
The 4TH

ICSA EMC Quarterly Brief



ICSA Emerging Markets Committee

JULY 2015

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



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

HIGHLIGHTS

ICSA Special Meeting Held on 19th of June, 2015 in London, UK

ICSA Special Meeting was held on 19th of June at the ICMA building. Representatives from 15 member associations have participated the meeting along with the ICSA's Secretary General. During the meeting, 2014 AGM minutes, general By-law and operating manual were approved. Key discussion items include, Review of IOSCO Conference, ICOSA's Future Strategy, Membership Strategy, 2016 AGM in Stockholm, 2015 Interim Meeting in Zurich, and Member Fees. You can find the complete minutes of the Special Meeting in the Members Area of ICOSA's Website.

ICSA-IOSCO Bilateral Meetings were also held in the same week as IOSCO Annual Conference. 7 representatives from member associations have participated in the meeting with IOSCO's various Policy Committees. You can find the complete minutes of the ICOSA-IOSCO Bilateral Meetings in the Members Area of ICOSA's Website.

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](#).

Media Release on IOSCO Annual Conference (JUN 2015)

IOSCO: Meeting the Challenges of a New Financial World

The International Organization of Securities Commissions (IOSCO) met in the third week of June at its Annual Conference in London to progress its work across its policy, research, capacity building and co-operation agenda.

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

Brazilian companies resume international funding operations

Following five months with no offerings abroad, Brazilian companies returned to the international market in May, raising a total of 2.1 bln dollars.

Read more – [Capital Market June edition](#)

Adverse scenario triggers first-half decline in funding

The deterioration of Brazil's economy in the first half of 2015 impacted companies' capital market funding strategies. After a beginning of year with no foreign issues and a low volume of local offerings, six Brazilian companies registered international bond issues in June totaling almost 6 bln dollars, most of which fueled by the increase in the cost of local offerings due to the upward trajectory of the Selic benchmark interest rate.

Read more – [Capital Market July edition](#)

Net sales brighten prospects for the year

The scenario of high interest rates and strong financial market volatility reinforced investors' conservative strategies throughout May, when the industry recorded net sales of 9.5 bln reais, leaving March as the only month of 2015 with net redemptions and contributing to the year-to-date total of 22.2 bln reais.

Read more – [Investment Funds June edition](#)

Industry records first-half net sales of 33 bln reais

The fund industry posted net sales of 6.3 bln reais in June, led by the Pension Funds, with 5.1 bln reais and followed by the Credit Receivables, Fixed Income and Balanced/Mixed categories. On the other hand, the Money Market and DI-Linked funds, which had been reporting net sales in recent months, recorded net redemptions of 4.6 bln reais and 1.4 bln reais, respectively. It is worth noting, however, that in both categories the redemptions were concentrated in a single fund.

Read more – [Investment Funds July edition](#)

Publication On Capital Market Products

ANBIMA recently released updated studies on Real Estate Funds (FII) and Credit Receivables Investment Funds (FIDC) in Brazil – you will find more information about the documents [HERE](#). (Available only in Portuguese)

**INDIA****Indian Economy**

The world Economy is having a mixed bag of data with the USA economy having sound macroeconomic data with job rise and low unemployment rate. The Chinese economy is at 7.1% which is at 6 year low while the Japanese economy struggling with disinflationary situation as they had earlier announced increase in the stimulus from 60 trillion Yen to 80 trillion Yen. The Greece issue still remains a challenge as there are no clear signals that whether Greece would be able to make the payment or not to the international lenders. The IMF has requested USA not to increase the interest rates at least in this year. The rise in the interest rates in the USA could trigger global flow of capital back to the USA from the emerging economies. The USA is contributing 23% in the world GDP which makes it the most influencing economy in the world.

