

# Global Market Structure Asia Pacific Newsletter

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## Issue 26, 2013

Welcome to the APAC Market Structure Newsletter containing the news relating to market microstructure, exchange updates and regulatory developments.

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# Global Market Structure

## Hong Kong Newsletter Issue 26



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### Hong Kong Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$7.21bn	10.37% ▼

Source: Thomson Reuters, 2013

### Personnel Updates

#### HKEx Appoints Mao Zhirong as Head of Mainland Development

Mr. Mao Zhirong has been appointed as Senior Vice President, Head of Mainland Development, effective 1st May 2013. He will be a member of the Management Committee and will report to the Co-heads of Global Markets Romnesh Lamba and Martin Abbott and the Chief Executive, Charles Li. Head of Mainland Development, Yang Qiumei, steps down on 30 April 2013 to pursue an opportunity at an international financial institution.

Mr. Mao previously worked as the Director of Strategy and International Affairs, Director of Financial Innovation Lab and Head of Derivative Product Task Force at the Shenzhen Stock Exchange ("SZSE"). The SZSE appointed Mr Mao to the board of China Exchanges Services Company Limited (CESC), HKEx's joint venture with Shanghai and Shenzhen stock exchanges, when CESC was established in the second half of last year and he subsequently became one of CESC's co-chairmen. HKEx's appointment of Mr Mao will result in changes to the CESC board, which will be announced in due course.

### Venue Updates

#### Hong Kong Exchanges & Clearing results show 20% drop

HKEx, the world's largest bourse operator by market capitalisation, reported profit attributable to shareholders totalling HK\$4.1bn (US\$528m) for 2012 compared with expectations of HK\$4.4bn (as reported by Thomson Reuters). The slow IPO market and low trading volumes have been cited as the main causes for the 20% drop in net profit. Average daily trading turnover in cash equities and stock options contracts both decreased by more than 20% from the previous year while Dealogic stated the IPO revenues fell 70%, causing the global ranking to fall to fourth after three years in the number one position.

Although trading volumes through the year were significantly below 2011 levels, activity did pick up slightly in the fourth quarter in line with an increasing appetite among international investors for China-related assets. Average daily turnover in stock trading rose to HK\$56bn in the final quarter, up from HK\$46bn in the previous quarter.

For the full report see here:

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2013/Documents/130227news.pdf>

Fig 1: Equities Hong Kong market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Futures HKFE HSI monthly ADT



Source: Bloomberg, 2013

### Trading Halt to be introduced circa mid 2014

As the majority of respondents were in support, a trading halt will be introduced to allow a listed issuer's inside information ("II") announcements to be released during the Exchange's trading hours. The model HKEx will be similar to that set out in the consultation paper.

HKEx, to provide sufficient lead time to the market, will not implement the mechanism earlier than mid-2014, potentially as part of the Exchange's new Orion Trading Platform infrastructure. The implementation date and schedule will be announced in due course.

Summary of the trading halt mechanism:

- A halt of 30 minutes trading halt applies to all II announcements released during trading hours. Share trading will resume at least 30 minutes after the II announcement is published on the HKEx news website. Any trading resumption will take place on the quarter hour.
- At least 30 minutes of trading (including 10 minutes auction session and 20 minutes of continuous trading) will be provided after lifting of trading halts. The latest time for trading resumption before end of the trading day would be 3:30pm for a normal trading day or 11:30am for a half-day trading.
- All existing orders of the securities in the securities market entered before a trading halt or a suspension are to be cancelled automatically by the Exchange at the time of halt.

- A single price auction of 10 minutes will take place upon lifting of a trading halt.
- Results announcements will be published during the current publication windows as far as possible. The Exchange may grant a trading halt for the publication of results announcement if it is justified by the issuer.
- The current practices of releasing non-II announcements outside trading hours will remain unchanged.
- The maximum period for which a trading halt may be granted by the Exchange is two trading days. If the issuer fails to publish the II announcements within the proposed maximum period, the trading halt will lapse and its status will be changed to “suspension” automatically.
- The current Exchange’s stock options / futures order handling practices will remain unchanged (i.e. at present all outstanding orders are purged automatically by the system at the time of suspension).

For details, you can access the full conclusions here:

<http://www.hkex.com.hk/eng/newsconsult/hkexnews/2013/130315news.htm>

### 2012 Factbook released

The annual publication from the HKEx is now available giving in depth information on the trading and clearing statistics from 2012. Topics included are:

- market indices movement:
- trading statistics and analysis for both cash and derivatives markets:
- statistics based on the Hang Seng Industries Classification System:
- corporate actions for listed companies; and
- survey results
- historical data

For the full report see here:

<http://www.hkex.com.hk/eng/newsconsult/hkexnews/2013/130318news>.

### Charles Li says exchange to look at use of cornerstone investments

It has been reported that the bourse operator intends to look at the area of investment in IPOS following requests by some Market participants. The move would seek to improve transparency and level the playing field between cornerstone and other investors

The exchange is considering whether to prevent brokerage-commission waivers; put options to buy back the shares after listing; underwriting commission sharing; assurances that the issuer will re-invest the IPO proceeds in funds managed by the cornerstone investor; and agreements that allow the allocation of shares in another IPO, or any other transaction or commercial arrangement.

### Sources

[www.hkex.com.hk](http://www.hkex.com.hk)  
[www.hkma.gov.hk](http://www.hkma.gov.hk)  
[www.sfc.hk](http://www.sfc.hk)  
[www.scmp.com.hk](http://www.scmp.com.hk)  
[www.thestandard.com](http://www.thestandard.com)  
[www.ifrasia.com](http://www.ifrasia.com)  
[www.ft.com](http://www.ft.com)  
[www.reuters.com](http://www.reuters.com)

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# Global Market Structure

## Chinese Newsletter Issue 26



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### Chinese Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$32.86bn	6.04% ▼

Source: Thomson Reuters, 2013

#### 9 new QFII licenses approved by CSRC

As per CSRC's website, the following 9 entities have been granted Qualified Foreign Institutional Investors ("QFII") licenses during January and February 2013.

1. East Capital AB
2. First Securities Investment Trust Co., Ltd
3. Investec Asset Management Ltd
4. UBS Global Asset Management (Hong Kong) Ltd
5. CSOP Asset Management Ltd
6. EJS Investment Management S.A.
7. Guotai Junan Assets (Asia) Limited
8. Taikang Asset Management (HK) Company Limited
9. CMS Asset Management (HK) Co., Limited

#### US\$3.4 billion quota approved by SAFE for 19 QFIs

The State Administration of Foreign Exchange ("SAFE") has released US\$2.6 billion quota to the following 10 entities.

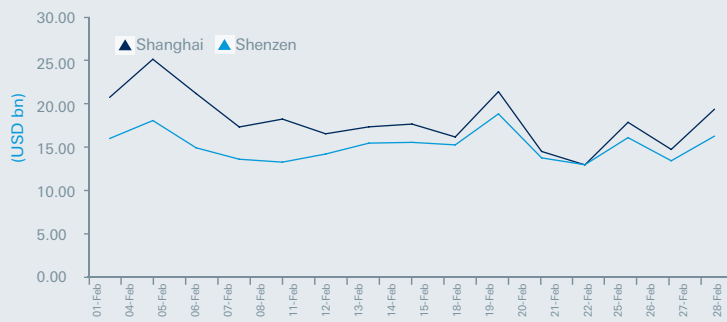
1. EFG Bank AG (US\$100 million)
2. Genesis Asset Managers, LLP (US\$200 million)
3. CDH Investment Advisory Private Limited (US\$200 million)
4. JPMorgan Asset Management Taiwan (US\$150 million)
5. Hillhouse Capital Management Limited (US\$300 million)
6. APS Asset Management Pte Limited (US\$300 million)
7. Public Mutual Berhad (US\$60 million)
8. Uni-President Assets Management Corporation (US\$50 million)
9. ABU Dhabi Investment Authority, (Additional US\$500 million)
10. Kuwait Investment Authority, (Additional US\$700 million)
11. Hansberger Global Investors, Inc (USD\$100 million)
12. Hana Daetoo Securities Co, Ltd (USD\$100 million)
13. British Columbia Investment Management Corporation (USD\$100 million)
14. OrbiMed Advisors LLC (USD\$50 million)
15. BlackRock Asset Management North Asia Limited (USD\$100 million)
16. Harvest Global Investments Limited (USD\$100 million)
17. E Fund Management (Hongkong) Co. Limited (USD\$100 million)
18. China Asset Management (Hong Kong) Limited (USD\$100 million)
19. CITIC Securities International Investment Management (HK) Limited (USD\$100 million)

Fig 1: Equities Chinese market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Equities Daily Turnover per venue - February 2013



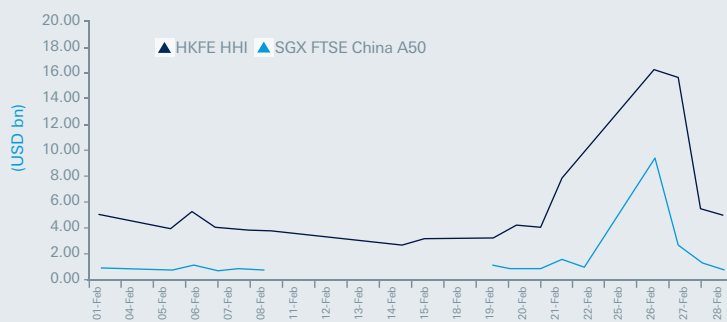
Source: Thomson Reuters, 2013

Fig 3: Futures HKFE HHI monthly ADT



Source: Bloomberg, 2013

Fig 4: Futures Daily Turnover per venue - February 2013



Source: Bloomberg, 2013

As of February 2013, a total quota of US\$40.8 billion has been granted to 186 QFIs.

### CSRC allows more companies to participate in the mutual fund business

CSRC has released provisional rules that permit qualified securities companies, insurance asset management companies and securities investment private equity to directly engage in mutual fund management business. The rules will come into effect from 1st June 2013.

Based on the new Rules, asset management institutions who are applying for mutual fund business should meet the following requirements:

- > 3 years securities assets management experience;
- Good corporate governance, sound internal control and effective risk management;
- Profitable in recent 3 years; and
- Member of the Assets Management Association of China.

