
The 3rd

ICSA EMC Quarterly Brief



ICSA Emerging Markets Committee

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*ICSA EMC members include associations that represent the securities industries in
Brazil, India, Korea, Mexico, Taiwan, Thailand, and Turkey.*



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INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

HIGHLIGHTS

New Chairman of EMC



Mr. Young-Key (YK) Hwang, elected as the Chairman of KOFIA in January 2015, took office and began his term on February 4th. As soon as he took office, he expressed great interest in the work that ICSA has been doing, and readily accepted the position of EMC Chairman as well.

Prior to being appointed as KOFIA's Chairman, Mr. Hwang served in a variety of notable positions in other leading organizations, including Chairman and CEO of Woori Financial Group & Woori Bank, and KB Financial Group.

He began his career by joining Samsung Group's international finance team as a financial expert. Shortly after, he began working at the Seoul branch of Bankers Trust, later moving to the Tokyo branch to serve as Vice President. For the majority of his career, he has been deeply associated with Samsung Group. Beginning in 1989, he served in a number of key roles for various divisions in the conglomerate, including Corporate Treasurer of Samsung Electronics, President and CEO of Samsung Investment Trust Management, and President and CEO of Samsung Securities.

Mr. Hwang earned his B.A. in International Economics from Seoul National University, and completed his post-graduate studies at the London School of Economics, where he earned his M. Sc. in Accounting and Finance.

News Section

In this edition, you can find the latest news on member associations and the capital markets under their jurisdictions. More details can be found [HERE](#).

EMC Member Events for 2015

You can now find the dates for the events to be held by EMC member associations as well as ICSA/IOSCO events in this edition.

Please click [HERE](#) to view EMC member events.

Media Release on IOSCO Board Meeting (Feb 2015)

The Board of the International Organization of Securities Commissions (IOSCO) met in Seoul on the second week of February to push forward IOSCO's work on securing strong, safe and efficient securities markets, which are drivers of global economic growth. The Board hosted a roundtable discussion on the impact of technical innovation – or digital disruption – on financial markets and services. The Board discussed with industry experts how the fast pace of the digital revolution is changing the way financial markets operate, and how securities regulators should address the new challenges and opportunities that are emerging.

Release can be found [HERE](#).

NEWS SECTION

To ensure access to up-to-date information on capital market data and current regulatory developments for each member country, this digest will be released on a quarterly basis.



BRAZIL

Capital Markets in Brazil - Issues begin 2015 in line with expectations

In January 2015, the lack of international issues and the concentration of domestic fixed income offerings at the end of 2014 helped keep capital market funding volume below January and December 2014 levels, due to prospects of a worsening economic scenario and a continuing upturn in interest rates in 2015. Read more on Boletim ANBIMA – [Capital Market February edition](#)

Investment Funds in Brazil - Last-day redemptions wipe out net sales in January

After accumulating inflow throughout the month, the industry's net sales in January totaled close to zero (22.5 mln reais) due to the net redemption of 14.2 bln reais on the 30th. Nevertheless, the result was still better than that of January 2014, when net redemptions totaled 8.5 bln reais. Read more on Boletim ANBIMA – [Investment Funds February edition](#)



INDIA

KEY POLICY ANNOUNCEMENTS

- Proposing to merge the Forwards Markets Commission with SEBI to strengthen the regulation of commodity forward markets and reduce wild speculation. This move will help in strengthening and regulating the commodities market in a better way.
- Promoting the deepening of the Indian bond market by setting up a public debt management agency, which will bring the handling of both India's external borrowings and domestic debt under one roof.
- Permitting tax free infra-bonds for projects in the rail, road and irrigation sectors.
- Assembling a task force to establish a sector-neutral financial redressal agency that will address grievances against all financial service providers.
- Proposing to enact the Indian Financial Code, Bankruptcy Code and Benami Transactions (Prohibition) Bill in 2015-2016.

KEY DIRECT TAX PROPOSALS

As notified by the SEBI, the Clearing Corporations of India has been mandated to establish a fund, called the Core Settlement Guarantee Fund ("CSGF"), for each segment of each recognized stock exchange to guarantee the settlement of trades executed in respective segments of the exchange. The income earned by the CSGF, because it is established by the Clearing Corporations of India, is exempt from tax.

