





Global Market Structure Asia Pacific Newsletter

Passion to Perform

Issue 17, 2012

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

	Hong Kong Page 2 HK IPOs under increased scrutiny Designated Short Selling criteria tightened
	China Page 4 CSRC elaborates on the opening of China capital market SSE and SZSE cut A-share trading fees
	Taiwan Page 7 Taiwan to open its stock markets for Chinese banks TAIFEX launched block trading mechanism for Single Stock Futures
	India Page 9 SEBI notifies the Alternative Investment Funds (AIF) Regulations, 2012 BSE enrolls foreign brokers, banks to boost derivatives segment
	Japan Page 12 New head of Japanese FSA set to tackle insider trading SBI Japannext reaches a further new record
	Korea Page 14 FSC not mulling short selling ban Chi-x eyes Korean expansion
	Australia Page 15 LSE's clearing house applies for Australian license Centre point change in pricing, defined as 'block orders'
	ASEAN Page 17 MAS Reviews Regulatory Requirements for Unlisted Margined Derivatives Chi-East shuts down; SGX to start MSCI Indonesia futures
	Quant Fact Sheet Page 20





Global Market Structure

Hong Kong Newsletter Issue 17



Passion to Perform

Hong Kong Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$5.33bn	8.00% ▲

Source: Thomson Reuters, 2012

Hong Kong IPOs under increased scrutiny

The Securities and Futures Commission announced a proposal on 9th May to impose criminal penalties on bankers or firms who fail to ensure proper due diligence in IPOs. Bankers who disseminate misleading information in share-sale documents may face prison. The SFC said tougher legislation is necessary to protect investors after several scandals in recent years eroded confidence.

These new rules would make underwriters criminally liable for accuracy of the listing prospectuses given to investors. Market participants cautioned that these rules might have an adverse effect on smaller listings and the proposal could raise the cost and risk of arranging initial public offerings in the city, leading to lower numbers of IPOs.

The deadline for responses is 6th July, for the consultation paper click here:

<https://www.sfc.hk/sfcConsultation/EN/sfcConsultFileServlet?name=sponsorrglt&type=1&docno=1>

Basel III requirements

The HKMA will bring some capital requirement standards in line with Basel III levels following consultations with local banks. One remaining difference is that Basel III treats unrealised gains on property assets as part of the common equity tier I ratio, while in the SAR, such gains will be part of Tier II capital.

SFC announces commencement of short position reporting

The SFC announced that Short Position Reporting Rules will come into effect on 18th June 2012.

Market participants must report short positions using an online system and a specified form posted on the SFC's website. A pilot testing environment has been set up for testing purposes. The purpose of the rules is "to effectively monitor short selling activities in the Hong Kong market", according to Mr Ashley Alder, the SFC's Chief Executive Officer.

The SFC website has a number of materials including the Reportable Short Position Form, the accompanying Notes, a User Guide and FAQ, and the List of Specified List of Shares. The materials can be found here:

<http://www.sfc.hk/sfc/html/EN/research/short-position-reporting/index.html>

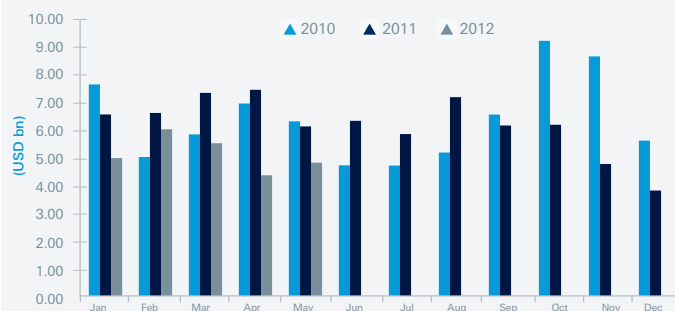
For the full announcement see:

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=12PR55>

Market entry criteria revised for banking sector in Hong Kong

Amendments to the Banking Ordinance seek to remove several licensing criteria for banks. The current criteria are seen to restrict well-managed and reputable domestic and overseas institutions from establishing a presence in Hong Kong. The proposed revisions will make it easier for non-deposit taking international financial institutions to operate in the Hong Kong financial market.

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



Source: Thomson Reuters, 2012

Code of conduct amended

The SFC announced amendments to the Code of Conduct for Persons Licensed by, or Registered with, the SFC for the establishment of a new Financial Dispute Resolution Centre Ltd ('FDRC'). This change will especially strengthen the enforcement against market misconduct. All licensed and registered persons in Hong Kong and, indirectly, their in-house or group compliance function are affected. Financial institutions are now required to participate in the Financial Dispute Resolution Scheme and have to inform their clients of their rights to refer disputes to the FDRC. The amendments will come into effect on 19th June 2012.

For the full SFC conclusions see here:

http://www.sfc.hk/sfc/doc/EN/speeches/consult/Conclusions_Paper_FDRC_21May2012_EN.pdf

Recent ordinance amendments

A new law requires listed corporations to disclose inside information while it allows the SFC to refer cases directly to the Market Misconduct Tribunal. Additionally, the establishment of the Investor Education Centre is prepared through the law.

For the full report click here:

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=12PR51>

Venue News

Designated short selling

The HKEx tightened the criteria for Designated Securities Selling effective 3rd July 2012. As a result of the review, the eligibility criteria regarding market capitalization and turnover velocity will be increased from \$1 billion to \$3 billion and from 40% to 50% respectively.

The change accounts for increased market capitalization of listed companies in Hong Kong. If the new short selling eligibility criteria had been adopted in the last quarterly review in April, 82 out of the existing 646 designated securities would have become ineligible for short selling.

Market Share Report

The HKEx have released a summary of the market share between the difference participants. The categories are defined as follows:

- Category A: Position 1 - 14
- Category B: Position 15 - 65
- Category C: Over 65

Date	Category A (Position 1 to 14)		Category B (Position 15 to 65)		Category C (Position > 65)		Total Turnover (\$Bil)	Average Daily Turnover (\$Mil)
	Range (%)	Total (%)	Range (%)	Total (%)	Range (%)	Total (%)		
MAY 11	7.29 - 2.26	52.19	2.16 - 0.22	35.79	0.22 - 0.00	12.02	1,309.53	65,476.75
JUN 11	7.41 - 2.66	53.66	2.48 - 0.22	35.51	0.22 - 0.00	10.83	1,479.36	70,445.85
JUL 11	6.85 - 2.59	54.80	2.27 - 0.23	34.41	0.22 - 0.00	10.79	1,344.50	67,224.81
AUG 11	7.62 - 2.43	55.25	2.38 - 0.21	34.36	0.20 - 0.00	10.39	1,825.18	79,355.45
SEP 11	8.81 - 2.68	56.82	2.46 - 0.19	33.63	0.18 - 0.00	9.55	1,447.05	72,352.66
OCT 11	8.32 - 2.71	57.74	2.33 - 0.21	32.11	0.20 - 0.00	10.15	1,438.81	71,940.49
NOV 11	8.40 - 2.32	59.65	2.09 - 0.20	30.58	0.19 - 0.00	9.77	1,328.40	60,381.74
DEC 11	8.14 - 2.63	58.78	2.40 - 0.20	31.50	0.19 - 0.00	9.72	947.45	47,372.48
JAN 11	8.26 - 2.69	57.52	2.58 - 0.22	32.49	0.21 - 0.00	9.99	1,006.98	55,943.24
FEB 11	7.01 - 2.55	55.83	2.37 - 0.21	33.33	0.21 - 0.00	10.84	1,444.02	68,763.06
MAR 11	6.81 - 2.61	58.06	2.41 - 0.19	32.17	0.19 - 0.00	9.77	1,436.19	65,281.56
APR 11	6.88 - 2.70	58.23	2.48 - 0.20	32.17	0.19 - 0.00	9.60	910.17	50,565.13
Past 12 Months Total (\$ Bil)							15,917.64	
Monthly Average (\$ Bil)							1,326.47	

Exchange-Traded RMB Currency Futures - update

The SFC has approved the plans of the HKEx to trade and settle Renminbi (RMB) currency futures. The contracts will require delivery of US dollars by the seller and payment of the Final Settlement Value in RMB by the buyer. The futures will be quoted in RMB per USD and margined in RMB. All fees will be charged in RMB as well. The contracts will be introduced in the third quarter of 2012.

HKEx LME Bid update

Intercontinental Exchange Inc. and Hong Kong Exchanges and Clearing Ltd. are still taking part in the bidding process for the London Metal Exchange after the NYSE Liffe and the CME were eliminated by the board of the LME. The HKEx said it was interested in getting into the commodities business to diversify away from equities-related businesses. Both bidders submitted bids between GBP1bn - GBP 1.2 bn.

Verizon founding member of Hosting Services Program

The Hong Kong exchange has selected Verizon to be one of the founding members of the Hosting Services Ecosystem. Under this approach, market participants can subscribe to a comprehensive set of services offered by ecosystem members.

Personnel changes

CFO and CAO

The HKEx announced they appointed Stephen Marzo as Chief Financial Officer and Henry Ingrouille as Chief Administrative Officer. Mr Marzo, who has over 30 years of experience in financial management and joins from Noble Group Ltd., will start on 26 June 2012. Mr Ingrouille who has over 20 years of experience in the financial services industry joins from Morgan Stanley and will start on 9 July 2012.

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2012/120604news.htm>

HKEx Cash Market Consultative Panel

Jojo Choy Sze Chung and David Rabinowitz will join the Cash Market Consultative Panel effective 1st June 2012.

<http://www.hkex.com.hk/eng/newsconsul/hkexnews/2012/120601news.htm>

Sources

www.sfc.hk
www.hkex.com.hk
www.hkma.gov.hk
www.marketwatch.com
www.businessweek.com
www.thestandard.com.hk
www.wsj.com
www.bloomberg.com
www.cnbc.com
www.globaltimes.cn
www.reuters.com
www.dealbook.nytimes.com
www.thestandard.com.hk
www.4-traders.com

Contact

Email: global.marketstructure@list.db.com
 Tel: +852 2203 5710
 +44 207 547 5552
 +1 212 250 4170



Global Market Structure

Chinese Newsletter Issue 17



Passion to Perform

Chinese Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$24.8bn	0.19% ▲

Source: Thomson Reuters, 2012

CSRC Chairman Guo elaborates more on the opening of China capital market

On 16th May, Guo Shuqing, the chairman of CSRC, talked about the opening of China capital market in International Organization of Securities Commissions' annual conference in Beijing.

He pointed out that the Chinese government has highly emphasised the encouragement of "green field investment", the finance industry's service function for the "real economy", the establishment of an efficient "firewall" system and the importance of the process of gradually opening up.

The official government newspaper China Daily also reported Mr. Guo's comments on the RMB internationalisation where he said

"At present, we have a very good chance to carry out the strategy of realising convertibility of [the] yuan and it will not be too long from now".

Regarding the market news on "special QDII" which is aimed to allow Chinese institutions to invest in Hong Kong stock market, it is said that Mr. Guo is receptive to this proposal but further details are yet to be clarified. There are currently more than USD 40bio QDII quota still unutilised.