### CSRC to legitimise private equity funds

On 20th February, CSRC issued the Draft Private Funds Measures for public consultation. The Draft Private Funds Measures is due to become effective on 1st June 2013, along with the recently amended Law of Securities Investment Funds.

In this draft, qualified Private Funds managers are required to be registered with the Asset Management Association of China ("AMAC"). It is required that the Private Funds Manager has paid-up capital greater than RMB 10 million and a minimum AUM of RMB 100 million. They cannot undertake the business under the name of "fund" or "fund management" without the AMAC registration.

Private Funds can only be raised from investors qualifying below criteria, and number of investors limited at 200:

- i. Aggregated financial assets are no less than RMB 2 million;
- ii. Average annual income in the last 3 years is no less than RMB 200,000;
- iii. Average family income in the last 3 years is no less than RMB 300,000; or
- iv. with respect to any institutional investor, its net assets are greater than RMB 10 million

### CSRC releases new RQFII rules

Effective from 31st January 2013, the following changes have been made to broaden the Renminbi Qualified Foreign Institutional Investors ("RQFII") programme.

#### 1. Expanded Types of Eligible Applicants

Previously, only HK subsidiaries of Chinese fund management companies and securities companies were eligible to apply the RQFII status. Now the eligible applicants also include HK subsidiaries of Chinese commercial banks and insurance companies, and financial institutions registered and with primary business operating in HK.

#### 2. Removed Restrictions on Asset Allocation

During the pilot stage, RQFIIs could only issue fixed income products or A-share ETFs. After the revision of rules, RQFIIs can decide the product type themselves in accordance with market conditions.

#### 3. Simplified Application Documents

According to the "Rules", applicants no longer need to provide internal control policy, draft copy of Custody Agreement with local custodian, and legal opinion to the CSRC.

#### 4. Clearly Specified the Investment Scope and Foreign Ownership Limit in the "Rules"

According to the Rules, within the approved investment quota, RQFII can invest in the following RMB dominated financial instruments:

- (1) Shares, bonds, and warrants traded or transferred in the stock exchange;
- (2) Fixed income instruments traded in interbank bond market;
- (3) Securities investment funds;
- (4) Index futures;
- (5) Other financial instruments permitted by CSRC.

RQFII can participate in subscription for IPO of shares, IPO of convertible bonds, additional offering and rights issues.

In addition, domestic securities investment of foreign investors shall be in compliance with the following shareholding limits:

- (1) Shareholding of a foreign investor in a single listed company shall not exceed 10% of the total number of shares of the listed company;
- (2) Shareholding of A shares by all foreign investors in a single listed company shall not exceed 30% of the total number of shares of the listed company.

#### QFII Net Inflow tops US\$7bn in 2012, nearly 9 times 2011

According to the Report on China's international balance of payments in 2012 released by SAFE on 28th February 2013, QFIIs made a net inflow of US\$7.7 billion in 2012, and underwent a rapid growth of US\$6.9 billion, up 8.8 times compared with that of year 2011.

In 2012, the inflow of QFII funds reached US\$9.2 billion, and the outflow US\$1.5 billion. As at end of year 2012, SAFE had granted the total quota of US\$37.4 billion to 169 QFIIs, and the accumulative net inflow of QFII funds reached US\$29.7 billion, while the net outflow of QFII funds reached US\$5.6 billion.

## Venue News

#### SSE to launch single stock options

Gui Minjie, Chairman of Shanghai Stock Exchange announced the exchange will launch individual stock options this year. Gui further claimed that the options will be targeting blue-chip stocks first, starting with simulated trading. Currently the only equity derivative available is index futures launched in 2008.

2012 stock market performance report released for SZSE

SZSE research department recently released the 2012 stock market performance report, here is a brief summary.

- Liquidity remained at favorable levels: liquidity levels with impact cost (per unit of CNY 100,000) for the Main Board, SME and ChiNext market are 18.1, 19.1 and 22.2 bps respectively.
- The market volatility continued to decline, operational stability further enhanced.
- Market effectiveness remained at high level.
- Efficient order execution recorded: 35% of orders got best execution, 33% executed within 10 seconds and 93% executed at single quote.

#### Source:

[www.szse.cn](http://www.szse.cn)

[www.sse.com.cn](http://www.sse.com.cn)

[www.csrc.gov.cn](http://www.csrc.gov.cn)

[www.usa.chinadaily.com.cn](http://www.usa.chinadaily.com.cn)

[www.mondovisione.com](http://www.mondovisione.com)

[www.conventuslaw.com](http://www.conventuslaw.com)



# Global Market Structure

## Taiwan Newsletter Issue 26

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### Taiwan Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$2.76bn	8.51% ▲

Source: Thomson Reuters, 2013

#### GTSM announced new criteria for full delivery stocks

The GreTai Securities Market (GTSM) announced new criteria for full delivery category stocks with effect from 1st July, 2013.

If listed companies common shares listed/traded ratio <25% of the total common stock issued, and < 5 million shares, the stock will be suspended from trading if it failed to upgrade to normal trading stock category after 3 years.

The GTSM aims to prevent low liquidity of listed stocks when the listed company makes a private placement or capital reduction.

#### Transaction tax on futures to be lowered, update day trading plan

Several mechanisms are planned before August 2013 to boost trade in local securities market including:

- Lowering the equities futures transaction tax from 0.004% to 0.002%. It was announced on 11th March that the proposal will be submitted to the Finance Ministry for final decision, with a review planned two years after implementation.
- Allowing buy-then-sell same-day turnaround trading to investors.
- In addition, the government is considering allowing the following companies to be listed in Taiwan

- 1) Foreign companies with investment capital  $\geq$  30% from China
- 2) Taiwanese companies registered in China

#### F&O position limit adjusted

The FSC has announced position limit changes for the following futures & options:

Unit: Contract

#### Futures Position Limit

Electronic Sector Index (TE)	3,000
Finance Sector Index Futures (TF)	3,000
Taiwan 50 Index (T5F)	3,000
Taiwan Stock Exchange NonFinance NonElectronics Sub-Index (XIF)	3,000
GreTai Securities Market Stock Index(GTF)	3,000
Gold Bullion denominated in USD (GDF)	3,000
Gold Bullion denominated in TWD (TGF)	3,000

#### Options Position Limit

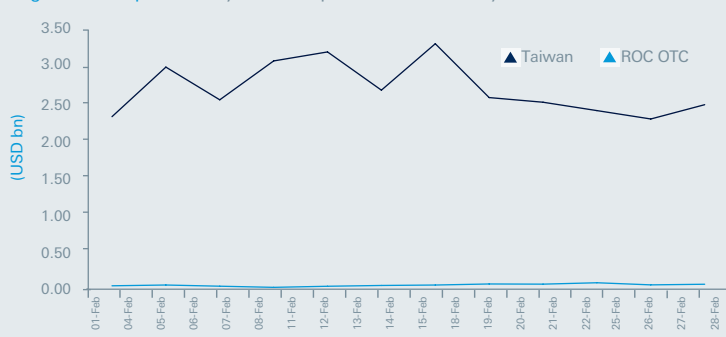
Electronic Sector Index (TEO)	6,000
Finance Sector Index (TFO)	6,000
Taiwan Stock Exchange Non Finance Non Electronics Sub-Index (XIO)	6,000
GreTai Securities Market Stock Index (GTO)	6,000
Gold Options denominated in TWD (TGO)	6,000

Fig 1: Equities Taiwan market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Cash Equities Daily Turnover per venue - February 2013



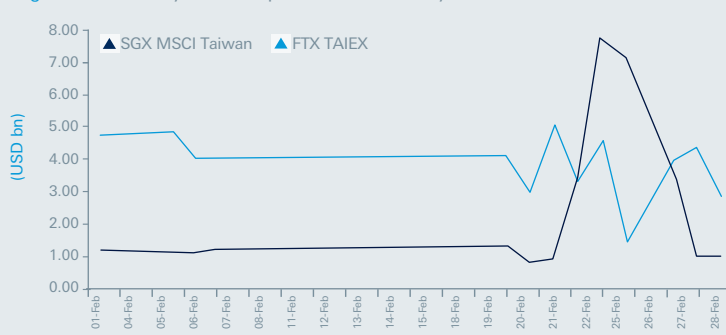
Source: Thomson Reuters, 2013

Fig 3: Futures FTX TAIEX monthly ADT



Source: Bloomberg, 2013

Fig 4: Futures Daily Turnover per venue - February 2013



Source: Bloomberg, 2013

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## Venue News

### TAIFEX, EUREX completed product cooperation deal

On 6th February, TAIFEX signed a LOI with Germany's EUREX to enhance product cooperation between the two trading floors.

In the agreement, TAIFEX options and TAIFEX futures will be listed as daily expiring futures on Eurex in Q4 this year. This deal is expected to greatly increase TAIFEX F&O liquidity and efficiency as well as enabling investors to trade TAIFEX futures and options while the local market is closed.

Source: <http://www.taiwantoday.tw/ct.asp?xItem=201636&ctNode=445>

### Weekly TAIEX futures to be launched in July 2013

The FSC have announced plans to launch weekly TAIEX Futures. The new series of TAIEX Futures is expected to be listed in July 2013.

Weekly TAIEX options have already been launched in November 2012.

