken, US\$ 31 million
19. China Life Franklin Asset Management Co., Limited US\$ 280 million

Separately, SAFE granted new RQFIIs the following quota:

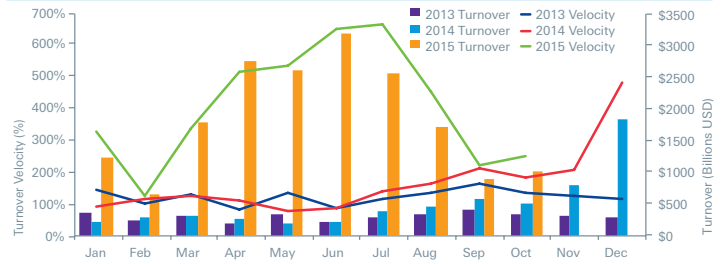
October

1. Amundi Singapore Limited, RMB 2.8 billion
2. Union Bancaire Gestion Institutionnelle(France) SAS, RMB 2 billion
3. Korea Investment & Securities Co.,Ltd., RMB 1 billion
4. KDS Asset Management Co.,Ltd., RMB 2 billion
5. CI Investments Inc., RMB 0.225 billion

November

1. Mirae Asset Securities Co.,Ltd, RMB 1 billion
2. Kiwoom Asset Management Co.,Ltd, RMB 3 billion
3. Yuanta Securities Korea Co., Ltd, RMB 2.5 billion
4. Daishin Securities Co., Ltd, RMB 2.5 billion
5. Samsung Fire & Marine Insurance Co., RMB 3 billion
6. Industrial and Commercial Bank of China (Europe) S.A., RMB 4 billion
7. Bank of China (Luxembourg) S.A., RMB 1 billion

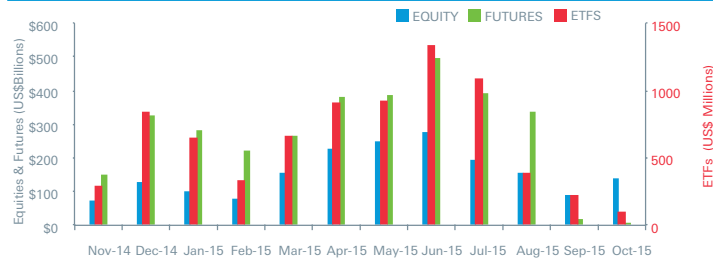
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover in equities market came down in the last few months, but the trend from September to October is once again upward facing. As volatility has stabilized, both local and foreign investors are once again starting to come back to trading China.

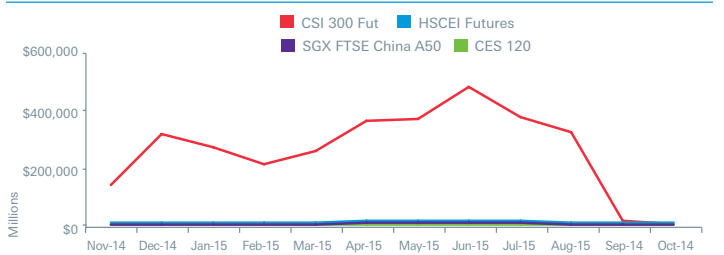
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Chinese ETF market continues to shrink in absence of economic catalysts and slow growth.

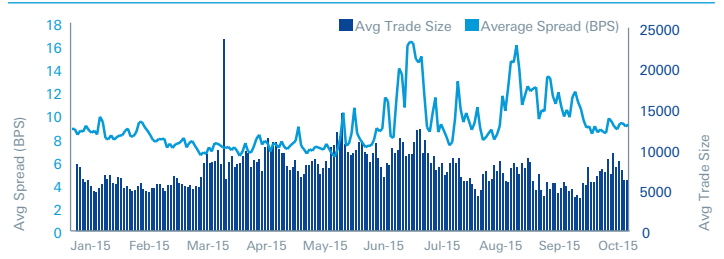
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Domestic futures turnover dropped 98% following the new restriction rules on opening positions and new increased margin requirements announced by CFFEX.

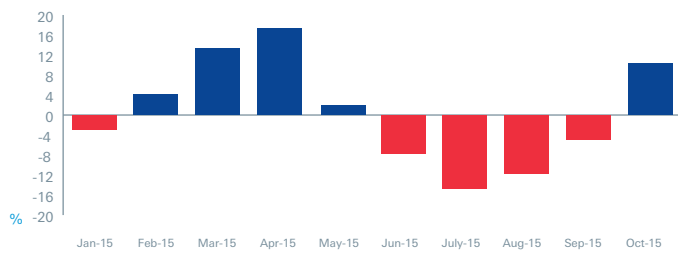
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. Average stock spreads continue to be slightly higher than the past average observed in January and February.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

Fig 5. China's benchmark indices are now up 8% versus January this year, recovering from the lows over the Summer.

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
300059.SZ	35%	15,891,750,000	1.05	600570.SS	39%	6,708,508,000	0.67
002024.SZ	28%	15,315,870,000	0.90	000738.SZ	37%	3,908,378,000	1.18
000768.SZ	26%	4,937,755,000	0.69	000728.SZ	35%	2,593,756,000	0.63
603993.SS	26%	1,873,634,000	0.52	600415.SS	32%	3,754,203,000	0.60
600958.SS	23%	2,000,658,000	0.53	002230.SZ	32%	4,890,243,000	0.94
600019.SS	-2%	807,830,100	0.28	000156.SZ	-2%	727,906,200	1.09
000625.SZ	-2%	2,271,361,000	0.73	600005.SS	-4%	1,005,109,000	0.27
600886.SS	-2%	5,002,336,000	0.63	300251.SZ	-8%	3,152,152,000	1.01
002252.SZ	-4%	927,436,300	0.63	300027.SZ	-14%	2,450,979,000	0.78
601633.SS	-67%	1,547,877,000	0.95	601021.SS	-44%	726,276,400	0.76

Source: Dealogic

IMF adds RMB to the Special Drawing Right (SDR) basket

The Executive Board of IMF completed the regular 5-year review of Special Drawing Right ("SDR") basket on 30th November 2015 and decided to include RMB into the SDR basket effective 1st October, 2016. RMB will be included as the fifth currency, along with the U.S. dollar, Euro, British pound, and Japanese yen. IMF said RMB meets "all existing criteria" for SDR basket inclusion. From 1st October, 2016 onwards, the 3-month benchmark yield for China Treasury bonds will serve as the RMB-denominated instrument in the SDR interest rate basket.

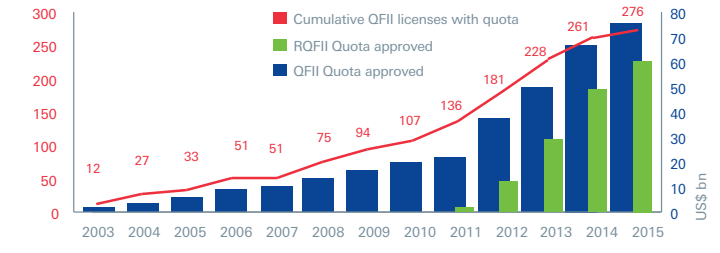
In addition, the IMF also adopted a new formula for determining currency weighting in the basket. The value of the SDR will be based on a weighted average of the values of currency basket with the following new weighting effect on 1st October, 2016:

- U.S. dollar 41.73% (compared with 41.9% at the 2010 Review)
- Euro 30.93% (compared with 37.4% at the 2010 Review)
- Chinese renminbi 10.92%
- Japanese yen 8.33% (compared with 9.4% at the 2010 Review)
- Pound sterling 8.09% (compared with 11.3% at the 2010 Review)

IMF Managing Director, Ms. Christine Lagarde, said at the conclusion of the meeting:

"[The] decision to include the RMB in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system. It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China's monetary and financial systems. The continuation and deepening of these efforts will bring about a more robust international monetary and financial system, which in turn will support the growth and stability of China and the global economy."

Fig 7: Cumulative QFII and RQFII Licenses and Quota Granted



Source: Deutsche Bank, CSRC, SAFE

Fig 7. RQFII licenses continue to receive quota, new applicants are receiving licenses at a similar pace to past.

Fig 8: Avg Monthly IPO size and Exchange Market Cap

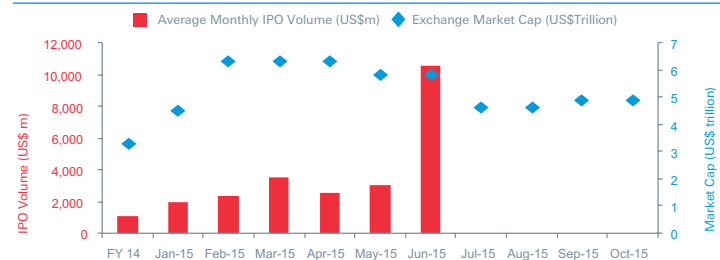
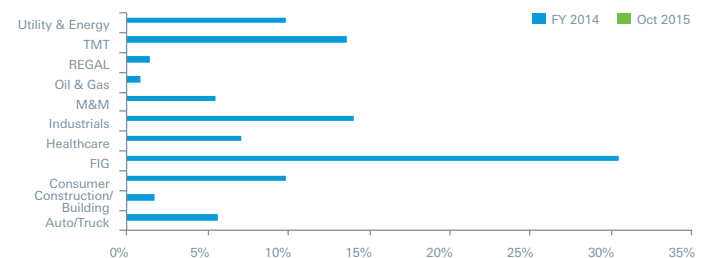


Fig 8. Early this November, CSRC announced plans to resume IPOs by end of year. No dates were disclosed but it is expected that the new listings that were approved before the freeze would be the first ones to get listed.

Fig 9: IPO Sector Distribution



Source: Dealogic

PBoC hailed on the IMF's decision and issued a statement that this shows the IMF's recognition of China's economic development, reform and opening-up achievements. PBoC feels the RMB will boost the representation of the SDR and improve the current international currency system.

To access IMF's Press Release of including RMB into the SDR basket, please click:

(English): <http://www.imf.org/external/np/sec/pr/2015/pr15540.htm>

(Simplified Chinese): <http://www.imf.org/external/chinese/np/sec/PR/2015/pr15540c.pdf>

To access the Factsheet of Review of SDR Currency Basket, please click:

<http://www.imf.org/external/np/exr/facts/sdr/b.htm>

To access the IMF's Q&A on 2015 SDR Review, please click:

(English): <http://www.imf.org/external/np/exr/faq/sdrfaq.htm>

(Simplified Chinese): <http://www.imf.org/external/np/exr/faq/sdrfaqc.htm>

To access the PBoC statement (Simplified Chinese), please click:

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/2983964/index.html>

CSRC, SSE, SZSE, and CFFEX circulate Draft Rules for Program Trading

In order to regulate program trading ("PT") activities in the securities and futures markets and protect investors' interests, the China Securities Regulatory Commission ("CSRC") published the draft of Administration Rules on Program Trading to solicit public comments. The Shanghai Stock Exchange ("SSE"), Shenzhen Stock Exchange ("SZSE"), and China Financial Futures Exchange ("CFFEX") also circulated their own drafts of implementation details. Consultation ended on 8th November. No timeline has been disclosed by CSRC about when to launch the draft rules, yet it states the rules will become effective 30 days from launch.

Highlights of the CSRC's PT draft rules:

- "Program trading" means trading on orders automatically generated or executed through a designated procedure or particular software.
- "Program Trader" means members and member's clients that conduct program trading activities in this exchange, or trading participants owning/renting Participants Business Units ("PBUs").
- "Program Trader" or "PT Participant" can only use one account to perform program trading.
- Stock exchanges will pay attention (i.e. not limit activity) to particular Program Traders for specific situation, e.g. submitting over 5 orders/second in one trading day, 2000 orders/day or over 3 times of bid-then-cancel within a second.
- Securities and futures companies shall develop separate business and risk management systems for program trading clients.
- For onshore Program Traders involved in securities and futures transactions, they shall not give out trading instructions via PT systems deployed offshore and connect onshore PT systems with offshore computers nor remote control by offshore computers.
- Securities exchanges will implement intra-day net-buy quota on PT of securities companies under their proprietary and asset management business or by fund management companies renting trading units of securities companies.
- Securities companies, asset management companies shall take into consideration internal risk management policies, capital positions and other factors to set and adjust the quota, and shall declare the quota and quota adjustment to the securities exchanges.
- Futures exchange can conduct intra-day limit of position opening on Program Traders. Specific measures shall be formulated by Futures exchange.
- If clients of the securities & futures companies intend to conduct PT, they shall report beforehand the relevant info (as well as any change of info) including their identity, strategy, technical configuration parameters of the PT systems, location of server and contact person, to the securities & futures companies which accept their PT entrustment.
- CSRC "may" require Program Traders to provide program source code, detailed description of trading strategies and related materials in case of enforcement.
- If a client is to connect its PT systems with securities & futures companies' IT systems, the securities & futures companies should sign access agreement with the client, which explicit stipulates that:
 - (1) the client cannot provide services to a 3rd party via its access system that is connected to the securities futures companies;
 - (2) the algorithms used by clients should conform to the verification test and risk assessment.

Otherwise, the securities and futures company would be entitled to decline the entrustment or shut down the connectivity.

- The Securities Association of China ("SAC") and China Futures Association ("CFA") will make separate industry standards, and conduct self-disciplined administration for PT systems' risk management function, as well as PT system connectivity standards between securities/futures companies and their customers.

Deutsche Bank Market Structure is working closely with industry bodies, the exchanges and regulators to see how the above proposals may be applied. For further information please get in touch.

To access the full text click here (Simplified Chinese):

CSRC: http://www.csrc.gov.cn/pub/zjhpublic/G00306201/201510/t20151009_284758.htm

SSE: http://www.sse.com.cn/aboutus/hotandd/ssenews/c/c_20151009_3997231.shtml

SZSE: <http://www.szse.cn/main/aboutus/bsyw/39757156.shtml>

CFFEX: http://www.cffex.com.cn/gyjys/jysdt/201510/t20151009_19307.html

China police arrests GM of largest Chinese private equity fund; busts major futures market manipulation case

Xu Xiang [徐翔], the general manager of one of the largest Chinese private equity funds, Zexi Investment, and nicknamed as one of the "dare-to-die" traders, was arrested on 1st November due to insider trading and market manipulation, according to state-owned news agent Xinhua.

Mr. Xu was considered a legend in the market. According to Fortune, from early 2015 to 5th August, after Chinese stocks fell 27% over 1.5 months, one of Mr. Xu's funds gained 357%, ranking top amongst 1,649 funds. Another fund of his rose by 187%. In addition, a former colleague of Mr. Xu said Mr. Xu has made more than USD\$300 million (~RMB 1,914 million) over the past decade.

Mr. Xu's arrest is the latest in a series of cases targeting onshore traders involved in this year's volatility, which some market rumors said was caused by leveraged traders.

Shanghai Police's announcement of investigation into Xu Xiang and his Zexi Investment (Simplified Chinese):

<http://www.police.sh.cn/shga/wzXxfbGj/detail?pa=110ef360e4374a41369bbec7b77d7cd6c6f351ce6e1f74140a15e2113f08d3c9>

Separately, on the same day, two executives of Yishidun, an international trading company, and the technical director of Huaxin Futures were arrested by Shanghai Police after 3 months of intensive investigation which showed those people manipulated futures trades and made RMB 2 billion (~USD 316 million).

State-owned news agency Xinhua said Yishidan was jointly invested by two HK-based companies respectively set up by Georgy Zarya and Anton Murashov. Ms. Gao Yan, general manager of Yishidan, alleged that the firm used a software developed by Mr. Murashov and a foreign technical team to automatically buy and sell in huge quantities in prices far deviated from market standards and illegally pocketed more than RMB 2 billion (~USD 316 million) with this method.

Citing Shanghai Police's investigation announcement, it said that the accounts used by Yishidan could trade as many as 31 futures contracts within 1 second during June and July this year amid severe market fluctuations, which made it one of the firms with highest trading activities in futures markets, yet with transacted prices significantly deviated from market prices and prices transacted by other program traders.

Before end of August, China's futures market was the world's most active one until introduction of stricter margin requirements, tightened position limits and probes into "malicious" short selling.

Shanghai Police's statement about arresting senior executives of

Yishidun International Trading and the technical director of Huaxin Futures (Simplified Chinese):

<http://www.police.sh.cn/shga/wzXxfbGj/detail?pa=110ef360e4374a413e830a876d55c7100a3f7d0825010f8d8856dbce95c58682>

CSRC resumed IPOs, revised IPO rules and to have new registration-based IPO system

CSRC announced on 6th November resumption of IPOs which were suspended in July this year. 28 companies were approved under the current rules before the market volatility would go public first in batches. 10 of those 28 companies started share sales on 20th November. The remaining will go public by end of this year in two separate batches.

Wind reported these 28 companies altogether are expected to raise around RMB 10 billion (~US\$ 1.6 billion) capital.

To access CSRC Q&A scripts on 6th November about resuming IPO (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201511/t20151106_286123.html

To access CSRC's supplementary information on 15th November about resuming IPO (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwfbh/201511/t20151113_286592.html

In addition, CSRC further revised IPO rules to protect investors with the following draft regulations open to comment until 9th December. Themes include:

- Abolishing full advance payment for shares subscription when an investor bids to subscribe new shares in order to minimise locking up too much capital;
- IPO with less than 20 million shares will be priced directly, which will shorten issuance cycle, improve issuance efficiency, as well as helping small-and-medium-sized enterprises to save their issuance costs;
- The IPO will be stopped if the total payment of subscription is less than 70% of the IPO shares; and
- If any online IPO subscriber does not pay full subscription amount for 3 times within 12 months, such subscriber will be prohibited from IPO subscription for 6 months.

