
Asian Passports, the coming of age

An overview and its demand



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Foreword

Asian Fund Passports are (almost) here! The date to sign the Memorandum of Undertaking (“MoU”) for the Asia Region Funds Passport (“ARFP”) programme has been a moving target. Still, this has only built the anticipation and opportunity for other economies to ponder its value and evaluate the cost/benefit of participation. This was evident with the announcement of Japan joining in as a participating economy ARFP scheme in September this year.

There is also another existing and functioning passport regime in Asia, namely the ASEAN Collective Investment Scheme (“CIS”).



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However, it has not received an overwhelming response as one would have anticipated. Asia Pacific did also witness the launch of a third passport scheme, or rather, a mutual recognition arrangement between China and Hong Kong Mutual Fund Recognition (“MRF”) scheme this year in July, which is expected to be fully operational by the beginning of 2016.

As the ARFP rules are being finalised and MRF coming operational soon, this publication will help portray the mutual fund market of each of the participating economies of all three schemes, along with a high level understanding of the local asset management regimes.



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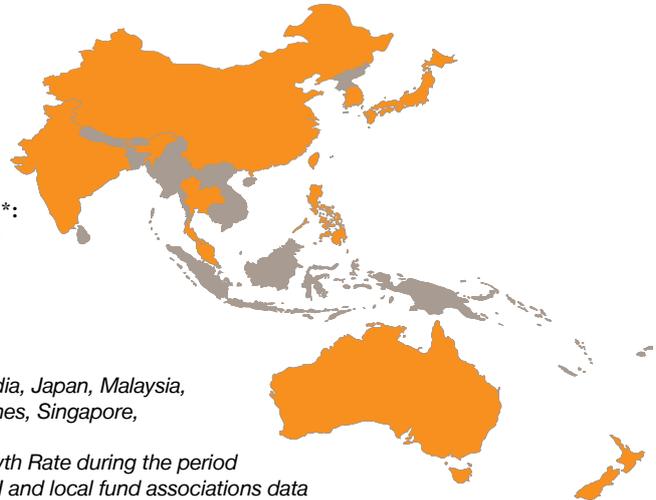
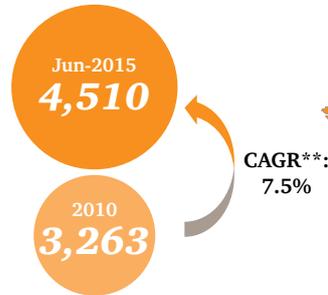
Asian Fund Passports

The New El Dorado for Mutual Funds

As of June 2015, standing USD 4.5 trillion from USD 3.2 trillion in 2010, the Asia Pacific mutual fund assets under management (“AuM”) have grown at an average annual growth rate of 7.5%.

Development of Asia Pacific mutual funds AuM

Total AuM* in USD bn



* Australia, China, Hong Kong, India, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand

** CAGR: Compound Annual Growth Rate during the period

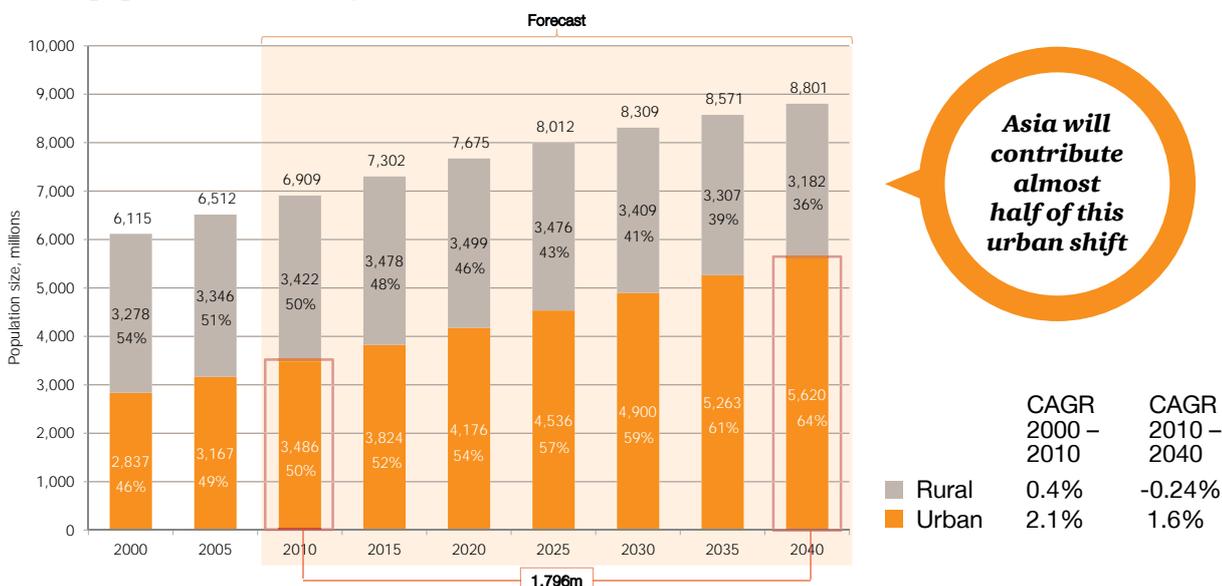
Source: PwC analysis based on ICI and local fund associations data