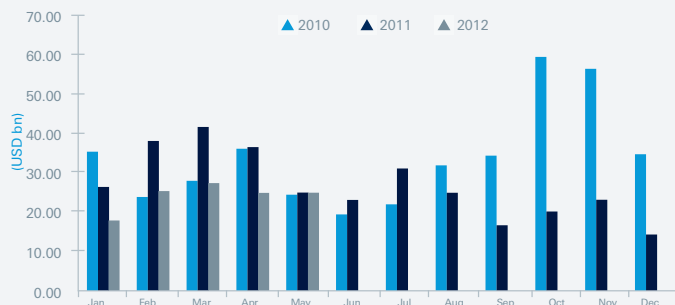
QFII Updates

On 10th May, CSRC hosted a QFII custodian meeting in which DB China participated where the following announcements were made:

1. CSRC will give priority to pension funds in terms of approval pace and quota amount. In addition, they may consider allowing this group of investor to access China A-share market via channels other than QFII.
2. ETF issuance is encouraged and regulators will fulfill their business needs by giving sufficient quota.
3. Different entities under the same group are now allowed to apply for a QFII license. However, they need to comply with the substantial shareholding requirement by monitoring the shareholding at the group level.
4. For existing QFIIs who still have outstanding structured product positions, they are now allowed to apply additional quota for proprietary trading or issuing funds.
5. The asset allocation guideline that required at least 50% to be invested in mainland equities may be removed. Cash still cannot exceed 20%.
6. PBOC will soon release the relevant guideline to allow QFIIs to open a second RMB account for index futures trading.

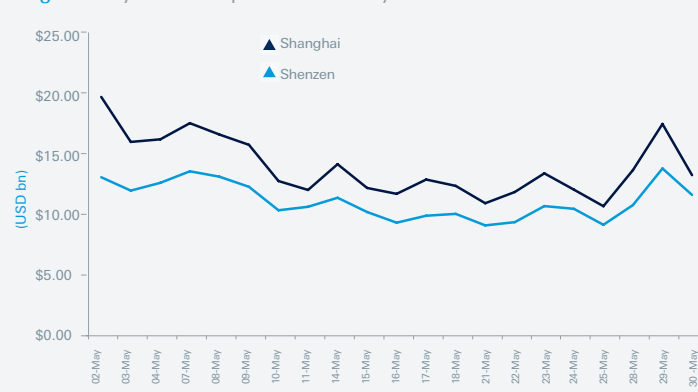
The Ministry of Commerce's estimation shows the overseas investment by Chinese companies will reach USD 500bio by 2015, up more than 50% from the current USD 320bio.

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



Source: Thomson Reuters, 2012

Fig 2: Daily Turnover per venue - May 2012



Source: Thomson Reuters, 2012

SAFE data shows in Q1 2012, the foreign capital in flow is USD 660mio while capital outflow made by Chinese companies is USD40mio.

Further to our comments last month that CSRC's were considering the inclusion of hedge funds and private equity firms in the QFII scheme, it has been reported by "hfmWeek" that the plan has recently been dropped, thus hedge funds and private equity firms will not be getting QFII license in the short term. The source Hubert Tse is a senior lawyer at a local Shanghai firm Boss & Young and he was quoted as saying

"Hedge funds are not seen as long term, stable investors by Chinese regulators as yet so they probably won't be able to access QFII soon - they will eventually but not in the near future".

Also, on CSRC's website, 5 entities have been recently approved by CSRC as QFII investors in Apr 2012. A full list can be found below:

- Prescient Investment Management PTY Ltd
- Dongbu Asset Management Co., Ltd
- Janus Capital Management LLC
- Mizuho Asset Management Co., Ltd
- Henderson Global Investors Limited

Regulation for Securities Investment Funds to be changed

CSRC recently announced that they are considering allowing fund management companies to file applications for multiple sub-funds in one go. The minimum capital raising threshold has been lowered to RMB 50mio from RMB 200mio.

This change will loosen the current application criteria and is viewed as a further step to introduce sponsored fund products in the future.

China regulators considering allowing foreign institutions to issue securities

Eight government entities including PBoC, MoF and NDRC announced they are considering allowing foreign institutions to issue securities including stocks, bonds and funds in China. The detailed rules are currently under development.

China RMB to start direct trading with Japan Yen

The Chinese and Japanese governments have agreed to start direct trading of their currencies (RMB/JPY) and they have jointly signed a currency swap agreement. Currently China only allows direct trading of RMB/USD.

CSRC announced changes on dividend rule

On 9th May, CSRC issued the notice on further implementation of listed companies' dividend policy.

CSRC requests all CSRC branches and both the SSE and SZSE to supervise cash dividend payments by listed companies, including the companies' decision making process in cash dividend payout, information disclosure and the execution of the decisions.

Companies with net profit in a positive territory and good cash flow that have not been paying shareholders cash dividends for many years will be investigated by CSRC with regard to their cash dividends policies in order to identify any irregularity in decision making and information disclosure processes. If necessary, CSRC will take regulatory action against companies with inappropriate practices relating to cash dividend payout.

According to a statistics report, there are 199 listed companies with negative net profits in the last 3 years, while there are 801 listed companies with positive net profits that have not been paying shareholders cash dividends for 3 years.

Chinese corporate to invest US\$500 billion overseas by 2015

The Ministry of Commerce's estimation shows the overseas investment by Chinese companies will reach US\$500 billion by 2015, up more than 50% from the current US\$320 billion.

SAFE data shows in Q1 2012, the foreign capital in flow is US\$660 million while capital outflow made by Chinese companies is US\$40 million.

Big Four accounting firms to be localised in China

The Chinese regulators released a notice on 10th May requiring the localisation of the big four accounting firms with the following requirements;

- Foreign-qualified accountant partners cannot exceed 40% of the total number of partners by August, and shall not exceed 20% by 2017.
- Chief partners are required to be Chinese nationals and Chinese-qualified accountants. However, if the current chief partners cannot meet the requirements they can continue to complete their remaining responsibilities for up to three years under certain conditions.
- At least three of the top five partners (by assets) shall be Chinese-qualified accountants.

CSRC announced modified IPO rules

Further to the previously reported consultation on IPO rules modification, CSRC has announced the new rules which give retail investors a bigger role.

In the updated regulation, at least 50% of IPO shares should be allocated to institutional investors, while the institutional investors can later sell their shares to retail investors once a mechanism is set up, the previous mandatory restriction period is now abandoned and instead the issuer can set their customized restriction period.

Venue News

SSE and SZSE launch cross-market ETFs

On 28th May, the first two cross-market ETFs made their debut in Shanghai and Shenzhen Stock Exchanges, namely Harvest ETF Tracking CSI 300 (159919.SZ) and Huatai-PineBridge ETF Tracking CSI 300 (510300.SH).

A-share trading fees cut in both SSE and SZSE

Effective 1st June 2012, the transaction fee on SSE and SZSE will be reduced to 0.0087%, for both buyers and sellers. Also, the CSDCC transfer fee for SSE trades will be cut to 0.0375%.

The current transaction fee on SSE is 0.011% and on SZSE is 0.0122%, while CSDCC transfer fee for SSE trades is 0.05% and for SZSE is zero.

CFFEx modified the CSI 300 futures limits

On 30th May, the China Financial Futures Exchange announced the change of position limits of CSI 300 futures:

- New limit for unilateral position of one client's holding of one contract is 300 lots, up from the current limit of 100 lots.
- If the accumulated unilateral position of one contract exceeds 100 thousands lots, the clearing member's market share cannot exceed 25% of the total market's unilateral position in the next trading day.

Currently QFIIs still cannot trade the CSI 300 futures as SAFE/PBOC approval has not yet been received. CSRC approval has already been granted.

http://www.cffex.com.cn/tzgg/jysgg/201205/t20120530_16649.html

China may introduce OTC markets to help SME raise funds

Yao Gang, vice-chairman of CSRC, said in a meeting that a national OTC market will be established to help small- and mid-cap companies to raise funds. The market's so called "third board" will have more strict restrictions on the investors than the main listing boards, as the regulators feel the risk is higher.

So far there are 115 companies currently trading in the pilot program of third board. The details of regulation are still to be announced.

Contact

Email: global.marketstructure@list.db.com
 Tel: +852 2203 5710
 +44 207 547 5552
 +1 212 250 4170

SSE/SZSE announced stricter rules on delisting stocks

SSE and SZSE have announced their conclusions following the public consultation. In the modified version a company may be required to delist if the following criteria are met:

- If the company has two consecutive years of negative shareholder's equity; or
- If the operating income is lower than RMB 10mio for four consecutive years; or
- If the accumulated transaction volumes of company shares on the exchange is lower than 5mio shares for 120 consecutive trading days; or
- The closing price is below RMB 1 for 30 consecutive trading days.

The new rules aim to provide better governance over companies along with stricter disclosure requirements and are expected to take effect soon.

SSE targets new mechanism for margin trading and SBL

Further to our previous newsletter on the new margin trading/SBL mechanism, it has been recently reported that the Shanghai Stock Exchange are mulling a new mechanism to operate with China Securities Finance Company and Clearing house by end of 2012.

In the new scheme, investors can access a deeper pool of SBL and margin from CSFC. We will keep our clients posted about any further developments on this.

Sources

<http://www.szse.cn>

www.sse.com.cn/

www.csrc.gov.cn/

<http://www.eeo.com.cn>

www.reuters.com

www.shanghaidaily.com

www.peopledaily.com.cn

www.morningwhistle.com

www.hfmweek.com

www.chinadaily.com



Global Market Structure

Taiwan Newsletter Issue 17

Passion to Perform

Taiwan Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$2.36bn	3.90% ▼

Source: Thomson Reuters, 2012

Tax treaty on dividend still unclear

Germany and Taiwan signed a tax treaty in December 2011, which remains subject to legislative approval in respectively Germany and Taiwan. Under the new Germany/Taiwan treaty, the tax rate for dividends withholding tax is reduced from the standard domestic rate of 20% to 10%, subject to stringent beneficial ownership requirements and approval from the tax office. Details of the treaty and its implementation are still pending clarification.

Finance Minister offered to resign on Capital Gain Tax issue

Taiwan's finance minister, Christina Liu, offered to resign in a statement as she doesn't agree with the introduction of Capital Gain Tax ("CGT") on the trading of securities, as in her view the plan has loopholes that give wealthy investors the ability to avoid tax.

The proposed CGT plan is aimed to close the wealth gap in Taiwan society and create additional revenue for the government. The current revised plan is targeted at domestic wealthy investors only, for those who make more than TW\$4 million can be subject to a CGT rate of 15% - 20%.

In 1988 there was a similar plan for CGT but was dropped 1 month after introduction as the market fell more than 30%.

Generally it is expected that foreign investors not having a business presence in Taiwan would not be affected

Taiwan to open its stock markets for Chinese banks

FSC Chairman Chen Yuchang announced that the Taiwan stock market will be open to Chinese banks with a QDII license. This is viewed as a further step to closer cooperation across the Taiwan Strait.