At the home front, the Indian economy is having relatively better macro economic data to bet on. The Current Account Deficit has come down to 0.2% as compared to 1.6% earlier. This would ease our Balance of Payment position more comfortably. Inflation data has also eased with the CPI inflation coming at 5.01% from 4.87% which was marginal rise on expected lines and WPI has come to -2.32%. The onset of the monsoon gives some cheer to the economy since there have been prediction by the MET department that this year the monsoon would be less than normal with the average rainfall of 88% as compared to long term average of 96%.

The RBI gave the repo rate cut of 0.25% which would reduce the cost of capital in the economy and boost investment and expansion. The RBI view on rising NPA raises concern about the health of the banking sector which has seen NPA rising to 5.42% level. The restructured loans in the economy have reached Rs. 2.86 lakh crores which is a serious concern. IMF Chairperson when she had visited the RBI had also raised concern about the rising debt level of the Indian corporate industry with \$120 billion of debt level which is again a serious concern. The leverage balance sheet of the companies is taking toll on their profitability.

The MAT issue on the FII's needs to be addressed by the Government in a positive manner since this is very vital for long term investment from the FII's. Since April 2015, Foreign Institutional Investors have been steadily withdrawing money since they are apprehensive paying the MAT.

The Global Economy is on tenterhooks since the Greece issue still has many hurdles before its gets resolved. The Indian stock market has also felt the heat with the volatility rising very high due to the Greece issue. The DEBT to GDP ratio - Greece is about 175% and the unemployment has reached 62% which makes the economy more difficult to carry out strong reforms. The European Union is willing to give third bailout package provided there are major reforms taken by the Greece Government. The Chinese Economy also seems to be having issues related to leverage capital which is killing its market. The Chinese stock market came down by 30% from mid June which was a major shock to the world markets - there are problems related to leverage capital.

Indian Macro are too giving mixed signals with the IIP data coming at 2.7% from 5.1% which means that the industrial production is slowing down. The core sector growth had come to 4.4% as compared to -0.4% last month. The slowdown in the IIP shows that still there is no major capacity addition and expansion. The investment drive in the economy still needs to pick up.

The next big trigger for the economy is the monsoon which has taken a back seat in the month of July. The excess rainfall which was 29% in June has come down to 18%. The 75 basis point rate cut by the RBI this year would surely be key trigger for the economy to pick up in the coming days. The next important thing to watch is for the next RBI meet in August.

BBF's Regulatory Correspondences

5 th June	Enabling Stock Exchange Mechanism For Tender Offers SEBI mail dated 30-Mar-15/AIBI mail dated 01-Apr-15	SEBI
11 th June	Corporate Actions on Pricing on day of Listing Adani Enterprises	SEBI
12 th June	Dabba Trading Killing Market	SEBI
16 th June	Presentation from Ms. Eastern Financers Limited on Adani Price Fall	SEBI, NSE

Seminars and Events hosted by BBF

Date	Topic
24th June	Contemporary issues in the Broking Industry
18th June	Seminar on Overnight Investments Product (With BSE Ltd.)
17th June	Seminar on "Finance Act, 2015 - Provisions relating to Service Tax & its Implications" (At Delhi)
9 th June	Meeting of Gift City Project Stakeholders (DALAL STREET COMMERCIAL COOPERATIVE SOCIETY LIMITED)
3rd June	Seminar on "Finance Act, 2015 - Provisions relating to Service Tax & its Implications" (At Ahmedabad)
1st June	An interactive presentation by the GIFT-City on the International Financial Services Centre (IFSC) at Gandhinagar-Gujarat & By Ernst & Young on various opportunities in IFSC for the Broking Community

Investor Education and Awareness Initiatives hosted by BBF

Date	City	University/Educational Institute	Venue	Attendees
5 th June	Hyderabad	Venture Capital	College Premises	15
6 th June	Surat	The Institute of Chartered Accountants of India	College Premises	50
7 th June	Surat	The Institute of Chartered Accountants of India	College Premises	50
8 th June	Pune	Symbiosis Institute of Management Studies	College Premises	100
10 th June	Nagpur	S. P. Jain Institute of Technology, Management & Research	College Premises	30
11 th June	Mumbai	Deepak Classes	College Premises	35
13 th June	Navsari	The Institute of Chartered Accountants of India	College Premises	45
17 th June	Jaipur	Kamla Poddar Institute	College Premises	30
19 th June	Mumbai	The Institute of Chartered Accountants of India	BBF Conference Room	27