CAPITAL MARKET & ECONOMY

The Indian stock markets historically have witnessed huge volatility in the month of February since the highly anticipated Union budget is presented at this time, and pre-budget rallies have been occurring the past several years. This month has been surprising, as the elections in Delhi had surprising results, with the AAP (Aam Aadmi Party) getting a sweeping majority of 67 out of 70 seats. The monetary policy declared by the RBI was no surprise, as there was no change expected in the repo rate, but a marginal cut in the SLR by 50 basis points took the rate from 22% to 21.5%, which would induce liquidity in the banking system.

The RBI had already reduced the repo rate in a surprise move by 25 basis points in January - it is expected that the RBI will reduce the interest rates by a further 50 to 75 basis points. This would reduce the cost of capital and ensure that the corporate sector is able to expand so that job creation takes place. The revision in the base GDP calculation from 2004-05 to 2011-12 has also created a positive effect, with the revised GDP numbers now at 7.4% and 6.9%, but this has yet to be reflected at the grassroots level. WPI and CPI inflation is also giving mixed signals, with the WPI at -0.39% as compared to the earlier rate of 0.11%, but food inflation has gone up from 5.2% to 8%, meaning that, as summer approaches, the problem of food inflation will once again rear its head.

There have been many expectations from the Union Budget, since this would be the first full budget from the government to ensure that reforms are rolled out and key issues like the Goods and Services Tax (GST), Retrospective Taxation, and GAAR are addressed, sending strong positive signals to international investors and encourage them to invest in the Indian economy.

BBF NEWS

On January 22nd, the BBF addressed SEBI, the FMC, BSE, NSE, MCX-SX, MCX and NCDEX, requesting that they hold a special “Stock Exchanges Trading on Budget Day”. The BBF also corresponded with SEBI on Feb 10th, requesting that SEBI should take serious consideration of “Unnecessary Harassments to Brokers by Authorities.”

As well, the BBF held the following seminars for the advancement of stakeholders in the Indian capital market:

Date	Topic
4 Feb	Seminar on GST (Goods and Services Tax)
5 Feb	Seminar on Taxation Issues Affecting Stock Broking Industry (co-hosted by BSE)
11 Feb	Seminar on Research Analyst Regulations
26 Feb	Launch of Operations Manual for Commodity Markets and Talk on Union Budget & Capital Markets

With support from the BSE, the BBF has also launched various investor education initiatives. In particular, the BBF held investor education programs in universities and other educational institutes throughout the city of Mumbai, with the total number attending these events amounting to 480 people.



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KOREA

Expansion of the Price Limit for the Stock Market (first half of 2015)

The FSC is planning to significantly expand the current price limit, in order to reduce inefficiency and the possibility of unfair trades occurring. The price limit for the KOSPI·KOSDAQ market will be increased from $\pm 15\%$ to $\pm 30\%$ of the closing price.

Introduction of a System to Disclose the Ratio of Investment Recommendations

There is prevalent perception that analysts' stock reports focus excessively on buy recommendations and fail to provide accurate information, despite the imperative need to do so for investor protection. For example, between Jan. 2011 and Jul. 2014, there were no sell recommendations from the top five Korean securities companies. There will be revisions of KOFIA's regulations to make it mandatory to disclose the ratio of sell, hold, and buy recommendations from analysts.

Decision to Collect Capital Gains Tax on Derivatives

It has been confirmed that a capital gains tax on derivatives will be levied starting from next year. Because of the unprecedented nature of this tax, discussions have been controversial, and the proposal to collect a capital gains tax instead of transaction tax was made into legislation previously.

Domestic derivatives products, including KOSPI 200 futures-options, and exchange-traded derivatives from overseas derivatives markets will be subject to the new law. Exchange-traded derivatives related to individual stocks, interest rates, currencies, and commodities, as well as exchange-traded derivatives, OTC derivatives, and ELWs of funds, will be exempt from taxation. The tax rate is 10% and will be applied to transactions that take place from 2016.

KOFIA Co-hosts "Future of Korea's Financial Industry Seminar"

The discussion encompassed all sectors of the Korean financial industry, and was jointly hosted by six financial associations, including KOFIA. It served as a venue for in-depth discussions between financial sector members, financial product consumers, scholars, and regulatory authorities, with an aim to create a road map for the next thirty years for the Korean financial industry. Various sectors of the financial industry came together and share their understanding of the changes currently taking place within the financial environment, and to explore the direction that the industry should take moving forward.