## Personnel Changes

### New Chairman Lee installed at TWSE

On 25th February, the TWSE installed its new Chairman Lee in a ceremony after Schive Chi was appointed to Cabinet. Lee Sush-der, 61 years old, was the Finance Minister during President Ma Ying-jeou's first term (2008 – 2012)

### Source:

[www.twse.com.tw](http://www.twse.com.tw)

[www.foxbusiness.com](http://www.foxbusiness.com)

[www.sfb.gov.tw](http://www.sfb.gov.tw)

[www.chinapost.com.tw](http://www.chinapost.com.tw)

[www.morningwhistle.com](http://www.morningwhistle.com)

[www.gretai.org.tw](http://www.gretai.org.tw)

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### Indian Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$2.49bn	11.37% ▼

Source: Thomson Reuters, 2013

#### SEBI introduces 'LES' for cash equity segment

In a bid to boost liquidity in the cash equity segment, SEBI has allowed the stock exchanges to introduce 'Liquidity Enhancement Schemes' for brokers and intermediaries for trading certain illiquid securities. There was a huge demand for such schemes in the cash segment after SEBI had last year introduced a similar mechanism for the derivatives segment. This scheme allows the exchanges to incentivise brokers and other intermediaries for a particular period of time if they are able to bring in liquidity and generate investor interest in dormant scrips with limited trading activity. Salient features of the scheme are:

#### Eligible Securities

- Securities with a mean impact cost  $\geq 2\%$  for an order size of Rs 1 lakh calculated over the past 60 trading days
- Securities introduced for trading in the "permitted to trade" category
- A stock exchange can offer the scheme for a security which is ineligible on its own platform but is eligible on another exchange's platform and that exchange has already initiated the LES for that security. Such schemes cannot be run on other exchanges for a duration that is longer than that on the initiating exchange

#### Duration of Scheme

- The scheme may be continued till such time as the security achieves mean impact cost  $< 2\%$  for an order size of Rs 1 lakh on the exchange during the last 60 trading days
- The exchanges can modify or discontinue a scheme anytime by providing an advance notice of 15 days
- The scheme can be reintroduced for a security if it meets the eligibility criteria again

#### Transparent and measurable Incentive Structure

- Discount in fees, adjustment in fees in other segments or cash payment (Under such a structure the total incentives for both cash and derivatives segments shall not exceed 25% of the net profits or 25% of the free reserves whichever is higher as per the Stock Exchange's audited financial statements of the preceding financial year)
- Shares, including options and warrants, of the stock exchange (Under this structure, the shares, including the shares that may accrue on exercise of warrants or options given as incentives under both equity and derivative segments during a financial year) shall not exceed 25% of the issued and outstanding shares of the Stock Exchange as on the last day of the preceding financial year.

The LES will not be applicable on the SME Platform or to the SME exchanges. Adequate measures must be put in place by the exchanges to prevent self trading.

The SEBI circular is available here:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1360335401597.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1360335401597.pdf)

[http://articles.economicstimes.indiatimes.com/2013-02-10/news/37020599\\_1\\_liquidity-enhancement-schemes-stock-exchange-illiquid-securities](http://articles.economicstimes.indiatimes.com/2013-02-10/news/37020599_1_liquidity-enhancement-schemes-stock-exchange-illiquid-securities)

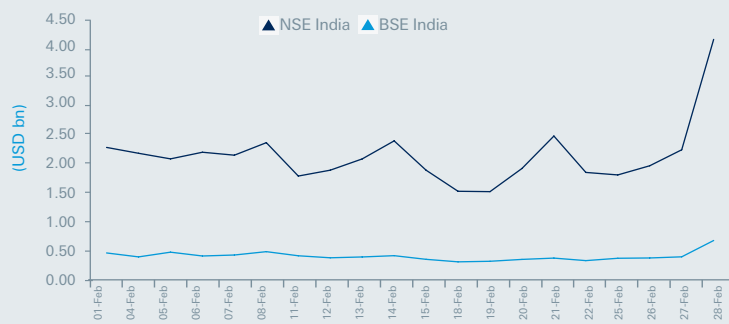
<http://www.business-standard.com/article/economy-policy/sebi-introduces-les-to->

Fig 1: Equities Indian market monthly ADT (lit & auction types)



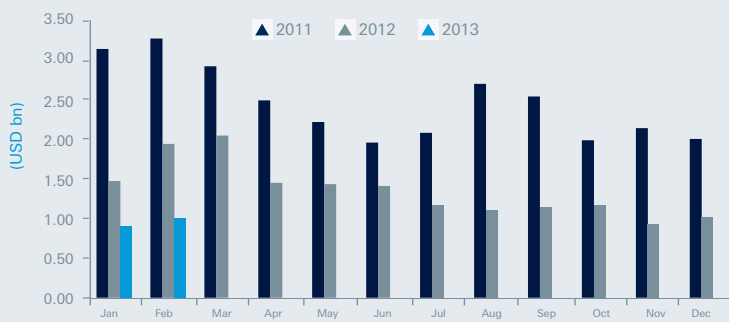
Source: Thomson Reuters, 2013

Fig 2: Equities Daily Turnover per venue - February 2013



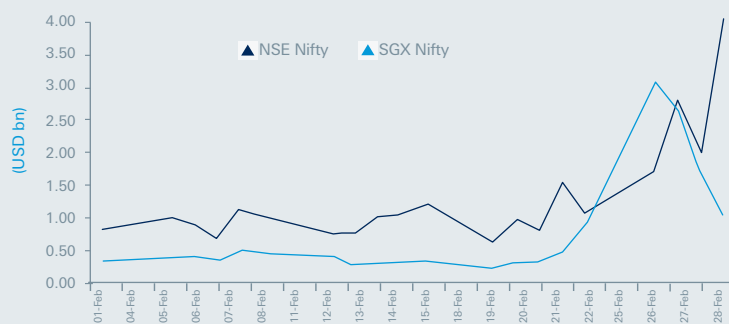
Source: Thomson Reuters, 2013

Fig 3: Futures NSE Nifty monthly ADT



Source: Bloomberg, 2013

Fig 4: Futures Daily Turnover per venue - February 2013



Source: Bloomberg, 2013



[cash-segment-113020801233\\_1.html](#)

### Pre-open call auction mechanism extended to all scrips

SEBI has extended the pre-open call auction mechanism (used to discover the equilibrium price of stocks and reduce volatility in the opening session) to all the scrips in the equity market effective 1st April 2013. The price bands for such sessions will be applicable in the normal market. Currently, it is used for all the Sensex and Nifty stocks and on the 1st day of trading for IPOs and relisted scrips. According to SEBI, the pre-open call auction session shall be applicable to all exchanges with active trading and for all scrips that are not classified as illiquid.

SEBI has also introduced hourly call auction sessions to be conducted throughout the trading hours for trading in illiquid shares in the equity markets. Of the one hour for each session, 45 minutes will be allowed for order entry, modification and cancellation; eight minutes for order matching and trade confirmation and the remaining seven minutes will be a buffer period for closing the current session and facilitating transition to the next session.

“Going ahead, trading in illiquid scrips will be conducted only through hourly call auction sessions. Along with the illiquid scrips identified by the bourses, stocks that have trading volume of less than 10,000 or average daily trades of less than 50 shall be classified as illiquid.” - SEBI said.

The regulator has also set out penalties to prevent stock price manipulation in the call auctions for illiquid stocks. A client will be liable to a penalty if the maximum of buy price entered by that client equals or is higher than the minimum sell price entered by the same client. Such penalties will be collected from the trading members on a daily basis and will be deposited in the Investor protection fund. Trading members may recover the same from their respective clients.

SEBI circular is available here:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1360851620748.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1360851620748.pdf)

#### Sources:

<http://www.financialexpress.com/news/sebi-extends-preopen-call-auction-to-all-companies-shares-on-stock-exchanges/1074793/0>

[http://articles.economicstimes.indiatimes.com/2013-02-15/news/37119484\\_1\\_scrips-auction-session-secondary-market-advisory-committee](http://articles.economicstimes.indiatimes.com/2013-02-15/news/37119484_1_scrips-auction-session-secondary-market-advisory-committee)

### SEBI issues guidelines for IDR conversion

SEBI has notified regulations governing the conversion of Indian Depository Receipts (“IDRs”) into underlying shares or vice versa allowing partial 2-way fungibility of the IDRs. The move is expected to attract more foreign issuers to raise capital in the country through IDRs.

“In order to encourage more number of foreign companies to issue IDRs in the Indian market and also to enable the investors to take informed investment decision, it has been decided to provide a detailed roadmap and guidelines for the future IDR issuances as well as for the existing listed IDRs.” SEBI said

Below are the highlights

- The issuers will have to provide 2-way fungibility of the IDRs and option of conversion of IDRs into underlying shares will be available to investors after one year from the date of listing
- Investors can also apply for selling the underlying shares in the home markets after conversion and redeeming the proceeds. In such cases the issuer needs to disclose the range of fixed / variable costs in percentage terms upfront and all the overall cost shall not exceed 5 per cent of the sale proceeds
- The IDRs applying for fungibility need to be transferred into a separate redemption account. 20% of the IDRs available for fungibility will be reserved for retail investors
- Fungibility windows will be available atleast once every quarter and remain open for atleast 7 days

- Total number of IDRs available for fungibility during each fungibility window would be fixed and announced before the opening of the window
- Companies with IDRs issued already can offer fungibility of upto 25% of the original issuance

SEBI circular is available here:

[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1362136042656.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1362136042656.pdf)

#### Sources:

<http://www.livemint.com/Money/T67VJFxdob0J2zVXQaBaoN/Sebi-notifies-norms-to-allow-IDR-fungibility.html>

[http://www.thehindubusinessline.com/markets/stock-markets/sebi-issues-fungibility-norms-for-indian-depository-receipts/article4466075.ece?homepage=true&ref=wl\\_home](http://www.thehindubusinessline.com/markets/stock-markets/sebi-issues-fungibility-norms-for-indian-depository-receipts/article4466075.ece?homepage=true&ref=wl_home)

### SEBI sets up panel to review insider trading norms

In a bid to strengthen the regulatory framework to deal with cases of insider trading, SEBI has set up a 14 member panel to review the existing insider trading norms. The panel will be headed by N.K Sodhi (retired Chief Justice of Karnataka High Court and former Presiding Officer of the Securities Appellate Tribunal) and also has ample representation from the industry. No timeline has been announced yet for the completion of this review.

“World over, the regulatory focus is shifting towards containing the rising menace of insider trading effectively. To ensure that the regulatory framework dealing with insider trading in India is further strengthened, SEBI seeks review of the extant insider trading regulatory regime in India” a SEBI statement said.