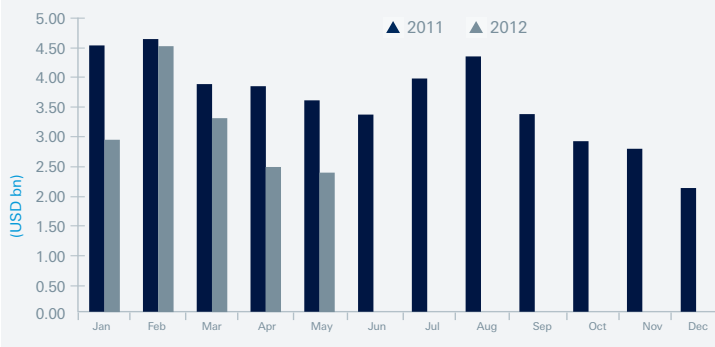
Chinese securities firms with QDII license have already invested US\$200 million in the Taiwanese stock market and the potential quota for Chinese banks is US\$9.5 billion. The FSC has a limit of US\$500 million on Chinese securities firms' quota in Taiwan market and is considering combining the proposed Chinese banks' quota with it.

FSC looks forward to mainland to ease QFII criteria

The current mainland QFII program has strict criteria such as the institution applying for QFII license must be a global top 100 bank and hold assets more than US\$10 billion. Currently no Taiwanese banks can fulfill the criteria and the FSC is negotiating with mainland regulators to relax the QFII criteria.

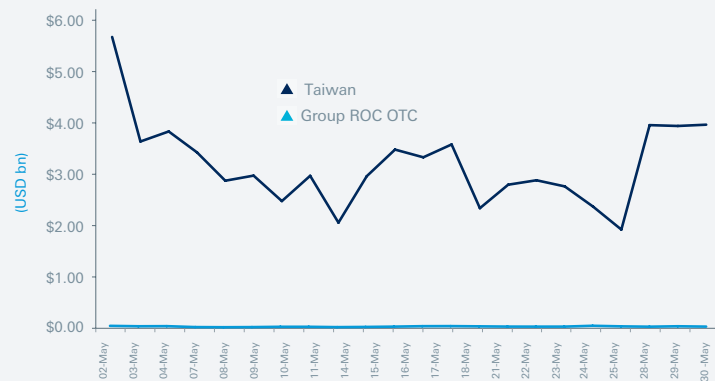
Last year the FSC relaxed the restrictions on Taiwan banks' offshore arm so that they can invest in China's A-share market.

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



Source: Thomson Reuters, 2012

Fig 2: Daily Turnover per Venue - May 2012



Source: Thomson Reuters, 2012

FSC changes requirements for foreign investments by insurers

On 11th May, FSC announced the modification of "Regulations Governing Foreign Investments by Insurance Companies.":

- Life insurance enterprises engaged non-investment-linked life insurance business collected and paid in foreign currency are now allowed to apply to the competent authority for permission not to count investments made in connection with this type of business against the quota for their total foreign investments
- The cap on foreign investments in instruments rated BBB+ has been raised from "40% of shareholders' equity" to "60% of shareholders' equity"
- Restrictions on the mainland investments of insurers have been eased, with the amended provisions now requiring that, at the time it invests in the mainland, the insurer must have had a ratio of regulatory capital to risk-based capital of at least 200% for the preceding fiscal period.

For more information see: <http://www.fsc.gov.tw/en/home.jsp?id=55&parentpath=0.4>

FSC officials meet top Chinese regulators in Beijing

On 15th May, the FSC Chairman Yuh-Chang Chen and FSC Banking Bureau Director General Hsien-Nung Kuei met in Beijing with Shang Fulin, Chairman of the CBRC. According to the FSC official website, the following agreements have been reached between the two parties:

- To move as quickly as possible to complete reviews of applications currently being processed, provided that they meet the requirements of supervisory legislation and review procedures.
- To actively study the possibility of entering into a "Memorandum of Understanding on Supervisory Cooperation in Connection with Discretionary Overseas Financial Management Services, and will appoint a special liaison to handle related communications.
- Continue discussing what constitutes a "Taiwan-invested enterprise," and will actively study the issue.
- To strengthen sharing of supervisory information and experience, such as SME financing, the development of rural banks, and international financial supervisory standards. They will also engage in timely discussions of the Basel III Capital Accord.

The Cross-Strait Banking Supervisory Cooperation Platform was discussed and it was agreed that a meeting could be arranged for the latter half of this year in Taipei.

Venue News

Proposal to lower futures transaction tax

It has been reported that the Financial Supervisory Commission ('FSC') and the Futures Association have proposed to the Ministry of Finance ('MOF') to reduce the futures transaction tax rate from the current 0.004% to 0.001%. The FSC and MOF will further discuss on this topic and make an announcement once consensus is reached.

TAIFEX launched block trading mechanism for Single Stock Futures

On 14th May, the Taiwan Futures Exchange ('TAIFEX') launched a block trading mechanism for Single stock futures. The minimum contract units for each block trade will be 200 contracts.

The trading hours for block trades will be same as the normal trading hours i.e. 8:45 am – 1:45 pm local time Monday to Friday on the regular business days of the Taiwan Stock Exchange, and 8:45 am – 1:30 pm on the last trading day for the delivery month contract.

Information disclosure system for warrants to be launched

The TWSE has authorised the Securities and Futures Institute ('SFI') to set-up an information disclosure platform for warrants which is expected to go-live on 1 July 2012. The TWSE launched 30 underlying securities of Callable Bull / Bear Contract (CBBC) last year and it has grown to more than 200 listed securities as of 17th April 2012.

GTSM signed MOU with Tokyo Stock Exchange

Taiwan GreTai Securities Market (GTSM) and Tokyo Stock Exchange signed a MOU on attracting more emerging enterprises. The GTSM mainly serves the OTC and bond markets.

Sources

www.fsc.gov.tw/en

www.news.asiaone.com

www.focustaiwan.tw

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710
+44 207 547 5552
+1 212 250 4170



Indian Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$2.15bn	11.06% ▼

Source: Thomson Reuters, 2012

Government defers GAAR implementation; FIIs shift to offshore Nifty futures

Although the government has announced that it will defer the implementation of GAAR rules by a year, the FIIs are still shifting their positions to the Singapore Exchange where the derivatives of the key Indian equity Index Nifty are listed. The trend is evident by the Open Interest ('OI') built up in the SGX Nifty futures in May, which is 70% more than the OI on NSE Nifty futures.

Since the announcement of General Anti Avoidance Rules ('GAAR') the inflow of foreign funds (especially through P-notes route) has almost dried up due to concerns of tax implications for FIIs. The total investments lost during just 2 months period according to industry estimates could be as high as US\$10 billion.

<http://business-standard.com/india/news/fiis-bet-heavily-in-indian-market-in-singapore/475428/>

<http://timesofindia.indiatimes.com/business/india-business/GAAR-fears-cost-Indian-markets-10-bn-foreign-money/articleshow/13031276.cms>

Release of Alternative Investment Funds ('AIF') Regulations, 2012

The Securities and Exchange Board of India has released the AIF regulations on 21st May via a Circular. Below are the salient points:

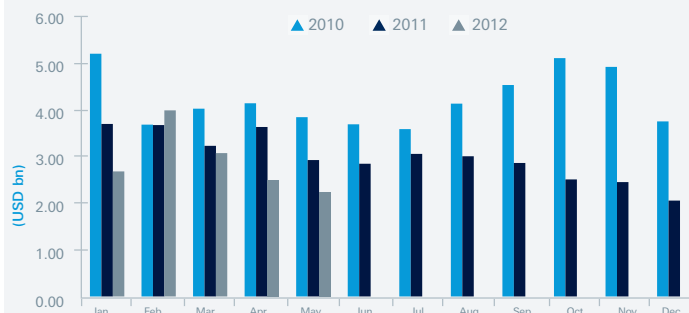
- The existing funds registered under the VCF regulations will continue to be governed by the same regulations with a restriction that they will not be allowed to increase their targeted corpus.
- The AIFs have been categorized into the following three categories
 1. Category I AIFs – includes funds investing in start-ups, early-stage ventures, social ventures, SMEs, infrastructure or other sectors or areas which have a positive spillover effects on the economy.
 2. Category II AIFs – includes funds that do not fall under Category I and III and will not undertake leverage or borrowings other than to meet the day-to-day operational requirements.
 3. Category III AIFs – includes funds employing diverse or complex trading strategies and may leverage through investments in listed or unlisted derivatives.
- The funds should not have more than 1,000 investors and the minimum investment amount per investor should not be less than Rs 1 crore.
- The sponsors of the fund should contribute at least 2.5% of the initial corpus of the fund.
- A set of disclosure standards and reporting requirements are prescribed for all funds.

For the SEBI circular, click here:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1337601524196.pdf

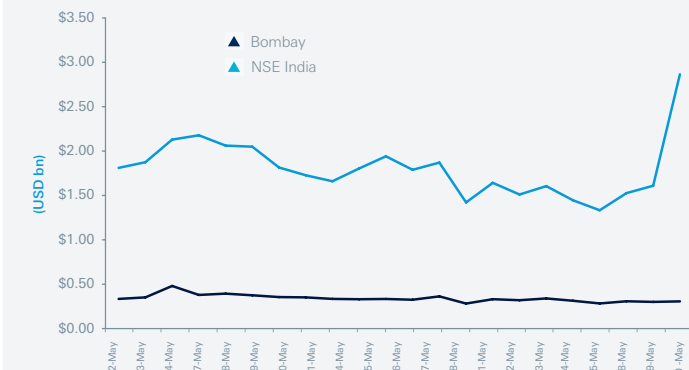
http://articles.economictimes.indiatimes.com/2012-05-23/news/31827572_1_alternate-investment-funds-vcfs-aifs

Fig 1: Indian market monthly ADT



Source: Thomson Reuters, 2012

Fig 2: Daily turnover by venue - May 2012



Source: Thomson Reuters, 2012

SEBI to change data format for FII reports

SEBI is planning to introduce a new format XBRL (eXtensible Business Reporting Language) for the mandatory reporting by FIIs. XBRL is a global standard and was introduced in 2005 by the US regulator SEC. The format is already being used by all mutual funds and around 1000 listed companies to submit their data to SEBI.

SEBI hopes to strengthen and streamline the FII reporting (specifically on the use and end beneficiaries of P-notes) through the implementation of this format. This will also help SEBI in identifying inconsistencies in reports submitted by the FIIs.

<http://www.business-standard.com/india/news/sebi-plans-data-format-change-for-fii-reports/475945/>

Government relaxes investment norms for QFI participants

In a bid to give a boost to the foreign investments through the Qualified Foreign Investor route announced earlier, the government has relaxed some of the regulations around the scheme which had failed to take off as there were many bottle necks and operational issues holding back the potential investors. The government has made the following relaxations to the existing rules:

- Qualified Foreign Investors ('QFIs,') from six member-countries of

the Gulf Cooperation Council and 27 countries of the European Commission have been allowed to invest in the Indian capital markets expanding the current list of 34 countries complaint with FATF.