In this region where the individual wealth growth rate is a significant indicator and contributor to asset growth, it is timely for Asian Fund passports to go live in order to fill the gap between the supply and increasing demand coming from the institutional and the retail space. It is expected that Asia-Pacific’s share of High Net Worth Individuals (“HNWI”) assets will increase to USD 22.6 trillion by 2020.¹

The increasing disposable income, growing middle class and young educated population represents the key stimuli for demand of mutual funds in Asia Pacific. Over the next 30 years, it is estimated that over 1.8 billion people will move into cities and Asia-Pacific will contribute almost half of this urban shift. This urbanisation trend and demographic shifts will see a new investor group emerge in Asia.

Over the next 30 years, almost 1.8 billion people are expected to move into cities²

World population division by urban and rural, millions, 2000–2040



1 PwC, Asset Management 2020 – A Brave New World

2 Sources: United Nations, Department of Economic and Social Affairs, Population Division, 2009 Revision; PwC analysis

Given the vast distances between the participating economies and the rise of the digital age, the Asia Pacific region is ripe for exploring the use of digital platforms to reach a large and fragmented marketplace in a more effective and efficient manner. In addition, the future demand for mutual funds in Asia Pacific will also be fuelled by local pension funds' needs for diversification and the rise of digital solutions embraced by Generation Y (people born after 1980) or "Millennials".

Asia Pacific pension funds are increasingly looking beyond their borders to address their investment needs. Overall, Asia Pacific-based pension funds have invested an average of 19% of the region's total portfolio in foreign markets in 2008, and that has now grown to 31% by 2014. Japan, the recent entrant to the ARFP scheme is among the most aggressive investor in foreign investments within Asia Pacific, with Japan's pension fund allocation to foreign markets rising from 16% in 2008 to 32% in 2014. In order to invest abroad, mutual funds are an ideal tool to provide pension funds with a substantial degree of liquidity, diversification and a very high level of investor protection.³ With UCITS like framework of investment limits, diversification, transparency, risk management, the ARFP and ASEAN CIS would be an ideal investment route to take.

In parallel, over the next decade, the average investor base profile will change drastically as the millennials assume a more significant role in the global economy. Indeed, "millennials" are radically changing investor demographics, behaviours and investment expectations – they will account for 50% of the global workforce by 2020 with significant savings power.⁴ This generation has been exposed to smart-phones, tablets, laptops and social media much more than any other generation and are attracted to instant access to information. As they completely embrace digital solutions, they provide asset managers the opportunity to reach out to a much wider client base through digital applications. The Alipay, WeChat and Huoqi Bao success in China together with the SMS and smart phone fund application portals in India, have led to sky rocketing distribution and reach of mutual funds in those countries.

Despite some existing regulatory hurdles, this sustained growth is likely to continue and even accelerate in the coming years through the various passport initiatives. The current mutual fund industry in Asia is however fragmented with different tax and regulatory requirements from country to country and with no single coordinating regulatory authority. The distribution landscape in Asia is expected to evolve due to the passport/recognition schemes as the various countries mature and find their natural places in the new world order of fund distribution. These schemes will also give asset managers the opportunity to realise significant economies of scale.

The fund passports also create opportunities or an impetus for global asset management houses to set up manufacturing and distribution bases in this region. When we analysed the top 200 global cross-border asset management groups, only 29% have a presence in at least one country of the fund passports economies, and 33% access the region with UCITS funds. Asian fund passports will also enable the global asset management houses already in the region to increase their market share in this region, particularly in those passporting countries which are currently not open to UCITS. This will improve their operational efficiency and is likely to generate significant cost reduction.