<http://www.livemint.com/Money/7GLPI7tFEOGfcbUmG2HPhL/Sebi-sets-up-panel-to-review-insider-trading-norms.html>

### SEBI investigating the mid-cap crash of 25th Feb

SEBI has ordered an investigation into the incident on 25th Feb when a number of mid-cap and small-cap stocks crashed as much as 60% within minutes without any apparent fundamental reasons. The initial probe so far has revealed that a known operator (stock manipulator) who was banned last year might be behind this incident using a front entity to conceal his identity.

<http://www.livemint.com/Money/RNru05cbpTwh9MWFwAELJO/Operator-portfolio-under-Sebi-scanner-after-midcap-mayhe.html>

### SEBI might revise SME listing norms

In a bid to provide a boost to the SME sector, SEBI has expressed its willingness to review the regulatory framework and provide some relaxations which can make the proposition more cost efficient for issuers and also reduce certain obligation for i-bankers.

Specifically SEBI is relooking at

- The regulation requiring i-bankers to take responsibility of market making for 3 years for the issues they facilitate and also underwrite at least 15% on their own books
- Requirement for issuers to at least dilute 25% of the equity through the IPO
- The minimum size for retail participation (currently Rs 1 lakh) may also be lowered

“SEBI is open to review of the SME guidelines, to address the needs of various stakeholders, including merchant bankers, investors and issuers. We are happy to think completely out of the box for bringing in further measures” said S Raman, Executive Director, SEBI.

[http://www.business-standard.com/article/markets/sebi-might-make-sme-listings-easier-113021800852\\_1.html](http://www.business-standard.com/article/markets/sebi-might-make-sme-listings-easier-113021800852_1.html)

[http://zeenews.india.com/business/news/finance/sebi-open-to-reviewing-sme-guidelines-s-ramann\\_70507.html](http://zeenews.india.com/business/news/finance/sebi-open-to-reviewing-sme-guidelines-s-ramann_70507.html)

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**ETFs allowed to invest in Gold Deposit Schemes with banks**

SEBI has allowed mutual fund houses with Gold ETF schemes to invest up to 20% of the assets under management of such schemes in Gold Deposit Schemes offered by banks. The move aims to utilise idle assets of the precious metal for more productive purposes and also check the demand for imports.

[http://www.business-standard.com/article/markets/sebi-allows-mfs-to-place-up-to-a-fifth-of-etf-gold-with-banks-113021500547\\_1.html](http://www.business-standard.com/article/markets/sebi-allows-mfs-to-place-up-to-a-fifth-of-etf-gold-with-banks-113021500547_1.html)

**SEBI may allow listing of preference shares**

SEBI is mulling whether to allow companies to list their preference shares on stock exchanges. The move is targeted to help infrastructure companies and banking institutions raise quality long-term funds easily. The preference shares are not covered under existing rules and hence SEBI will have to make amendments to existing regulations if its board approves the move.

[http://articles.economictimes.indiatimes.com/2013-03-07/news/37531845\\_1-preference-shares-equity-savings-offer-document](http://articles.economictimes.indiatimes.com/2013-03-07/news/37531845_1-preference-shares-equity-savings-offer-document)

**Venue Updates**

**MCX-SX takes off at a slow pace; offers incentives to shore up volumes**

The MCX-SX successfully launched its nation-wide equity and derivatives trading platforms on 11th February adding competition for the existing bourses NSE and BSE. A total of 1,116 stocks are available for trade on its cash equity segment and it will also start trading in its benchmark index SX-40 from next month onwards. On the first day of trading on MCX-SX, the total turnover stood at Rs 12.53 crore, less than 1% of NSE's turnover. The bourse is still encountering some issues with membership approvals, connectivity and KYC registrations that are impacting its daily turnover.

Following the introduction of Liquidity Enhancement Schemes for cash equity segment by SEBI, MCX-SX has announced incentive schemes to brokers, market makers and investors to improve liquidity on its platform beginning 6th March. Under the scheme:

- Participants providing a daily volume of up to Rs 200 crore in the equity segment will be paid an incentive of Rs 600 per crore, while those who provide an even higher liquidity will be awarded at Rs 850 per crore
- In the derivatives segment, the exchange transaction fees will be waived completely for those generating passive buy or sell orders and additionally 50% of the transaction fees paid by those placing active orders will be passed on to them.

A detailed structure of the incentive scheme is described in below table as well.

Futures				Options		Equity Capital Market	
Market Makers (in 50 Securities)		Other Participants (in 50 Securities)		All Participants		All Participants	
Passive Sell	Passive Buy	Passive Sell	Passive Buy	Passive Sell	Passive Buy	Daily Volume up to Rs 200 cr	Daily Volume greater than Rs 200 cr
Rs 2765* per crore	Rs 215* per crore	Rs 500* per crore	Rs 30* per crore	Rs 3060* per crore premium	Rs 1360* per crore premium	Rs 600* per crore premium	Rs 850* per crore premium
All securities (All Participants)							
Passive Sell		Passive Buy					
Rs 550* per crore		Rs 80* per crore					

The equity futures segment on MCX-SX witnessed an increased turnover of Rs 456 crore on 6th March, the first day of introduction of the liquidity enhancement scheme. The cash segment continued to disappoint though with turnover of just Rs 50 crore.

The MCX-SX notice for LES can be accessed here:

[http://www.mcx-sx.com/Media/PressRelease/MCX-SX\\_announces\\_investor\\_friendly\\_LES\\_in\\_equity-equity\\_derivatives\\_segments.pdf](http://www.mcx-sx.com/Media/PressRelease/MCX-SX_announces_investor_friendly_LES_in_equity-equity_derivatives_segments.pdf)

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[http://www.thehindubusinessline.com/markets/stock-markets/mcx-sx-to-introduce-liquidity-enhancement-schemes/article4431628.ece?homepage=true&ref=wl\\_home](http://www.thehindubusinessline.com/markets/stock-markets/mcx-sx-to-introduce-liquidity-enhancement-schemes/article4431628.ece?homepage=true&ref=wl_home)

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<http://businesstoday.intoday.in/story/mcx-sx-index-sx-40-starts-trading-feb-11/1/192261.html>

[http://articles.economictimes.indiatimes.com/2013-02-12/news/37058823\\_1\\_mcx-sx-mcx-stock-exchange-mcx-stock-exchange](http://articles.economictimes.indiatimes.com/2013-02-12/news/37058823_1_mcx-sx-mcx-stock-exchange-mcx-stock-exchange)

**BSE ties up with S&P Dow Jones Indices**

The Bombay Stock Exchange (“BSE”) has announced its partnership with the S&P Dow Jones Indices and also renamed its benchmark index to S&P Dow Jones Sensex Index starting 19th February, just a week after NSE had ended a similar agreement with the company.

<http://www.bloomberg.com/news/2013-02-19/india-s-bse-ties-up-with-s-p-dow-jones-for-sensex-index-branding.html>

[http://articles.economictimes.indiatimes.com/2013-02-19/news/37179599\\_1\\_india-index-services-nifty-dividend-iisl](http://articles.economictimes.indiatimes.com/2013-02-19/news/37179599_1_india-index-services-nifty-dividend-iisl)

**Regional exchanges eying consolidation**

After SEBI came out with strict criteria for the regional exchanges to keep afloat, a number of such venues are looking to consolidate operations to fulfill the minimum requirements set by the regulator. The Bangalore Stock Exchange and the Madras Stock Exchange have announced their plans to merge operations and liquidate certain idle assets to attain the minimum Rs 100 Crore Network.

The Bhubaneswar Stock Exchange is also reported to be in advanced stages of talks for a possible merger with Calcutta Stock Exchange.

<http://timesofindia.indiatimes.com/business/india-business/Bangalore-Madras-stock-exchanges-to-merge/articleshow/18561081.cms>

[http://www.business-standard.com/article/markets/bhubaneswar-calcutta-stock-exchanges-may-merge-113021800847\\_1.html](http://www.business-standard.com/article/markets/bhubaneswar-calcutta-stock-exchanges-may-merge-113021800847_1.html)



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### Japanese Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$29.77bn	3.27% ▲

Source: Thomson Reuters, 2013

#### FSA Japan looking to make short-selling ban permanent

The Financial Services Agency ("FSA"), Japan's financial regulator has indicated that it may make the ban on "naked" short selling (implemented in 2008 after the global crisis) permanent. Under the new proposal the ban will also be extended to such trades carried out on Proprietary Trading systems ("PTS"). Below is a summary of major changes proposed: -

- The price restriction will be triggered when a stock's price falls  $\geq 10\%$  compared to the closing price of the previous trade date
- Such a price restriction once triggered per above, will last till the end of the next trading date
- The short selling position reporting requirement will be made permanent as well
- The SS position reports will be triggered at a position of  $\geq 0.2\%$  of the total outstanding shares (currently  $\geq 0.25\%$ )
- The SS position reports will be publicly disclosed at positions of  $\geq 0.5\%$  of the total outstanding shares (currently  $\geq 0.25\%$ ). In such cases, when the SS position reduces to  $< 0.5\%$  levels, a public disclosure will be made again
- Change reports will be mandatory for all position movements  $\geq 0.1\%$  after hitting the threshold of  $\geq 0.2\%$
- All PTS executions will be subject to the SS price restriction and disclosure requirements (duty to flag as short at the time of placing a SS order)
- The current exemptions will be reviewed again. Arbitrage between the public exchanges and PTS may be given an exemption while the hedge exemption may be applicable to a wider scope of ETF products.
- Restrictions might be applied to so-called SS facilitation trades as they could mislead the market by appearing as a broker's principal long selling in the market with a crossing with a client's SS order behind

The proposals are open for public consultation till 8th April and the new rules are expected to come into effect in November 2013.

The consultation paper in Japanese is available here

<http://www.fsa.go.jp/news/24/syouken/20130307-1.html>

### Venue Updates

#### OSE suffers systems breakdown

On 4th March, the Osaka Stock Exchange ("OSE") had to suspend trading in Nikkei futures, options and some other derivative products due to a systems failure which lasted for over four hours. The interruption in trading was observed from 11:30AM till 2:10PM.