KOFIA Hosts "China Capital Market Seminar"

KOFIA held the China Capital Market Seminar on Feb. 26th. The objective was to discuss the future direction of the Chinese capital market and explore opportunities that will accompany the further opening of the market. KOFIA's Chairman delivered a congratulatory speech, while pointing out that "there is a need to consolidate a creative model for cooperation between the capital markets of Korea and China, as China is building a new global financial landscape by internationalizing the yuan and opening its capital market." The seminar was a huge success, with approximately 300 people participating.

**MEXICO****AMIB Holds the “2015 Economic and Financial Perspectives” Event**

The Mexican Securities Industry Association, as part of its role as promoter of the Mexican securities market, held the economic event “2015 Economic and Financial Perspectives” on January 11, in order to bring together economic specialists and market participants in a forum where economic and financial perspectives can be put forward and discussed.

Six prestigious economists took part in the forum, with an audience of more than 260 people. Attendees ranged from board directors and analysts from different brokerage houses, to clients and individual investors.

AMIB received positive feedback on this event, and due to the favorable impact that informative seminars like this have on the Mexican securities market as a whole, AMIB intends to continue to develop and hold them every month, with the stated objective of promoting financial culture and the flow of information between market participants.

**TAIWAN****Taiwan’s FSC Amends Regulations Governing Information to be Published in Annual Reports of Public Companies and the Regulations Governing Information to be Published in Public Offerings and Issuance Prospectuses**

On 29 January 2015, the FSC issued amendments to these two regulations and their related appendices. Key points of the amendments include:

(1) To enhance disclosure of director and supervisor remuneration, the regulations now require that, if the parent company, or individual financial reports, show after-tax losses during the most recent two-year period, the remuneration of individual directors and supervisors must be disclosed in the company's annual report and public prospectus. Further, if the full collective amount of all directors’ and supervisors’ remuneration received, as set out in the annual report, accounts for more than two percent of the company's net profits after tax, and any individual director or supervisor receives remuneration in excess of NT\$15 million, then the remuneration of such directors or supervisors must also be disclosed;

(2) To provide early disclosure of annual report information for reference by investors for voting on various proposals at shareholders meetings, the amended regulations require that TWSE-listed, GTSM-listed and emerging-stock companies post an electronic version of the annual report on the Market Observation Post System (MOPS) at least 7 days prior to convening the shareholders meeting. Non-TWSE-listed, non-GTSM-listed, non-emerging-stock companies are required to post an electronic version of their annual report on the MOPS at least 2 days prior to convening a shareholders meeting.

(3) To reduce enterprise costs of printing and delivering public prospectuses, the regulations provide that a company may deliver simplified prospectuses and payment forms to subscribers or offerees, provided that the company's prospectus has already been prepared and posted on the MOPS in electronic form in accordance with regulations. The amended regulations also specify the required information to be contained in a simplified prospectus.



Relevant Regulations Amended to Lower Regulatory Capital Adequacy Ratio Requirements for Securities Firms Filing to Engage in Related Securities Business

In order to enhance the capital efficiency and competitiveness of securities firms, the FSC on 22 December 2014 amended the “Standards Governing the Establishment of Securities Firms”, and further, on 21 January 2015, amended the related regulations and FSC orders. Key points of the amendments include:

(1) The required regulatory capital adequacy ratio for securities firms filing to engage in related securities business activities has been lowered to 150 percent, while securities firms with special needs whose regulatory capital adequacy ratios are below 200 percent may obtain approval on an ad hoc basis to ease capital adequacy requirements for equity investment in individual enterprises.

(2) For a securities firm that lends money in connection with securities business activities to a customer that uses securities it holds as collateral, the maximum term for financing will be extended to one and half years, and the scope of securities that may be used as collateral are securities eligible for margin purchase and short sale transactions and central government bonds. The limit on aggregate loans and margin financing to a single natural person is NT\$80 million.

THAILAND

Retail Fund Investment in GMS (Greater Mekong Sub-region)

The Thai SEC eased investment rules to allow mutual funds for retail investors and private funds to invest in financial instruments from Greater Mekong Sub-region countries; namely, Cambodia, Laos and Myanmar.

Under the revised rules, investment diversification will be relaxed, while clear and adequate information on GMS instruments must be disclosed in the fund prospectus, especially investment policies, investment proportion and associated risks.

Launching Infrastructure Trust Regulations

The Thai SEC will launch infrastructure trust regulations, which will widen fund-raising channels for domestic and overseas infrastructure development.