KOREA

Establishment of the “Financial Reform Committee and Task Force”

A deliberative body for the government’s effort to reform financial industry, Financial Reform Committee was officially launched. The “Financial Reform Committee and Task Force” consists of private-sector members and an on-site inspection team to pursue bottom-up financial reform. The additional “Working Group on Financial Regulatory Reform” seeks to amend the regulatory framework by focusing on top-down regulatory reform.

KOFIA has also created working group with other related entities in order to support the Committee and TF. The working group is planned to establish, modify, and review a common guideline.

FSC Announced the Plan to Introduce Internet-Only Banks in Korea

The FSC announced its detailed plan to introduce internet-only banks in Korea to enable financial consumers to use more convenient banking services at lower costs. The direction of this plan has been set to lower the entry barriers for Internet-Only Banks.

Type of Barrier	Internet-Only Banks	Commercial Banks
Separation of Banks & Non-Financial Companies	Shareholding by non-financial companies up to 50%	Shareholding by non-financial companies (industry capital) up to 4%
Minimum Equity Capital Requirement	KRW 50bn	KRW 100bn for commercial banks, KRW 25bn for local banks
Business Scope	Same as commercial banks	Traditional activities such as credit/deposits; credit card business; combined business activities such as bancassurance; other additional activities
Prudential Regulations	In principle, subject to same regulations as commercial banks (will be granted a grace period in the early stages of operation on meeting Basel I standards)	Basel III Standards

After receiving applications, a two-step approach will be taken to approve licenses (operated by the External Inspection Committee).

- Step 1: Grant a preliminary license to one or two Internet-only banks as a pilot operation, under the current regulations on separation of banks and non-financial companies.

+ Present a guideline on licensing (early July / a briefing will be held on July 22) → receive applications for preliminary license (September) → review and grant preliminary license (until December) → issue formal license (first half of 2016)

- Step 2: Grant additional licenses after revisions to the Banking Act (easing of regulations regarding separation of banks and non-financial companies) are made.



- + Establishment of Banking Act amendment proposal (July) → discussions at the National Assembly (September) → receive applications for preliminary license (within 6 months of enforcement) → issue formal license

KOFIA's Response against Plans for the Establishment of New Regulations on ELS

The surge of ELS issuance has prompted the FSS to plan for various new regulations with the aim of maintaining the soundness of securities companies and protecting investors. Main details of FSS regulatory plans include:

- 1) Real estate investment with gains from ELS issuance, perform on-site reviews and inspections on the status of hedged assets at major ELS issuers.
- 2) Establishment of a TF to reinforce disclosure requirements for derivatives-linked securities and to place a limit on the underlying assets and product structure of privately placed ELSs (with 11 industry firms and KOFIA participating up to early July)
- 3) Restriction of issuing products that utilize the performance index, such as the long-short ELB.

KOFIA is planned to join the TF and actively express opposing opinion against irrationalities.

FSC's Push for the Enactment of the Electronic Securities Act

In order to resolve problems that arise from the issuance and distribution of physical securities, the FSC is pushing for the introduction of an electronic securities system which will only permit the issuance and distribution of securities through electronic registration. Problems include issuance and deposit costs, fabrication and embezzlement of securities, tax evasion through illicit trades, etc. This act will be applied to all securities listed under the FSCMA such as securities, debt securities, beneficiary certificates, derivatives-linked securities, securities depository securities, CDs / Securities. For unlisted stocks, the issuer can choose whether or not to switch to electronic stocks.