Separately, CSRC is gearing up for registration-based IPO system, moving away from an administrative approval-based system CSRC Chairman Xiao Gang pledged on 21st November that the new registration-based system will be ready by March 2016.

To access CSRC's notice on 6th November about key revisions of IPO rules (draft) (Simplified Chinese):

[证监会完善新股发行制度重启新股发行](#)

To access CSRC's notice of soliciting comments on revised IPO rules (Simplified Chinese):

Main Board: http://www.csrc.gov.cn/pub/zjhpublic/G00306201/201511/t20151106_286135.htm

GEM Board: http://www.csrc.gov.cn/pub/zjhpublic/G00306201/201511/t20151106_286132.htm

China is considering merging three regulators under PBoC

According to Reuters, China has concluded in November that the stock market crash in Summer was partly due to poor inter-agency coordination between three regulators which independently supervise securities, banking and insurance industry and separately report to the State Council. As a result, China's senior leadership is considering bringing together China Securities Regulatory Commission ("CSRC"), China Banking Regulatory Commission ("CBRC") and China Insurance Regulatory Commission ("CIRC") into a single "super-commission" in order to boost coordination.

Actually there have been on-going discussions around a single financial supervisory commission in the past decade but with no progression. The three regulators declined to comment.

Recently, authority figures have expressed publicly the need for major reform of China's financial markets regulators, for example:

- Mr. Yin Zhongqing[尹中卿], the Vice Chairman of the Finance Economic Affairs Committee of the National People's Congress[全国人大财政经济委员会副主任], suggested PBoC, CSRC, CBRC and CIRC to merge into one single regulatory body for better efficiency when conditions are right.
- Separately, Mr. Yang Weimin[杨伟民], Deputy Director of the Office of the Central Leading Group on Financial and Economic Affairs [中共中央财经领导小组办公室副主任], said China will reform its regulatory structure, as stated in its latest 5-year Plan for 2016-2020, as a result of market volatility and cross-asset developments.

China is referencing UK's regulatory set-up as a model after the UK reformed its regulation after the Global Financial Crisis by giving Bank of England more regulatory control over the financial systems to mitigate future bank failures, Reuters said.

To read more about Mr. Yin Zhongqing's speech about merging the three Chinese regulators (Simplified Chinese):

[尹中卿：金融监管框架迫切需要改革 建议“一行三会”合并](#)

To read more about Mr. Yang Weimin speech in the State Council's press briefing (Simplified Chinese):

<http://www.scio.gov.cn/xwfbh/xwfbh/wqfbh/2015/33721/index.htm>

China announces 5-year plan for 2016-2020, 6.5% set as floor for economic growth for 2016

The Communist Party of China adopted a 5-year plan for China's economic and social development for 2016-2020 on 3rd November. The plan was approved at the 5th Plenary Session of the 18th CPC Central Committee which was held during 26th -29th October.

The following are some highlights of the plan:

1. In the last 5 years, China has become the world's second-largest economy with per capita GDP increasing to \$7,800. Agricultural production rises continually and proportion of permanent residents in urban areas reaches 55 percent.
2. Various systems to be improved in next five years. National governance ability to be further enhanced through modernisation and basic systems to be set up in each industry. Nation to be more democratic and rule of law and judicial credibility to be implemented and boosted. Human rights and property rights to be protected effectively.
3. Further improving competition in natural monopoly sectors including electricity, telecommunications, transportation, petroleum, natural gas and public services.
4. Expanding the cyber economy and implementing the Internet Plus plan. Increasing network speed and lowering fees, along with supporting innovation in cyberspace and pushing related industries, business methods, supply chains and logistics chains.
6. Fiscal reform to be strengthened. Responsibilities of central government and other authorities to be moderately strengthened to approve allocation of their income.
7. Financial reform to be accelerated. Issuance and trading system for stocks and bonds to be improved.
8. Financial markets to be opened further. RMB's inclusion in IMF's special drawing right basket to be promoted to make RMB convertible / freely usable.

9. New urbanisation method to be pushed, focusing on improving livelihoods and deepening reform of household registration system.
10. Enhancing online cultural building, encouraging positive cultures in cyberspace and cleaning up the online environment. Promoting mixed development of traditional media and new media and accelerating digital building.
11. Promoting clean production and building green and low-carbon industry systems; promoting green finance and establishing the green development fund. Promoting the use of new energy vehicles and improving the industrialisation level of electric cars. Establishing a nationwide real-time online environmental monitoring system and emission permit system covering all companies with stationary pollution sources.
12. Social insurance system to be improved to cover all residents living in China legally. Insurance rates to be lowered to reasonable level.
13. Reasonable adjustments to pension fund. Investment channels for this fund to be increased and investment returns raised.
14. Policies to be issued on raising retirement age progressively. Progress to be made on commercial old-age care insurance and occupational or corporate pension plans.
15. Full implementation of supplementary health insurance program proposed for jobless rural and urban residents suffering from major diseases. Retirees who live at places other than their workplaces to have hospitalization fees reimbursed under basic health insurance.
16. Full implementation of fertility policy advocated, allowing all couples to have two children. Improvements to reproductive health services, women and children healthcare, and nursing services also proposed.

On the same day (3rd November 2015) as the CPC released the outlines of the 5-year plan, President Xi announced the government had set a 6.5% target for annual economic growth from 2016 to 2020.

According to Xinhua, the 13th 5-year plan is the first era of sub-7% economic growth since Mr. Deng Xiaoping (ex-paramount leader of the CPC) opened China to the outside world in late 1970s. The current Chinese leaders indicated 6.5% GDP target "must be met" and China's GDP/capita income in 2020 to be doubled that of 2010. The latest GDP/capital released on 3rd November is about USD 7,800 (~RMB 49,600); the Chinese economy +6.9%yoy in 3Q 2015.

For the full version of 13th Five-Year Plan (Simplified Chinese), please click:
<http://cpc.people.com.cn/n/2015/1104/c64387-27773659.html>

President Xi's state visit to UK opens 'golden era' of China-UK ties

Chinese President Xi Jinping made an official state visit to the UK from 19th-23rd October. China and UK held a joint news conference and issued a joint statement right after President Xi met with UK Prime Minister David Cameron on 21st October. Both countries agreed to raise their ties to a "global comprehensive strategic partnership" in the 21st century for a win-win relationship.

China encourages Chinese enterprises to invest in north England, and it welcomes UK's decision to be the first major Western country of a prospective founding member of the Asian Infrastructure Investment Bank, adding that China also seeks UK's support in joining the European Bank for Reconstruction and Development.

At the same time, UK will expand cooperation with China in finance, energy, creative industry and visa policy, and welcomes Chinese investment and supports China in reaching a free trade agreement with the European Union.

The joint statement reiterates the study of Stock Connect between London and Shanghai for a long-term partnership. Below is a relevant

excerpt of such:

Both sides welcome London's active participation in the internationalisation of the RMB and will continue to grow London's RMB offshore market. The UK welcomes China's issuance of a sovereign RMB bond in London, the first of its kind outside China. Both sides support the Shanghai Stock Exchange and the London Stock Exchange in carrying out a feasibility study on a Stock Connect.

Separately, CSRC spokesperson Mr. Zhang Xiaojun said that from a technical perspective, it would be impossible to simply copy the current Stock Connect model between Hong Kong and Shanghai for the London-Shanghai link as there are large differences in multiple factors: time zones, regulatory regimes, trading systems, market infrastructure, etc. Therefore a feasibility study is needed to support a pragmatic cooperation between both sides in the future.

For a complete script of the two leaders in the joint press conference, please click:

<https://www.gov.uk/government/speeches/joint-press-conference-david-cameron-and-president-xi-jinping>

For a full (English) China-UK Joint Statement on building a global comprehensive strategic partnership for the 21st Century, please click:

<https://www.gov.uk/government/news/uk-china-joint-statement-2015>

For a full (Simplified Chinese) China-UK Joint Statement on building a global comprehensive strategic partnership for the 21st Century, please click:

[中英关于构建面向21世纪全球全面战略伙伴关系的联合宣言](#)

To have an overall idea about President Xi's schedule in his state visit to the UK, please click:

<http://english.cntv.cn/special/xiukvisit/>

To access full script of CSRC's spokesperson about London-Shanghai link (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwfbh/201509/t20150925_284398.html

Michael Bloomberg and former U.S. top officials push setting up RMB trading and clearing in U.S.

Former New York City Mayor Michael Bloomberg and former senior leaders in finance and U.S. industry announced the formation of The Working Group on U.S. RMB Trading and Clearing ("the Working Group") just before the announcement of IMF's SDR review decision. The Working Group aims to push the establishment of RMB trading and clearing in the U.S. The formation of the Working Group comes after U.S. President Barack Obama and China's President Xi Jinping agreed in September 2015 to further strengthen the financial cooperation between the two countries.

According to Bloomberg news, the group said trading and clearing RMB in U.S. "will improve the competitiveness of U.S. companies, increase market transparency and accrue direct benefits to the U.S. economy."

Michael Bloomberg will serve as the Chair of the Working Group. Mary Schapiro, former Securities and Exchange Commission Chair, will serve as Vice-Chair. The group also includes U.S. Chamber of Commerce President and Chief Executive Thomas Donohue and former U.S. Treasury secretaries Timothy Geithner and Henry Paulson.

According to global transaction services company SWIFT, as of August 2015, RMB ranked the fourth in terms of world payments.

China may relax restrictions on individuals investing overseas; allow QFIIs to setup JVs

On 30th October, one day after the end of 5th Plenary Session of the 18th CPC Central Committee, a group of seven Chinese regulators with PBoC as the lead, announced joint guidelines to ease restrictions on Chinese individuals to invest overseas.

In the guidelines, China is studying letting 'qualified individuals' to directly invest abroad in industry, real estate and financial products through the Shanghai Free Trade Zone ("Shanghai FTZ"). This approach is commonly known as "QDII2" in the market.

Separately, the guidelines also recommended allowing Qualified Foreign Institutional Investors ("QFII") to set up joint venture securities companies in the Shanghai FTZ, with foreign entities holding no more than 49% while domestic shareholders are not just limited to securities companies only.

However, the announcement did not have a timetable for official launch of the new measures.

To know more about the new guidelines (Simplified Chinese), please click:

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/2970998/index.html>

PBoC cuts rates for the 6th time in a year

PBoC announced rates cut with effective 24th October. The central bank said that domestic and international situation is still complex, China's economic growth is still experiencing some downward pressure and therefore need to continue with flexible monetary policy tools for "pre-tuning" and "fine-tuning" the economy to create a favorable financial environment for economic stability and healthy development.

Highlights of the rates cut announcement:

- cut one-year benchmark lending rate by 0.25% to 4.35%,
- cut one year benchmark deposit rate by 0.25% to 1.5%.
- cut the reserve requirement ratio (RRR) for all banks by 0.5% to 17.5%, with extra 0.5% for some lenders that meet its "standards" (no disclosure of specific standards)
- abolish the upper limit of the deposit rates floating band for commercial banks and rural cooperative financial institutions

To access PBoC's Q&A about the rates cut (Simplified Chinese), please click:

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/2968751/index.html>

To access PBoC's announcement (Simplified Chinese), please click:

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/2968725/index.html>

Venue News

Senior CSRC official references Shenzhen in the 1-year anniversary for Stock Connect; PBoC official's comments impact market

Fang Xinghai, the Vice Chairman of CSRC, attended the one-year anniversary symposium of the Shanghai-Hong Kong Stock Connect held at Shanghai Stock Exchange on 17th November 2015. He said there will be a streamlining the implementation of the Shenzhen-Hong Kong Stock Connect. The regulator will increase the quota of shares that can be traded via the Shanghai-Hong Kong Stock Connect, expand the product scope once condition is matured, further strengthening cross-border supervisory cooperation. Mr. Fang also added that China's securities industry still needs to learn from Hong Kong's experience in terms of market-orientation, internationalisation and legal aspects.

To access Fang Xinghai's speech in the 1-year anniversary symposium, please click here:

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201511/t20151117_286790.html

Comments of PBoC governor, Mr. Zhou Xiaochuan, were that Shenzhen-Hong Kong Stock Connect would start in 2015 posted on

PBoC's web site on 3rd November amid general market anticipation that it had been delayed to 2016. Mr. Zhou's speech was disseminated widely by mass media on 4th November after China and Hong Kong markets opened.

Hong Kong Exchanges and Clearing Limited's (388HK) share price had a strong reaction to the news before PBoC clarified it was aged. It surged about 8% within 40 minutes. Following clarification that Mr Zhou's statements were indeed made back on 27th May, HKEx share price fell by almost 4% in the afternoon trading session.

The Wall Street Journal reported that PBoC's spokesman declined to comment why the speech was published nearly 6 months later.



Source: Bloomberg

SSE releases consultation draft to limit trading halts to a maximum of 5 months

The SSE issued a notice titled "Suspension and Resumption of listed companies and related Information Disclosure Notice (Opinion Soliciting Draft)" on its web site on 6th November, with consultation ending on 13th November 2015. Under the new draft rules, firms are still allowed to suspended for up to 3 months when they plan for asset restructuring or mergers and acquisitions, but can only extend for 2 months once afterwards (so a maximum halting period of 5 months) if circumstances warrant.

Under the current suspension rules, listed companies can submit a request to exchanges to halt its stocks from trading for periods of 10 working days to 3 months, and many firms have found ways and different reasons to extend the suspension period far beyond that.

The new rules aim at preventing a repeat of the levels of suspended stocks seen in July this year. During that time, about 52% of over 3000 stocks listed in Shanghai and Shenzhen exchanges were suspended from trading, purportedly due to "plans for major asset restructuring". Refer to DB APAC Market Structure Issue 38 for more details about stock suspension figures in July for further details.

To access the Suspension and Resumption of listed companies and related Information Disclosure Notice (Opinion Soliciting Draft) issued by SSE (in Simplified Chinese), please click the link below:

http://www.sse.com.cn/disclosure/announcement/general/c/c_20151106_4009870.shtml

SSE and SZSE further tighten margin requirements

The SSE and SZSE raised minimum maintenance margin deposit requirements for margin trading from 50% to 100% to curb market volatility, effective 23rd November. Margin trading was alleged as one of the main reasons for the negative market performance this summer. The new rules mean that investors can leverage RMB 1 million (~US\$ 156,800) in their own accounts to borrow up to another RMB 1 million from brokerages for buying shares. Before this new requirement, investors could borrow up to RMB 2 million.

The CSRC spokesman Mr. Zhang Xiaojun said the new margin trading requirements will be applicable to new contracts but not existing contracts.

According to CSRC, the growth of margin transaction has been substantial recently. As of 10th November, the total outstanding margin loans reached RMB 1.14 trillion, up 26% from 30th September; average daily margin trading in November up 35% from October to RMB 137.4 billion. Therefore, deleveraging of new contracts is to prevent potential systemic risks, protect investors' interest and to foster continuous "healthy" development of the markets.

SSE's Notice about revision of new margin requirement (Simplified Chinese):

http://www.sse.com.cn/aboutus/hotandd/ssenews/c/c_20151113_4012092.shtml

SZSE's Notice about revision of new margin requirement (Simplified Chinese):

<http://www.szse.cn/main/aboutus/bsyw/39757621.shtml>

CSRC's press conference about new margin requirements (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwfbh/201511/t20151113_286592.html

China Europe International Exchange ("CEINEX") officially launched

Deutsche Borse AG announced a joint venture with two Chinese exchanges, the Shanghai Stock Exchange and the China Financial Futures Exchange, to offer RMB-denominated instruments. The joint venture is based in Frankfurt and called China Europe International Exchange ("CEINEX"). Trading was officially launched on 18th November 2015, with initially products offerings in ETFs on Mainland Chinese's underlying assets and RMB-denominated bonds to European investors.

The two RMB-denominated ETFs that are trading in CEINEX:

- Bank of China International (BOCI) Commerzbank SSE 50 A Share Index UCITS ETF (the "SSE 50 ETF", ISIN LU1306625283), and
- Commerzbank CCBI RQFII Money Market UCITS ETF (the "Money Market ETF", ISIN GB00BVJF7G73)

For more information about CEINEX products, please click below:

http://deutsche-boerse.com/dbg/dispatch/en/notescontent/dbg_nav/home/INTEGRATE/mr_pressreleases?notesDoc=419724769D76544FC1257F010031BA78&newstitle=successfulmarketlaunchofceinex&location=home

S&P Dow Jones launched new tracker index "S&P China 500 Index" [标普中国500指数]

S&P Dow Jones Indices released S&P China 500 Index which covers 500 of the largest and most liquid Chinese companies of all Chinese share classes with an aim to track China's stock market completely, including A-shares (RMB-denominated), H-shares listed in Hong Kong and Chinese companies listed offshore. The index was designed with an objective to become a flagship index of China's stock market. Xinhua news said that this new index intensifies the diversification of sectors if compared with other Chinese stock indexes. No further information about any ETFs tracking this index is available yet.

MSCI includes 14 US-listed Chinese stocks into multiple MSCI indexes

MSCI announced result of Semi-Annual Index Review on 13th November that it decided to include 14 US-listed Chinese stocks, including Alibaba and Baidu, for the first time into MSCI Emerging Market Index, MSCI China Index and other China-related indexes such as MSCI AC World Index. All changes will be implemented as of the close of 30th November 2015.

Those 14 US-listed stocks are mostly technology or media-focused names, namely Alibaba, Baidu, 58.com, Ctrip.com, JD.com, NetEase, New Oriental Education, Qihoo 360 Technology, Qunar, SouFun Holdings, TAL Education, VipShop, Youku Tudou and YY.