Infrastructure trusts, structurally similar to REITs, can invest in various types of infrastructure projects that provide benefits or services to the public at large. They can invest in onshore and offshore infrastructure projects, either by making direct investments in the form of freehold or leasehold, as well as rights in revenue, sharing agreements, or by making indirect investments in shares of a company overseeing infrastructure projects. The minimum size of an infrastructure trust is set at 10 billion baht, providing further that if investing in two or more projects, the size of each project must be at least 3 billion baht.

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**TURKEY****Capital Market****Association News****Turkey Launches Its Centralized Electronic Fund Distribution Platform**

The Turkey Electronic Fund Distribution Platform (TEFAS), a new platform which allows access to all investment funds in Turkey, started operations on 9 January 2015. The platform provides the opportunity to access all mutual funds authorized by the Capital Markets Board to enable them to be traded via a single platform. TEFAS aims at assisting investors with accessing the information needed to make investment decisions for mutual funds. TEFAS is operated by the İstanbul Settlement and Custody Bank (Takasbank). The platform can be reached via <http://fonturkey.com.tr> or <http://fundturkey.com.tr>.

The Handbook of the Turkish Capital Markets Published

The Turkish Capital Markets Association (TCMA) recently published “The Handbook of the Turkish Capital Markets”. The booklet, available on www.tspb.org.tr, covers the structure of the Turkish capital markets and existing regulations.

“Funding from the Crowd: Four Perspectives” Seminar Held

The TCMA and Borsa İstanbul jointly organized the “Funding from the Crowd: Four Perspectives” seminar on 25 February. Mr. John Callaghan, the founder of the iCrowd platform, shared global practices for and experiences with crowdfunding models. Mr. Callaghan also highlighted the regulatory divergences in different jurisdictions, and emphasized the need for a global framework to strengthen the crowdfunding industry. The seminar brought together researchers and industry representatives to discuss the concept of crowdfunding as an alternative funding instrument and share recommendations to enhance the crowdfunding models in Turkey.

EVENTS FOR 2015

APR

4.15–17 **BBF hosts ICSA AGM** in Mumbai

MAY

5.19–20 **ANBIMA hosts The 2015 ANBIMA Investment Funds Congress** in Sao Paulo

Details: The 2015 ANBIMA's Investment Funds Congress will discuss the role of the investment funds management industry in the development of Brazilian capital markets and for growth. It will also address the opportunities and challenges arising from innovation and the need for education. Registrations are available [here](#).

JUN

6.4 **KOFIA hosts Korea-Israel Cyber-security Forum** in Seoul

6.9 **KOFIA hosts International Investor Education Seminar** in Seoul

6.14–6.18 **IOSCO Annual Conference** in London

* **ICSA bilateral meetings with IOSCO officials will be held coincidentally**

6.29–7.4 **KOFIA hosts New Portfolio Korea**

Details: KOFIA will take CEOs of Korean Securities Companies to China

AUG

8.29–9.5 **KOFIA hosts the Korea Capital Market Seminar** for Emerging Countries

Participants: Senior market practitioners, regulators, and policy-makers in the capital markets of emerging market countries

SEP

9.10–13 **AMIB hosts AMIB Meeting 2015**

Participants: Executives and CEOs of brokerage firms, mutual fund operators, independent advisers, insurance companies, authorities from Mexico's Ministry of Finance, the Central Bank, and regulatory institutions. The meeting is aimed at all of those interested in the securities industry.

9. 21–23 **KOFIA hosts the Asia Securities Forum** in Seoul

OCT

10.27–28 **IOSCO AMCC Mid-Year Meeting & Training Seminar** in Zurich

10.29 **ICSA Interim Meeting** (TBD)



ICSA EMC CONTACT LIST

Association	Contact Person	Email	Phone
ANBIMA	Norberto Martins	norberto.martins@anbima.com.br	+55-21-3814-3851
ANMI	Naresh Tejwani	president@anmi.in , anmiwr@anmi.in	+91-22-6636-0486
BBF	Vispi Rusi Bhathena	vispi.bhathena@brokersforumofindia.com	+91-22-2272-3704
KOFIA	S.U. Yang	s.u.yang@kofia.or.kr	+82-2-2003-9280
AMIB	Ruben Moreno Ludewig	rmoreno@amib.com.mx	+52-55-5342-9212
TSA	Dennis Hsu	bhsu@mail.twsa.org.tw	+886-2-2736-5629
ASCO	Proadklao Rueangnitiwit	proadklao@asco.or.th	+662-661-8500
TCMA	Alparslan Budak	abudak@tspakb.org.tr	+90-212-280-8567