# MEETING MINUTES

**FORUM:** APAC SMPG  

**DATE AND TIME:** 26 NOVEMBER 2014, 9AM – 2PM  

**LOCATION:** SWIFT OFFICE, 3201-09 32/F, ONE ISLAND EAST, 18 WESTLANDS ROAD, ISLAND EAST, HONG KONG  

**ATTENDEES:**

<table>
<thead>
<tr>
<th>NAME</th>
<th>ORGANISATION</th>
<th>REGISTERED PARTICIPANTS</th>
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<tbody>
<tr>
<td>Rebecca Terner Lentchner</td>
<td>Asia Securities Industry &amp; Financial Markets Association</td>
<td>Present</td>
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<tr>
<td>Ricky Li Ming Young</td>
<td>Bank of China (Hong Kong)</td>
<td>Present</td>
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<tr>
<td>Taketoshi Mori</td>
<td>Bank of Tokyo-Mitsubishi UFJ</td>
<td>Present</td>
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<tr>
<td>Jirawatana (Eddie) Chaitantipongse</td>
<td>Citibank Hong Kong</td>
<td>Absent</td>
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<tr>
<td>Nathalie Cheng</td>
<td>Citibank Hong Kong</td>
<td>Present</td>
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<tr>
<td>Anh Diep</td>
<td>Ho Chi Minh Securities Corporation (HSC)</td>
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<td>Giang Trinh</td>
<td>Ho Chi Minh Securities Corporation (HSC)</td>
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<td>Hung Ta</td>
<td>Ho Chi Minh Securities Corporation (HSC)</td>
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<td>Phạm Thánh Văn</td>
<td>Ho Chi Minh Securities Corporation (HSC)</td>
<td>Present</td>
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<tr>
<td>Tony Lewis</td>
<td>HSBC</td>
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<td>Yek Ling YU</td>
<td>HSBC</td>
<td>Absent</td>
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<tr>
<td>Kinson Tong</td>
<td>J.P. Morgan</td>
<td>Present</td>
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<tr>
<td>Mai Le</td>
<td>J.P. Morgan</td>
<td>Absent</td>
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<tr>
<td>Rei Kanechiku</td>
<td>Japan Securities Depository Center, Inc. (JASDEC)</td>
<td>Present</td>
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<tr>
<td>Noripah Abu Samah</td>
<td>JP Morgan Chase Bank</td>
<td>Present</td>
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<tr>
<td>Paul Marchant</td>
<td>Omgeo Pte Ltd</td>
<td>Present</td>
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<td>Yong Wai Lian</td>
<td>Standard Chartered Bank Malaysia Berhad</td>
<td>Present</td>
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<tr>
<td>Sim Eng Thiam Anthony</td>
<td>Standard Chartered Bank</td>
<td>Present</td>
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<tr>
<td>Yoshiyuki Ishida</td>
<td>Sumitomo Mitsui Banking Corp. (SMBC)</td>
<td>Present</td>
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<tr>
<td>Cindy Foo</td>
<td>SWIFT</td>
<td>Present</td>
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**AGENDA**

1) Opening remarks and updates on SMPG/RMPG  
2) ABMF Status Update  
3) JASDEC’s ISO 20022 and SWIFTNet Introduction Project  
4) Update on Offshore-CNY Bond/Capital Market Developments  
5) Shanghai-HK Stock Connect Project  
6) ASIFMA: Partnering to develop Asia’s capital markets  
7) APAC RMPG Discussion:  
   - Setting APAC RMPG’s objectives for 2015  
   - Round-the-room updates by participants  
   - AOB

**MINUTES**

1) Opening remarks and updates on SMPG/RMPG  
Cindy kick-started the meeting by providing a refresher on the background of the Global SMPG followed by updates on the global group. Firstly, the SMPG by-laws are in the process of being updated and voting on the new by-laws proposal will take place at the Spring SMPG meeting in Q2 2015. Secondly, the SMPG website replacement has been completed and the new SMPG website has gone live on 26 November 2014. Transition of the information and materials from the old to the new website took place in the early part of November and was handled by SWIFT facilitators. Website repository backup was done by the new website service provider, Trynisis (based in Belgium). The URL of the SMPG website remains unchanged as www.smpg.info.  
Thirdly, the meeting minutes and all the presentation materials of the Settlement and Reconciliation (S & R) Working Group (WG) and the Corporate Action (CA) WG at the SMPG meeting in Boston in September this year have been published on the SMPG website. Lastly, Cindy shared information about SMPG’s LinkedIn page (https://www.linkedin.com/groups?home=&gid=123457&trk=anet_ug_hm) and Twitter account (https://twitter.com/GlobalSMPG) for members who are interested to follow the updates on SMPG activities more closely.