Bloomberg reported markets estimate the index rebalancing will trigger up to a total of USD 70 billion flows into these stocks in the coming 6 months.

To access the full result of MSCI Equity Indexes November 2015 Index Review:

<https://www.msci.com/index-review>

Personnel News

The State Council appoints a new PBoC vice governor

On 30th October, the State Council appointed Mr. Chen Yulu, former academic adviser to PBoC and former president of Renmin University of China, as the Vice Governor of the Central Bank. Mr. Chen will be working with four other Deputy Governors namely Yi Gang, Pang Gongsheng, Fan Wufe and Guo Qingping. Mr. Chen holds a PhD in Economics

To access the State Council's official announcement of appointing Mr. Chen Yulu (Simplified Chinese), please click: http://www.gov.cn/xinwen/2015-10/30/content_2956667.htm

CSRC announces responsibilities of two new Vice Presidents

Mr. Li Chao, former Deputy Administrator of the State Administration for Foreign Exchange, succeeded Mr. Zhuang Xinyi as Vice Chairman of the CSRC, and will be in charge of areas including intermediary and investment fund supervision, private equity funds supervision, Securities Association of China ("SAC"), China Futures Association ("CFA") and Asset Management Association of China ("AMAC").

Separately, Mr. Fang Xinghai, a senior economic adviser of Chinese President Xi Jinping, former Head of the International Economic Bureau at the Central Leading Group on Financial and Economic Affairs, succeeded Mr. Liu Xinhua as Vice Chairman of the CSRC, and will be responsible for the international cooperation and accounting departments.

According to China News Service, a Chinese state-level news agency, Mr. Li and Mr. Fang's accessions came after an investigation into Mr. Zhang Yujun, former CSRC assistant to chairman, allegedly for "severe violation of discipline," according to an online statement of the Central Commission for Discipline Inspection ("CCDI") on 16th September.

To access the online statement of the CCDI on 16th September (Simplified Chinese):

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

To access the profile of Mr. Li Chao:

(English): http://www.csrc.gov.cn/pub/csrc_en/about/who/lichao/201509/t20150918_284108.html

(Simplified Chinese): <http://www.csrc.gov.cn/pub/newsite/zjhjs/ldbz/lichao/>

To access the profile of Mr. Fang Xinghai:

(English): http://www.csrc.gov.cn/pub/csrc_en/about/who/fxh/201510/t20151030_285864.html

(Simplified Chinese): <http://www.csrc.gov.cn/pub/newsite/zjhjs/ldbz/fangxinghai/>

CSRC's IPO division head under investigation for corruption

CSRC announced on 13th November that one of its four Vice Chairmen, Mr. Yao Gang, nick-named the "King of IPOs", a Vice President in CSRC, who was in charge of A-share IPO approvals for 13 years, is being investigated by CSRC for suspected "serious breaches of discipline". Reuters said this term usually refers to corruption; Mainland Chinese press reported that he extracted personal gains from his power as an IPO regulator.

"The CSRC firmly supports the decision made by the Community Party," said CSRC in a statement.

According to Finance Asia in early September, a CSRC official Mr. Liu Shufan made a confession of bribery and insider trading in the state-owned TV media China Central Television. At one time Mr. Liu was a secretary of Mr. Yao.

Furthermore, on 18th November, Chinese leading financial magazine Caixin reported that the Head of Internal Inspection of CSRC, Mr. Xi Longsheng, was “taken away” for scrutiny or assisting in investigation. Mr. Xi used to work with Mr. Yao in the IPO department. No further details provided by the magazine.

To access the CSRC statement about Yao Gang under investigation (Simplified Chinese):

http://www.csrc.gov.cn/pub/newsite/zjhxwfb/xwdd/201511/t20151113_286692.html

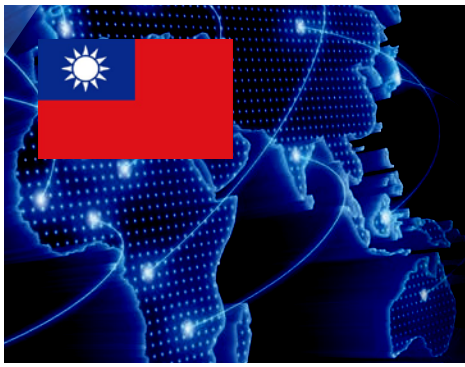
Separately, Finance Asia said the Central Commission for Discipline Inspection started a board review of China’s financial industry in late October, which is scheduled to finish by the end of 2015. The commission has sent inspection teams to multiple financials, including PBoC, the “big four” state-owned banks (i.e. Bank of China, China Construction Bank, ICBC and Agricultural Bank of China), the banking, securities and insurance regulators, as well as sovereign wealth fund China Investment Corporation, to probe into any potential wrongdoing or corruption.

Sources:

http://www.scio.gov.cn	http://www.pbc.gov.cn
http://www.reuters.com	http://news.xinhuanet.com
http://www.wsj.com	http://www.bloomberg.com
http://www.cnbc.com	http://finance.sina.com.cn
https://www.msci.com	http://finance.caixin.com
http://www.sse.com.cn/	http://www.chinadaily.com.cn
http://www.csrc.gov.cn	http://www.financeasia.com
http://www.szse.cn/	http://economictimes.indiatimes.com
http://www.cffex.com.cn	http://www.imf.org
https://www.gov.uk	

Contact

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



Taiwan

Market Structure

FSC relaxes controls on discretionary investments

The FSC announced on 20th October that it would relax rules on discretionary investments and that local asset managers will be allowed to invest in commodities (both spot and futures markets) like gold and iron ore through their segregated accounts.

The Securities and Futures Bureau (“SFB”) permitted private equity firms to invest in the commodities spot market since July 2014, these new measures are designed to enhance investment diversification and flexibility of local asset managers’ discretionary services. The new directive, however, does not apply to local asset managers’ insurance-linked segregated account as that is regulated separately by the ‘Regulations Governing Investment of Investment-Linked Insurance’.

According to statistics from the Securities Investment Trust & Consulting Association, there are a total of 48 fund houses operating discretionary investment businesses in Taiwan. These firms were managing 884 contracts (mandated contractual relationships) as of the end of September this year, with total accumulated AUM of NT\$1.2 trillion (US\$40 billion).

To access FSC’s press release about the relaxation of discretionary investments controls (Simplified Chinese):

http://www.fsc.gov.tw/ch/home.jsp?id=96&parentpath=0.2&mcustomize=news_view.jsp&dataserno=201510210002&aplistdn=ou=news,ou=multisite,ou=chinese,ou=ap_root,o=fsc,c=tw&toolsflag=Y&dttable=News

FSC establishes the Financial Technology Office to promote the development of financial technology

The Financial Supervisory Commission (“FSC”) the establishment of the Financial Technology Office (“the Office”), headed by the FSC Chairman Mr. Tseng Ming-chung, for developing and drafting financial technology policies and blueprints. The objective of setting up the Office is to promote the utilisation of technology by financial institutions, encourage innovative services, increase financial industry efficiency and competitiveness, and promote the development of the financial technology industry.

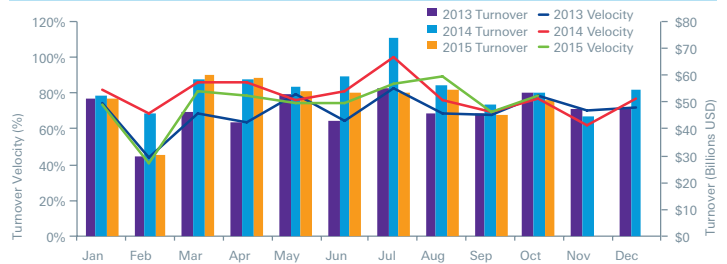
The Office will have a Financial Technology Consulting Committee which will comprise of 15-20 members from multiple industries and organisations, including financial industry, technology industry, information industry, academia and other related organisations. The Committee will offer suggestions to financial technological development policies.

FSC’s announcement of establishing the Financial Technology Office:
http://www.fsc.gov.tw/en/home.jsp?id=74&parentpath=0.2&mcustomize=multimessage_view.jsp&dataserno=201510140001&aplistdn=ou=bulletin,ou=multisite,ou=english,ou=ap_root,o=fsc,c=tw&toolsflag=Y

Taiwan Government to help local banks to expand into South East Asia

Taiwan Presidential Mr. Ma Ying-jeou said on 13th November in the Asian Bankers Association 32nd Conference that the government will help local banks to expand into the Southeast Asian market by relaxing investment regulations and providing assistance.

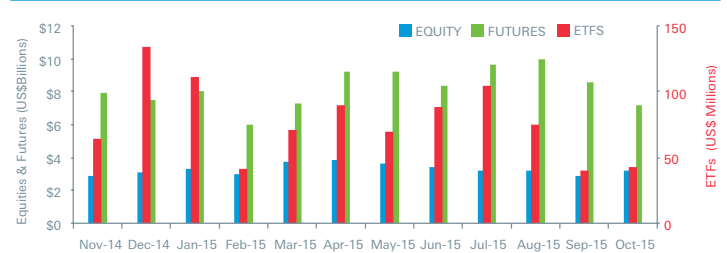
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 78% October 2014: 79% October 2013: 77%

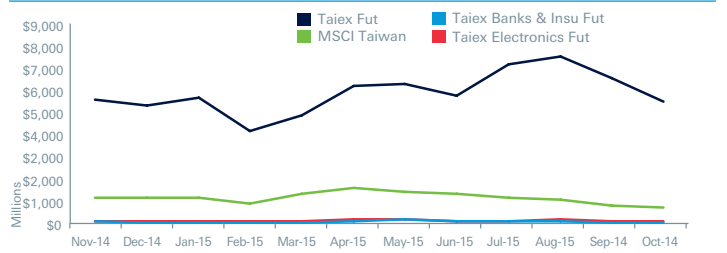
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. While ETF volumes in Taiwan declined this year, Taiwanese exchanges are actively seeking cooperation with other Asian exchanges for new listings. Taiwan listed two new ETFs early September that track Japanese stock market Fubon TOPIX Leveraged 2X Index ETF and the Fubon TOPIX Inverse -1X Index ETF.

Fig 3: YoY futures average daily turnover



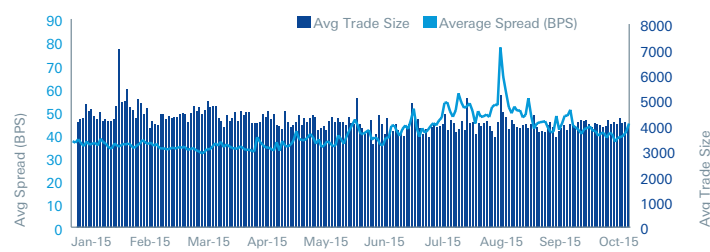
Source: Thomson Reuters

Fig 3. – JPX and Taiwan stock exchange have also agreed that Osaka Exchange (OSE), a subsidiary of JPX and the operator of the largest derivatives market in Japan, will list futures contracts on Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) in mid-2016. This will be the first equity index futures tracking the TAIEX index outside of Taiwan.

President Ma said that Taiwan has an important role globally as its position in the World Bank’s annual “Doing Business” rankings rose to 11th, up from 61st since his first term in 2008. He said that Taiwanese financials should continue to increase their capital size while the government will help them to expand by removing unnecessary regulatory restrictions, which will be able to help boosting the Taiwanese economy.

On a separate topic, President Ma said the FSC will develop a feasible digital platform for the local financial sector to grow in the future amid the digitized global business environment.

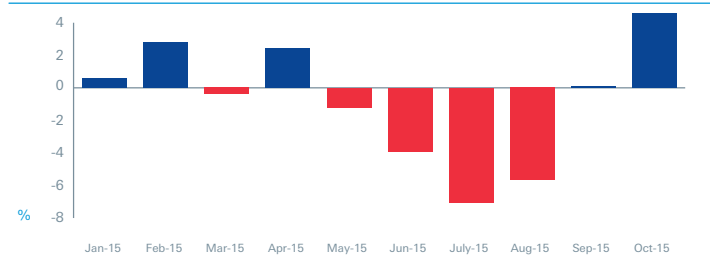
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. As volatility reduced in September, spread normalised.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

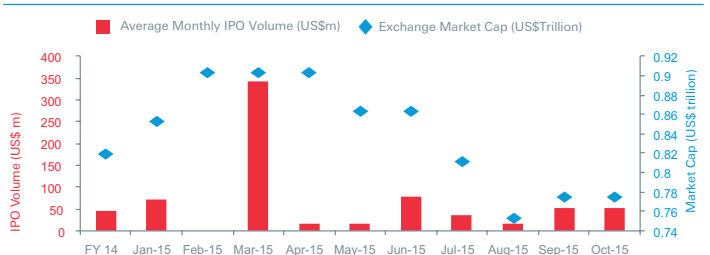
Fig 5. Taiwan's benchmark index has recovered mostly from the drop in summer on back of volatility in China, however the index is still down 8% from beginning of this year.

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
6452.TW	61%	338,078,700	3.56	5288.TW	60%	129,264,000	4.58
3514.TW	56%	214,863,800	2.50	2499.TW	53%	85,778,990	2.45
2439.TW	54%	298,137,600	1.93	1337.TW	53%	88,454,240	2.80
1736.TW	35%	56,809,590	2.13	3617.TW	51%	53,155,830	3.36
3698.TW	32%	82,409,440	1.81	2911.TW	50%	27,202,900	3.27
2354.TW	-10%	443,041,400	0.86	1452.TW	-11%	58,090,510	0.46
9910.TW	-10%	311,111,200	0.95	1459.TW	-11%	12,887,310	0.49
9904.TW	-10%	301,459,800	1.03	2731.TW	-13%	35,241,700	0.61
1307.TW	-12%	38,990,790	1.47	2497.TW	-16%	59,138,070	1.62
9938.TW	-12%	163,239,600	0.81	1455.TW	-16%	41,895,320	0.57

Source: Thomson Reuters

Fig 7: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

According to Focus Taiwan News Channel, the English channel of Taiwan's national news agency Central News Agency, the FSC Chairman Mr. Tseng Ming-chung is going to visit financial authorities in Vietnam and his Indonesian counterpart in November and December respectively to look for investment opportunities for local financial institutions. Mr. Tseng hopes Taiwan can produce several regional financial institutions in the future.

Venue News

FSC released Amended Guidelines on the Handling of Borrowing and Lending of Securities by Securities Firms (修正「證券商辦理有價證券借貸管理辦法」)

The FSC released the long-awaited Amended Guidelines on the Handling of Borrowing and Lending of Securities by Securities Firms (修正「證券商辦理有價證券借貸管理辦法」) on 2nd November, with effective date on 1st February 2016, later than market's anticipation of November this year.

This amended measure will allow local brokerages to borrow securities from consenting retail investors and lend them to other individual investors, securities finance companies and securities brokerages. Currently, retail investors are only allowed to borrow securities from Taiwan Stock Exchange ("TWSE"), brokerages and other financial institutions.

To access the full amended measures by the FSC (Traditional Chinese), please click below:

http://www.fsc.gov.tw/ch/home.jsp?id=128&parentpath=0,3&mcustomize=law_new_view.jsp&dataserno=201511020001&aplistdn=ou=newlaw,ou=ap_root,o=fsc,c=tw&toolsflag=Y&dtable=NewsLaw

TWSE relaxed money lending rules and eligible collaterals on 30th November 2015

TWSE launched its amended "Operating Rules for Securities Business Money Lending by Securities Firms" on 30th November 2015 to expand the scope of underliers and the types of eligible collateral. The new amendments allow brokers to provide financing into a range of additional financial products, including: open-end funds, futures funds, applications for shares in companies scheduled to list as an IPO or secondary public offering ("SPO") on TWSE or TPEX, municipal bonds, corporate bonds, financial bonds and spot gold products, among others.

These financial products also become eligible collateral for loans except for the financing of IPO and SPO subscriptions for companies scheduled to list on TWSE or TPEX.

To access the TWSE Press Release:

(English): http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=17770

(Traditional Chinese): http://www.twse.com.tw/ch/about/press_room/tsec_news_detail.php?id=17770

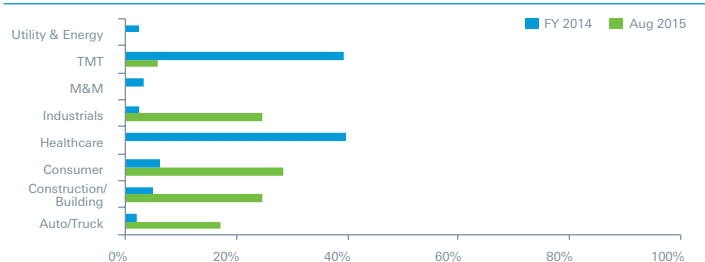
To access the amended rules (Traditional Chinese):

http://www.twse.com.tw/docs1/data01/set/public_html/1040023750.htm

TWSE and JPX link markets with cross-listing of index products

TWSE and Japan Exchange Group ("JPX") announced linking up their capital markets with the listing of two new ETFs on TWSE on 10th September 2015, namely "Fubon TOPIX Leveraged 2X Index ETF" and "Fubon TOPIX Inverse -1X Index ETF". Both ETFs are issued by Fubon Asset Management in Taiwan. The two ETFs are based on Tokyo Stock Exchange's TOPIX Leveraged 2X Index ETF and the TOPIX Inverse -1X Index ETF, which replicate two times the daily movement of the TOPIX index and an inverse of the daily

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

movement of the TOPIX index respectively.