- QFIs will be allowed to open up individual non-interest bearing accounts with authorised dealer banks for receiving funds and making investments in the markets.
- QFIs will be provided operational flexibility in choosing their brokers and custodians.
- SEBI, RBI and CBDT (Central Board of Direct Taxes) will come out with individual circulars to help operationalise the scheme shortly

SEBI delegates IPO clearance power to regional offices; expected to announce new IPO norms in June

The Securities and Exchange Board of India has announced that its regional offices will have the power to approve Initial Public Offering ('IPO') applications for raising upto Rs 500 crore of capital. SEBI said it was decided that the draft offer documents in respect of issues of size up to Rs 500 crore shall be filed with the concerned regional office of the Board under the jurisdiction of which the registered office of the issuer company falls. SEBI is planning to open up 10 such regional offices throughout the country.

SEBI is likely to announce the new stricter regulations for IPOs within the next month according to the SEBI chairman, U K Sinha. The regulator has carried out a complete review of the whole IPO process and finalised the regulations.

Mr. Sinha has also indicated that SEBI is in advanced stages of finalizing on the IPO norms for the non-life insurance companies, stating both SEBI and IRDA are very serious about it.

The primary segment of the Indian equities market has seen 17 companies cancel their plans to go public in the current year due the inconducive market environment.

http://articles.economictimes.indiatimes.com/2012-05-07/news/31610602_1_regional-offices-sebi-today-securities-and-exchange-board

<http://profit.ndtv.com/News/Article/sebi-to-announce-stricter-ipo-norms-next-month-304707>

http://zeenews.india.com/business/news/finance/sebi-in-advance-stages-of-issuing-ipo-norms-for-non-life-cos_47210.html

http://articles.economictimes.indiatimes.com/2012-05-17/news/31749272_1_embassy-property-capacity-building-and-job-ipo-plans

SEBI looking to revive Mutual Fund sector, sets up a review panel

SEBI is worried about the low penetration of mutual funds in the country and below par performance. The industry has been witnessing outflows for the past 3 years since the entry load was abolished. SEBI has now set up a panel to review and come out with a strategy to revive the mutual fund industry. The regulator will be meeting all the stakeholders to get their views and then formalise the strategy.

SEBI chairman, Mr. Sinha, has also recommended to the Union Government to include mutual funds in the tax-exempt Rajiv Gandhi Equity Savings Scheme (known as RGESS), which could bring in annual fund flows of up to Rs 50,000 crore in the sector.

http://www.thehindubusinessline.com/markets/stock-markets/article3394483_ece?ref=wl_investment-world

<http://www.business-standard.com/india/news/sebi-bats-for-struggling-mfs/474831/>

SEBI releases new framework for consent order settlements

SEBI has revised its framework for the consent order settlement procedure and has excluded serious offences from the list of offences that can be settled through this procedure.

SEBI shall only accept consent applications up to 60 days of serving a show cause notice and offenses including insider trading, failure to make an open offer, front-running, manipulation of NAVs, failure to redress

investor grievances and non-compliance of summons will be excluded from the consent process.

Also, no consent application will be considered within a period of two years from the date of any consent order. In cases where applicant has already obtained two consent orders, a fresh application will only be considered after three years from the last order. Once SEBI rejects a consent application, it will not consider any further application for the same default at any later stage.

For the SEBI circular, click here:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1337946507938.pdf

<http://business-standard.com/india/news/sebi-wont-settle-insider-trading-through-consent/165939/on>

SEBI announces Exit Policy for de-recognised / non-operational stock exchanges

SEBI has announced the exit policy for the de-recognised and non-operational stock exchanges. Under the policy, all exchanges with annual turnover on its own platform of less than Rs 1000 crore can opt for voluntary surrender of recognition and exit. If an exchange is not able to maintain its turnover above the threshold continuously for 2 years, it will be de-recognised by SEBI automatically. Exchanges which are already de-recognised should apply for exit within 2 months of this circular.

Details pertaining to the dissemination of listed companies, treatment and valuation of assets etc have also been laid out.

For the SEBI circular, click here:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1338376477669.pdf

CII seeks extension on minimum public holding deadline from SEBI

The Confederation of Indian Industry ('CII') has written to SEBI asking to extend the deadline for listed companies to meet minimum public shareholding threshold by another two years citing difficulties faced by the companies in the currently prevailing environment.

SEBI had however urged all listed firms to ensure that they meet the requirements within the deadline next year.

http://articles.economictimes.indiatimes.com/2012-05-31/news/31922039_1_minimum-public-shareholding-market-regulator-sebi

http://www.thehindubusinessline.com/markets/article3436331_ece

Personnel Changes

International Organisation of Securities Commissions re-elects U.K. Sinha as APAC chief

During the IOSCO's 37th annual conference held in Beijing, Mr. U.K Sinha, the current chairman of Securities and Exchange Board of India (SEBI) was re-elected as the chairman of the Asia Pacific Regional Committee of the International Organisation of Securities Commission. He will head the committee until May 2013.

http://www.thehindubusinessline.com/markets/stock-markets/article3452917_ece?ref=wl_markets

Venue Updates

NSE experiences a technical glitch on the derivatives trading segment

On 14th May, the NSE experienced another technical glitch on its derivatives segment which disabled the traders to execute any F&O trades for over an hour. The disruption in F&O trades was evident by a decline in trading value at 4,947 crore which was 40% lower than the daily average level of the past two weeks.

“An erroneous order cancellation request was received by the trading system today (Monday), which disrupted the execution process. Concurrently, there was a malfunction in the network layer.”
– an NSE spokesperson said.

<http://timesofindia.indiatimes.com/business/india-business/NSE-technical-glitch-holds-up-FQ-trades-for-an-hour/articleshow/13145373.cms>

Brokers seek relaxation on the collateral norms set by NSE

The National Stock Exchange had in a clarification circular last month asked the equity and currency derivative brokers to deposit their own shares as collateral to the Clearing Corporations and not use client's shares for the purpose. It said that brokers could then charge their clients interest on funding their margins.

The brokers have opposed this move and sought relaxation as this would increase the cost of trade for both brokers and clients and also have impact on the volumes.

<http://business-standard.com/india/news/stock-brokers-seek-relaxationcollateral-norms/475078/>

NSE derivatives based on FTSE 100 index off to a good start

The derivatives based on FTSE 100 index launched on the NSE have got off to a good start and clocked a first day turnover of over Rs 500 crore with 18000 contracts being traded.

NSE has also announced revision of the Liquidity Enhancement Scheme for these derivatives with effect from the 18th June.

The details of the new revisions are available here -

<http://www.moneylife.in/article/nse-revises-liquidity-enhancement-scheme-for-ftse-100-index/26058.html>

http://articles.economictimes.indiatimes.com/2012-05-03/news/31559036_1_derivative-contracts-equity-derivatives-segment-nse

BSE enrolls foreign brokers to boost derivatives segment

The BSE has enrolled a number of top foreign brokers to act as market makers on its ailing derivatives platform. The BSE has been able to as it has changed the modus operandi which does not require the brokers to fund the client's margin by introducing a custodian in between.

Now the brokers will send the order to the custodian after matching, and the margin funding will be taken care of by the custodian. The move is expected to help BSE garner more volumes on its derivatives segment.

http://articles.economictimes.indiatimes.com/2012-05-18/news/31765542_1_derivatives-segment-foreign-brokers-market-makers

ORC opens up market gateways to Indian exchanges

ORC, the leading global technology provider for the financial industry has announced the launch of market gateways to the BSE and NSE. ORC's low latency platform will be available to domestic and international trading houses and will allow them to access both venues through a single user interface. ORC is registered as a Foreign ISV with the NSE and is an Empanelled Vendor of the BSE.

ORC's trading technology will now be available to firms without an Indian presence or membership on the exchanges to gain access and start trading via brokers who can offer ORC's sponsored access to them.

<http://www.marketwatch.com/story/orc-provides-low-latency-market-connectivity-to-indian-exchanges-2012-05-10>

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710
+44 207 547 5552
+1 212 250 4170



Global Market Structure Japanese Newsletter Issue 17



Passion to Perform

Japanese Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$17.05bn	3.26% ▼

Source: Thomson Reuters, 2012

New head of Japanese FSA set to tackle insider trading

Financial Services Minister Tadahiro Matsushita has made a public statement following his appointment to the Cabinet on the topic of insider trading stating that:

'We can't just overlook the issue. We need to strictly deal with this, while continuing to investigate cases'.

In addition to taking the FSA's examinations, Matsushita will also lead the Securities Exchange Surveillance Commission, the regulator's watchdog and has pledged to avoid a repeat of the AIJ case that resulted in checks on 265 Japanese funds.

Personnel changes

Masamichi Kono to lead IOSCO board

The Japanese FSA Vice Commissioner of International Affairs has been named as the Chairman of the new IOSCO board. Dr. Vedat Akgiray, Chairman of the Capital Markets Board (CMB) of Turkey, and Ethiopis Tafara, the Director of the Office of International Affairs at the US Securities and Exchange Commission have been appointed as Vice Chairs.

Kono was holding the position of Chairman of the IOSCO Technical Committee, this role will be taken on by Greg Medcalf of the Australian regulator, ASIC.

Venue Updates

Monthly Trading Statistics from TSE

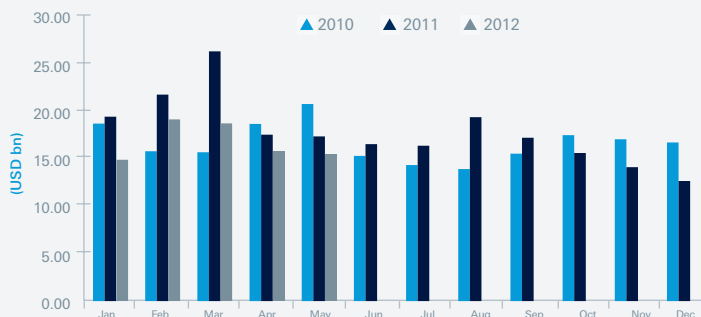
Equity Market (Including ToSTNeT)

(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	41,684	251,313	-3,996	-8,907	11,967
2nd Section	534	757	-342	-16	36
Mothers	168	2,232	+43	-1,461	106
ETF	156.1	1,972	-1	+294	93
REIT	0.9	2,205	-19	+31	105

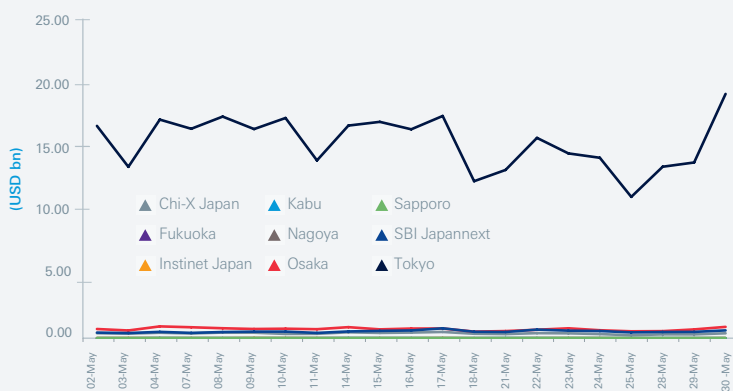
(Including foreign stocks)

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



Source: Thomson Reuters, 2012

Fig 2: Daily Turnover per Venue - May 2012



Source: Thomson Reuters, 2012

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	1,149,603	+103,118	+339,014	54,743	514,440
(TOPIX Futures)	1,001,375	+136,886	+237,751	47,685	446,421
JGB-Futures	801,371	+99,052	+332,104	38,161	112,068
(10-year JGB Futures)	796,432	+97,756	+327,165	37,925	111,165
Index Options	1,034	+640	+1,034	49	5,138
Options on JGB-Futures	240,975	-52,143	+129,219	11,475	17,415
Individual Options	42,278	+15,417	+25,041	2,013	67,520

TSE / OSE merger given a 90% odds of success by Tokyo law firm

In an article released on 7th June, Bloomberg has stated that there is a 90% chance of the merger deal being cleared by the Japanese Fair Trade Commission following a statement from Koya Uemera, a lawyer at Anderson Mori and Tomotsune.