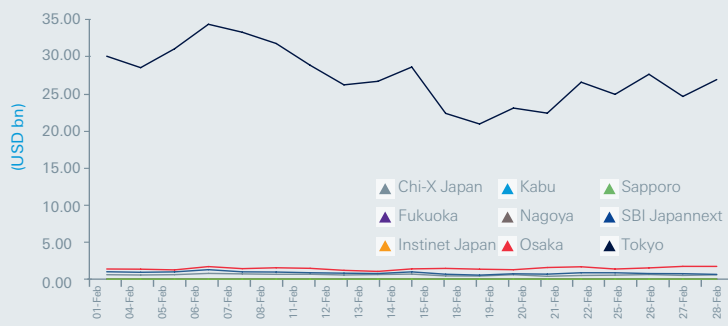
The exchange is investigating the issue.

Fig 1: Equities Japanese market monthly ADT (lit & auction types)



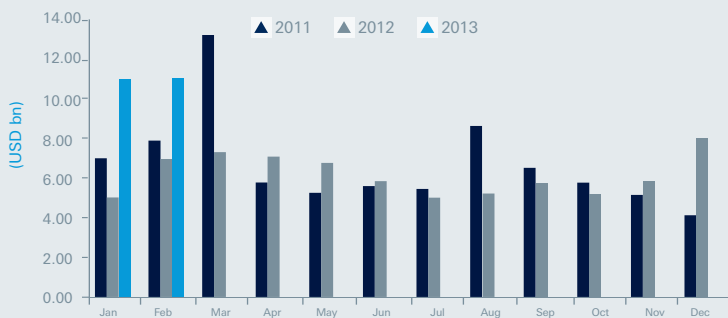
Source: Thomson Reuters, 2013

Fig 2: Equities Daily Turnover per venue - February 2013



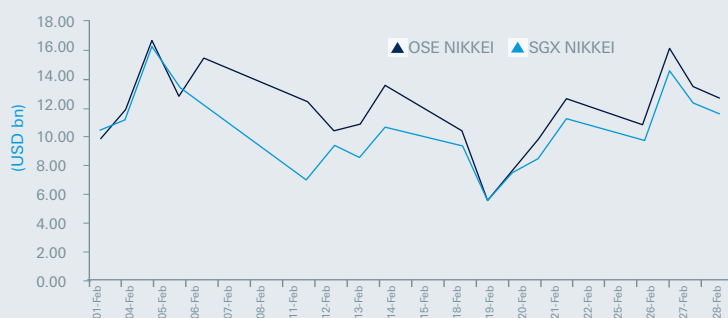
Source: Thomson Reuters, 2013

Fig 3: Futures OSE NIKKEI monthly ADT



Source: Bloomberg, 2013

Fig 4: Futures Daily Turnover per venue - February 2013



Source: Bloomberg, 2013

## TSE trading overview

## Equity Market (Including ToSTNeT)

(Volume: mil. Shares/mil. units, Value: 100mil yen)

	Trading Volumes	Trading Value	Change from last month	Change from month last year	Daily average
1st Section	76,546	458,711	+ 40,253	+ 145,268	24,142
2nd Section	907	1,401	+ 66	+ 76	73
Mothers	443	10,639	- 1,236	+ 8,206	559
ETF	215.3	3,027	+ 74	+ 1,679	159
REIT	2.2	6,536	+ 1,455	+ 3,759	344

(Including foreign stocks)

## Derivative Market (Including ToSTNeT)

(Volume/Open Interest: Units)

	Trading Volumes	Change from last month	Change from month last year	Daily average	Open Interest at end of month
Index Futures	1,625,459	+ 30,822	+ 626,397	85,550	740,430
(TOPIX Futures)	1,273,161	+ 22,419	+ 438,974	67,008	511,312
JGB-Futures	780,829	- 91,170	+ 107,198	41,096	116,503
(10-year JGB Futures)	779,481	- 90,440	+ 112,821	41,025	115,873
Index Options	5,098	- 14,767	+ 2,923	268	18,548
Options on JGB-Futures	181,789	- 8,177	- 17,568	9,568	11,340
Individual Options	37,487	- 143	+ 5,590	1,973	80,766

## ETF Market (Including ToSTNeT)

(Volume: thou. units, Value: mil. yen)

	Trading Volumes	Trading Value	Change from last	Daily average
Domestic Stocks	198,164	272,783	+ 7,760	14,357
TOPIX	119,330	116,430	- 39,757	6,128
Nikkei 225	7,092	82,128	+ 15,848	4,323
Other	71,742	74,224	+ 31,670	3,907
REIT	3,672	4,800	+ 143	253
Foreign Stocks	8,317	7,898	+ 948	416
Foreign Bonds	27	1,258	+ 424	66
Commodities	5,147	15,982	- 1,848	841
Total	215,327	302,721	+ 7,426	15,933

<http://www.tse.or.jp/english/news/30/b7gje6000001ao32-att/20121203EN.pdf>

## PTS venues gain momentum; reach record turnover

SBI Japannext have successfully implemented the OUCH messaging protocol on 12th February 2013 making it the fastest exchange in Asia offering latency as low as 45 micro seconds. SBI also announced that the venue has witnessed turnover in excess of 1.5 trillion JPY for last two months consecutively.

Full specifications for OUCH protocol are available here

[http://en.japannext.co.jp/pub\\_data/pub\\_onboarding/Japannext\\_PTS\\_OUCH\\_v1.2.pdf](http://en.japannext.co.jp/pub_data/pub_onboarding/Japannext_PTS_OUCH_v1.2.pdf)

Chi-X Japan meanwhile also hit a new high in value traded of 80 billion yen on 5th March 2013. They also set a new monthly record for trading 1 trillion JPY in February 2013.

## Sources

[www.tse.org.jp](http://www.tse.org.jp)[www.bloomberg.com](http://www.bloomberg.com)[www.nasdaq.com](http://www.nasdaq.com)

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### South Korean Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$5.64bn	12.03% ▼

Source: Thomson Reuters, 2013

#### Relaxed listing regulation for foreign companies

South Korea's financial regulator Financial Services Commission ("FSC") will exempt overseas firms from listing evaluation if they meet certain criteria that qualifies them to be considered as blue-chip companies.

Companies that have been listed for more than five years in offshore markets under an exchange agreement with the Seoul financial authorities will be exempted from listing evaluation if they have a market cap of 2 trillion won (US\$1.84 billion) or more, and an annual net profit of at least 3 billion won, the FSC said. FSC also plans to allow a company seeking listing on the KOSPI, to change its controlling shareholder one year before the listing, which to date had been banned by the regulator.

Following FSC's decision, the Korea Exchange, will open a new stock market called Korea New Exchange ("KONEX") to better support smaller firms in raising capital and selling shares.

#### Synthetic ETFs to be launched in H1 2013

The FSC has approved the bill to adopt and list Synthetic ETFs which track an index but use swap contracts or other derivatives to simulate the index. It is expected they will be listed by the second half of 2013.

The FSC has set the entry barrier for Synthetic ETFs at 7 billion won (US\$6.43 million). Counterparties will need to meet all eligibility criteria for the counterparties of ETFs including being approved for trading over-the-counter derivatives by the FSC and having a credit rating higher than AA-. The minimum trust amount required to list an ETF is now 7 billion won (\$6.44 million), 2 billion won higher than the previous amount.

It has been reported in Asia Risk that due to tax laws on foreign firms in South Korea, foreign providers are still operating under some tax disadvantages as compared to a local ETF providers. Therefore, it is expected until there is a change to that regulation, local ETF providers will continue to drive the growth of the new synthetic ETF market. Then, foreign ETF providers may directly cross-list their ETFs in South Korea.

There are currently 137 ETFs in Korea whereas Germany has over 1,000 ETFs.

<http://www.risk.net/asia-risk/news/2252662/korean-regulator-allows-synthetic-etfs>

### Venue News

#### KRX will supply market surveillance system to Philippines SEC

Per contract signed between the two parties on 26th February, the Korea Exchange ("KRX") and Philippine Securities and Exchange Commission ("SEC"), KRX will export their market surveillance IT systems to Philippine markets.

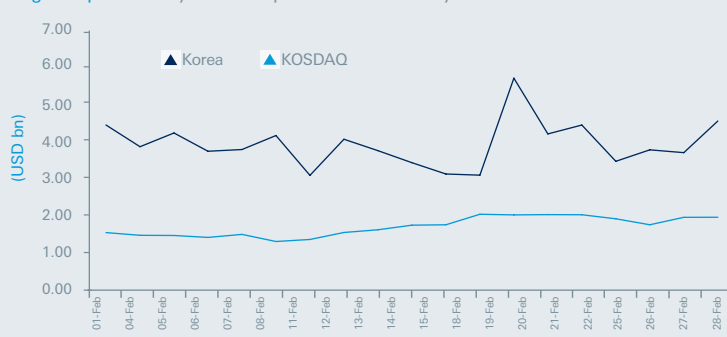
The contract includes the bond market surveillance system operated by the Philippine Dealing & Exchange Corporation(PDEX) as well as the stock market surveillance system.

Fig 1: Equities South Korean market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Equities Daily Turnover per venue - February 2013



Source: Thomson Reuters, 2013

Fig 3: Futures KFE KOSPI monthly ADT



Source: Bloomberg, 2013

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# Global Market Structure

## Australian Newsletter Issue 26

*Passion to Perform*

### Australian Market Structure Update

Monthly ADT (Feb 2013)	Total (AUD\$)	%loss/gain
Total market ADT	AUD\$4.49bn	27.20% ▲
Lit ADT	AUD\$4.01bn	28.16% ▲
Dark ADT	AUD\$0.22bn	10.57% ▲
OTC ADT	AUD\$0.26bn	28.58% ▲

Source: Thomson Reuters, 2013

#### ASIC releases dark pool and HFT views

On 18th March, the Australian Securities and Investments Commission ("ASIC") released a report and a consultation paper that examine the impact of dark liquidity and high-frequency trading ("HFT"). ASIC found "public concerns [around HFT] appear to have been overstated and can be attributed to the increasing use of trading technology by investors generally", with no evidence of systematic manipulation. ASIC believes issues can generally be dealt with by adjusting existing regulations rather than introducing completely new rules.

Proposals include a minimum resting time of 500 milliseconds for small orders of AUD 500 or less and guidance will be produced later this year on consideration of excessive order-to-trade ratios and on indicators that may be considered to identify misconduct via algorithmic trading.