An electronic registration institution (e.g., the Korea Securities Depository), and an account management institution (securities firms or other financial companies) will be in charge of issuing and distributing electronic securities. The electronic registration institution will be responsible for the comprehensive management of transactions by monitoring the issuance of electronic securities and using transaction information from the account management institution. The account management institution will be responsible for managing securities trading that occurs in an individual investor's electronic securities account.

In cases where errors occur in the operation of the electronic securities system, claims to bonafide investors will be upheld for the sake of trading stability.

The Act's anticipated effects are reduction of securities issuance costs, prevention of loss or fabrication, enhanced trading transparency, etc. Information on the issuance and distribution of securities will be promptly available, contributing to the development of the FinTech ecosystem.

Enabling Client Name Verification through Online or Non-Face-to-Face Channels

Efforts are being made to alleviate the inconvenience of having to verify a customer's real name when opening a new account by having the customer physically visit



the financial company.

As a first step, non-face-to-face verifications, which have been proven to work in overseas markets, have been permitted. There are four ways to verify real names (submitting a copy of one's identification, video calls, verification when delivering a debit card, utilizing existing accounts), but new options may be developed and used.

A multi-level verification process will allow the accuracy of such verifications to be greater than that of face-to-face verifications. However, a combination of at least two verification methods should be used. (Ex: copy of identification + video call) A triple-checking system is highly recommended, with each financial company applying its own verification methods.

This will be implemented in stages after thorough preliminary trials at financial companies. (December 2015 for the banking sector, March 2016 for the securities sector)

KOFIA hosted Korea-Australia Pension Assets Management Strategy Forum

10 delegates from the Association of Superannuation Funds of Australia (ASFA) visited Korea from May 31 to June 1 to explore global infrastructure investment opportunities in Korea and beyond, as well as to discuss joint investment opportunities. Delegates included the CEO of ASFA and senior level executives from Australian infrastructure investment companies.

The event was jointly hosted by KOFIA and the Australian Embassy in Korea, with the aim of supporting KOFIA member firms by examining Australia's reforms in financial systems such as superannuation, encouraging in-bound Australian investment, and exploring business opportunities by networking with Australian pension fund personnel.

KOFIA-Singapore Exchange (SGX) Special Seminar on Asian Derivative Products

KOFIA and the SGX jointly hosted the "Special Seminar on Asian Derivative Products" in response to growing demand for overseas derivatives from Korean investors and expanding openness in the Asian capital market led by China.



MEXICO

Encourage Voluntary Savings

The securities industry, including AMIB, has approached the federal government by reason of proposing public policies that stimulate voluntary savings among the working population, this because currently the replacement rate of workers to the pension fund is the 31.5% when the average of the OECD member countries is 64.1%

Professional Certification On Money Laundering And Terrorist Financing.

Aiming to strengthen confidence in Mexico financial sector, in 2014 the Comisión Nacional Bancaria y de Valores (CNBV) received the faculty by law to certificate independent external auditors, Compliance Officers and other professionals which contribute with CNBV to oversight the regulatory compliance regarding Money Laundering and Terrorist Financing (AML/TF) in order to verify, on a certain date, that people who are in



charge to verify compliance related to AML/TF issues, must have with a good Knowledge to develop their activity with the highest international standards on the field.

The certification will be obligatory to professionals who work for financial institutions regulated by CNBV, not just for those who may develop that activity in future, but also for people that currently works into it. All of this in accordance with the established by GAFI on its 23 numeral about the "Guide to Risk-Based Approach for the Banking Sector".

Implications:

- Standardize Knowledge;
- Reassess the compliance officer activities
- Control of the independent external auditors
- More competence in the sector
- Best offer in the capacitation

To show more transparency and confidence to the certification process, CNBV involved World Bank as external observant with support of CENEVAL as institution responsible to lead the evaluation process.

Market-Based Financing Promotion For SME

AMIB has been promoting financing for SME through capital markets to enable that business sector could find other alternatives to accomplish their growth and expansion. The Financial Reform approved in Mexico introduced several changes to the Securities Market Law and one of those give a mandate to NAFINSA (Development Banking Institution) to design and implement a support scheme to incentive the listing of Public Limited Companies Promoter of Securities Investing (SAPIBs) in the Securities Market.