Moving on, a background of the APAC RMPG (the “Group”) was provided by reinstating its purpose and organisation structure. There was a recap on the Group’s yearly physical meetings held so far. The Group was established in year 2012 and the kick-off meeting was held in SWIFT Singapore office. Its second meeting in 2013 was held in SWIFT’s new office in Kuala Lumpur in Malaysia and this year was held in SWIFT’s new office in Hong Kong. The participants were requested to consider if their respective market (eg. Japan or Vietnam) could host the physical meeting in 2015. This item will be revisited again next year.

Next, Cindy provided the overall NMPG status in APAC which comprised of the developments in the different APAC markets as well as their plans for year 2015. In the consolidated status shown in the presentation slides, countries in APAC are segregated into 3 colour codings: (i) green - where the NMPG is in place and active, (ii) amber – where the NMPG is in place but not very active and could be improved upon and (iii) red – where NMPG currently does not exist. There are 4 markets in red which are Brunei, Indonesia (ID), Philippines (PH)
and Thailand (TH). For ID, PH and TH, the plan is to launch the NMPG in the market with SMPG APAC Regional Director and SWIFT Standards in support. On the establishment of an NMPG in PH, Anthony shared with the participants that the concern is not so much on the participation of the market players but rather it requires the endorsement of the local regulator. Therefore, it is crucial to obtain the involvement of the regulator in the local NMPG activities. In addition, both Anthony and Rebecca emphasised on the importance to include both the exchanges and depositories in the invitation of the kick-off meeting for the PH. Also, Anthony is agreeable to join the workshop to meet with the local regulator and contribute to the efforts in establishing the PH NMPG. Looking at a success story in the setting up of an NMPG is Vietnam (VN) where the NMPG was launched in March this year and the group is now stable and meeting on a regular basis. As a result of the NMPG establishment, representatives from VN attended this year’s APAC RMPG physical meeting for the first time which is a major milestone accomplished!

Anthony requested for the contact person of all the NMPGs to be shared with the Group members. The details of the Convenor (and Vice-Convenor where it exists) are available on the SMPG website under the Contact Us section (http://www.smpg.info/index.php?id=10). He also suggested leveraging on and showcasing the success stories of establishing the VN and MY NMPG when it comes to setting of an NMPG in the target countries of TH, ID and PH. In addition, Anthony commented that the focus in 2015 will be the ASEAN Link and more prioritisation should be placed on ASEAN.

Rebecca expressed the view that developments in AU should be accelerated. It is great news that AU has moved to ISO 20022 for CA. However, there is great interest by market players to see AU moving to ISO 20022 in other areas of Securities space and onto SWIFTNet messaging in general.

The presentation slides on updates on SMPG/RMPG will be available together with these meeting minutes and posted on www.smpg.info in APAC RMPG folder.

2) **ABMF Status Update**

Taketoshi (one of the APAC Regional Directors of SMPG) updated the Group on the status of Asian Bond Market Forum (ABMF). The presentation slides will be available together with these meeting minutes and posted on www.smpg.info in APAC RMPG folder.

There are 2 sub-forums (SF) within ABMF -  SF1 researches and looks at regulations and market practices in the region while SF2 looks at the harmonisation and standardisation of settlements in the post trade space. This presentation focused on the activities of SF2 and can be summarised as follows:

- The group is currently working on drafting a reference DVP flow model and discussing how to use it to enhance the DVP flow in APAC region.
- The group is discussing about the general concept of mandatory and optional message fields – to identify and select the mandatory vs optional message items and harmonise them as much as possible.
- The group is looking at the comparison between ISO 15022 and ISO 20022 but with a focus on the latter as it is the standard of the future and more markets will adopt it in the next 3 – 5 years’ time.
- There are also discussions on other instances which need to be shared and maintained in ASEAN+3.
- The promotion and recommendation of greater use of ISIN code in ASEAN+3 as much as possible.
- Details on standardisation of message flow and message items in the slides are currently being validated by the members of ABMF.
The group has drafted the CSD-RTGS link for ASEAN+3 countries and ABMF is the standardisation group for this initiative. Currently, there are already 3 countries in the trading link and they are SG, TH and MY. The model utilises ISO 20022 messages. There will be more concrete vision on this model in the next ABMF meeting.

Next ABMF meeting will be held in January 2015

3) JASDEC’s ISO 20022 and SWIFTNet Introduction Project

Rei from JASDEC presented to the group on JASEC’s implementation of ISO 20022/SWIFTNet. The presentation slides will be available together with these meeting minutes and posted on www.smpg.info in APAC RMPG folder.