Secondly, in the same announcement, TWSE and Osaka Exchange (“OSE”), a subsidiary of JPX and the largest derivatives market in Japan, agreed to list futures contract on Taiwan Stock Exchange Capitalisation Weighted Stock Index (“TAIEX”) on OSE. TAIEX futures are expected to debut on OSE around mid-2016 and will become the first equity index futures tracking the TAIEX index outside Taiwan.

TWSE Chairman Mr. Sush-Der Lee said, “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.”

To access the TWSE’s announcement on this market link, please click:

http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=17316

TWSE announces holiday schedule for 2016

TWSE published its holiday schedule for 2016. There will be three working Saturdays on 30 January, 4 June and 10 September in 2016.

To access TWSE’s official holiday schedule for 2016, please click:

http://www.twse.com.tw/en/trading/trading_days.php

Sources:

<http://www.twse.com.tw>

<http://focustaiwan.tw>

<http://www.fsc.gov.tw>

<http://www.chinapost.com.tw>

http://www.asiaasset.com/news/FSCdisc_ch2210.aspx

Contact

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



Japan

Market Structure

Japan keen to join China's RQFII scheme

Japan's finance minister Taro Aso has asked his Chinese counterpart, Lou Jiwei, to include Japan in the RMB Qualified Foreign Institutional Investor ("RQFII") programme, according to Wall Street Journal ("WSJ"). RQFII allows foreign investors to invest directly in China's bond and stock markets using RMB raised offshore. If Japan is admitted into the RQFII programme, Japanese asset managers said they would "create more investment products and help funnel more of Japan's trillions of yen in savings" into Chinese markets.

Malaysia was the most recent country to gain RQFII status with a grant of RMB50 billion (US\$8 billion) following a similar grant to Hungary in June. Other RQFII hubs included Hong Kong, London, Singapore, Taiwan, Paris, South Korea, Germany, Australia, Canada, Qatar, Switzerland, Luxembourg and Chile.

Follow-up council on Japan's governance code

A second meeting of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code was held in October to consider further improvements following the introduction of the revised Companies Act in May 2015. The Council has been established for the purpose of following up with the prevalence and adoption of Japan's Stewardship Code ("JSC") and Japan's Corporate Governance Code ("JCGC") as well as further improving corporate governance of all listed companies.

A main topic for the meeting was the composition of board members with the appointment of outside directors increasing by 20% in the 1st Section. Independent directors have seen an increase of 25% with nearly half of 1st Section companies now having more than one independent director. Over 60% of these appointments come from "another company" with academics, lawyers and accountants making up the majority of the other seats. Analysis was also performed on the use of remuneration committees, nomination committees and those becoming the Chairman of the Board.

To access the minutes of The First Council and The Second Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code (English) click here:

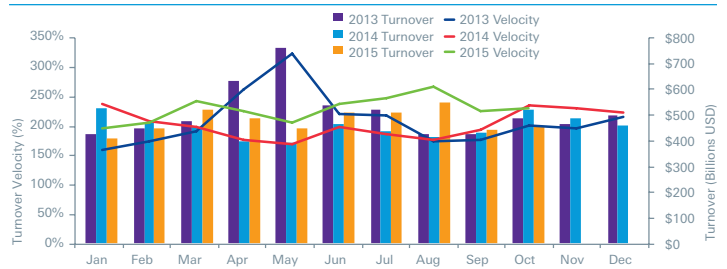
- <http://www.fsa.go.jp/en/refer/councils/follow-up/minutes/20150924-1.pdf>
- <http://www.fsa.go.jp/en/refer/councils/follow-up/material/20151020-1.pdf>
- <http://www.fsa.go.jp/en/refer/councils/follow-up/material/20151020-2.pdf>

Japanese government invests in 'Fintech'

The Japanese government has created a panel headed by the Ministry of Economy, Trade and Industry, tasked with finding ways to make financial technology a growth industry. Financial technology -- or "fintech", refers to financial services using the latest technologies, such as settlement services and asset management using smartphones, big data and artificial intelligence.

The first meeting of the panel attracted representatives from 13 institutions, including fintech startups in Japan, NEC, Credit Saison and Bank of Japan. The panel members will meet a couple of times a month to discuss possible collaboration between financial institutions and venture companies, and how fintech can change the way companies raise funds and households build up their assets.

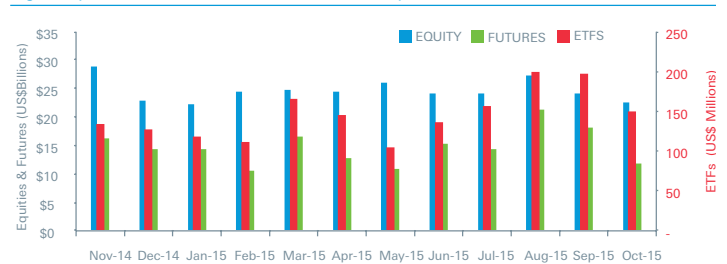
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 228% October 2014: 232% October 2013: 197%

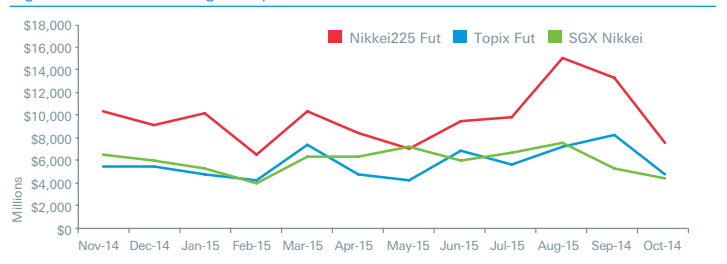
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Japanese equities, futures and ETFs all witnessed a period of growth in months of August and September this year before the period of low trading volumes close to year end set in.

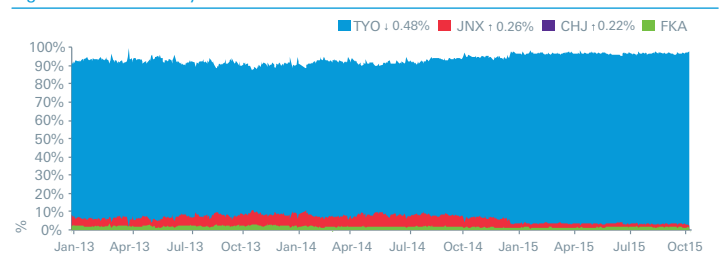
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Nikkei futures turnover is down 26% yoy.

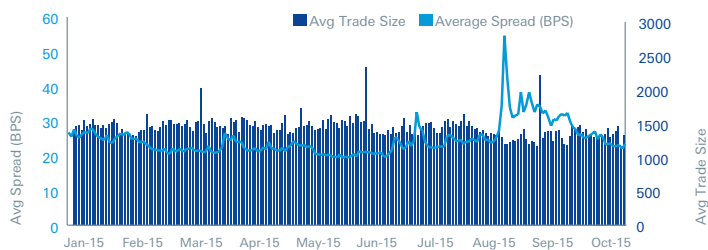
Fig 4: Market Share by Venue



Source: Thomson Reuters

Fig 4. Next phase of Tick Optimisation program on a subset of Topix 100 went live in September this year. While the overall market volumes and volatility of the market were not impacted in the individual stocks that underwent the change there was a spread widening and increase in top of the book volumes.

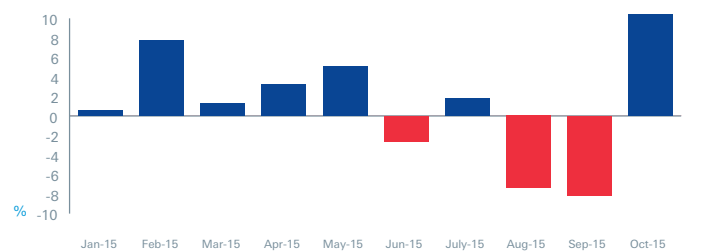
Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 5. Increased spreads seen in August and September normalize as volatility reduces

Fig 6: MoM Index Price Change



Source: Thomson Reuters

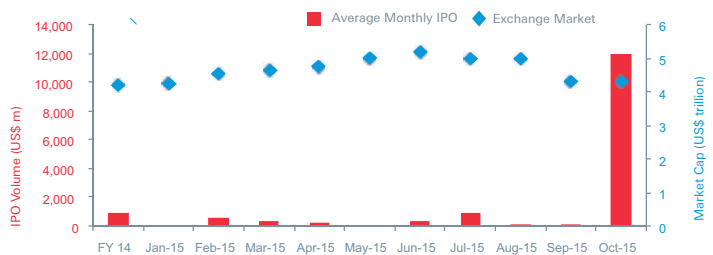
Fig 6. After starting strongly, Japan got pulled down by the global selloff and Nikkei 225 index dropped 19% from a peak in June to a low on Sept. 29. Since then it's the fourth-best performer of 93 benchmark equity indices tracked by Bloomberg.

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
4041.T	36%	223,623,300	1.87	1945.T	44%	31,571,050	1.13
6756.T	33%	249,244,800	1.12	7968.T	41%	176,188,200	1.45
5444.T	32%	235,639,300	1.27	7942.T	37%	25,689,020	1.55
4733.T	32%	132,864,900	1.89	6101.T	36%	147,361,300	1.62
6146.T	29%	576,050,200	1.07	8111.T	33%	134,763,700	3.55
8174.T	-12%	142,832,500	1.40	9946.T	-18%	54,237,890	1.04
4521.T	-13%	1,065,883,000	1.34	1821.T	-19%	1,284,325,000	1.98
3038.T	-13%	129,676,100	0.48	3046.T	-19%	139,268,700	1.16
8870.T	-13%	53,227,000	1.31	2726.T	-26%	62,841,200	1.30
8194.T	-13%	30,063,190	0.92	2772.T	-28%	76,167,540	0.99

Source: Thomson Reuters

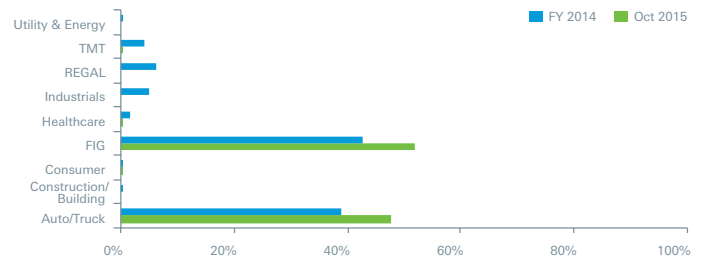
Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 8. Japan Post's IPO in November this year wasn't just the world's largest equity listing this year, it was also Japan's largest privatization since 1987. Three entities of Japan post got listed: the postal arm, the banking division and the insurance division of Japan Post. It's banking and insurance units together raised over US\$ 11.9billion.

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

It is worth noting that Financial Services Agency ("FSA") has already launched a similar undertaking and had its first meeting in May this year. In this meeting FSA explained the importance of revamping regulations to inline with EU and US where banks acquire or invest in startups to offer smartphone payments, loans for individuals and other new services combining finance and technology.

Venue News

New Arrowhead cash equity trading system goes live on TSE

The new Arrowhead system used by the TSE went live on 24th September 2015 offering additional risk management functions and enhanced system processing capabilities. The system upgrade was accompanied by trading rule revisions to minimum tick sizes for a subset of stocks on Topix100.

Enhancements include:

- Risk management functions have been introduced to mitigate risk from advancements in electronic and high speed trading:
 - Order Cancellation on Abnormal Disconnection (Cancel on Disconnect)
 - Order Suspension/Cancellation (Kill Switch)
 - User-designated Hard Limit
 - Issues for Testing (Dummy Symbol)
- Changes to trading rules made along with Arrowhead include tick size optimisation whereby tick sizes were widened for stock that has ¥0.5 tick to be ¥1. The sequential trade quote mechanism was enhanced with an additional condition to display sequential trade quotes for similar price moves resulting from multiple orders.
- Improvements to system processing capabilities were made to accommodate large increase in order volume and short-term periods of high order traffic. Greater processing capacity was added (approx. double previous system levels) to ensure stable operations during periods of high order traffic per table below.

For more details please refer to:

<http://www.jpex.co.jp/english/systems/equities-trading/renewal.html>

High frequency trading through TSE's co-location service is 50% of TSE transactions

High-frequency trading through TSE's co-location service now makes up around half the activity on the Tokyo Stock Exchange as a record 53% of executed TSE trades were noted from co-location service users on 7th September. The average daily figure for August and September was 46%. Number of orders placed by high frequency users represented roughly 70% of total TSE.

The co-location service began five years ago in 2010, TSE also revamped its trading system that time adding enhanced risk-management tools in response to the rise of high-speed trading. At the time number of orders from high frequency and executed transactions were only around 10% according to Nikkei Asian review.

S&P, JPX announced agreement to launch S&P/JPX smart beta index series in Japan

S&P Dow Jones Indices ("S&P DJI"), Japan Exchange Group ("JPX") and Tokyo Stock Exchange ("TSE") announced a strategic agreement to jointly introduce the co-branded S&P/JPX Smart Beta Index Series. The Series features three key benchmarks that combine smart beta index designs and give enhanced exposure to Japan's equity market:

1. S&P/JPX GIVI (Global Intrinsic Value Index): Constructed from the universe of the Tokyo Stock Price Index (TOPIX), seeks to provide better risk adjusted exposure to Japan equities by combining low volatility with an alternative weighting scheme based on stocks' calculated intrinsic value, rather than market capitalization.
2. S&P/JPX Dividend Aristocrats Index: It measures the performance of constituents within TOPIX that have followed a policy of consistently increasing dividends every year for at least ten years.
3. S&P/JPX Risk Control Index (5%, 10% and 15%): This index series applies the S&P DJI risk control framework to TOPIX. It consists of a position in the TOPIX Total Return Index and a cash position based on the Domestic Interbank Unsecured Overnight Call Rate, with target volatility of 5%, 10% and 15%, respectively.

Mr. Alex Matturri, CEO at S&P DJI expects the S&P/JPX Smart Beta Index Series to become leading benchmarks for measuring the performance of Japan equities while potentially serving as the underlier for passive investment products.

TSE also supports the continuing popularity of smart beta index strategies in Japan, as can be seen by the Government Pension Investment Fund (GPIF)'s decision to adopt the S&P GIVI Japan Index as one of the performance benchmarks in 2014.

Nomura halts new orders on Japan's largest and most liquid ETF

On 15th October, Nomura Asset Management halted new orders in the US\$6.2 billion Next Funds Nikkei 225 Leveraged Index ETF and two others listed on TSE citing "the liquidity of the underlying Nikkei 225 futures and the total assets under management."

Next Funds Nikkei 225 Leveraged Index ETF promises double the benchmark's daily returns. Per Bloomberg, assets in the 2X Nikkei ETF have doubled over the past five months which in turn means that leveraged/inverse ETFs must buy or sell roughly US \$285 million in futures for every 1% swing the stock market. This has led to concerns that leveraged ETFs could potentially have impact on the futures markets once they become sizeable.

Comparing to the US market, the daily re-balance activity in US for leveraged ETFs has averaged \$1.4 billion since 20th August, more than double the roughly US \$630 million average for earlier this year. This equals 0.5% of total volume. In the final 30 minutes, when re-balance activity is heaviest, the average is about 2% of total volume in large-cap stocks and 3% in small-caps.

Personnel Changes

JPX appoints two new Executive Officers

As announced on 25th November, Koichiro Miyahara and Hiromi Yamaji have been appointed as Executive Officers for the TSE and OSE respectively. For the full announcement, please click:

<http://www.jpx.co.jp/english/corporate/news-releases/0020/b5b4pj000000t5qj-att/b5b4pj000000t5rf.pdf>

Sources:

<http://www.jpx.co.jp>

<http://www.fsa.go.jp>

<http://www.bloomberg.com>

<http://www.wsj.com>

<http://asia.nikkei.com>

Contact

Email: global.marketstructure@list.db.com

Tel: +852 2203 5710



India

Market Structure

SEBI approves new listing norms for NSE and BSE

After NSE submitting a restructuring proposal and foreign investors approaching the government to expedite the process for listing BSE and NSE, SEBI approved the new listing norms for both bourses on 30th November.

Paving the way for listing of NSE and BSE, SEBI outlined the broad guidelines for an initial public offer ("IPO") by the two exchanges. SEBI has asked the exchanges to take steps for maintaining a 51% shareholding of Public Category and ensuring that holding of trading members, associates or agents does not exceed 49%. The new norms aim to put in place necessary controls and procedures with respect to shareholding norms, fit and proper criteria, and other issues of conflict of interest.

The new norms would ensure that every shareholder be 'Fit and Proper', all applicant in the IPO will be required to make declaration to this effect at the time of making application. SEBI will also issue necessary procedures to ensure compliance with the provisions post listing. The shareholding threshold of 2%, 5% or 15% (for different classes of investors) as the case may be, will be monitored through the depository mechanism.

While the NSE management were waiting for an approval, they had stated that they would be initiating both the restructuring and the IPO process simultaneously and that they expect the listing to take place in fiscal year 2017. The BSE has also been seeking to get listed for some time.