Dark liquidity, or orders on a market that are not pre-trade transparent, are of greater concern to ASIC. They found that while the volume of trades is stable, the composition of dark liquidity and market participant-operated dark venues has changed significantly,

In addition to the changes to off market crossings requiring 'meaningful price improvement', and reduction in special size trades from 27th May, the following issues are also discussed in ASIC's Report 331.

- Crossing System (ie dark pool) operators will be required to publish statistics and operating rules to make the market more transparent.
- There must be fairness to all users in crossing systems. This may mean ASIC will no longer require client prioritisation inside a pool.
- FIX Tags 29 and 30 to become mandatory to identify the venue and capacity of a trade (i.e. whether the order was agency or principal). This will also enhance transparency.
- Mandatory 'opt out' capability to be enabled.
- Tick sizes to be reduced for 'tick constrained' symbols (e.g DXS, TLS, CPA).
- Addition of 'crossing system' information on T+3 course of sales information.
- Prohibiting 'payment for order flow'. Not clear if this would stop maker-taker pricing from exchanges
- Minimum resting period of 500ms for orders < \$500

For the full paper click here:

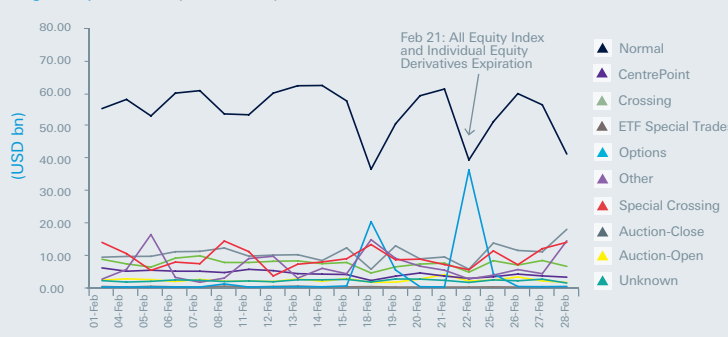
[http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rep331-published-18-March-2013.pdf/\\$file/rep331-published-18-March-2013.pdf](http://www.asic.gov.au/asic/pdflib.nsf/LookupByFileName/rep331-published-18-March-2013.pdf/$file/rep331-published-18-March-2013.pdf)

Fig 1: Equities Australian market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Equities Daily Turnover per venue - Feb 2013



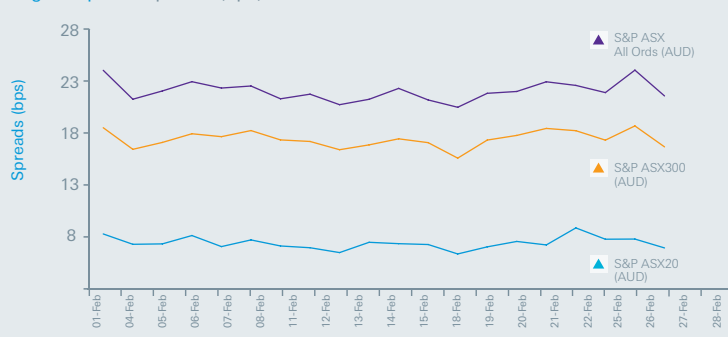
Source: Thomson Reuters, 2013

Fig 3: Equities Daily % Order Type - Feb 2013



Source: Thomson Reuters, 2013

Fig 4: Equities Spreads (bps) - Feb 2013



Source: Thomson Reuters, 2013

**ASIC Consults on Trade Repository Regime**

ASIC has released a public consultation (CP 201 Derivative Trade Repositories) on their proposals for the licensing of, and rules governing, derivatives trade repositories. These data warehouses will maintain an electronic database of records of derivatives transactions. The proposals in the Consultation paper will apply to operators and users of licensed trade repositories as well as officers of Australian Derivative Trade Repository (“ADTR”) licensees.

The Consultation paper sets out proposed guidance on the process of applying for an ADTR license and the information required, the conditions that ASIC may consider imposing on ADTR licenses and ASIC’s approach for granting exemptions from all or specified provisions of the Corporations Act.

It also provides guidance on the draft derivatives trade repository rules to ensure ADTR licensees provide a reliable reporting system and conduct themselves in a manner that fosters market stability, market integrity and promotes transparency.

The Consultation Paper can be accessed at the below link and comments are due by 12th April.

[http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/cp201-published-15-March-2013.pdf/\\$file/cp201-published-15-March-2013.pdf](http://www.asic.gov.au/asic/pdf/lib.nsf/LookupByFileName/cp201-published-15-March-2013.pdf/$file/cp201-published-15-March-2013.pdf)

**Competition in Clearing & Settlement services delayed; ASX to retain monopoly**

The decision to allow more participants in the local markets to offer clearing and settlement services for equities has been deferred by two years on the advice from the Council of Financial Regulators bringing cheer to ASX as it will maintain its monopoly in the area. The decision by Treasurer Wayne Swan followed a review by the Australian Securities and Investments Commission, the Reserve Bank of Australia, the Australian Prudential Regulation Authority and the Australian Competition and Consumer Commission under the aegis of the Council of Financial Regulators.

The committee has cited difficult market conditions and pressures across the broking industry to cut costs as the main reason behind the deferral as most respondents to an earlier consultation were resistant to further changes in the operating environment amid current market circumstances and pressures to contain costs.

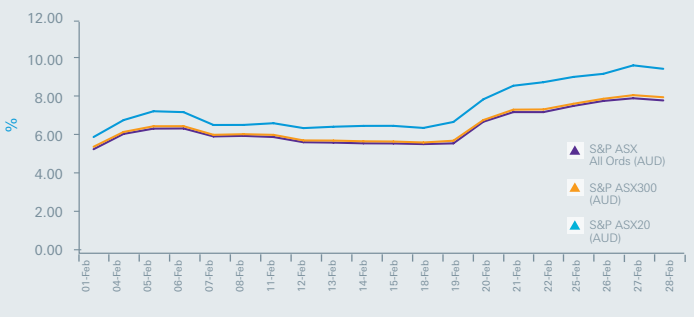
The ASX has in turn agreed to a recommendation to develop a code of practice to ensure “transparent and non-discriminatory access” to the stock market’s clearing and settlement infrastructure. The ASX will have to consult with industry and come up with a code of practice in the next six months to minimise any negative effects of its monopoly, aimed at ensuring non-discriminatory and more transparent pricing and access. That would mean the ASX can’t discriminate against traders who use rival platforms like Chi-X.

**ASIC published 5th market supervision report**

The Australian Securities and Investments Commission (“ASIC”) has published its 5th report on the supervision of Australian financial markets and market participants for the period of June to December 2012. Key highlights are

- 27 markets matters were referred for investigation including potential insider trading (6), market manipulation (6), possible breaches of the market integrity rules (12) and continuous disclosure obligations (3)
- The Markets Disciplinary Panel (MDP) issued seven infringement notices with penalties of up to \$80,000
- Six instances of alleged breaches of the market integrity rules were referred to enforcement

Fig 5: Equities Volatility - February 2013



Source: Thomson Reuters, 2013

Fig 6: Futures SFE-ASX SPI 200 monthly ADT



Source: Bloomberg, 2013

“ASIC continues to strengthen investor confidence in the integrity of our markets, as we refine our surveillance of Australia’s financial markets. ASIC has also significantly reduced the time taken to commence investigations into suspicious market conduct.” - ASIC Deputy Chairman Belinda Gibson said.

The complete report can be accessed here: -

<http://www.asic.gov.au/asic/asic.nsf/byheadline/Reports?openDocument#rep327>

**Venue Updates**

**ASX launched a global network connectivity solution - ASX Net Global**

ASX launched its new a low-latency network ASX Net Global through BT Radianz to improve global connectivity to its trading platforms. ASX Net Global links the ASX Australian Liquidity Centre (“ALC”) with the trading platforms in Asia (SGX Singapore), Europe (Interxion London) and North America (Equinix Chicago).

“By using BT Radianz Services, ASX Net Global will provide a simple, quick and cost-effective service for international customers to connect to ASX and ASX 24 platforms, and for customers in the ASX Australian Liquidity Centre to connect to peer communities in the world’s leading financial centres.” David Raper, ASX’s General Manager, Trading Services said.

**S&P/ASX 200 VIX gets real time pricing**

ASX has announced that the equity market volatility benchmark, S&P/ASX 200 VIX (VIX), will be made available in real-time and will replace the currently available end-of-day VIX index. This will provide the market with intra-day volatility information by using the real-time bid/ask prices of S&P/ASX 200 index options to calculate the VIX index value. The level of VIX implies market expectations of volatility in the S&P/ASX 200 over the next 30 days and provides an indicator of investor sentiment.

The real-time index will also enable ASX to create derivative products for hedging and trading the volatility asset class for which the demand has been growing from the financial community.

“In Australia, customer appetite for derivative products over the VIX has grown since the launch of the end-of-day VIX index in 2010. This index will allow Australian investors to gauge equity market volatility, while also serving as the basis for future investment products.” ASX Deputy Chief Executive Peter Hiom said.

### ASX reaches new highs; 1H revenues fall

On 6th March, the S&P/ASX 200 index surged to close at 5116.8 points, its highest level in last four and a half years as positive domestic earnings reports and signs of improvement in the global economy encouraged investors in the local markets. The All Ordinaries index also reached 5130.9 levels.

ASX also reported its first half financials through December 31st with a 2.5% decline in net income to A\$171.1mn while net revenues fell by 3.3% YoY amid dwindling trading volumes. Revenues from the cash-market activities dropped 18% to A\$54.9mn as the average daily value traded on ASX fell by 24.5% due to challenging market environment.

### Chi-x delays roll out of price improvement and mid point fix tags

<http://www.chi-x.com.au/Portals/8/Notices/Technical/2013/Chi-X%20Technical%20Notice%200007-13.pdf>

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### ASEAN Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (Feb 2013)	USD\$1.13bn	16.12% ▲

Source: Thomson Reuters, 2013

#### ICBC Singapore appointed as RMB clearing bank in Singapore

The People's Bank of China ("PBoC") has appointed the Industrial and Commercial Bank of China ("ICBC") Singapore branch as the clearing bank for Renminbi ("RMB") in Singapore. The MAS said it will work closely with PBoC and ICBC to implement the RMB clearing arrangement in Singapore.