What does all of the above translate to?

Ultimately, we believe the Asia Pacific region will be a hotbed of activity and innovation for mutual funds. Will the identified impediments be fixed tomorrow? Realistically, no - but with the demand so compelling and the industry and national regulators eager to see it succeed, we expect to see tremendous effort all around to address the various issues and impediments over time, as the success of the fund passports is a success for all of asset management in Asia Pacific.

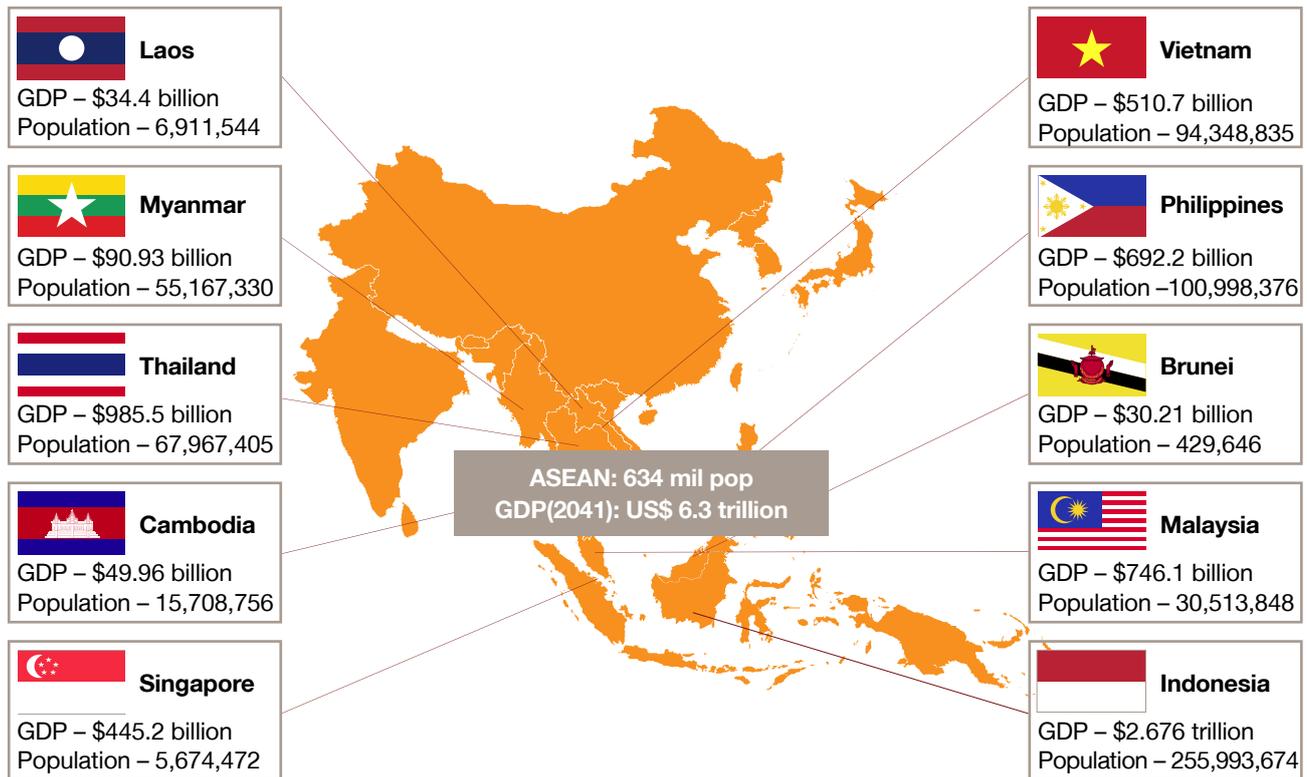
³ PwC, *Beyond their Borders: Evolution of foreign investment by pension funds*, September 2015

⁴ PwC, *Millennials at work, Reshaping the workplace*, 2014

ASEAN CIS

The first fund passport scheme that has been in operation in Asia, is the ASEAN CIS. A bi-product of the ASEAN (Association of South East Asian Nations) economic union, the ASEAN CIS went live on 25th August 2014.