For the SEBI press release click here:

<http://www.sebi.gov.in/sebiweb/home/list/4/23/0/0/Press-Releases>

Sources :

<http://economictimes.indiatimes.com/markets/stocks/news/foreign-investors-pitch-to-expedite-listing-of-nse-bse/articleshow/49969762.cms>

http://www.business-standard.com/article/pti-stories/sebi-approves-new-listing-norms-for-stock-exchanges-115113001020_1.html

<http://www.thehindubusinessline.com/markets/sebi-outlines-new-listing-norms-for-exchanges/article7933756.ece>

<http://www.dnaindia.com/money/report-sebi-approves-revised-listing-norms-for-bse-nse-2150512>

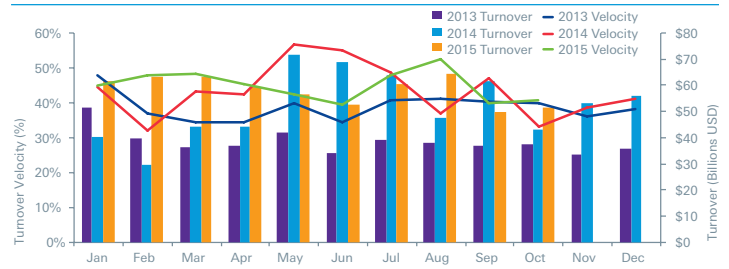
<http://www.livemint.com/Companies/LeXRjQD8GV7Ya1TRAW8uoK/NSE-tells-shareholders-that-it-has-submitted-restructuring-p.html>

SEBI seeks public comments on interoperability report

Further to the report drafted in July 2015 by a SEBI panel headed by K V Kamath, SEBI sought comments from the market on the proposals on interoperability. Interoperability allows trading members to clear trades with the clearing corporation of their choice. For example, an investor could trade on BSE and get the trade cleared through the clearing corporation of the NSE or vice versa. Benefits that are often cited include the efficient use of capital given positions may be offsetting in nature and additional competition among trading venues. The consultation closed on 24th September.

SEBI also proposes the elimination of the current requirement of transferring 25% of stock exchange profits to the settlement guarantee. This is likely to be done only after the risk management review

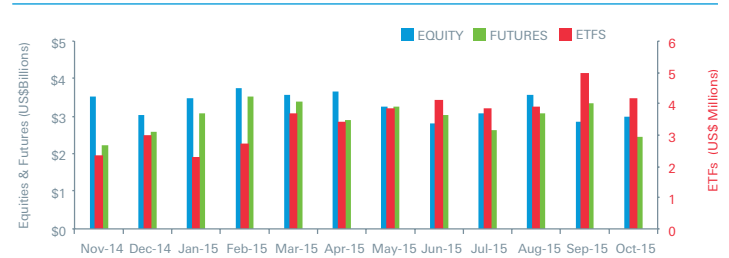
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 40% October 2014: 33% October 2013: 39%

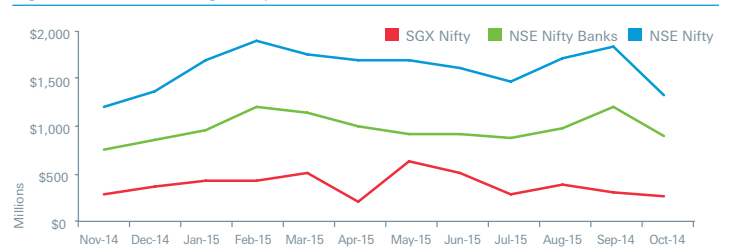
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. India's ETF volumes continued to rise this year, with the employee provident fund also planning to invest 5% of its incremental inflows in ETFs. Equities turnover decreased and Futures turnover stayed flat in the past two months. Equities volume is down 16% YOY, Futures volume is flat and ETF turnover is up 76% YoY.

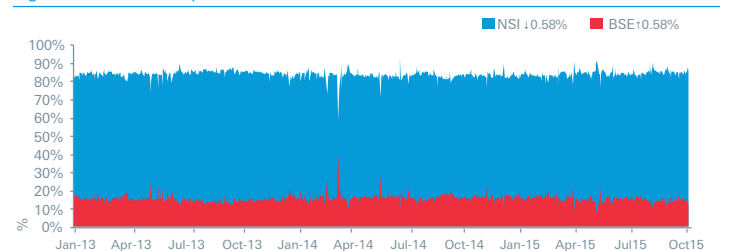
Fig 3: YoY futures average daily turnover



Source: Thomson Reuters

Fig 3. Offshore SGX Nifty and onshore Nifty both saw an increase in turnover of nearly 18% YoY.

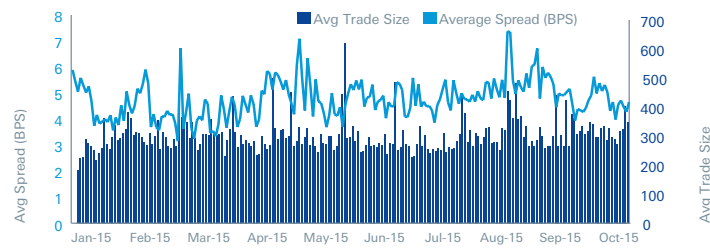
Fig 4: Market Share by Venue



Source: Thomson Reuters

Fig 4. Market share continues to stay constant with NSE dominating.

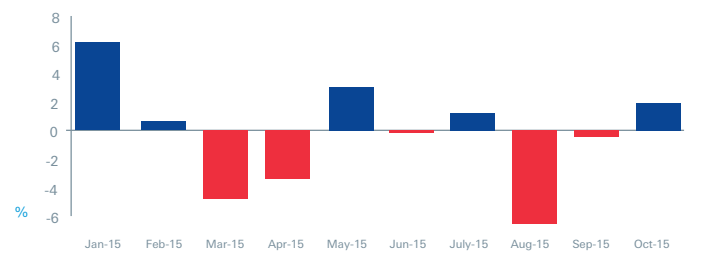
Fig 5: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 5. Average trading spread in India has increased by 5% and average trade size by 16% this year.

Fig 6: MoM Index Price Change



Source: Thomson Reuters

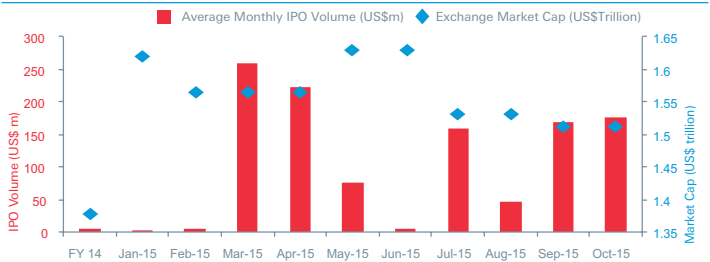
Fig 6. India's benchmark index is trading down 5% from beginning of this year. Although, returning to positive return in Q4.

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
TAMO.NS	29%	1,247,849,000	1.20	TAMO.BO	29%	102,664,600	0.65
RELI.BO	10%	67,802,550	0.59	BAJA.NS	10%	233,491,300	0.90
RELI.NS	10%	822,975,800	0.79	CIPL.NS	9%	431,425,600	1.09
ONGC.BO	7%	26,213,470	0.83	NTPC.NS	8%	181,334,200	1.09
ONGC.NS	6%	283,482,800	0.89	KTKM.NS	7%	229,350,600	0.78
HDBK.BO	3%	52,907,320	1.41	BRTL.BO	3%	22,140,220	0.77
ITC.BO	2%	39,862,080	0.87	HLL.BO	-1%	31,059,790	0.94
SBI.BO	1%	73,444,340	0.64	AXBK.BO	-4%	135,855,900	1.01
SUN.BO	0%	47,442,230	0.58	AXBK.NS	-4%	1,578,977,000	1.22
INFY.BO	-2%	80,571,450	1.20	TEML.NS	-4%	242,098,500	0.64

Source: Thomson Reuters

Fig 8: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 6. India's IPO market has seen great growth this year, with companies on track to raise aggregate \$2 billion which will be a five-year high. Foreign investors have added \$4.67 billion to Indian stocks this year according to data from National Securities Depository Ltd.

committee has reviewed the stress test model used to determine the minimum required corpus of core settlement guarantee fund.

SEBI invited comments on the report that can be accessed here: <http://www.sebi.gov.in/sebiweb/home/list/4/23/0/0/Press-Releases>

For the notice of the SEBI consultation click here: <http://www.sebi.gov.in/sebiweb/home/list/4/23/0/0/Press-Releases>

Other source : http://articles.economicstimes.indiatimes.com/2015-09-01/news/66108163_1_clearing-corporation-offer-clearing-interoperability

ETF growth in India and SEBI proposal to promote ETFs

SEBI is open to changing rules which regulate financial products including Exchange Traded Fund ("ETFs") to spur their growth. Sinha said the decision of the government to take the Central Public Sector Enterprises ("CPSE") route for divesting its stakes in public sector companies and the Employee Provident Fund Organisation planning to invest 5% of its incremental inflows in the stock market through the index ETF route are the two recent decisions that are expected to promote ETF growth in India. SEBI Chairman U.K. Sinha expects that owing to their low trading costs, other funds along with Employee Provident Funds should also look at them as potential investment vehicles. The ETF market is currently valued at approximately Rps 9000 crore (US\$1.5 billion).

In a separate but related news story Chief Executive Officer of National Stock Exchange ("NSE"), Chitra Ramkrishna said that the exchange is planning to launch new ETFs based on various asset classes like fixed income and commodities. She expects interests and inflows in India to grow and ETF sector to have INR 1 lakh crore (\$15.15 Billion) AUM in short term.

Sources : <http://timesofindia.indiatimes.com/business/Sebi-open-to-ETF-rule-changes-to-spur-growth/articleshow/49545528.cms>
<http://indiatoday.intoday.in/money/story/nse-to-consider-etf-based-on-various-asset-classes/1/507998.html>
http://www.thehindubusinessline.com/markets/stock-markets/etf-regulations-sebi-chief-says-open-to-suggestions/article7806499_ece

India's stock market sees biggest IPOs in the last five years while take up of listing under new early stage company rules is limited

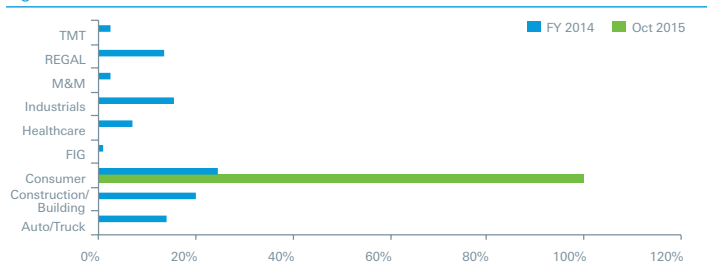
India's stock market has seen a number of large IPOs with Coffee Day raising INR1,150 crore (US\$175.3million) and Interglobe Aviation raising INR3,000 crore (US\$459 Million). Interglobe owns Indigo Airlines and its IPO was the largest in last three years by a private company.

SEBI eased the norms for local listing of early stage companies in June and following this move, BSE and NSE have put in place a sub-platform based on their Institutional Trading Platforms ("ITPS") for listing of start-ups. SEBI rules allow hi-tech start-ups to list on the ITP of exchanges if at least 25% of their pre-issue capital is held by qualified institutional buyers (QIBs) such as PE firms, VC firms and non-banking financial companies. Other start-ups can also opt to get listed, provided at least 50% of their pre-issue capital is held by QIBs.

NASSCOM and some BSE officials have been quoted as saying the limited take up of listings under the new rules may be in part because startups feel that they can get better valuations abroad in jurisdictions such as Singapore or New York where investors may be more mature and so understand the potential of startups. According to a NSE official, among the key challenges are SEBI's promoter holding norms and uncertainties about liquidity of the stock as the minimum trading lot size is INR10 lakh (US\$15,150) and needs at least 200 investors.

They believe that the benefit of listing on the ITP is in terms of cost-effectiveness and possibilities of getting better financing from a wider range of investors.

Fig 9: IPO Sector Distribution



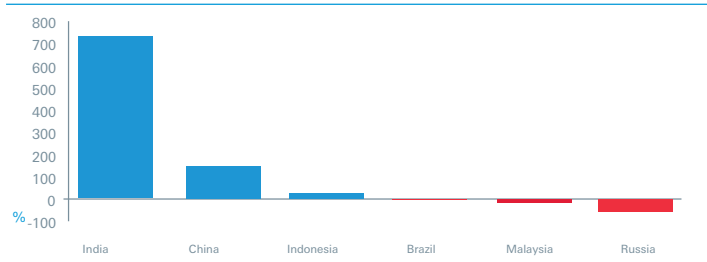
Source: Dealogic

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

Fig 11: Percentage change in IPO issuance, year to date



Source: Dealogic

On the special listing platform for start-ups, 75% of the shares will be reserved for institutional and remaining for non-institutional investors. No person (individual or people acting in concert) will be allowed to hold more than 25% of the post-issue share capital in a listed start-up.

Sources :

<http://www.livemint.com/Companies/VL379geKEu4phiz6ALNWzK/Easier-Sebi-rules-fail-to-lure-startups-to-launch-IPOs.html>

<http://qz.com/539841/indias-biggest-ipos-in-the-last-five-years-charted/>

India's mutual fund assets reach US\$200 billion

India's mutual funds assets recorded the largest gain in September this year since tracking started in Sept 2010. Between July and September 2015, India's mutual funds added INR87.2 billion (US\$1.3 billion) to their assets under management (AUM) and crossed the INR13 trillion (US\$200.6 billion) mark. The assets grew for the eighth consecutive quarter as investors continued buying on equities mutual funds despite ongoing volatility, reports NDTV and Crisil.

Sources :

http://ignitesasia.com/c/1214643/134003/india_mutual_fund_assets_reach?referrer_module=emailMorningNews&module_

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Contact

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



South Korea

Market Structure

Korea to exempt tax on overseas equities ETFs

According to a report in Korea Economic Daily the FSC will exempt taxes pertaining to Trading Profits from overseas equity ETF's starting 1st January, 2016. The report also said that investors will have profits earned on overseas stock ETFs exempt from comprehensive financial income taxation. The initiative is expected to stimulate the Korean ETF segment.

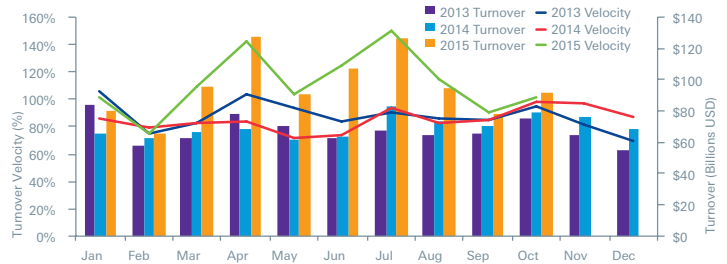
See the Venue News section for further information on measures coming from KRX.

FSC plans measures to boost competitiveness of Financial Investment Businesses

The FSC is pursuing 3 key measures to boost the competitiveness of Financial Investment Businesses.

1. Strengthening the Corporate Financing Functions of brokerage firms by:
 - Allowing Comprehensive Financial Investment Business Entities (CFIBEs) greater flexibility in financing by increasing their lending capacity to 100% of their equity capital, and relaxing regulatory requirements for credit loans to be in line with commercial banks.
 - Designating Brokerage firms specialised in SME financing to facilitate the fundraising activities of SME's and venture companies.
 - Easing the regulations on private placement of securities for Qualified Institutional Investors ("QFIs"). All companies whose total asset value is less than KRW 2 trillion will now be allowed to issue securities via private placement.
2. Expand Business Scope of Securities Companies
 - CFIBEs will be allowed to open stock markets for non-listed shares and non-competitive trading markets using prices at KRX for listed stocks.
 - Securities firms will be able to register as hedge fund managers as long as they take measures to prevent conflict of interest.
 - The FSC will facilitate the utilisation of securities provided as collateral in repo transactions and securities lending by securities firms.
3. Alleviate regulatory constraints to encourage diverse services
 - Requirements for individuals and institutions to qualify as professional investors will be eased.

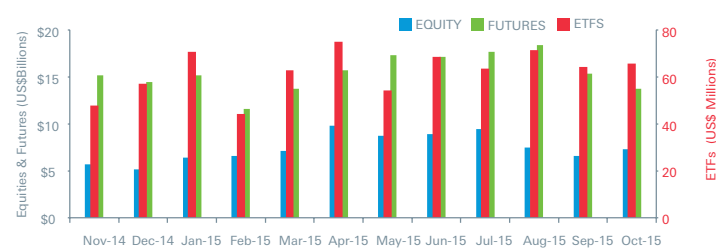
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 102% October 2014: 95% October 2013: 98%

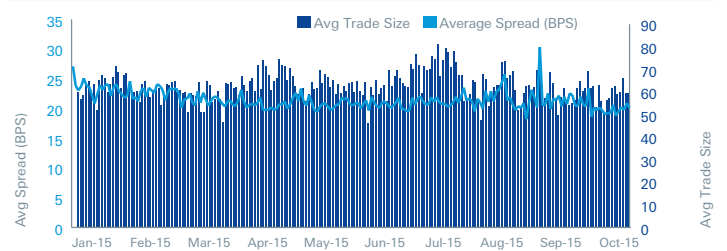
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. Korean regulators are working hard to help improve ETF volumes that are already seeing growth since last year (+37% yoy). FSC's plans to exempt tax on overseas equities ETFs in another step in the same direction.

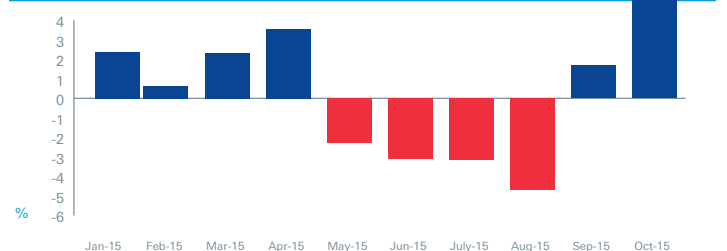
Fig 3: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 3. Average trading spreads in Korea have always been wide compared to rest of Asia which has been a cause of high implicit cost of trading in the market. Over the course of year, it shows there has been a small narrowing of spread, (10%) which bring Korean spreads closer inline with Taiwan and soon Hong Kong as well if the trend continues next year.