Yap Lian Seng, a partner at Stamford Law who advised the ASX on the SGX bid differentiated the Japanese proposal stating:

'A major distinction between the Japanese proposal and the many failed mergers is that the TSE-OSE merger is domestic. Many of the other mergers were cross border transactions involving the main, or national, stock exchange of the countries. Opponents to such transactions could easily play up nationalistic sentiments.'

Chi-x Japan launches Hosted Risk Controls

As announced on 22nd May, Chi-x Japan launched the new risk product which allows for calibration of notional limit, lot size, tradable stock list and maximum number of shares.

'As participant needs continue to evolve [...] risk controls remain a critical component to their work flow' said Yasuo Hamakeke, CEO Chi-x Japan.

SBI Japannext Reaches a further new record

On 18th May, the daily turnover for SBI Japannext reached ¥61.6 billion or 5% of the TSE (excluding ToSTNeT). The previous record was made on 15th February when the venue reached a total of ¥59.1 billion or 4.7% of the TSE.

Summary of comments on TSE consultation on Corporate Governance released

The TSE has released their comments on the 'Revisions to Listing Rules Regarding Corporate Governance to Restore Confidence in the Securities Market'.

The general feel from respondents was that the changes were a welcome step towards improving the disclosures standards and the increased transparency. The proposals included explanations on the independence of directors and for such information to be included in AGM proxy notices. Some felt that the proposals should go further when it came to the criteria used to assess 'independent' recommending that the standards of the New York Stock Exchange or the London Stock Exchange be followed, and that the number of directors should be increased.

For the full report see here:

<http://www.tse.or.jp/english/news/09/b7gje6000000zu2s-att/20120530.pdf>

Dow Index Futures begin trading on OSE

The Dow Jones Industrial Average Index Futures started trading on 28th May giving Japanese investors the opportunity to gain exposure to the U.S. index on shore. The Dow futures were previously available on the OSE with limited volumes that may have been due to the trading hours being limited to daytime sessions.

Sources

www.bloomberg.com

www.tse.or.jp

www.mainichi.jp/english

www.chi-x.com/jp

www.thetradenews.com

www.en.japannext.co.jp

www.theasianbanker.com

Contact

Email: global.marketstructure@list.db.com

Tel: +852 2203 5710

+44 207 547 5552

+1 212 250 4170



Global Market Structure

Korea Newsletter Issue 17



Passion to Perform

Korean Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$5.75bn	8.93% ▼

Source: Thomson Reuters, 2012

FSC not mulling short selling ban

Financial Services Commission (FSC) told reporters that a “ban on short selling is not being mullied at present”. FSC Director General of Financial Policy Bureau Seung-Beom Koh stated during press conference on 18th May that although he is concerned about escalated market volatility due to European fiscal crisis, he believes market impact from external factors on the domestic market seemed relatively small compared to the second half of last year.

Meanwhile, the FSC Chairman Seok-Dong Kim said on 28th May that “[the Commission] will not tolerate any form of market manipulative activities using equity short selling.” Kim also stated that the Commission will introduce a system which enables the regulatory authority to better monitor short-selling activities.

The FSC has been monitoring short-selling activities through local brokers; however, a more systematic measure such as mass short selling reporting requirements for institutional investors is anticipated to be enacted in 3Q this year.

Source: NY Daily News (www.nydailynews.com)
Joong-ang Ilbo (www.joins.com)

Venue Updates

KRX and Athens Stock Exchange signed MoU

The KRX and the Athens Exchange (ATHEX) signed a Memorandum of Understanding (MoU) on 17th May to cooperate in facilitating dual-listing of companies between the two exchanges. Mr. Bong-Soo Kim, Chairman and CEO of KRX, stated that [the exchange will] “provide all necessary support in facilitating dual-listing of a Greek shipping company and make contribution to the development of Greek capital markets.”

Source: Market Watch, The Wall Street Journal (www.marketwatch.com)

Listed Korean stocks falls 8.49% in Q1

KRX announced in a report released on 30th May that the consolidated earnings for South Korea listed companies dropped 8.49% year-on-year in Q1 2012. The total combined net profit of 165 large firms was KRW 19.4 trillion in Q1 vs. last year’s KRW 22 trillion. According to the report, the weaker bottom line is mainly due to the increasing Eurozone fiscal crisis and the slowing economic growth of U.S. and China that affected overseas demand.

Source: KRX (www.krx.co.kr)

Chi-x eyes Korean expansion

Chi-x Global Holdings, the alternative trading venues operator, is closely watching regulatory developments in South Korea. Chi-X CEO Tal Cohen told Bloomberg on 23rd May that “[the Korean regulators]” have a clear idea of where they want to go with their markets [in terms of allowing competition against the exchange]”.

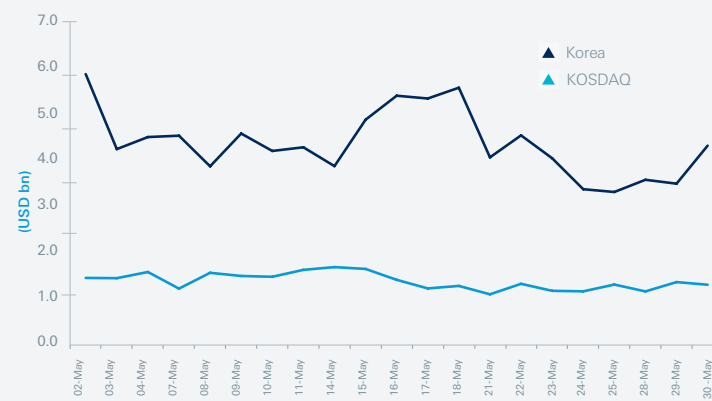
Source: Bloomberg (www.bloomberg.com)

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



Source: Thomson Reuters, 2012

Fig 2: Daily Turnover per Venue - March 2012



Source: Thomson Reuters, 2012

Philippines Stock Exchange adopted KRX developed surveillance system

Philippine’s Capital Markets Integrity Corporation (‘CMIC’), a unit of Philippine Stock Exchange, launched a new market surveillance platform which was developed by KRX. CMIC customised Korea’s original system by adding various features including detection rules and pattern recognition algorithms.

It is designed to support analysis of 1 million trades a day.

Source: Inquirer (<http://www.inquirer.net>)

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710
+44 207 547 5552
+1 212 250 4170



Global Market Structure

Australian Newsletter Issue 17

Passion to Perform

Australian Market Structure Update

Monthly ADT (May 2012)	Total (AUD\$)	%loss/gain
Total market ADT	AUD\$4.23bn	11.05% ▲
Lit ADT	AUD\$4.04bn	11.75% ▲
Dark ADT	AUD\$0.15bn	8.48% ▼
OTC ADT	AUD\$0.04bn	32.80% ▲

Source: Thomson Reuters, 2012

ASX considers Link bid

ASX said in a statement on 1st June that it had signed a confidentiality agreement ahead of a possible acquisition of part of Link Group Network from leading Australian private-equity firm Pacific Equity Partners ('PEP') in a deal that could be worth up to AUD \$1.4 billion, according to Reuters. Link includes the share registry business operated by Link Market Services that was sold by the ASX to PEP seven years ago.

The size of the possible acquisition has attracted interest from international private-equity funds including Bain Capital, Blackstone Group, Carlyle Group, US based Hellman & Friedman, and KKR & Co., none of whom had any comment on June 1st.

ASX company secretary Amanda Harkness said ASX signed a confidentiality agreement that gives the basis for confidential information on Link and the American Stock Transfer & Trust Company to be provided to them ahead of a possible formal trade sale process by Goldman Sachs and PEP. But she added that there was "no certainty that ASX will participate in a transaction or that any negotiations or due diligence that could result in a transaction will be undertaken by ASX".

LSE's clearing house applies for Australian license

LCH Clearnet, which is owned by the London Stock Exchange, is in the process of lodging an application with the ASIC with the intent to setting up an Australian operation, as reported in the Wall Street Journal.

Whether the application will be approved will depend on the findings of a review by The Council of Financial Regulators, according to their source.

A spokeswoman for ASIC declined to comment on the application, while a spokeswoman for LCH Clearnet wasn't immediately available to comment. An ASX spokesman said the granting of a license would be a matter for the government.

ASIC sets sights on dark pools

ASIC is exploring a range of alternatives to encourage dark pool participants to first trade on the lit market, issuing draft rules in June to propose requirements for demonstrated price improvement in dark market trades.

Speaking at a Chartered Secretaries Australia event on 30th May, Deputy Chairman of ASIC Belinda Gibson said the regulator had already set up a taskforce to look at how the growing market of dark pools, and particularly 'internalisers', should be regulated and whether the current "light touch" approach is still appropriate.

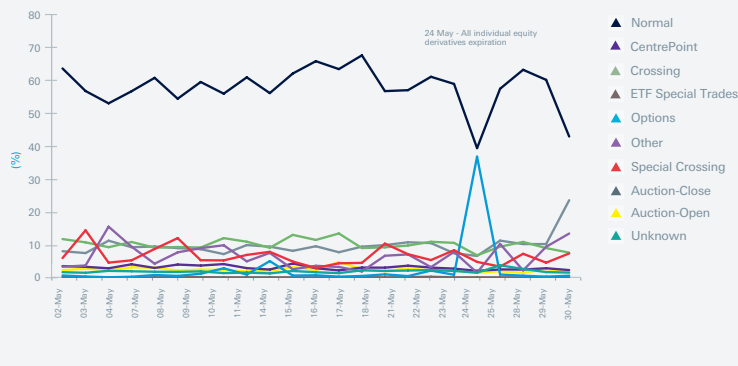
"The focus of the debate is the point at which there is so much trading on the dark market for price discovery to be damaged, to the detriment of the overall market," Gibson said. "Quite openly, this is about saying we want most trades in the lit market where everyone can see them".