Singapore is the best location to domicile your ASEAN focused funds



Sources: CIA World Factbook (Population is July 2015 Estimates & GDP is PPP and is 2014 estimates)

ASEAN Economic Union (“AEC”) is made up of 10 economies with varying degrees of economic prosperity. Economies focus and forte spans from service sector to agrarian. Singapore being a services-based economy; Brunei oil-based; Malaysia and Thailand are fast industrialists; Thailand and Vietnam are big agricultural exporters; Indonesia and the Philippines are net food importers; and Cambodia, Laos and Myanmar are still agrarian societies. The agenda of ASEAN is to transform the region to a strong economic block, to build the region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

As part of its agenda to encourage free flow of capital, the collective investment scheme is one of

the programs of the Capital Markets initiative of AEC. However, only three economies have signed up for the Collective Investment Schemes program so far. They are, Malaysia, Singapore and Thailand.

The ASEAN CIS constitution and mechanics, though not identical, has been inspired by the UCITS regime. For example, the investment diversification, eligibility and limits are more or less similar to UCITS but ASEAN CIS strictly prohibits stock lending and repurchase transactions, stricter use of derivatives and also prohibition of performance fees. The registration process of CIS is as per the UCITS III model, of applying to host regulators and not the UCITS IV model of peer-to-peer regulator applications.

Key principles



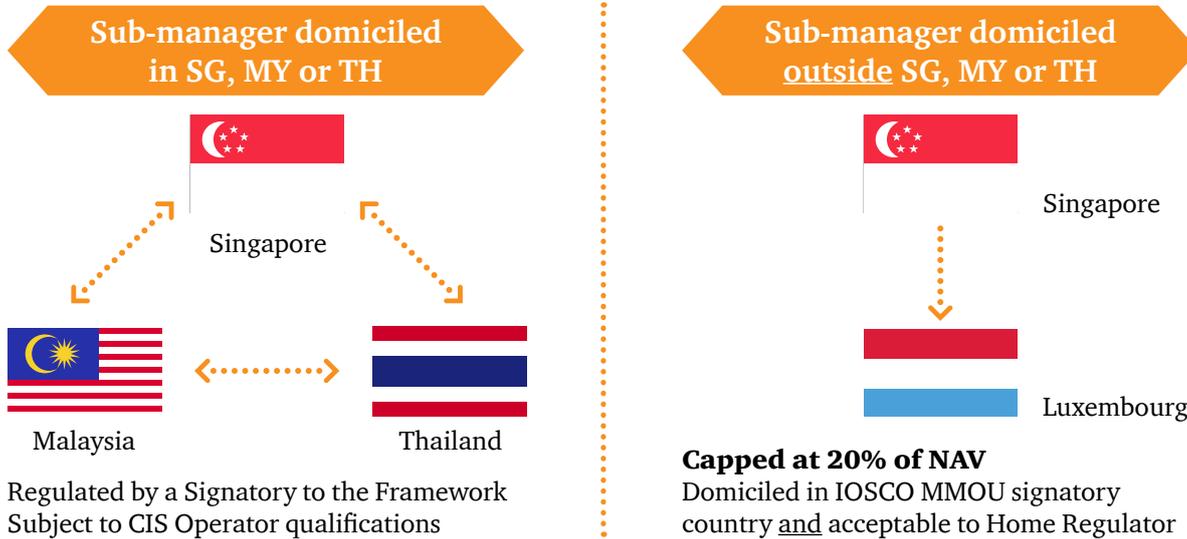
<p>Approved for retail offer in home country</p>	<ul style="list-style-type: none"> • Legal structures approved for CIS offered to retail investors (i.e. Authorised scheme approved by MAS) 	
<p>Common standards imposed on Qualifying Manager, Trustee and CIS</p>	<p>Qualifying CIS Operator (locally regulated)</p> <ul style="list-style-type: none"> • Track record (5 years, US\$500m global AUM) • At least US\$1m capital • Competency & experience • Delegation restrictions 	<p>Qualifying CIS Operator (locally regulated)</p> <ul style="list-style-type: none"> • Track record (5 years, US\$500m global AUM) • At least US\$1m capital • Competency & experience • Delegation restrictions
<p>Annual compliance audit</p>	<ul style="list-style-type: none"> • Annual audit of the CIS Operator covering, at a minimum, compliance with the Common Standards 	
<p>Appoint local distributors and local representatives</p>	<ul style="list-style-type: none"> • Use of locally licensed intermediaries in host country • May need to appoint a local representative • Subject to host country requirements on offer of CIS 	
<p>No performance fees</p>	<p>No repo or SEC lending</p>	<p>Limit on delegation</p>