Fig 4: MoM Index Price Change



Source: Thomson Reuters

Fig 4. KOSPI index has recovered 11% from the low. Among only a few other markets KOSPI index is up 5% versus beginning of the year.

Qualified Individual Investor		Qualified Institutional Investor	
Before	After	Before	After
Balance of financial investment products worth KRW 5 Billion	Balance of financial investment products worth KRW500 million & annual income than KRW 100 million	Balance of financial investment products worth KRW 10 billion	Balance of financial investment products worth KRW 5 billion ^ total assets of KRW 12 billion
	Balance of financial investment products worth KRW 500 million & total assets of more than KRW 1 billion		

The role of Private Equity in the Evolving Financial System

A recent study by Korea Capital Market Institute (“KCMI”) looked at the efficiency of private equity as a financial intermediary.

The study examined the performance of listed companies that Korean PE funds invested in and found that after PE participation, companies on average saw their investments increase, debt ratios fall, employment shrink, and productivity rise.

The study noted that PE contains the merits of both market finance and relationship banking because it allows for investment in “securities” as well as post-investment management. The author makes some recommendations for enabling Korean PEFs to pursue long-term growth of target companies. Chief amongst the recommendations is the use of indirect regulation that creates prudential frameworks without compromising dynamics.

The author also suggests that market infrastructure needs to be overhauled. The infrastructure needed, according to the study, to include mechanisms by which to value PE assets, a PE benchmark index for greater market transparency/predictability, and a secondary market that meets the liquidity demand arising from the mismatch between target companies maturity and the private equity funds investment horizon.

FSC plans to make it easier for start-ups to access funding

The FSC announced plans to reform state-run guarantee system for loans, with the aim being increased support for start-ups.

The government will guarantee 90% of loans for startups (rising from 85%) and loans will automatically be extended for between five and eight years, in contrast to the current system of seeking approval annually. At the moment startups younger than three years with a credit rating of BBB or higher are exempt from joint liability (which requires borrower, or their friends and family to assume joint liability with the government for loans). The new plan will remove the joint liability requirement for startups younger than five years regardless of credit rating, and this will mean the pool of 1400 startups exempt from joint liability will expand to more than 40,000.

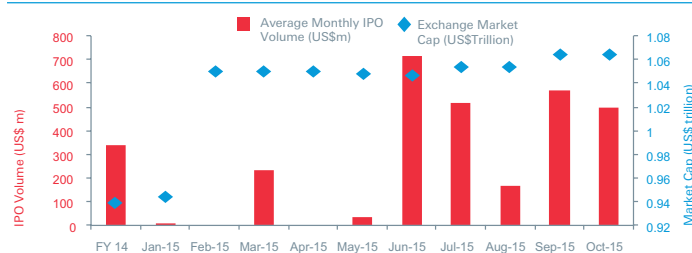
The government will simultaneously cut guarantees for “zombie companies” that are near insolvent. FSC Chairman Yim Jong-Yong said “if a company has little possibility to recover, we should restructure them”. He added that the focus of funding should be on “companies that can do better”.

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
128940.KS	39%	1,637,485,000	0.80	001120.KS	28%	205,338,700	1.56
047810.KS	24%	1,019,035,000	0.92	012450.KS	19%	282,288,800	0.65
005930.KS	21%	6,546,214,000	1.17	000100.KS	16%	175,577,100	0.75
096770.KS	17%	943,584,500	1.11	052690.KS	15%	96,123,990	0.72
000810.KS	13%	576,419,100	1.23	000070.KS	14%	102,591,200	0.39
018260.KS	-11%	494,628,700	0.94	002270.KS	-16%	121,807,500	1.10
051600.KS	-11%	208,053,700	0.93	005610.KS	-16%	111,596,600	0.75
086280.KS	-12%	701,952,200	1.17	111770.KS	-19%	216,050,500	1.05
023530.KS	-15%	338,457,800	0.68	012630.KS	-19%	541,169,400	1.05
009240.KS	-21%	507,309,800	1.08	010780.KS	-20%	107,133,800	0.53

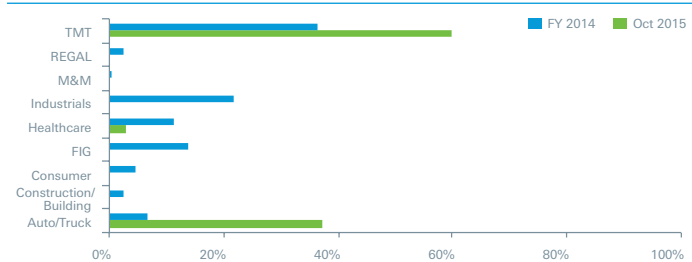
Source: Thomson Reuters

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

China’s economic slowdown and its impact on Korea’s economy

The FSC believes that Korea is adequately prepared to cope with China’s slowdown without experiencing a serious financial crisis - but recognises that there is downside risk to the Korean economy. In the short term the FSC expects the decline in China’s domestic consumption will weigh on Korea’s exports to China. In the longer term it says the Korean economy will face significant challenges unless it can prepare for China’s “new growth model”.

The FSC has earmarked a number of measures to limit the impact of external risk factors such as China slowdown and US rate hike on Korean Financial markets. These measures include ensuring that the structure of household debt is more stable, strengthening oversight of corporate debt, and enabling market driven corporate restructuring.

Venue News

CFTC exempts Korea's KRX as DCO

The US Commodity Futures Trading Commission exempted Korea Exchange Inc. from needing to register as a Derivatives Clearing Organisation ("DCO"). The exemption was permitted in recognition of the fact that KRX is subject to comparable, comprehensive supervision in its home country. As a result of the exemption KRX is now permitted to clear proprietary interest rate swap positions of U.S. persons that are clearing member of KRX or its affiliates. The exemption was subject to the following conditions – KRX must:

1. Maintain rules that ensure clearing members are only permitted to clear for US persons who would be a "proprietary account" of the clearing member as per CFTC Rule 1.3(y).
2. Allow open access to swaps where one or more counterparties is a US person.
3. Confirm its good regulatory standing in home country.
4. Submit reports to CFTC as required.
5. Certify that it satisfies IOSCO principles annually.
6. Consent to US jurisdiction, and make all books and records available for inspection upon request.

KRX seeks to boost ETF market

Some reports suggest that the Korean Regulators are concerned that investors are focusing too heavily on single indexes and that risk is too concentrated. This might explain the Korean Exchange's pursuit of measures to boost ETFs and ETNs which are preferred to OTC derivatives for their transparency and simplicity. Korea's demand for OTC equity linked structured notes has surged in recent years – topping US\$63Bn in 2014. However following China's RMB devaluations and the resulting turmoil in equity markets, demand slumped to near a two year low.

Some of the key measures KRX hope to implement according to their statement:

1. Introduce new products in time to meet the investors needs
 - Listing review period will be shortened from 45 days to 20 days
 - Developing customised ETF products for investors
 - Listing diversified derivative ETFs including leveraged inverse products to provide investors with more effective risk management and investment tools
2. Deregulate the ETF Market
 - Permitting listing of ETFs tracking the same index. This is expected to facilitate competition and expand choice for investors
3. Strengthen investor protection
 - Introduction of a unified system for ETFs
 - Classify ETF's into different groups based on their underlying investments and risks in order to ensure consistency
 - Provide comparative information between products
4. Internationalise ETF market
 - Expanding the number of ETF products based on overseas sectors and emerging countries
 - Listing successful offshore ETFs in domestic market
5. Introduce non-taxable overseas equity ETF
 - Work with FSC to offer tax incentives to ETFs that track foreign stock market indices

However, according to a report in the International Financial Law Review, the FSC may need to address offshore exchange-traded fund manipulation as trading irregularities grow. The report suggests that there is a widening discrepancy between market price of offshore ETFs and their net asset value. This is particularly an issue in China leveraged ETFs which have seen a price surge of 14%, far exceeding the Korean statutory limit of 6%.

KRX Fee Schedule

On 28th October, KRX released a statement pertaining to its revised fee schedule effective 23rd November, 2015.

Product	Type	For Trading	For Clearing & Settlement
KOSDAQ150	Trading Final Settlement	0.0011750%	0.0002295%
Mini Gold	Trading Final Settlement	0.0015505%	0.0003029%

For full details see here:

<http://eng.krx.co.kr/coreboard/BHPENG09004/view.jsp?bbsSeq=20362&secretYn=N>

Also, as a result of a meeting on 22nd October between KRX and industry members trading and clearing fees for Mini KOSPI 200 futures and options will be exempted between 2nd November 2015 and 30th December 2015. The fee exemption is expected to stimulate the market by lowering costs for market participants.

Expansion of Clearing Eligible Transactions for KRW interest rate swap

KRX has amended the OTC Derivatives Clearing and Settlement Business Regulation and Enforcement Rules. The amendment came into force on 23rd November. KRW interest rate swap trades must be cleared subject to the extended range of clearing eligible transactions, through the KRX from 23rd November.

Personnel News

Korea's NPS Chairman resigns amid controversy

According to a report on the 27th of October the Chairman of Korea's National Pension Service, Choi Kwang announced his resignation amidst controversy. The matter centers around the Chairman's decision not to extend the contract of Chief Investment Officer Hong Wan-San on the 13th of October. The two are reported to have had a prior disagreement about whether or not to separate the investment office from the NPS. Choi has since been under government pressure to resign and take responsibility for the controversy, despite his insisting that the decision was legitimate.

Sources:

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<http://www.fsc.go.kr>
<http://www.kcmi.re.kr>
<http://www.bloomberg.com>
<http://www.asiaasset.com>
<http://www.iflr.com>
<http://www.natlawreview.com>
<http://ignitesasia.com>
<http://www.mondovisione.com>

Contact

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



Australia

Market Structure

Industry problems "systemic" says ASIC

ASIC Deputy Chairman Peter Kell has stated that ongoing industry problems are being caused not by a "few bad apples" but rather by systemic issues, and big institutions remaining silent about bad adviser behaviour. He urged institutions to act swiftly to remedy issues, rather than sweeping bad practices under the rug. Mr. Kell spoke of the adviser register as an example of a successful measure – highlighting that it has encouraged firms to come to ASIC and to talk to each other about concerns with adviser behavior.

ASIC Releases Report 452: Review of High Frequency Trading and Dark Liquidity

A review by ASIC on High Frequency Trading ("HFT") and Dark Liquidity, found that negative views associated with HFT have tapered off, as market users have become better informed and equipped to operate in an electronic and high-speed environment.

The level of HFT in Australia is comparable to Canada, EU and Japan at around 27% of total equity market turnover, but is concentrated amongst fewer high-frequency traders (30% fewer high-frequency traders). On average, positions were held for 52 minutes (equities), 31 minutes (SPI), and 39 minutes (bond futures). Over the 12 months to 31st March 2015 HFT had gross trading revenue of [AU]\$110-180 million in aggregate. This translates to a cost of 0.7-1.1 basis points for other market users. Though this is a material cost ASIC recognises that HFT can provide benefit too. HFT represent approximately 50% of resting orders around best price, which suggest that HFT may be filling gaps in short term supply and demand.

Dark liquidity has remained reasonably constant in the past few years at between 25 and 30% of total equity market turnover. While the level of dark liquidity has remained consistent, its composition has changed, partly as a result of rule changes by ASIC. Dark liquidity is increasingly used for large block trades. There are now fewer small dark trades – and they are fairer, with any improvement to prices needing to be shared equitably between counterparties.

For the full report please click here:

<http://download.asic.gov.au/media/3444836/rep452-published-26-october-2015.pdf>

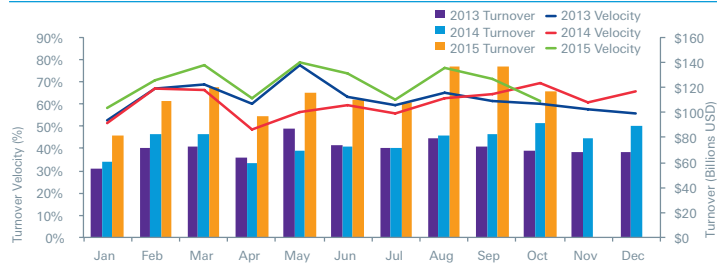
Venue news

ASX considers blockchain for clearing and settlement

The Australian Stock Exchange ("ASX") is in the middle of replacing its trading systems, and Managing Director Elmer Funke Kupper says this presents a once-in-a-generation opportunity to install the best technology. Currently, clearing and settlement of trades is done by a system known as Clearing House Electronic Subregister System (CHES). However recent developments mean that the ASX may need to upgrade CHES to retain its monopoly over clearing and settlement for another five years.

Bitcoin's Blockchain which is a decentralised transaction record is being considered as its replacement. Blockchain serves as an electronic

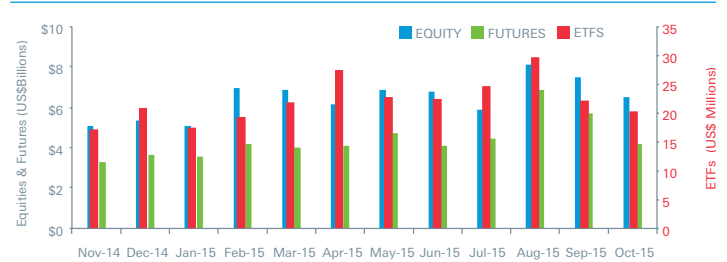
Fig 1: Turnover Velocity



Source: Thomson Reuters

Fig 1. Turnover velocity October 2015: 62% October 2014: 69% October 2013: 60%

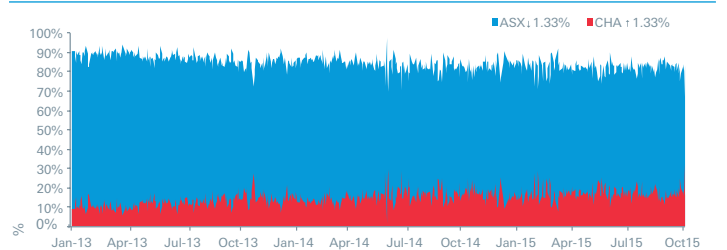
Fig 2: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 2. – Overall daily turnover in the equity market averaged US\$3.5 billion in the September quarter an increase of 6% QoQ. Of which Turnover in block size dark liquidity was 17% of total value traded, slightly up from the previous quarter (16%).

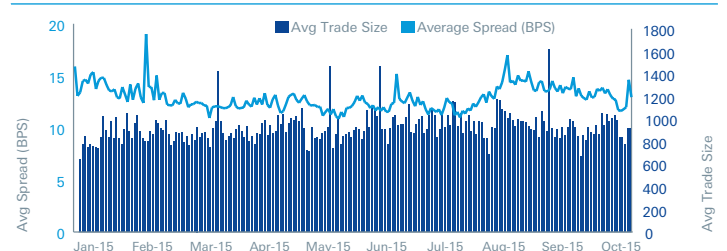
Fig 3: Market Share by Venue



Source: Thomson Reuters

Fig 3. At the end of quarter in September this year ASX accounted for 82.2% of the total turnover in equity products while Chi-X accounted for the remaining 17.8% of total dollar turnover. Chi-X trade reporting grew strongly in the past quarter (+28%) although it still lags the value of ASX trade reporting, according to data reported by ASIC.

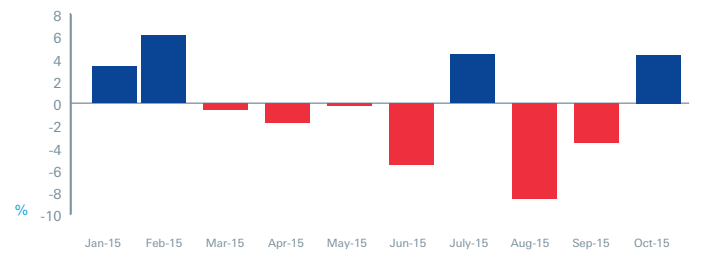
Fig 4: Average Index Spread and Trade Sizes



Source: Thomson Reuters

Fig 4. The average trade size rose slightly to \$5,400. The weighted average quoted bid-ask spread for securities in the ASX200 index decreased marginally to 14.2bps.

Fig 5: MoM Index Price Change



Source: Thomson Reuters

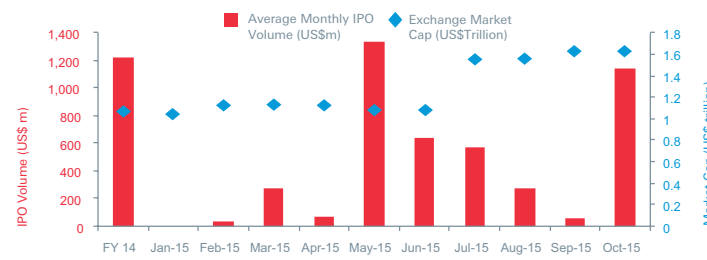
Fig 5. ASX index has recovered over 6% from its bottom most level seen in August this year, however the index is still trading 3% below its January level.