Fig 1: Australian market monthly ADT



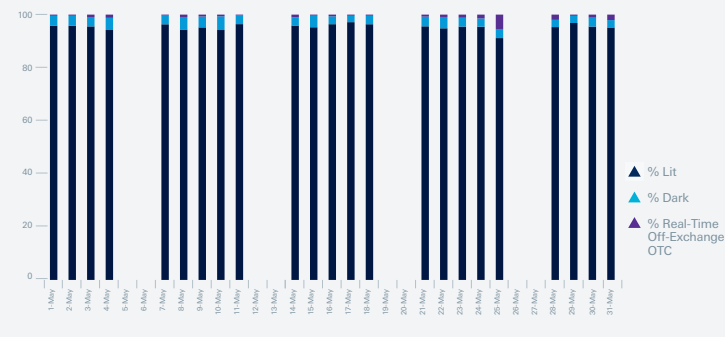
Source: Thomson Reuters, 2012

Fig 2: Value by Condition - May 2012



Source: Thomson Reuters, 2012

Fig 3: Daily % Order Type - May 2012



Source: Deutsche Bank AG estimates and calculations, 2011

Venue News

Chi-x plans to target off market trading revenue

12th June will see Chi-x launch its Block Special Crossing product for trades above AUD 1 million and Portfolio Special crossings for ones featuring a portfolio of stocks.

This comes after the markets regulator dropped the AUD 20,000 minimum order limit on cross trades and the Chi-x pilot version of its first cross-trade reporting product, Chi-x Mid Point in May.

Chi-x Midpoint will be free until August 2012 and will afterwards be offered at a discount to ASX's own prices for similar products that have already recently been lowered, according to Chi-x's Director of Markets, Jason Keady. Keady said in an interview with Dow Jones that he expected Chi-x to steadily win market share from ASX in this area, which he said accounted for around a quarter of market turnover.

Launch of ASX Trade Reporting Facility

ASX's rival off market reporting product was confirmed in a statement issued on 15th May by ASX.

It noted that as of 1st June all trades reported to the Trade Reporting Facility would be charged an incremental fee, with the total fee for certain trade reports capped at AUD 8,000 per month per participant, excluding GST.

ASX is reducing the incremental fee for all capped fee trade reports to 0.04 bps and the fee for NBBO crossings from 0.10 bps to 0.08 bps.

Spokeswoman Kristen Kaus said that the initiatives demonstrated ASX's "proactive response" to Australia's new market environment.

Centre Point pricing and amendments

ASX announced on 17th May their enhancements to Centre Point including Centre Point block orders and internal routing functionality between Centre Point and TradeMatch. These will be introduced from 2nd July.

The ASX Trade backend upgrade will take place on 16th and 17th of June with functionality not being made available in production until 2nd July.

ASX has proposed amendments to the ASX Operating Rule Procedures that will define certain Centre Point orders as 'Block Orders'.

Comments on the proposals will be accepted until 15th June. Subject to the comments received, it is intended that the amendments be implemented after this date.

For the full details of the roll out timeline, and the functionality including the trader workstation release notes, click here:

https://www.asxonline.com/intradoc-cgi/groups/trading_and_market_information/documents/communications/asx_033831.pdf

ASX launches Equity OTC Clear service

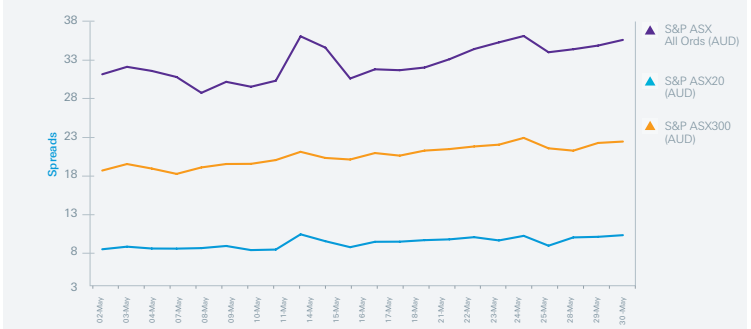
ASX has launched Equity OTC Clear, a new service for ASX participants to anonymously report transactions in over-the-counter equity options.

The ASX service does not require participants to lodge an International Swaps and Derivatives Association ('ISDA') contract, while the ASX says expiry dates and strike prices will be flexible.

"Equity OTC Clear is a service that will provide investors with convenience and anonymity" said David Stocken, ASX Senior Manager, Institutional Sales, adding that it also offers institutional investors the ability to tailor their equity option strike and expiry needs.

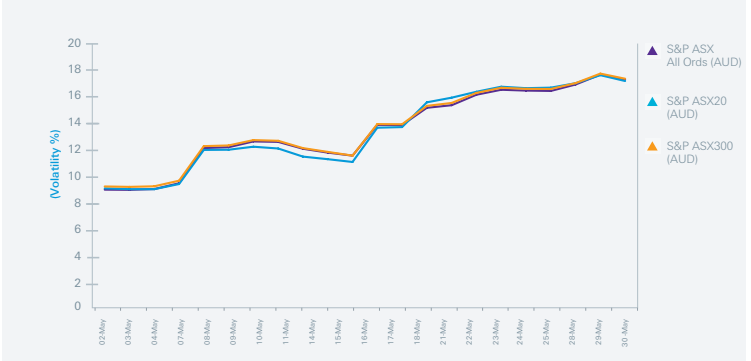
Other benefits of the service include the creation of overnight settlement prices for OTC contracts by ASX and the ability for investors to deal with multiple brokers to achieve netting-out efficiencies by closing back to back long / short OTC positions.

Fig 4: Spreads (bps)-May 2012



Source: Deutsche Bank AG estimates and calculations; Thomson Reuters, 2012

Fig 5: Volatility - May 2012



Source: Deutsche Bank AG estimates and calculations; Thomson Reuters, 2012

Personnel Changes

ASX appoints Tim Thurman as CIO

Tim Thurman has been appointed Chief Information Officer at ASX, replacing Jeff Olsson, who resigned in January after 15 years at the company.

Thurman will take up the position in mid June, managing 160 staff who work on markets, corporate, clearing and settling technology, and infrastructure, and will move from his current head of information technology role at Credit Suisse Canada.

Elmer Funke Kupper said in a statement:

"We are delighted that Tim Thurman is joining ASX at a time when technology is playing an ever greater role in delivering high quality exchange services to our customers"

ASIC Deputy Chairman Belinda Gibson appointed member of the Financial Reporting Council (FRC)

Gibson was nominated by ASIC and will be a member until 5 May 2013.

The FRC is responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include overseeing the accounting and auditing standards setting processes for the public and private sectors, and advising the government on these matters.

Sources

www.cio.com.au
www.itnews.com.au
www.investordaily.com.au
www.bloomberg.com
www.waterstechnology.com
www.financialstandard.com

www.nasdaq.com
www.reuters.com
www.foxbusiness.com
www.asx.com
www.wsj.com



Global Market Structure

ASEAN Newsletter Issue 17



Passion to Perform

ASEAN Market Structure Update

	Total (USD\$)	%loss/gain
Monthly ADT (May 2012)	USD\$0.71bn	0.71% ▼

Source: Thomson Reuters, 2012

MAS response to feedback on regulation of derivatives market in Singapore consultation

The Monetary Authority of Singapore ('MAS') has issued its response to feedback received on the proposals in the Consultation Paper on the regulation of over-the-counter ('OTC') derivatives market in Singapore, which was published on 13th Feb 2012. MAS has received extensive feedback and will release the response in phases. The first phase addresses feedback received on:

- (i) Extending the current regulatory regime for clearing facilities to OTC derivatives;
- (ii) Introducing a new regulatory regime for trade repositories.

To see the detailed response click here -

http://www.mas.gov.sg/publications/consult_papers/response_CCPTRegimes.pdf

MAS has further issued a consultation paper on the proposed legislative amendments to the Securities and Futures Act ('SFA') and the Financial Advisers Act ('FAA') to effect the feedback received.

The consultation is open till 22nd June and the papers can be accessed here:

http://www.mas.gov.sg/publications/consult_papers/sfa_legisconsult_23may2012.pdf

http://www.mas.gov.sg/publications/consult_papers/sfa_faa_legisconsult_23may2012.pdf

MAS Reviews Regulatory Requirements for Unlisted Margined Derivatives

The MAS has issued a consultation paper on the proposed enhancements to the regulatory requirements for unlisted margined derivatives. It said the retail investors who traded in contracts for differences ('CFDs') and leveraged foreign exchange ('LFX') were exposed to considerable risks, given the leveraging effect of margin trading on potential losses.

"The unlisted nature of such products further subjects investors to counter-party risks since they do not trade through an exchange which has a central clearing house to guarantee the settlement obligations to investors. Instead, investors are exposed to the creditworthiness and operational risks of the derivative product dealer" MAS said.

The proposed regulatory enhancements seek to afford better protection to retail investors who participate in the CFDs and LFX markets by addressing specific risks.

The consultation is open till 2nd July and the paper is available here-

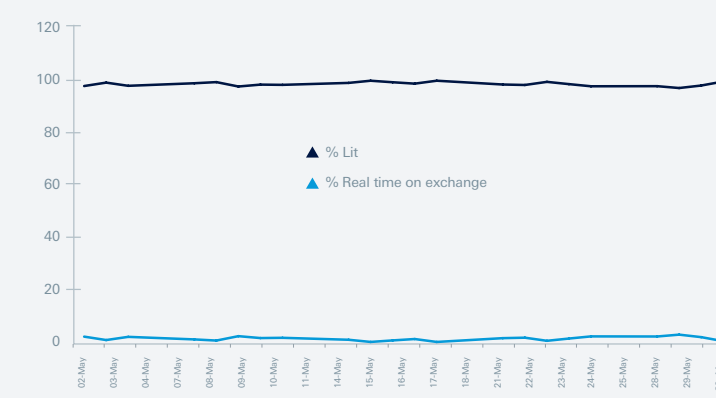
http://www.mas.gov.sg/resource/publications/consult_papers/2012/Consultation%20Paper_28%20May%202012.pdf

Fig 1: Singapore market monthly ADT (lit order types)



Source: Thomson Reuters, 2012

Fig 2: Singapore Daily % order type - May 2012



Source: Thomson Reuters, 2012

MAS released the revised code of corporate governance

The MAS has accepted most of the recommendations of the Corporate Governance Council and has issued the revised code of corporate governance. MAS also granted a transition period of five years for companies to meet the requirements.

According to a press statement, the key changes to the code are focused on directors' independence, board composition, director training, multiple directorships, alternate directors, remuneration practices and disclosures, risk management, as well as shareholder rights and roles.

For details see -

http://www.mas.gov.sg/resource/fin_development/corporate_governance/RiskGovernanceGuidanceforListedBoards.pdf

DTCC to register global trade repository in Singapore

The Depository Trust & Clearing Corporation's ('DTCC') Global Trade Repository is planning to expand its operations and also get registered in Singapore. The repository will provide the regulators across the globe with seamless access to data for systemic risk mitigation in over-the-counter ('OTC') derivatives markets. The data centre is expected to commence operations in H2 2012.

MAS said it will be introducing a new regulatory regime to promote the safe and efficient operation of trade repositories as it expects them to "maintain high standards of data integrity and confidentiality". It will also establish an appropriate framework for regional and global regulators to request trade repository data based on internationally agreed principles.