Rei set the scene by providing a background introduction on JASDEC and the PSMS system operated by JASDEC. The keys points of the presentation are as follows:

- JASDEC introduced ISO 20022, SWIFTNet and Tolerance Matching as part of their system replacement in 2014. It was implemented concurrently with the system replacement to minimize implementation costs.
- There was an illustration on the Domestic transaction flow as well as the Non-resident transaction flow.
- The settlement cycle in JP is T+3.
- Over 99% of settlement instructions for domestic transactions are completed in the settlement matching process while over 90% of settlement instructions for non-resident transactions are completed in the settlement matching process.
- The 3 key reasons or motivation behind the implementation of ISO 20022 and SWIFTNet implementation by JASDEC.
- JASDEC is a member of the ISO 20022 Securities SEG and participates in the SEG Evaluation Team (ET), quoting that the time zone difference is an invisible barrier to Asian counterparts in joining the international Standards work and discussions.
- SWIFT Standards experts provided help and expertise in JASDEC’s mapping exercise into ISO 20022 standard.
- Coexistence period between ISO 15022/proprietary and ISO 20022 standards is 5 years. Therefore, JASDEC’s members have until end of 2018 to migrate to ISO 20022 format.
- JASDEC recognizes the importance of adopting message standards and building market practices in achieving STP and hence, has been actively participating in various industry groups eg. ISITC Japan, APAC RMPG, SMPG and ISO 20022 Securities SEG.
- JASDEC has published an English version of “PSMS Specification” and the message formats and PSMS guidelines are available on MyStandards.

Yong raised a question as to whether there was any incentive provided by JASDEC to the smaller market players in JP to move to ISO 20022. This was a good question raised as other CSDs will likely face similar issues in their adoption of international standards. Rei shared that in view of international standardization efforts, it is usually the global and international banks which can leverage on the global standard while the smaller and domestic players have lesser motivation and benefits to do so. However, the smaller players will be able to
lower their costs of implementation by connecting to JASDEC via system vendors and they do not need to build their own systems. Almost all the small and domestic market participants in JP are using vendor systems.

Take brought up the issue about the shortening of the settlement cycle and enquired if there are similar plans in JP market to move from T+3 settlement cycle to T+2. In Rei’s opinion, this will not be easy because of operational issues including the timeline needed for trade matching to be done before settlement could take place. However, Paul brought a different perspective to this matter by sharing that there had been similar concerns initially regarding Europe’s move to a T+2 cycle. However, the implementation was still completed in the end. Therefore, with proper planning and setting the right market expectations, a shortening of the settlement cycle in APAC markets would still be feasible. Rebecca disagreed because Europe did not face and did not have to resolve a host of issues which are faced by APAC markets including time zone difference and failed penalties which are in place in APAC markets.

4) Update on Offshore-CNY Bond/Capital Market Developments

Ricky, Strategic Planner from Bank of China (Hong Kong), provided a detailed presentation which looked at 2 main areas of the Offshore-CNY Bond/Capital Market Developments: (i) Offshore RMB Bond Market Update and (ii) RMB Internationalisation Process. Some key highlights are summarised below. For full details of the presentation, please refer to the presentation slides which are available together with these meeting minutes and posted on www.smpg.info in APAC RMPG folder.

(i) Offshore RMB Bond Market Update
- The Offshore RMB Bond Market expanded tremendously this year.
- Type of Offshore RMB Bond issuers have become more diversified and likewise for the investors who are from different regions (including outside of Asia).
- According to statistics, Singapore, London and Taiwan are the leading markets in Offshore RMB bonds and issuance in these markets have already reached certain scale.
- There is an increase in sovereign bond issuances.
- Offshore RMB liquidity pool is growing.

(ii) RMB Internationalisation Process
- RMB has been making progress in the 3 basic currency functions (payment, investment and as a reserve).
- The cross-border RMB policy under capital account has been fully liberalised since 2012.
- RMB RTGS volume showed a tremendous growth this year.
- There is growing needs for RMB currency in Europe and America.
- Chinese government has introduced different policies under capital account to facilitate the healthy flow of RMB funds between onshore and offshore regions and to allow more investment products to be developed.
- There has been relaxation in the RMB policies including the abolishment of the RMB conversion limit for HK residents which is instrumental to the further growth of the HK Offshore RMB centre.
- Many central banks have signed bilateral swap agreements People’s Bank of China and these act as backstop RMB liquidity facilities in those countries or regions.
- Reports have shown that at least 50 central banks have added RMB into their reserve portfolio and it may become a major reserve currency in time to come.
5) **Shanghai-HK Stock Connect Project**

This is a requested topic from an APAC RMPG member and Kinson from JP Morgan who has been involved in this project provided a very comprehensive presentation on this. For full details of the presentation, please refer to the presentation slides which are available together with these meeting minutes and posted on [www.smpg.info](http://www.smpg.info) in APAC RMPG folder.