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
STO.AX	40%	1,724,560,000	1.03	GMA.AX	17%	107,036,600	0.61
SPK.AX	17%	107,540,600	0.83	BSL.AX	17%	429,945,400	0.88
NWS.AX	17%	63,888,670	0.63	BTT.AX	17%	206,965,600	0.76
FMG.AX	16%	1,495,624,000	1.13	MFG.AX	17%	248,900,700	0.94
IAG.AX	14%	1,117,806,000	0.81	BKL.AX	15%	569,529,000	2.12
NCM.AX	-2%	1,890,689,000	1.26	AWC.AX	-4%	611,229,100	0.87
AIO.AX	-4%	1,789,906,000	1.25	SPO.AX	-4%	283,574,700	0.53
MPL.AX	-4%	1,054,624,000	1.27	ABC.AX	-5%	222,159,300	1.11
TLS.AX	-5%	5,116,640,000	1.04	CSR.AX	-6%	356,099,600	0.87
WOW.AX	-5%	3,391,462,000	1.05	JBH.AX	-8%	387,983,300	0.79

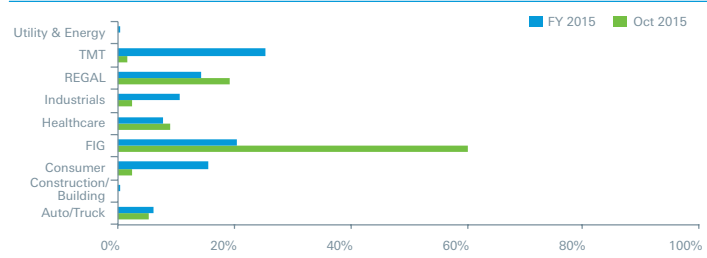
Source: Thomson Reuters

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.

general ledger that records transactions – it is distributed and held on the computers of all those who use it, rather than being stored centrally – which could make it safer and cheaper to maintain.

ASX welcomes object trading to the ALC

Object trading, which is a provider of global, multi-asset trading infrastructure, will be expanding its Direct Market Access Service Platform by co-locating its managed software, client gateways and global connectivity network in the Australian Liquidity Centre (ASX's state of the art data centre). Object trading is connected to more than 60 global equity, derivative and FX exchanges for both market data and order routing.

The co-location will allow Object Trading to place their infrastructure in cabinets within the same physical data centre as the ASX and ASX 24 primary matching engines, and will allow for efficient access to market data and trade execution on ASX and ASX 24 markets. David Raper, EGM of Trading Services at ASX stated that he was pleased that Object Trading was leveraging the co-location services at the ALC to broaden their strategic footprint in the region.

ASX opens HK office

ASX opened a new office on 1st October in the heart of HK's financial district. The reason for the move has been cited as further understanding the opportunities presenting from the opening of China, and recognition of the growing number of execution firms seeing Hong Kong as the regional hub.

Hong Kong has representation from the Tokyo Stock Exchange and the Shanghai Stock Exchange as well as ASX.

ASX consultation on changes to listing rules

In 2012 the ASX introduced a new listing rule (7.1A) which allowed "mid to small caps" to obtain a 12 month shareholder mandate to issue up to 10% of issued capital without further shareholder approval (in addition to the 15% permitted under rule 7.1). The ASX simultaneously introduced a set of requirements to protect the interests of investors:

- Shareholder approval by special resolution at subsequent AGM
- Enhanced disclosure requirements
- A floor on the issue price at 75% of the market price
- A 12 month limit on the mandate before it must be refreshed.

The ASX monitored the implementation over two AGM cycles, and during that period more than \$660 million was raised in equity issuances under the permit of the rule. Of the 1991 resolutions, shareholders approved 94%, which indicates that the rule has been well received by mid to small caps and their investors.

For the full rules see here:

<http://www.asx.com.au/documents/public-consultations/asx-consultation-listing-rule-7.1a.PDF>

ASIC publishes changes to Market Integrity Rules

Chi-X Australia launched warrant trading platform in November. Recent amendments to ASIC's market integrity rules ensure that warrants and exchange traded funds ("ETFs") admitted to quotation on the new market are subject to appropriate regulation. Four MINI warrants are available: a long MINI warrant over BHP is quoted using the code "BHPKCA", while a short MINI warrant on BHP is quoted using the code "BHPKCP". The corresponding long and short MINIs over CBA are quoted under the codes "CBAKCA" and "CBAKCP" respectively. ETFs will be launched in 2016.

Sources:

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- <http://finchannel.com>
- <http://www.ifa.com.au>

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- <http://www.investordaily.com.au>
- <http://www.automatedtrader.net>



Thailand

Market Structure

Thai Finance Ministry cuts 2015 growth projection, blames global slowdown

The Thai Finance Ministry's revised down its 2015 economic growth forecast to a range of 2.6%-3.1% from earlier forecast of 2.5%-3.5%, the fourth adjustment this year. Krisada Chinavicharana, Director-General of the ministry's Fiscal Policy Office ("FPO") said it is due to "global economic slowdown which affected the country's exports."

Thailand's exports typically account for two-thirds of the country's gross domestic product, and it has decreased 4.9% in the first nine months of 2015 compared to a year before. Overseas shipments are expected to fall 5.4% in 2015, a drop 2.4% more than prior estimate.

In addition, the FPO sees a 3.3% to 4.3% economic growth for 2016 due to the increase in state investment budget disbursements, economic recovery in Thailand's major trading partners, and the continued weakness of the currency which is expected to boost exports.

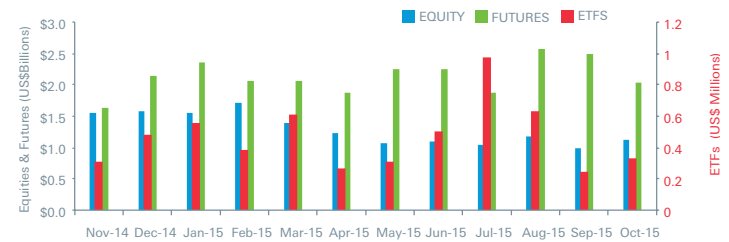
Long-term equity funds privileges get 3-year extension

The Thai Finance Ministry has extended the Long-Term Equity Funds ("LTF") tax deduction privileges for three years as the popular tax breaks were due to expire in 2016. The Ministry recognises the negative impacts on the stock market if these privileges were lifted as a significant portion of investors are locked in these LTFs for their tax benefits – up to 15% of their personal income or 500,000 baht, whichever is lower.

The lock-up period for investments in LTFs has been extended from the previous five calendar years to the date of purchase until a full five years at a minimum. In addition, the Finance Ministry will cut the upfront fee for Treasury Department land in special economic zones by half, an attempt to attract private investment.

These reductions came after repeated requests by private investors to reduce the charges.

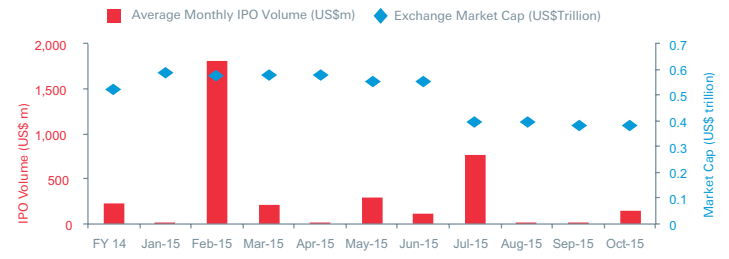
Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 1. Foreign investors confidence in Thai shares for the next three months has improved from extreme bearish 40 points to 101.48 points as confidence rose in all sectors (in particular construction and steel) due to Thai government's economic stimulus package, according to the Federation of Thai Capital Market Organisations (FETCO).

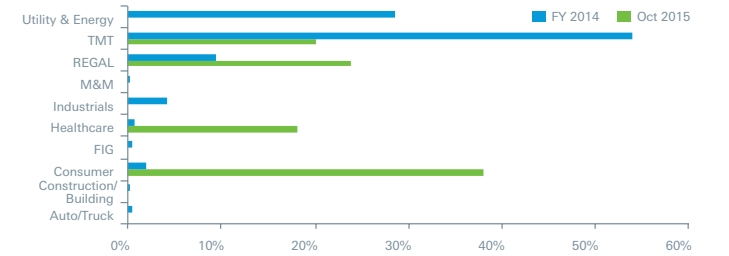
Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 2. Thailand's exchange allowed foreign firms to launch IPO and list on Stock Exchange of Thailand starting April 2015, since then we saw an increase in IPO volume from May to July but a sharp decline in August.

Fig 3: IPO Sector Distribution



Source: Dealogic

Fig 4: IPO Performance

Month	# 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

Sources:

<http://www.bangkokpost.com>
<http://www.nasdaq.com>

Contact

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



Singapore

Market Structure

Singapore's RQFII investment quota to be doubled

MAS announced on 9th November that the Singapore Renminbi Qualified Foreign Institutional Investor ("RQFII") quota will be doubled to RMB 100 billion (~US\$ 16 billion). This came after Chinese President Xi Jinping's state visit to Singapore to commemorate the two countries' 25 years of diplomatic relations. The MAS also announced that the cross-border RMB initiatives that are currently in place for Suzhou and Tianjin will be extended to include the Chongqing Municipality.

MAS further reported that it has reached a deal with China's PBoC to renew the bilateral currency swap agreement that is set to expire in March 2016. The deal allows up to RMB 300 billion (~US\$ 47 billion) liquidity to be made available to eligible financial institutions operating in Singapore, and up to S\$60 billion liquidity to be available to eligible financial institutions in China.

To access MAS's media release click here:

<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2015/CrossBorder-RMB-Flows-and-Capital-Market-Connectivity-Between-China-and-Singapore-to-Strengthen.aspx>

Singapore and China agree on new initiatives to boost RMB business

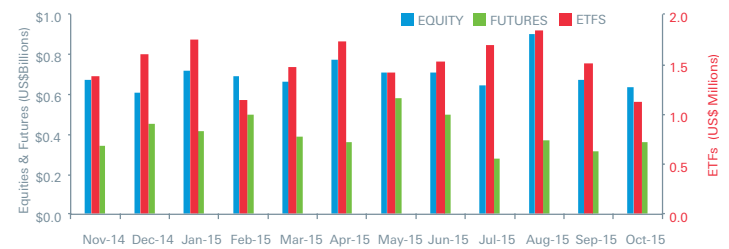
Over the 12th Joint Council for Bilateral Cooperation ("JCBC"), Singapore and China reached an agreement on new initiatives to enhance the international use of the Renminbi ("RMB") through Singapore. The JCBC, held on 13th October, was co-chaired by Singapore Deputy Prime Minister and Coordinating Minister for National Security, Mr. Teo Chee Hean, and China's State Council Vice Premier, Mr. Zhang Gaoli.

The new initiatives will further promote the cross-border RMB channels between Singapore and China through the following:

- (i) The existing cross-border RMB initiatives between Singapore and the China-Singapore Suzhou Industrial Park ("SIP") and Singapore-Sino Tianjin Eco-City ("SSTEC") will be expanded to the cities of Suzhou and Tianjin. As a result of this change, banks in Singapore will be entitled to lend RMB to corporates across Suzhou and Tianjin, while corporates in Suzhou and Tianjin will be allowed to issue RMB bonds in Singapore.
- (ii) Corporates in Suzhou and Tianjin will be able to repatriate 100% of their proceeds raised from bonds issued in Singapore.
- (iii) Corporates in SIP will be allowed to borrow from Singapore-based companies so as to facilitate their overseas expansion through Singapore and to incentivise them to set up Finance and Treasury Centres in Singapore.
- (iv) Qualifying privately-owned banks in SSTEC will be allowed to borrow from Singapore-based banks. This provides support for the banks in SSTEC and facilitates the building of their commercial links with Singapore-based banks.

Singapore and China also look towards more collaboration under the "One Belt One Road" initiative, enhancing access by Chinese corporates to the ASEAN markets through Singapore.

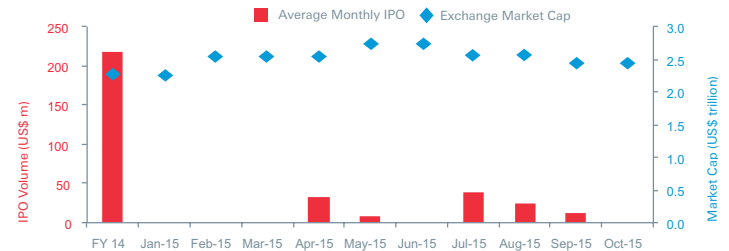
Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

Fig 1. SGX has rolled out educational campaigns, waived clearing fee for a period and allowed investors to trade more ETFs on SGX without being qualified, hoping to attract more volume amid booming ETF market across the globe. Nevertheless, ETF Turnover volume continues to fall for the third month to the lowest level this year, or down 18% YoY. Equities and future turnovers stayed flat YoY and MoM.

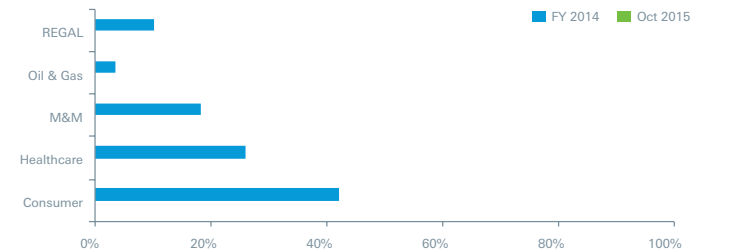
Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 2. Singapore has no new listing on the Main Board this year with just a handful on the Catalyst board. SGX's Chief Executive wants to attract more IPO particularly the digital and consumer sectors by launching outreach programs to provide right technology and start-up environment, as well as increasing liquidity provider and market maker programs. We can expect to see an uptick of number of IPO in the future.

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

MAS Managing Director, Mr. Ravi Menon, said: "This has been a fruitful year for financial cooperation between Singapore and China. The initiatives announced today are a testament to the excellent relations between MAS and our counterparts in China. We look forward to strengthening these relations and forming new pathways as we grow our financial markets together."

The MAS's media release can be accessed at:

<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2015/Singapore-and-China-Agree-on-New-Initiatives-to-Boost-RMB-Business.aspx>

MAS Consults on Margin Requirements for Non-Centrally Cleared OTC Derivatives

On 1st October, the Monetary Authority of Singapore ("MAS") published a consultation paper on margin requirements for non-centrally cleared over-the-counter ("OTC") derivative trades ("uncleared derivatives"). The role of margin requirements is to reduce counterparty credit risks from such uncleared derivatives and to make OTC derivatives trading safer. This consultation closed on 1st November 2015.

MAS proposed imposing margin requirements on all OTC derivatives that are not cleared by a Qualifying Central Counterparty ("QCCP"), except physically-settled foreign-exchange forwards and swaps. Rules would apply to those entities conducting regulated activities on shore in Singapore, if implemented, this will be conducted in phases, beginning with banks as they carry the highest exposures.

This proposal complements MAS' earlier plan to mandate central clearing of specified OTC derivative contracts, and they are made after taking into account the international framework for margin requirements for uncleared derivatives developed by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions.

The MAS will be conducting a quantitative survey to determine the potential market impact of the proposals by working closely with the industry to ensure that the availability of eligible collateral is sufficient to satisfy the margin and other regulatory requirements.

The consultation paper is available at:

<http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2015/Policy-Consultation-on-Margin-Requirements-for-NonCentrally-Cleared-OTC-Derivatives.aspx>

To access the news release:

<http://www.mas.gov.sg/News-and-Publications/Media-Releases/2015/MAS-Consults-on-Margin-Requirements-for-NonCentrally-Cleared-OTC-Derivatives.aspx>

Venue News

SGX to extend privy list requirement to all material transactions

Singapore Exchange ("SGX") announced on 27th October its decision to widen the practice of listed companies maintaining a privy list to all material transactions by amending Practice Note 7.2, expanding from the current requirement of only certain significant transactions such as takeovers, reverse takeovers or very substantial acquisitions. Public consultation has ended and the new requirement will be effective on 1st December 2015. Owing to the privacy of personal data, companies have the flexibility to decide what information the privy list shall contain.

Respondents to the consultation generally supported and recognised the privy list as an important regulatory tool to assist SGX to conduct investigations into insider trading.

In the same consultation, SGX considered the codification of a practice for listed companies and controlling shareholders to privately notify the exchange of significant transactions. The responses revealed a general lack of agreement on the right timing hence SGX have decided not to implement the proposals at this stage.

The maintenance of a privy list and private notifications to SGX were introduced in March 2014 to help SGX monitor unusual trading activities.

SGX's press release is available at:

http://www.sgx.com/wps/wcm/connect/sgx_en/home/highlights/news_releases/sgx-to-extend-privy-list-requirement-to-all-material-transactions

To see the specific amendments to Practice Note 7.2, please click:

http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_Practice_Note_7.2_December_1_2015.pdf

SGX experienced derivatives trading interruption

The SGX experienced disruption to its derivatives trading platform on 27th October 2015. The platform was disrupted for over an hour and trading activities were halted at 22:00 local time, before resuming at 23:15 local time. The market closed as per its normal scheduled hours.

No particular cause for the problem was announced, but the SGX apologised for the inconvenience. The SGX derivatives platform operated as per normal on the following day, 28th October.

New SGX CEO targets digital, consumer IPOs; boosting liquidity a major focus

SGX's Chief Executive Mr. Loh Boon Chye said in a press interview that he wants to attract more initial public offerings ("IPOs") from the digital and consumer sectors, focusing at the same time on increasing financial market liquidity.

The SGX has faced difficulties in IPO activity this year, with no new listing on the Main board, and only a handful on the Catalist board. Macroeconomic conditions such as expectations of higher interest rates and falling commodity prices also hindered listing interest.

To increase its listings, SGX has outreach programs that provide the right technology and start-up environment, including an investment in an equity crowdfunding platform with Clearbridge Accelerator. On improving market liquidity, SGX has plans to increase its liquidity provider and market maker programs. Mr. Loh expressed that with these systems in place, and when the right market conditions set in, the SGX will be able to achieve its dual goals.