"The appointment of a RMB clearing bank in Singapore marks a key milestone in the growing financial cooperation between PBoC and MAS, and will enable Singapore's financial centre to play a useful role in facilitating greater use of the RMB for trade, investment and other economic activities in the region", said Mr Ravi Menon, Managing Director, MAS.

#### MAS consults on Financial Advisory Industry Review panel recommendations

The MAS has released a consultation paper on the recommendations made by the Financial Advisory Industry Review ("FAIR") panel after its review of the financial advisory ("FA") industry and some additional recommendations added by MAS. Recommendations include:

- How to operationalise the Balanced Scorecard Framework for remunerating FA representatives
- How to further strengthen the complaints handling and resolution processes of FA firms
- Grandfathering former FA representatives who are on a short career-break from the FA industry, should the proposal to raise the minimum academic entry requirement be adopted
- Allowing FA firms to enter into introducer agreements with corporations only

The consultation is open till 4th June 2013 and can be accessed here:

[http://www.mas.gov.sg/~media/resource/publications/consult\\_papers/2013/5%20Mar%202013%20Consultation%20Paper%20on%20FAIR.pdf](http://www.mas.gov.sg/~media/resource/publications/consult_papers/2013/5%20Mar%202013%20Consultation%20Paper%20on%20FAIR.pdf)

### Venue News

#### SGX makes it mandatory to mark all short sell orders

Effective 11th March 2013, the Singapore Exchange ("SGX") will require market participants (including investors and brokers) to mark sell orders as short sell or normal sell to enhance market transparency. SGX will publish daily reports on the aggregate short sale value and volume for each counter at the start of the next trading day on SGX's website.

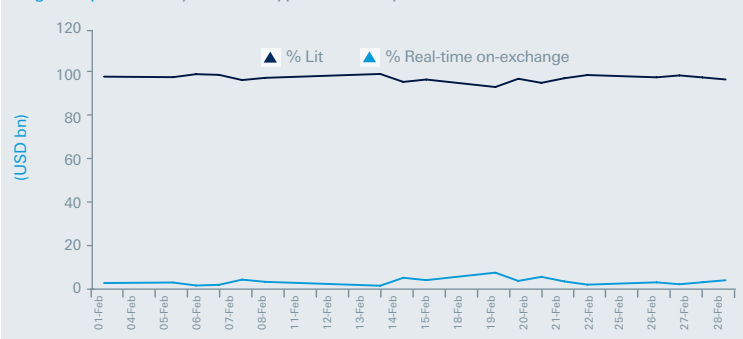
Under the new rules, brokers may not submit a sell order if the investor has not informed the broker whether an order is either (A) a short sell order or (B) a normal sell order. Investors are required to inform

Fig 1: Equities Singapore market monthly ADT (lit, auction & non-displayed order types)



Source: Thomson Reuters, 2013

Fig 2: Equities Daily % order type - February 2013



Source: Thomson Reuters, 2013

Fig 3: Futures SGX MSCI Singapore monthly ADT



Source: Bloomberg, 2013

brokers of any sell orders that may have been incorrectly marked. Designated Market-Makers registered with SGX will not be required to mark short sell orders for trades in the Specific Securities conducted in the performance of their market-making obligations under Chapter 5 of SGX-ST Rules

The SGX and the MAS have published useful guidelines that can be found here:

SGX, FAQs on Marking of Sell Orders

[http://sgx.com/wps/portal/sgxweb/home/marketinfo/marketing\\_of\\_sell\\_orders](http://sgx.com/wps/portal/sgxweb/home/marketinfo/marketing_of_sell_orders)

MAS, Guidelines on Short Selling Disclosure [Guideline No SFA 15-G02]

<http://www.mas.gov.sg/Regulations-and-Financial-Stability/Regulations-Guidance-and-Licensing/Securities-Futures-and-Funds-Management/Guidelines.aspx>

### SGX sets up committee to review listing rules

The SGX has announced that a committee, chaired by Mr Richard Teng, (Deputy Chief Regulatory Officer of SGX) will conduct a comprehensive review of the listing manual to enhance the robustness, efficacy and relevance of the listing framework in Singapore. The Committee has representation from the Association of Banks in Singapore, Corporate Finance Committee and market practitioners. Committee members include:

- Mr. Tan Jeh Wuan, DBS Bank Ltd
- Mr. Yeo Hong Ping, J.P.Morgan (S.E.A) Limited
- Mr. Mark Liew, PrimePartners Corporate Finance Pte Ltd
- Ms. Tan Tze Gay, Allen and Gledhill LLP
- Mr. Raymond Tong, Clifford Chance Pte Ltd
- Mr. Ong Pang Thye, KPMG LLP
- Mr. Sim Hwee Cher, PricewaterhouseCoopers LLP
- Ms. Yvonne Goh, KCS Corporate Services Pte Ltd
- Mr. Soh Gim Teik, Singapore Institute of Directors
- Mr. Mohamed Nasser Ismail, SGX

The committee also welcomes proposals and suggestions from market participants and the public which can be submitted to the Regulation team at LM@sgx.com.

### SGX derivatives and clearing volumes grow in February

SGX published market statistics for February which highlighted continued growth in its derivatives and clearing volumes. The securities market volumes have dropped however. Below are the highlights.

- Derivatives daily average volume grew 59% year-on-year and 11% month-on-month to a third straight record one-month high of 512,551 contracts.
- Total volumes in February 2013 were up 32% year-on-year and down 7% month-on-month to 8.67 million contracts.
- Open interest reached a new record high of 3.14 million contracts on 26 February.
- Equity index futures volume grew 26% year-on-year and declined 10% month-on-month to 7.75 million contracts.
- Equity index options volume more than doubled year-on-year to 816,433 contracts, driven by growth in the Nikkei 225 Index Options. On a month-on-month basis, it was up 26%.
- Open interest on equity index options more than tripled year-on-year to 1.68 million contracts at the end of February. This was 17% higher month-on-month.
- Open interest on equity index futures increased 33% year-on-year and decreased 7% month-on-month to 1.26 million contracts at the end of February.
- OTC interest rate swaps cleared in February was S\$6.2 billion, up 23% year-on-year. Compared to January, it is down 5%.

### Korean Stock Exchange to supply Philippines Stock Exchange with surveillance system; PSE to enhance online disclosure system

The Philippines Stock Exchange (“PSE”) and Korea Stock Exchange have signed a contract to deploy KRX’s surveillance system in the local Philippine markets. This project includes the bond market surveillance system operated by the Philippine Dealing & Exchange Corporation (“PDEX”) as well as the stock market surveillance system for PSE.

The PSE has also uncovered its plans to enhance its online disclosure system used by listed companies for the submission and announcement of company disclosures. The proposal seeks to adopt the best practices for listed company disclosures.

The overhauled system also envisages allowing online submission and dissemination of pertinent information contained in financial reports

and other required disclosures relating to material corporate actions and transactions, such as dividend declarations, notices of meetings, rights offerings and public float reports.

### PSE ranked amongst Top 3 markets globally in 2012; local stocks breach historic levels once again

According to the World Federation of Exchanges, the PSE is ranked third amongst global markets that posted significant growth in domestic market capitalisation after reporting 38.9% expansion for its market capitalisation in 2012.

The Philippine Stock Exchange index (“PSEi”) meanwhile once again surged to its highest level ever and closed at 6,527.99 on 13th February 2013.

### Volumes at Thailand Futures Exchange triple; TFEEx to add 20 scrips to the stock futures list

The average daily trading volumes at the Thailand Futures Exchange PLC (“TFEX”) have more than tripled year on year to 33,175 contracts amid the bullish market sentiments and increased activity in the segment.

“The average daily trading volume between January 1 and February 20 surged 275% from 2012, when it traded an average of only 8,849 contracts per day. Investors are quickly starting to see the benefit of using stock futures to manage their portfolio especially in this bullish market as it can give them more returns while using substantially less cost than trading stocks directly. Stock futures requires investors to only deposit initial margins of only 4 - 13% of contract value,” said TFEEx Managing Director Kesara Manchusree.

TFEX also announced that it will add twenty new scrips to the current list of eligible stock futures starting from 18th March. These additional stock futures are being added to provide investors with additional options to better manage their portfolio. The scrips are constituents of the SET100 Index having market capitalisation of more than THB 10 billion and cover two sectors namely Health Care Services and Tourism and Leisure.

### Vietnam market loses VND 34 trillion due to rumor mill

The stock markets in Vietnam nosedived on 22nd February with the VN-Index losing 18 points, the sharpest fall over recent six months. According to the Ho Chi Minh Stock Exchange (“HoSE”), VND28.9 trillion in capitalization evaporated, falling to VND780.1 trillion, a decrease of 3.57 percent, while on the Hanoi bourse, HNX capitalisation fell 4.83% to VN\$95.96 trillion, equivalent to a VN\$4.87 trillion loss. Overall Vietnam’s stock market lost nearly VN\$33.8 trillion (more than US\$1.6 billion).

It was reported that the downfall was triggered by a rumor that Tran Bac Ha, President of the Board of Directors of the Bank for Investment and Development of Vietnam, had been arrested. Other considerations were rumours of a CPI rise in February, and a potential increase in the price of gasoline.

The police have set up a committee to investigate the origin of the fabricated information and speculation.