Thailand to allow REITs from June

The Securities and Exchange Commission ('SEC') will allow the establishment of Real Estate Investment Trusts ('REITs') starting June onwards. Given the flexibility REITs enjoy in terms of investment rules, a number of existing property funds are expected to convert to REITs. REITs are also allowed to invest in overseas assets and may borrow up to 60% of the cost of investment for an investment-grade asset, compared with the 10% limit for property funds.

The SEC is also trying to ease the tax and fee structure for property funds willing to convert to REITs in collaboration with the finance ministry.

Securities Commission Malaysia allows referral activities between securities and futures brokers

In a move that is expected to increase market participation in both securities and derivatives segments, the SC (Malaysia) has made amendments to the licensing handbook for brokers allowing them to cross reference clients between the two segments. The amendments allow a Participating Organisation, as a holder of the Capital Markets Services License (CMSL), to refer clients to a Trading Participant of Bursa Malaysia Derivatives, and vice versa.

"Through this initiative, securities brokers will be able to introduce clients to futures brokers and vice versa, thereby facilitating greater trading participation in both markets," Bursa Malaysia CEO Datuk Tajuddin Atan said.

Indonesian Forex reserves swell by US\$6 billion during April

The Forex reserves of Indonesia have grown by US\$6 billion during the month of April due to government's global bond sales and export revenues offsetting the selling pressures on the rupiah. The total reserves were at \$116.4 billion at the end of April.

Indonesia to have a single time zone

Indonesia is planning to move to a single time zone for the entire country and synchronise with the other countries in the region viz Singapore, Malaysia and Philippines. The plan is getting a good public support while some have criticised the move.

Personnel Changes

MAS reappoints Lim Hng Kiang as deputy chairman

Minister for Trade and Industry Lim Hng Kiang has been reappointed as deputy chairman to the MAS board of directors for a period of two years.

Professor Tan Chorh Chuan, President, National University of Singapore, has also been appointed to its board of directors to replace Mr Teo Ming Kian who steps down from the board on 1st June.

Bursa Malaysia announces two lead positions

Bursa Malaysia has announced the appointment of Datin Azalina Adham as Head of Strategy and Transformation to oversee the exchange's overall business strategy and transformation initiatives, and Jamaluddin Nor Mohamad as Head of the Islamic and Alternative markets. He will lead the expansion and development of the products and services of the Islamic and bond markets and the Labuan Financial Exchange.

Securities Commission chairman Datuk Ranjit Ajit Singh elected IOSCO board member

Datuk Ranjit Ajit Singh, the chairman of the Securities Commission (SC Malaysia) has been elected as a board member of the International Organisation of Securities Commissions ('IOSCO'). Ranjit had also been appointed Emerging Markets Committee vice-chairman at its 37th annual meeting and conference in Beijing, China.

Philippines Stock Exchange re-elects the entire board

The Philippine Stock Exchange on Saturday reelected for a second term its 15-member board led by chair Jose Pardo.

"We have a working team that's already in place and we feel it will move faster if it's the same group on the exchange," Pardo said.

Venue News

Chi East shuts down; ends JV between Chi-x and SGX

The SGX and Chi-x Global had announced that their dark pool joint venture Chi East was not sustainable due to weaker volumes and hence was shut down. The last trading day for the venue was 24th of May.

"In Asia, dark pool volumes are always a small part of the larger market as a whole but like anything in a market with lower volumes, it does make it harder. We weren't able to get to a point today where we were able to be commercial." - Chi East Chief Executive Ned Phillips said.

SGX to start MSCI Indonesia futures

Continuing the trends of listing derivatives contracts based on major Asian indices like MSCI NIKKEI 225, MSCI Hong Kong and S&P CNX NIFTY, the SGX will commence trading in the MSCI Indonesia index futures contracts from 11th June. The trading will start at 9:00AM with the pre-opening session beginning at 8:45AM. All trades will be subject to a licensing fee of US\$0.05 per lot and an appropriate clearing fee based on the trading entity.

SGX plans to launch the following contracts at launch:

- 4 quarterly month contracts starting June 2012 up to Mar 2013
- 2 serial month contracts for July and August 2012

The complete details for the contracts can be accessed [here](#).

SGX has signed up three market makers: Barclays, Credit Suisse and Optiver to provide both on screen and off screen liquidity for the contracts.

"SGX currently offers the widest suite of Asian equity index derivatives. We are confident that the SGX MSCI Indonesia Index Futures provide a unique value proposition to regional and international investors from both portfolio and risk management perspectives." said Mr Michael Syn, Head of Derivatives at SGX.

Singapore has been able to draw liquidity on its major Asian index derivatives contracts due to its investor friendly and low cost environment compared to the individual markets that the indices belong to.

Bursa Malaysia Derivatives starts options based on its composite index futures

Malaysia stock and derivatives exchange operator Bursa Malaysia Derivatives Bhd (BMD) started offering an options contract based on the nation's composite index futures. The contract has a ticker symbol of OKLI and started trading on 21st May.

"In line with the growing sophistication of the local derivatives market, we are reintroducing the OKLI to capitalize on the significant growth of the equity index options market in Asia Pacific. Options are highly versatile instruments that provide flexibility for various trading strategies, and can offer trading opportunities even during non-volatile market conditions" - Tajuddin Atan, Bursa Malaysia Chief Executive Officer and Chairman of Bursa Malaysia Derivatives, said.

Bursa Malaysia to provide Algo trading facility to all investors

Bursa Malaysia has asked all the brokers to migrate their platforms to be compatible with Bursa's DMA gateway by September 2012. The platform will offer better execution speeds, new trading instruments as well as a range of trading strategies to choose from.

Bursa Malaysia sought public feedback on sukuk listing plans

The Bursa Malaysia had sought public feedback on its proposal to facilitate the listing and quotation for trading of sukuk and bonds issued by the Malaysian government as well as local and foreign corporations on the stock exchange. The move is aimed at providing a wide range of tradable products on the platform and also to attract a new segment of investors to the market which will increase the flexibility for issuers. The consultation period ended on 18th May.

For the detailed consultation paper, please see:

http://www.bursamalaysia.com/website/bm/regulation/rules/download/public_consultation_paper_disc_040512.pdf

MarketPrizm launches trading infrastructure service in Singapore, Japan and Australia

MarketPrizm has gone live with its global ultra low latency data distribution infrastructure and ultra low latency network, PrizmNet Asia, to connect to markets in Singapore (SGX), Tokyo (TSE and Chi-X Japan) and Australia (ASX and Chi-X Australia).

Philippines Stock Exchange inducts a new surveillance system

The Capital Markets Integrity Corp. (CMIC), a self-regulatory organization and a unit of the PSE tasked to police trading participants has rolled out a new state-of-the-art surveillance system called "Total Market Surveillance" or TMS, developed by the Korean Exchange (KRX).

"The full rollout of the TMS system affirms CMIC's role in enhancing market integrity and transparency. We also share CMIC's advocacy in promoting investor education as we jointly develop a progressive Philippine capital market." - PSE chair Jose Pardo said.

Sources

<http://www.channelnewsasia.com>

<http://www.sgx.com>

<http://www.mas.org>

<http://www.reuters.com>

<http://www.4-traders.com>

<http://www.bangkokpost.com>

<http://www.todayonline.com>

<http://www.online.wsj.com>

<http://www.thejakartaglobe.com>

<http://en.acnnewswire.com>

<http://blogs.ft.com>

<http://biz.thestar.com.my>

<http://www.bworldonline.com>

<http://www.nationmultimedia.com>

<http://www.philstar.com>

<http://www.waterstechnology.com>

<http://www.btimes.com>

<http://www.finextra.com>

Contact

Email: global.marketstructure@list.db.com

Tel: +852 2203 5710

+44 207 547 5552

+1 212 250 4170



Global Market Structure

APAC Quant Analysis Factsheet - May 2012

Passion to Perform

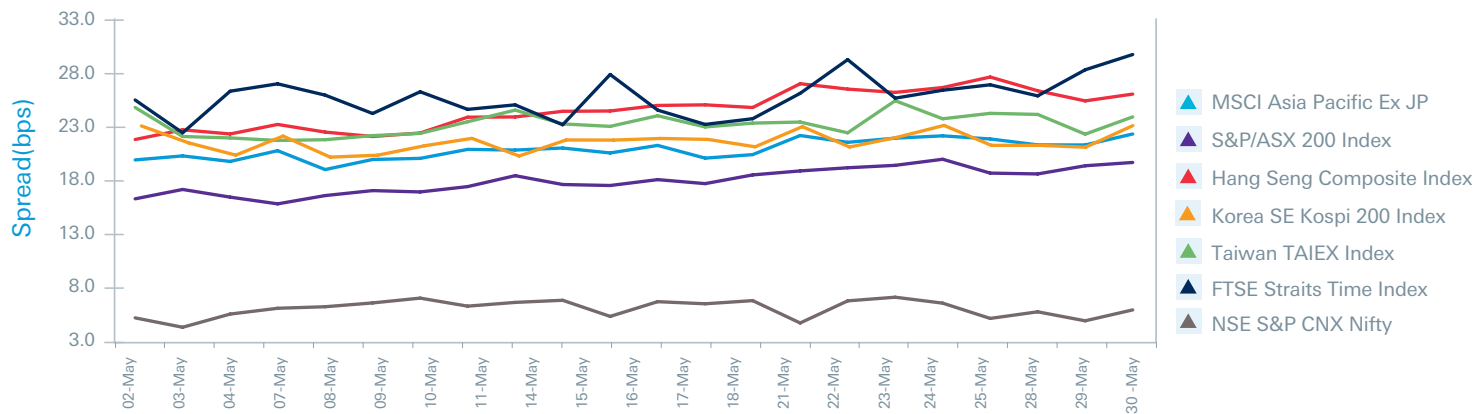
Below is a selection of quantitative metrics, which provides additional analysis of the markets and liquidity during May 2012. For further information, please contact:

Global Market Structure:
email: global.marketstructure@db.com
tel: +44 207 547 4390