Before long AMIB will start a national promotion tour together with BMV to incentivize the Securities Market as an efficient source which provides a wide range of flexible instruments for SME and family businesses financing. This kind of actions tend to allow a better approach with entrepreneurs and go together on their institutionalization process to make them aware of the advantages of going public in terms of value, competitiveness, sustainability, expansion and retention.

Case studies in other countries have been studied and analyzed (UK, Canada, South Korea and Spain) where they have a particular market for SMEs, with different platforms to the main market and have more flexible requirements, support programs, etc. and the offers are aimed at certain segments of institutional investment, private banking or qualified investors.



TAIWAN

Stock Market Price Rise/Fall Limit Raised To 10%

In order to align with international capital market norm and increase market efficiency, the FSC announced that the price up/down limit will be increased to 10% on June 1, 2015. Important corresponding measures include:

(1) the price up/down limit for trading related products, such as Taiwan Deposit Receipts, call (put) warrants and beneficiary certificates, will also increase to 10%, to align with the price up/down limit for stock trading;

(2) in order to align with the change of stock market price up/down limit, Ta



iwaw Futures Exchange will also increase the price up/down limit of stock index futures and options and stock futures to 10%;

(3) the account collateral maintenance ratio for securities margin transaction will increase from the current 120% to 130%. In order to prepare investors for these changes, the adjustment to 130% has been implementing first since May 4, 2015.

Program to boost securities market

On 3 February 2015, the FSC announced a program to boost securities market. The program aims to establish a transparent, fair and efficient capital market, develop a more flourishing securities market in line with world trends, and improve global competitiveness. The program consists of 8 strategies, which are facilitating fund raising for business, expanding capital markets, strengthening corporate governance, enhancing service quality of futures commission merchants and securities firms, increasing trading efficiency of the market, increasing product diversity, strengthening cooperation with relevant organizations and assessing reasonable trading costs. For this program, 15 measures will be promoted, as follows:

(1) Launch a crowd funding platform with equity characteristics.

(2) Encourage top notch domestic and foreign enterprises to apply for TWSE or TPEx listings in Taiwan, to create a fund raising platform characterized by a diversity of industries.

(3) Promote master plan of corporate governance to raise corporate governance standards and market values.

(4) Enhance securities firms' settlement account functions to provide one-stop services to investors.

(5) Streamline the procedures of account opening and trading for the securities investors and futures traders.

(6) Expand the scope of financing and collateral for money borrowing and lending by securities firms in connection with securities business.

(7) Relax restrictions to the sources from which securities firms may obtain securities for lending purposes.

(8) Enlarge the scope of targets for day-trading of spot shares.

(9) Ease the price fluctuation limit to 10% and adopt relevant supporting measures.

(10) Ease limits on margin trading and short sales, and studying expansion of the scope of securities eligible for margin purchases and short sales.

(11) Promote cross-border trading between Taiwan and Singapore.

(12) Consider easing restrictions on investment by incorporated foundations in ETFs that track Taiwan stocks.

(13) Promote products such as dual currency ETFs, RMB currency futures, and exchange-traded futures trust funds; study the possibility of allowing securities investment trust enterprises to offer open-end funds linked to domestic ETFs; and strengthen cooperation with foreign organizations in promoting new futures products.

(14) Integrate resources of related parties of securities and futures markets to promote Taiwan's capital markets and increase the efficiency of market operations.

(15) Engage an impartial research institution for a study of reasonable trading costs that will be conducive to long-term securities market development.

The expected benefits cover several aspects, including:

(1) Issuance: Facilitate diversified financing channels, and help youths realize their innovative and creative powers and development potentials; Strengthen corporate governance,



create win-win situation for corporations and investors, and expand the capital markets in Taiwan.