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# Global Market Structure

## APAC Quant Analysis Factsheet - Feb 2013

*Passion to Perform*

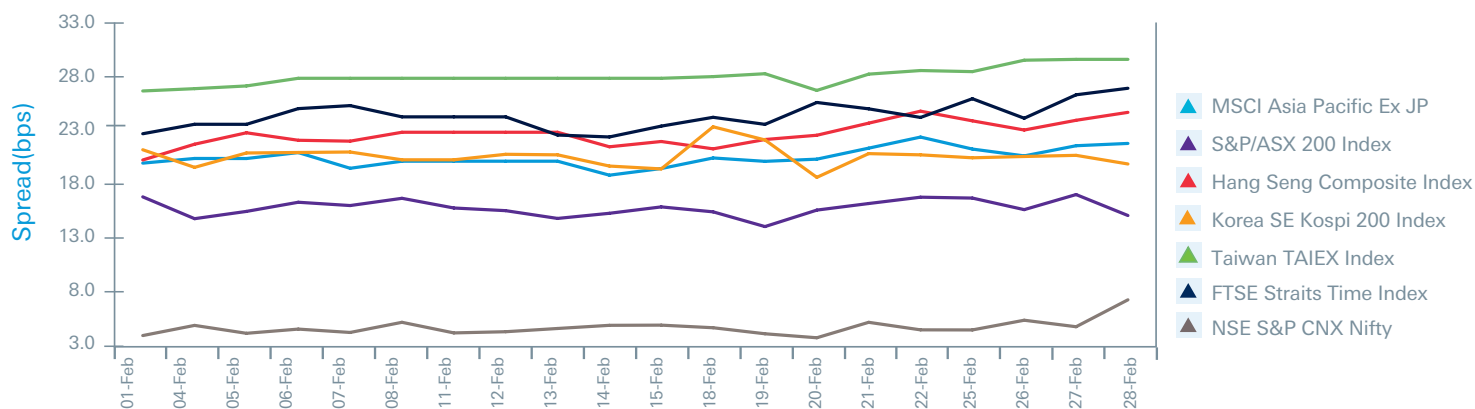
Below is a selection of quantitative metrics, which provides additional analysis of the markets and liquidity during February 2013. For further information, please contact:

**Global Market Structure:**  
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**Quantitative Analysis:**  
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tel: +44 207 545 3129

### Liquidity

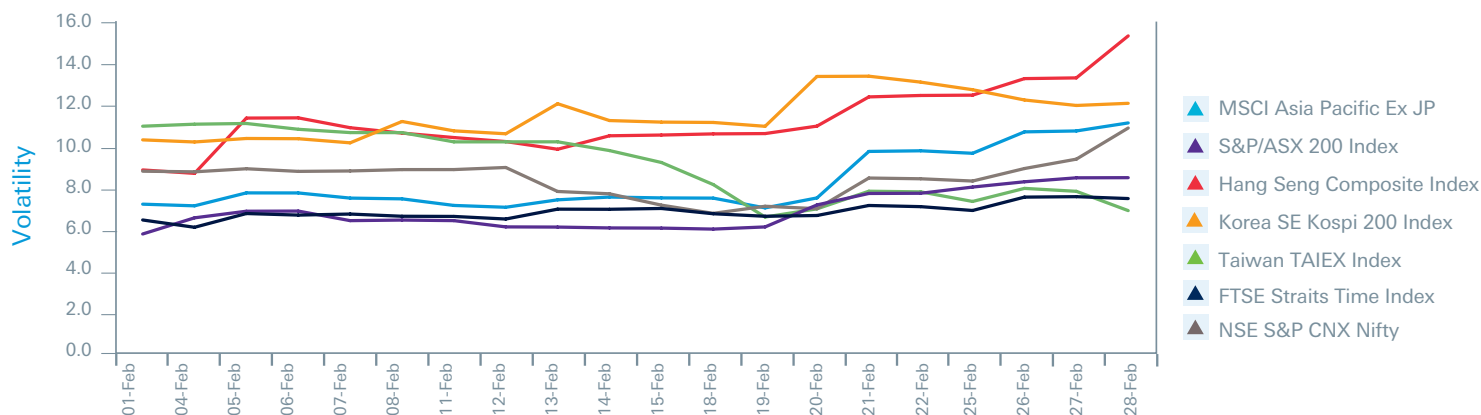
The chart below shows the daily index primary spreads on APAC indices during February 2013:



Sources:Deutsche Bank AG estimates and calculations

### Historical Volatility

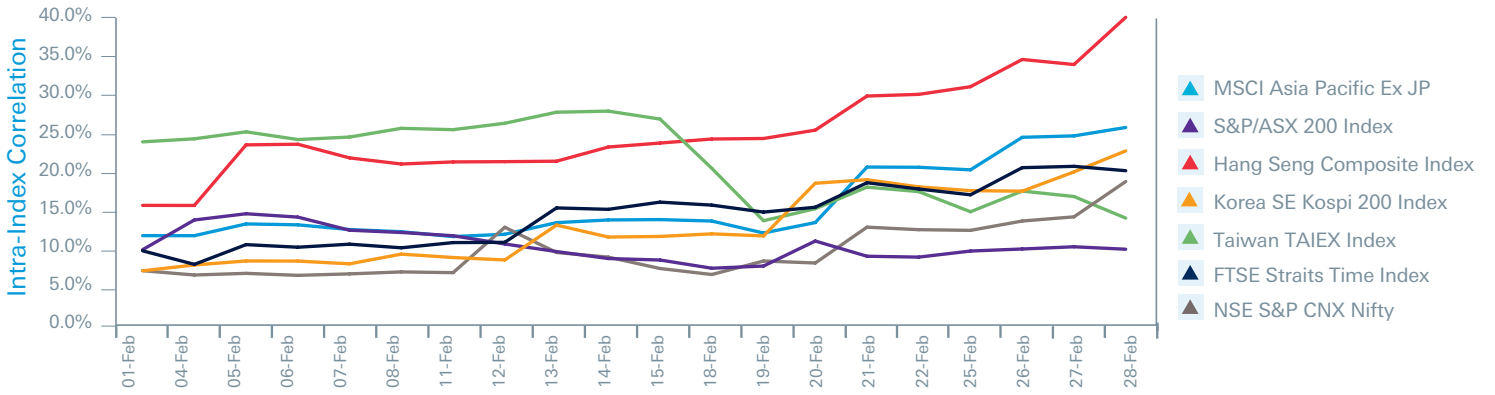
The chart below shows primary volatility of APAC indices during February 2013 :



Sources:Deutsche Bank AG estimates and calculations

### Intra-Index Correlation

The chart below shows the correlation of movement within each index, calculated using the index and index constituents volatilities and weights:



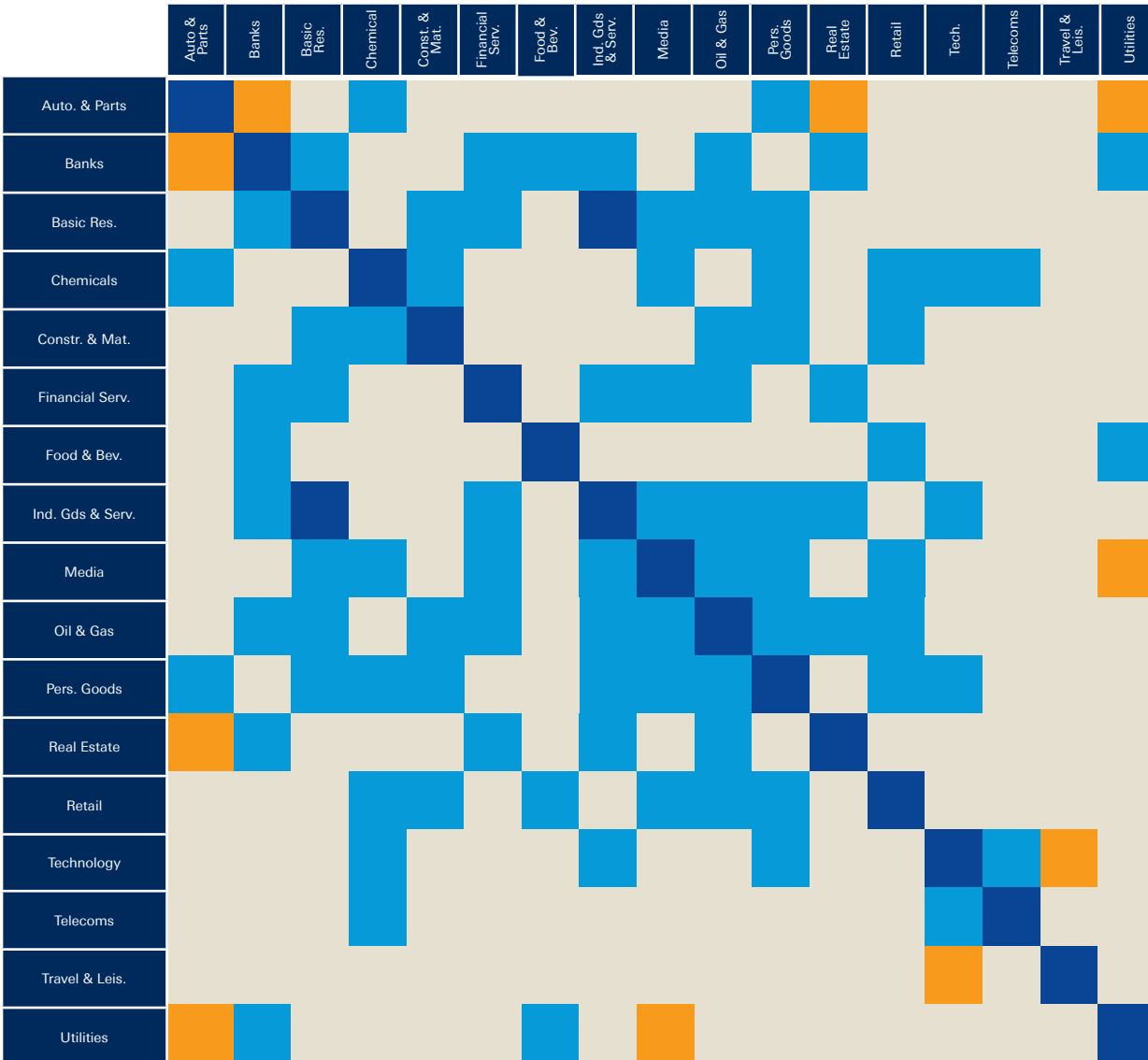
Sources:Deutsche Bank AG estimates and calculations

### Sector Correlation Matrix

The matrix below shows the % correlation of movement between two sectors during the previous month:

1M Historical Correlations

80-100%    60-80%    25-60%    <25%



Sources:Deutsche Bank AG estimates and calculations

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