Quantitative Analysis:
email: eq_quant_trading@list.db.com
tel: +44 207 545 3129

Liquidity

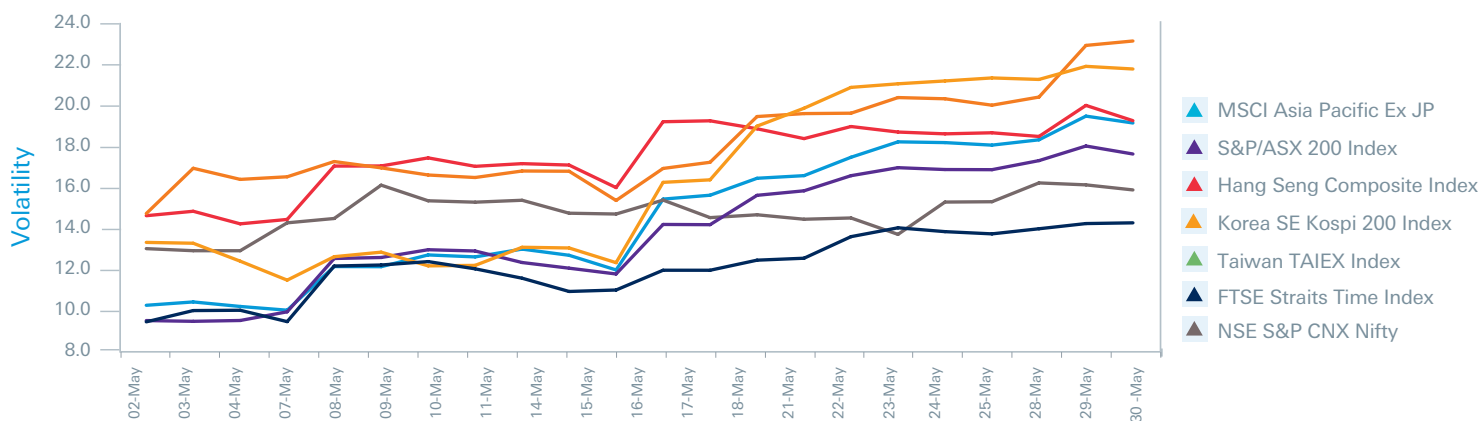
The chart below shows the daily index primary spreads on APAC indices during May 2012:



Sources:Deutsche Bank AG estimates and calculations

Historical Volatility

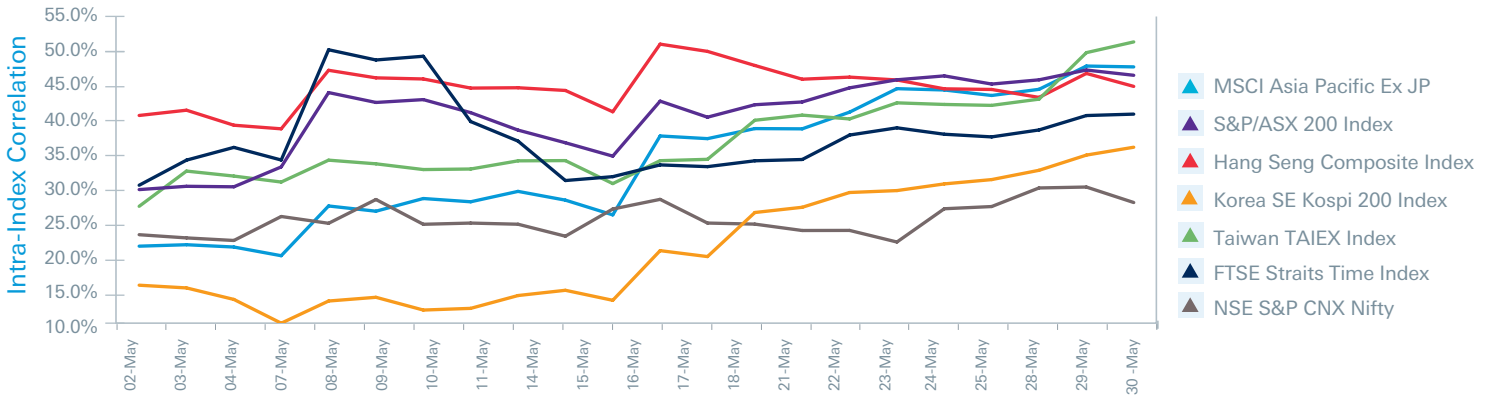
The chart below shows primary volatility of APAC indices during May 2012:



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:

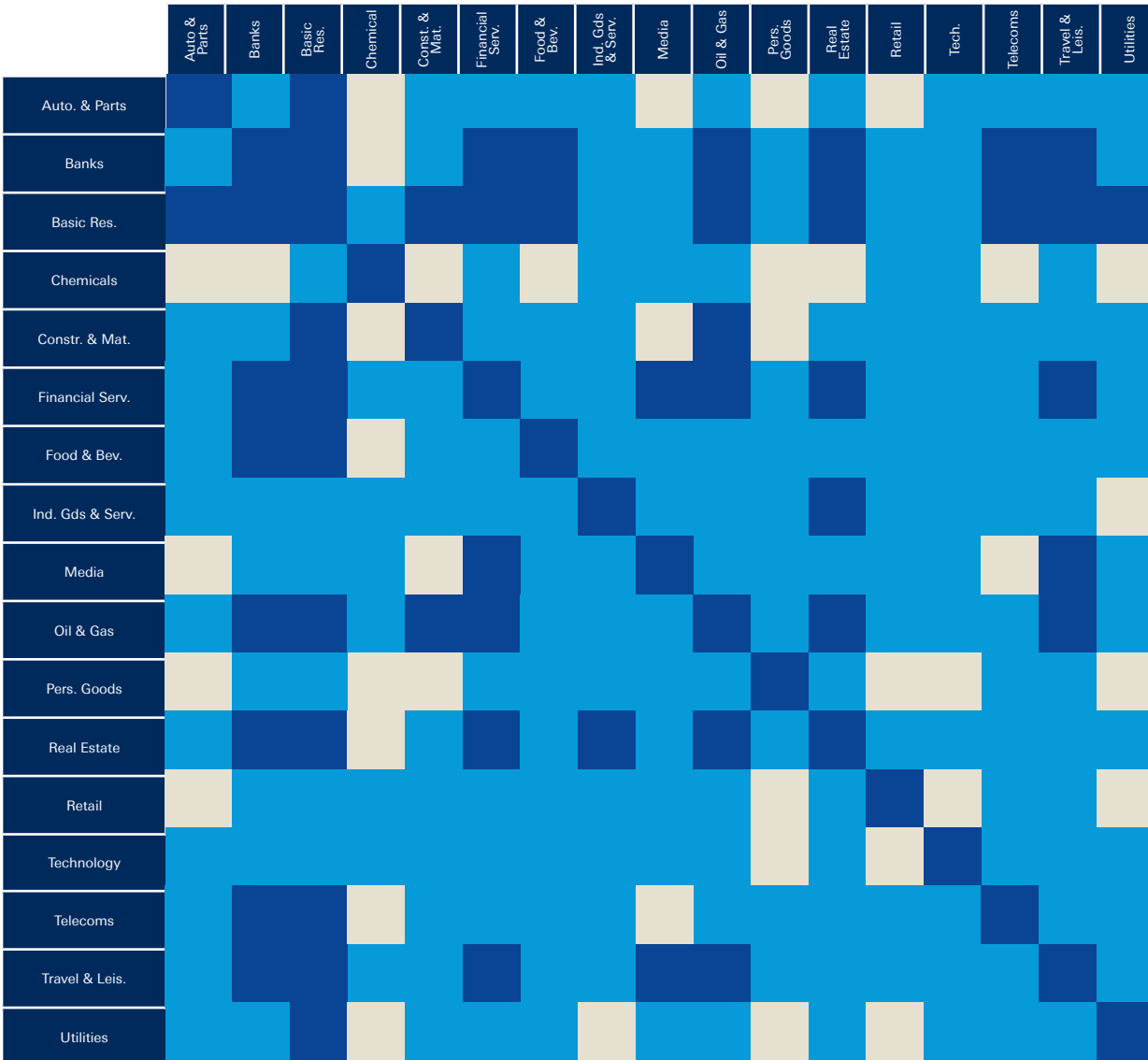


Sources:Deutsche Bank AG estimates and calculations

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

Disclaimer

This document is intended for discussion purposes only and does not create any legally binding obligations on the part of Deutsche Bank AG and/or its affiliates ("DB"). Without limitation, this document does not constitute an offer, an invitation to offer or a recommendation to enter into any transaction. When making an investment decision, you should rely solely on any specific final documentation relating to a transaction and not the summary contained herein. DB is not acting as your legal, financial, tax or accounting adviser or in any other fiduciary capacity with respect to any proposed transaction mentioned herein. This document does not constitute the provision of investment advice and is not intended to do so, but is intended to be general information. Any product(s) or proposed transaction(s) mentioned herein may not be appropriate for all investors and before entering into any transaction you should take steps to ensure that you fully understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives, needs and circumstances, including the possible risks and benefits of entering into such transaction. For general information regarding the nature and risks of the proposed transaction and types of financial instruments please go to www.globalmarkets.db.com/riskdisclosures. You should also consider seeking advice from your own advisers in making any assessment on the basis of this document. If you decide to enter into a transaction with DB, you do so in reliance on your own judgment. The information contained in this document is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates and opinions contained in this document constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance does not guarantee or predict future results. This material was prepared by a Sales or Trading function within DB, and was not produced, reviewed or edited by the Research Department. Any opinions expressed herein may differ from the opinions expressed by other DB departments including the Research Department. Sales and Trading functions are subject to additional potential conflicts of interest which the Research Department does not face. DB may engage in transactions in a manner inconsistent with the views discussed herein. DB trades or may trade as principal in the instruments (or related derivatives), and may have proprietary positions in the instruments (or related derivatives) discussed herein. DB may make a market in the instruments (or related derivatives) discussed herein. Sales and Trading personnel are compensated in part based on the volume of transactions effected by them. DB seeks to transact business on an arm's length basis with sophisticated investors capable of independently evaluating the merits and risks of each transaction, with investors who make their own decision regarding those transactions.

The distribution of this document and availability of these products and services in certain jurisdictions may be restricted by law. You may not distribute this document, in whole or in part, without our express written permission. DB SPECIFICALLY DISCLAIMS ALL LIABILITY FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER LOSSES OR DAMAGES INCLUDING LOSS OF PROFITS INCURRED BY YOU OR ANY THIRD PARTY THAT MAY ARISE FROM ANY RELIANCE ON THIS DOCUMENT OR FOR THE RELIABILITY, ACCURACY, COMPLETENESS OR TIMELINESS THEREOF. DB is authorized under German Banking Law (competent authority: BaFin - Federal Financial Supervising Authority) and regulated by the Financial Services Authority for the conduct of UK business. In the US this document is approved and or distributed by Deutsche Bank Securities Inc., a member of the NYSE, FINRA, NFA and SIPC.

In Hong Kong: This document is intended for Professional Investors as defined by the SFO. Deutsche Securities Asia Limited – Hong Kong is a participant of the Stock Exchange of Hong Kong and is licensed as a licensed corporation with the Securities and Futures Commission. DBAG Hong Kong Branch is regulated by the Hong Kong Monetary Authority.

In US: In accordance with US regulations, please contact your local DB US registered broker dealer, Deutsche Bank Securities Inc., for any questions or discussion of potential transactions.

In Taiwan: This document is distributed in Taiwan by Deutsche Securities Asia Limited, Taipei Branch which is regulated by Financial Supervisory Commission, Executive Yuan. This document is intended for 'Professional Investors' as defined by securities regulations and is not for public dissemination'

IN AUSTRALIA: Deutsche Bank holds an Australian financial services licence (AFSL 238153).

In MALAYSIA: This document is distributed in Malaysia by Deutsche Bank (Malaysia) Berhad.

Contact

Email: global.marketstructure@list.db.com
Tel: +852 2203 5710
+44 207 547 5552
+1 212 250 4170