There have been a number of issues encountered with the new Shanghai-HK Stock Connect program. In fact, the Hong Kong and China Stock Exchanges have already started discussions on the 2015 upgrade for the Shanghai-HK Stock Connect program. There is a list of items to work on and ASIFMA will be prioritizing these with the 2 stock exchanges at their next meeting.

6) **ASIFMA: Partnering to develop Asia’s capital markets**

Rebecca from ASIFMA presented to the participants on what ASIFMA is, its mission, what the group does and the initiatives which the group is currently working on. ASIFMA acts to mutualise the voice of the industry and helps to achieve market efficiency by assisting to obtain an industry consensus. For full information of the presentation, please refer to the presentation slides which are available together with these meeting minutes and posted on [www.smpg.info](http://www.smpg.info) in APAC RMPG folder.

There was a question raised by Mori-san on which asset classes are covered in the slide concerning the decrease of the settlement timing to T+2. Rebecca will check and provide an updated slide with the breakdown of the settlement timing by asset classes.

7) **APAC RMPG Discussion**

(i) Setting APAC RMPG’s objectives for 2015

Cindy led the discussion with the participants in setting the Group’s objectives for 2015. Below is the outcome of the discussion.

Agreed objectives for 2015:

- **Increased involvement in Global SMPG (Fall Meeting in SG) and Standards discussions** – The 2nd Global SMPG meeting next year will take place in Singapore. As it will be in APAC region, members from APAC RMPG are strongly encouraged to join. There was also a suggestion to tie in the APAC RMPG Physical Meeting next year with the global meeting by holding it 1 day before the start of the SMPG meeting.

- **Continue to support existing NMPGs and the creation of new ones** – The Group aims to establish NMPG in TH, ID and PH next year. Anthony suggested one way of doing so is to showcase the newly set up NMPGs eg. VN and MY by inviting representatives from these new NMPGs to the meetings in TH, ID and PH. Another important point raised is to have the participation of the local regulators to the NMPG activities. Therefore, advance notice should be provided to the local regulators when inviting them to the NMPG meetings. Ipah also commented that APAC RMPG members can assist by driving the message across to the 3 target markets about the importance of having an NMPG. Finally, Anthony proposed to make use of the Custodian Club and international brokers and dealers in the target countries when trying to set up an NMPG and the kickoff meeting.

- **Retain current structure and arrangement of APAC RMPG** – When asked for opinion regarding the APAC RMPG’s structure, how the Group has been run so far and if there is a need for any changes, the participants expressed that they are happy with how the Group has been functioning so far. Therefore, they do not see the need to make...
any changes to the structure and arrangements of the Group. The Group will also continue to collaborate and work closely with ASFIMA.

- Sharing of information/experience on the ISO 20022 implementation journey - This objective was put forth by Ipah from JP Morgan. The feedback was that Rei’s presentation on JASDEC’s implementation of ISO 20022 and SWIFTNet was very useful and Group members would like to have more similar sharing of information and experience in the ISO 20022 implementation process including the pain points and challenges faced and how they were resolved. The participants named SGX and ASX as some of the implementation projects which they would be interested to hear about. The discussion branched out to a broader scope with an idea of getting CSDs to share on their ISO 20022 implementation experience. This would require the APAC RMPG to get onto a forum where CSDs participate in and Rebecca suggested ABMF as one such forum. As such, Mori-san has agreed to make a presentation on APAC RMPG at the next ABMF meeting.

(ii) Round-the-room updates by participants
Participants at the meeting provided the below updates on their respective markets:

- HSC from VN NMPG shared that VN will be establishing a Derivatives market in 2016. VN will also be putting in place a CCP model. The market is also looking into standardisation of market practices within the country.

- For JP, Mori-san reinstated that the market has implemented ISO 20022. The market is also currently working on simplifying the structure for taxable and non-taxable bonds. JP will also be introducing a new ID numbering system for individuals and corporates.

- Ipah provided the updates for MY NMPG where most of the current participants are from the custodian group and hence, the MY NMPG is trying to get more brokers to join in. In addition, the group is also trying to get the local exchange to attend the NMPG meetings.

- Tony who is the new Chairperson of the SG NMPG shared that the next meeting of the group is on 12 December and the group is very actively engaged in discussions. There are ongoing discussions in the market about becoming a RMB Hub. Increased charges on off-exchange transactions is another issue which the group is looking at. In addition, the group continues to work closely with SGX. There are also active discussions to tie in with TW stock exchange to establish a platform which could be similar to the Shanghai-HK Stock Connect program. ASEAN Link will also be in the pipeline for discussion in 2015.

- Nathalie from Citibank HK shared that in HK, market advocacy is one of the items which the market is looking at.

**Next Meeting**

On Tuesday 03/02/2015 at 14:30SGT

Webex details had been sent along with the meeting invite. Detailed agenda will be sent nearer to date.