(2) Trading: With the establishment of a thorough risk management mechanism, an appropriate easing of restrictions on trading systems should allow more diverse and flexible investment strategies, which will help meet investors' trading needs and create a more efficient trading market. Establishing an environment with reasonable trading costs should encourage more investors to participate in the market and thereby increase market liquidity and global competitiveness.

(3) Products: By providing investors with a diversified selection of products, and ones that are appropriately linked to overseas targets, it is hoped that investors needs for global asset allocation and trading can be met through the Taiwan securities markets, which will in turn inject greater vitality into the markets.

(4) Service: The enhancement of securities firms' and futures commission merchants' service quality, and the integration of resources of related parties, will facilitate the provision of more diversified services to investors and enhance the efficiency.



THAILAND

Thai SEC enacts primary listing regulations

The SEC put into effect the primary regulations to allow foreign companies to launch public offerings of shares in Thailand. Under the primary listing regulations, the supervision of foreign companies' public offerings of shares in Thailand will be in line with those applicable to Thai companies while certain significant requirements have been added; for instance;

- Shares publicly offered must be listed on the Stock Exchange of Thailand;
- Regulatory mapping in the area of investor protection must be prepared, providing that in cases where any issues under laws of foreign jurisdiction are less stringent than Thai laws, there must be an arrangement of investor protection mechanism comparable to Thai laws;
- Home country regulators are able to provide assistance in investigation and the exchange of information relating to violation of securities law;
- At least two directors must be Thai nationals and reside in Thailand, providing that at least one of them must be independent director and audit committee member;
- Preparation of financial statements must be in accordance with either Thai accounting standards or specified internationally accepted accounting standards;
- The SEC-approved financial advisor must provide service and advice for three years;
- Additional information must be disclosed in the registration statement (Filing Form), including rights of investors and investor protection, restrictions and associated risks, such as lawsuit in the legal proceedings and restriction of capital outflow.

**ICSA**

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

**TURKEY****Turkish Brokerage Industry 2014 Annual Review Published**

Turkish Capital Markets Association (TCMA) published its “Brokerage Industry 2014 Annual Review” report in English. The report focuses on the operations and financial statements of investment companies during 2014. Brokerage Industry 2014 Annual Review is available on www.tspb.org.tr.

TCMA Released a Series of Publications

TCMA published a series of booklets about the structure and functioning of markets in Turkey. The booklets aim at providing foreign investors a better understanding of the latest changes in market structures and activities.

The following publications are available on TCMA’s website (www.tspb.org.tr):

- Licensing of Brokerage Firms
- Licensing of Asset Management Firms
- Licensing of Investment Trusts
- Licensing of Asset Management Firms
- Licensing of REITs
- Licensing of Venture Capital Investment Trusts
- Licensing of Market Professionals in Turkey
- Forex Trading in Turkey
- Handling Investor Complaints in Turkey
- Initial Public Offerings and Listings in Turkey
- Short Selling of Securities

International Forum for Investor Education (IFIE) Appointed New Officers

International Forum for Investor Education (IFIE) is an independent organization aimed at enhancing investor education on a global level. TCMA attended the General Meeting of the Forum that was held in Kuala Lumpur from 18 to 20 May 2015. During the forum, Paul Andrews, Vice President and Managing Director of Financial Industry Regulatory Authority (FINRA), was appointed as the Chair for the next term. At the same time, Alparslan Budak, Assistant General Secretary of TCMA, was appointed as the new Vice-Chair. In addition, Ana Claudia Leoni, the Head of Education at the Brazilian Financial and Capital Markets Association (ANMIBA) was elected as the IFIE Treasurer / Secretary.

Federation of Euro-Asian Stock Exchanges (FEAS) Working Committee and Board Meeting Held

The Working Committee and Board Meeting of the Federation of Euro-Asian Stock Exchanges (FEAS) was held on 21 May 2015 in Yerevan. FEAS promotes cooperation among members and build a more transparent market environment. On behalf of the TCMA, Ekin Fikirkoca Asena, Director of Research and Statistics Department attended the meeting.



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