On the topic of SGX's potential conflict of interest with its commercial goals, Mr. Loh stated that SGX is open to a redefinition of its regulatory role, but reassured that the exchange has conducted its regulatory function professionally. The ultimate aim for the exchange, in his view, is to stay relevant, to value add, and to value create.

SGX setting up Chicago hub to allow direct access

SGX is establishing a direct-access SGX Chicago Hub at the Chicago Mercantile Exchange ("CME") Group's facility in the Chicago suburb of Aurora, Illinois. This facility will enable North American customers to directly trade SGX's portfolio of equity, foreign exchange and commodities future contracts that are approved by the US Commodity Futures Trading Commission ("CTFC").

This is part of SGX's plan to improve its accessibility to international traders after the Global Financial Crisis as stricter regulations restricted such derivative trading activities. SGX was the first in Asia to be authorised as a derivatives clearing house by the CTFC in 2013, and received approval to be a registered Foreign Board of Trade by the CFTC earlier this year.

SGX's operating revenues from the derivatives business increased 69.1% to S\$90.9 million in the third quarter, while its equity securities business gained 13.8% to S\$55.9 million in the same period.

Sources:

<http://www.sgx.com>

<https://leaprate.com>

<http://www.businesstimes.com.sg>

<http://www.channelnewsasia.com>

<http://business.asiaone.com>

<http://www.lexology.com>



Philippines

Market Structure

BSP tightens grip on treasury operations amid global financial uncertainties

The Bangko Sentral ng Pilipinas (“BSP”), the central bank of Philippines, has tightened the regulations on the treasury operations of banks and other financial institutions to manage operational risks from treasury activities amid potential of interest rate hike by the US Federal Reserve (the Fed) and the economic slowdown in China.

The new regulations specifically set the expectation on BSP-supervised financial institutions’ treasury activities and emphasise the roles of the board of directors and senior management in proper control of the company and in enforcing the necessary standards, including adherence to market conduct rules.

The new regulations also require financial institutions to distinguish clearly between the job functions of the treasury unit from other business units, separating any conflicting duty which can include risk taking and recording; reconciliation and settlement.

In addition, BSP expects companies’ Risk Management, Compliance, and Audit departments to take an active role in monitoring their treasury functions. In the event of violation of these regulations, supervisory enforcement actions should be taken.

On top of all these, the BSP has also introduced a new perspective for the overall assessment of an employee’s suitability to take on directorship or officership role by placing greater focus on displayed behaviors as well as the candidate’s ability to comply with market conduct rules.

“The issuance of these regulations forms part of the BSP’s initiatives to update its supervisory approach to suit current industry practices and align with international standards,” said BSP.

Venue News

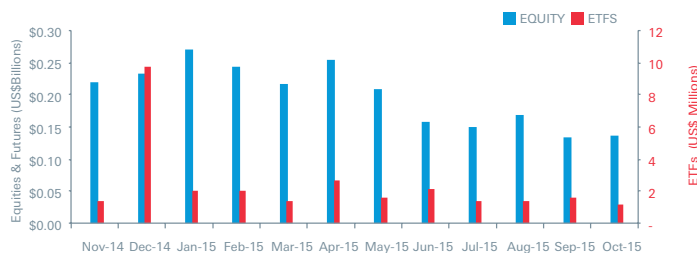
PSE steps towards PDS takeover

The Philippine Stock Exchange (“PSE”) has reached an initial deal with a minority shareholder of PDS Holdings (“PDS”) in an effort to combine the trading platforms for the nation’s equities and fixed income exchanges. PDS is the holding company for the Philippine Dealing Exchange Corporation, the fixed income exchange platform. PDS also holds the Philippine Depository and Trust Corporation, the depository for equities and fixed income securities.

PSE confirmed a share price agreement (“SPA”) with Finex Research and Development Foundation for the purchase of 3.08% stake in PDS. This purchase is subjected to approval by the Securities and Exchange Commission (“SEC”) and other relevant authorities before the deadline of 27th November 2015. If the deal goes through, PSE will own approximately 53% of PDS shares.

PSE’s Chief Operating Officer Roel A. Refran commented that the deal with Finex is the first SPA with a minority shareholder of PDS. It had also previously communicated interest and gained the commitment of other PDS minority shareholders although no formal deals were made.

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



Source: Thomson Reuters

Fig 1. Philippine’s benchmark index (PCOMP) was the worst performer among ASEAN markets this Summer due to China’s volatility and remains lackluster. The benchmark index continues to range-bound around 7000 level, with equities turnover dropped 38%YoY and ETF turnover down 18%YoY.

PSE President and Chief Executive Officer Hans B. Sicat is confident that with the SEC’s approval, it can own up to 95% of PDS. The merger is part of Philippine’s effort to meet the requirements of a cross-border trading platform which links Southeast Asian stock markets for the region’s economic integration.

PSE and PPP Center hold forum on PPP Project Bonds

PSE and the Public Private Partnership (“PPP”) Center, together with the SEC and the Asian Development Bank (“ADB”), held a forum that focused on accessing the bond market via financing PPP project.

The forum was attended by over 100 participants from foreign firms and local companies interested in PPP initiatives, PSE-listed forms, investment banks, government officials, PPP investors and financial advisors. This forum serves as a follow up to an earlier roundtable discussion that focused on the issuance of PPP securities.

The forum talked about the ideal bond structure for PPP projects, as well as the market interest from both issuers and investors for such bonds as a financing tool for PPP projects.

Over the forum, the SEC emphasised and reassured the participants on the government’s efforts towards building up support for PPP project bond issuances.

To access the PSE press release, please click:

http://www.pse.com.ph/stockMarket/pressRoom-pressReleases.html?id=PSE_PRRLS20150000100

Sources:

<http://www.pse.com.ph>
<http://www.bworldonline.com>

<http://www.philstar.com>

Contact

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



Indonesia

Market Structure

Bank Indonesia cuts 2015 inflation projection to 3.6%

In the Financial Sector Stability Coordination Forum ("FKSSK"), Bank Indonesia Governor Agus Martowardojo informed the participants that the central bank forecasts a fall in inflation rate for the last quarter of 2015. Inflation for September fell 0.05% from the previous month due to lower food and transportation prices.

As of the end of October, the annual inflation growth rate was 6.8%. However, this rate is expected to decrease to 3.6% by the end of 2015, which is the lower range of the central bank's 2015 inflation target.

	2008	2009	2010	2011	2012	2013	2014	2015 (expected)
Inflation Rate (%)	9.8	4.8	5.1	5.4	4.3	8.4	8.4	3.6

Source: World Bank

In addition, Bank Indonesia forecasts the country's gross domestic product ("GDP") to increase by about 4.9% in the third quarter of 2015 compared to the previous year. This is an increase from the 4.7% GDP growth in the second quarter, the slowest in six years.

The press release from Bank Indonesia is available at:

http://www.bi.go.id/en/ruang-media/siaran-pers/Pages/sp_177815.aspx

Indonesia to require more capital for most important banks

According to Reuters, the Financial Services Authority ("OJK") released a public consultation on a draft regulation that requires systemically important banks to set aside an additional "capital surcharge" as part of Indonesia's stricter protocols to strengthen its financial system. This proposed change will amount to 1% to 3.5% of the banks' risk-weighted assets ("RWA"), depending on the level of importance of the banks in Indonesia's financial system.

The affected banks will be required to prepare the capital surcharge by December, and the amount to be calculated based on their June financial statements. The regulators are required to compile a list of these systemically important banks that would require different treatments in the event of liquidity or solvency problems. In addition, under this new proposed law, authorities are to undertake a list of specific measures under different scenarios in the financial markets.

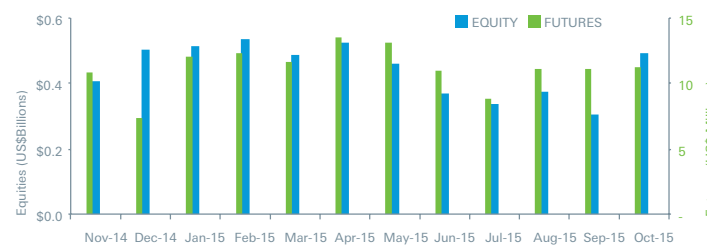
The authorities, OJK, Finance Ministry and the central bank have discussed this proposed change for many years, seeing it as a management tool to maintain stability in the financial system. They aim to implement it by the end of this year.

Indonesia to develop Shariah Hub; competition from Malaysia

Indonesia has the world's largest Muslim population, and it strives to compete with Malaysia as an Asian Islamic finance hub. To do this, Deputy Governor of Bank Indonesia, Perry Warjiyo, shared on 28th October that the central bank will offer four measures to develop its Sharia economy:

- (i) Regulations and policies to support sharia financing and economy

Fig 1: Equities (Cash) and Futures Monthly ADV



Source: Thomson Reuters

Fig 1. Indonesian stock market's turnover bucked the downward trend to recover in October. Equities turnover up 20% YoY; ETFs down 10% YoY.

- (ii) Enhancement of knowledge on sharia economy and financing for banks, business actors, and financial sector
- (iii) Provision of sharia economy and financing models
- (iv) Implementation of international initiatives, such as the core principles of zakat and wakaf

Indonesia President Joko Widodo has dedicated 5,519 trillion rupiah to develop the country's infrastructure, but companies have only sold the equivalent of US\$81 million of local currency sukuk.

Malaysia, however, is seen at a step ahead of Indonesia, having also widened its tax exemptions to environmentally friendly Shariah-compliant bonds in its 2016 budget, a measure to spur project funding via sukuk sales. The Financial Service Authority commented that Indonesia's Islamic banking assets fell 27% to 200 trillion rupiah (US\$14.7 billion) in the first three quarters of 2015 from the year before, while Malaysia saw a rise of 13.7% to 672.6 billion ringgit (US\$158 billion).

The Bank Indonesia media release on its development plan is available at:

<http://www.bi.go.id/en/ruang-media/info-terbaru/Pages/BI-Tawarkan-4-Langkah-Pengembangan-Ekonomi-Syariah-ISEF2015.aspx>

Bank Indonesia to intervene in the forward currency market

Under the newly declared regulation, banks and intermediate financial institutions will be able to participate in the currency market auction with a minimum transaction size of US\$ 1 million. These tenders will be either fixed or variable in rate, with 1 Rupiah as the minimum forward point bid. The minimum holding period for the Bank Indonesia issued Rupiah-denominated certificates will also be decreased to one week. The original holding period was one month.

Also, Bank Indonesia Governor Agus Martowardojo announced through the central bank's website that it would start issuing foreign currency denominated certificates from mid-November onwards, in addition to offering cheaper rates for longer duration foreign currency swaps for infrastructure projects.

These announced measures are all part of the central bank's policy package to address the volatility in its foreign exchange rate seen in recent months.

Sources:

- <http://www.bi.go.id>
- <http://www.bloomber.com>
- <http://www.reuters.com>
- <http://www.businesstimes.com>
- <http://www.indonesia-investments.com>



Malaysia

Market Structure

Malaysia Finance Ministry forecasts weaker 2016 GDP growth

According to the Finance Ministry's Economic Report for 2015/2016, the projected Malaysian economy will grow at 4% to 5% in 2016, driven mainly by domestic demand supported by private sector spending. 2016 is expected to be a challenging year for Malaysia as it faces falling commodity prices, a stronger dollar and a slowdown in China.

To address this and to strengthen its domestic economy while ensuring sustainability of its public finance, the government has plans to create more jobs and to control the rise in the cost of living in order to increase the consumption level in the country.

On the other hand, inflation is projected to remain low due to lower crude oil prices and the market acceptance of the Goods and Service Tax ("GST") introduced in early 2015. Inflation is forecasted to stay in the range of 2% to 3% for 2016.

To access the Economic Report for 2015/2016, please click:

http://www.treasury.gov.my/index.php?option=com_content&view=article&id=6442:economic-report-2015-2016&catid=262&Itemid=2478&lang=en

Malaysia's central bank authorised under Financial Services Acts to take enforcement actions

Bank Negara Malaysia released a statement confirming that it is authorised under the Financial Services Act 2013 and the Islamic Financial Services Act 2013 (altogether know as "the Financial Services Acts") to take enforcement actions against parties found in breach of the Financial Services Act regulations. These can be implemented concurrently with, and are separate and distinct from, criminal proceedings which are under the discretion of the Attorney General.

Examples of enforcement actions include "monetary penalties, issuance of an order to comply, making restitution to any person aggrieved by a breach, public and private reprimands and an order to take steps to mitigate or remedy a breach," according to the central bank's statement.

Bank Negara published this statement with the objective of highlighting the central bank's power to enforce compliance with regulatory laws administered by it. It emphasizes its duty to maintain the integrity of, and confidence in, the financial system.

To access Bank Negara Malaysia's press release:

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=3278&lang=en

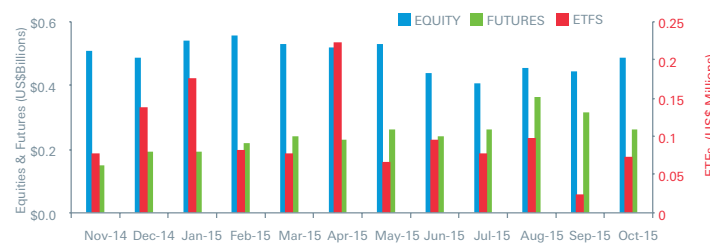
To read more about the Financial Services Acts in relation to the press release, please click:

http://www.bnm.gov.my/index.php?ch=en_legislation&lang=en

Malaysia Central Bank takes Dollar deposits as Ringgit weakens

According to Bloomberg, Bank Negara Malaysia, Malaysia's central bank, started accepting interbank dollar deposits in September as a measure to slow down the devaluation of its currency, and it was believed to be able to help building up Malaysia' currency reserves. In response to Bloomberg's inquiries, the central bank said it is

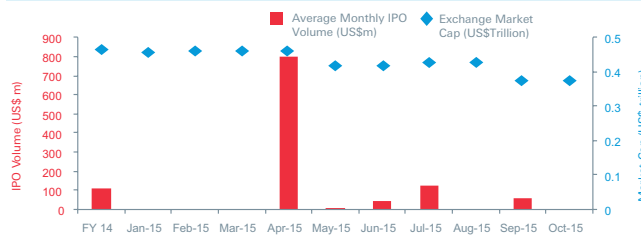
Fig 1: Equities(Cash), Futures and ETFs Monthly ADV



Source: Thomson Reuters

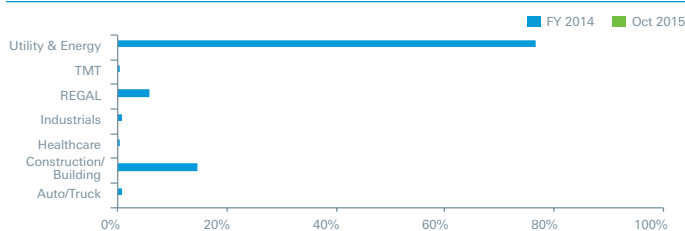
Fig 1. Malaysian equities and ETFs remained flat although the government tried cutting taxes for manufacturers hoping to boost investor sentiment after Malaysian ringgit fell 20% versus US dollar earlier. However, futures turnover up 77% YoY, with focus specifically in crude palm oil futures contract (FCPO) and the equity index contract (FKLI) as investors hedged their positions amid ringgit's volatility.

Fig 2: Avg Monthly IPO size and Exchange Market Cap



Source: Dealogic

Fig 3: IPO Sector Distribution



Source: Dealogic

encouraging financial institutions to keep foreign-currency earnings and deposits of Malaysian-based companies in the domestic market

A statement release from the central bank stated that the move was introduced to ensure dollar liquidity in the market for the ongoing activities of businesses and households. Central bank Governor Zeti Akhtar Aziz, in response to the falling national reserves, has assured actions to rebuild it, at the same time declining any intention to impose capital controls.

The ringgit has weakened to a 17-year low in September on back of multiple factors: lower oil price, rising debt at state investment company 1Malaysia Development Bhd., a slowing China and the impending interest rate hike from the US.

Venue News

Bursa Malaysia moves to boost disclosure and corporate governance framework

Bursa Malaysia published a consultation paper on 16th October about a list of proposed changes to the Listing Requirements targeted at improving the quality of its disclosure and corporate governance framework. In the same consultation, it addresses the post-listing obligations for mineral, oil and gas listed issuers.

These proposals were made after taking into consideration the developments in the international standards of auditing, the resulting impact of such standards, greater disclosure on audit results and the need to further enhance shareholder engagement and participation.

In order to achieve aforementioned, the following review scope should be take into consideration:

- (i) Enhancing annual reports' contents by prescribing non-financial information such as disclosure of management discussion and analysis;
- (ii) Enhancing relevant provisions of the Listing Requirements arising from the international standards of auditing on key audit matters and going concern by requiring immediate and periodic disclosures of matters requiring significant auditor's attention
- (iii) Improving shareholder engagement and strengthening corporate governance practices of listed issuers

In particular about post-listing disclosure obligation for mineral, oil and gas listed issuers, Bursa Malaysia intends to create a specific disclosure framework for those that involved in mineral, oil and gas exploration or extraction activities ("MOG activities") post-listing ("Proposed MOG Amendments").

To read more about the media release and specific obligations, please click:

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/3673>

Sources:

<http://www.bursamalaysia.com>

<http://www.bloomberg.com>

<http://english.astroawani.com>

<http://www.nasdaq.com>

<http://www.bnm.gov.my>

Contact

Email: global.marketstructure@list.db.com

Tel: +852 2203 5710



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 date

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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