Similar to the UCITS regime, the ASEAN CIS cannot be a feeder fund unless the master fund is also within the ASEAN CIS programme. This would restrict the ASEAN CIS funds to be used as feeder funds and make it only a distribution play by sweeping the market for capital using the foreign fund range or UCITS. This compels the fund houses to constitute and manufacture funds in the region. The other interesting point to note, especially for foreign fund managers is that delegation to a foreign sub-manager domiciled and regulated in Singapore, Malaysia or Thailand is permitted without restriction, as long as the foreign sub-manager is subject to the same ASEAN CIS qualifications as the delegating manager. However, delegation to a foreign sub-manager

outside of the 3 countries is permitted up to a cap of 20% of the net asset value (“NAV”) only where the foreign sub-manager is domiciled in an IOSCO MMOU (IOSCO Multilateral Memorandum of Understanding) signatory jurisdiction (e.g. Luxembourg) and that manager is acceptable to the Home Regulator. What would be needed to be “acceptable”? That is not defined but broadly, for a Singapore authorised fund where more than 20% of the scheme’s assets are sub-managed abroad, the regulator would consider whether the sub-manager is reputable and supervised by an acceptable financial supervisory authority. Therefore, delegation rules are clearly more conducive to Asian products manufactured locally and not offshore.

ASEAN CIS

Delegation rules favour Asian product manufactured locally

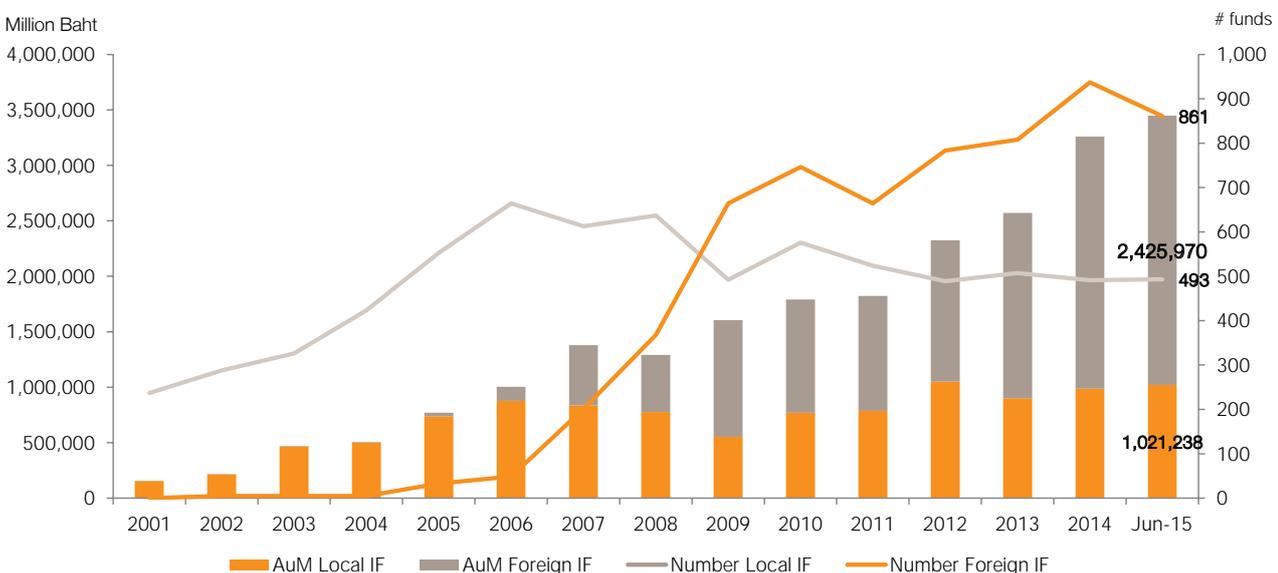


As of date of this publication, there are only 11 funds from 5 asset management houses that have been approved by the respective home regulators. Of these 11 funds, 5 are from Singapore, 5 from Malaysia and 1 from Thailand. Malaysian domiciled funds are the only ones that have been approved by Singapore as a host regulator.

Apart from the smaller domestic fund management industry and slowly growing demand for mutual funds, one of the reasons for its slow start is that Thailand

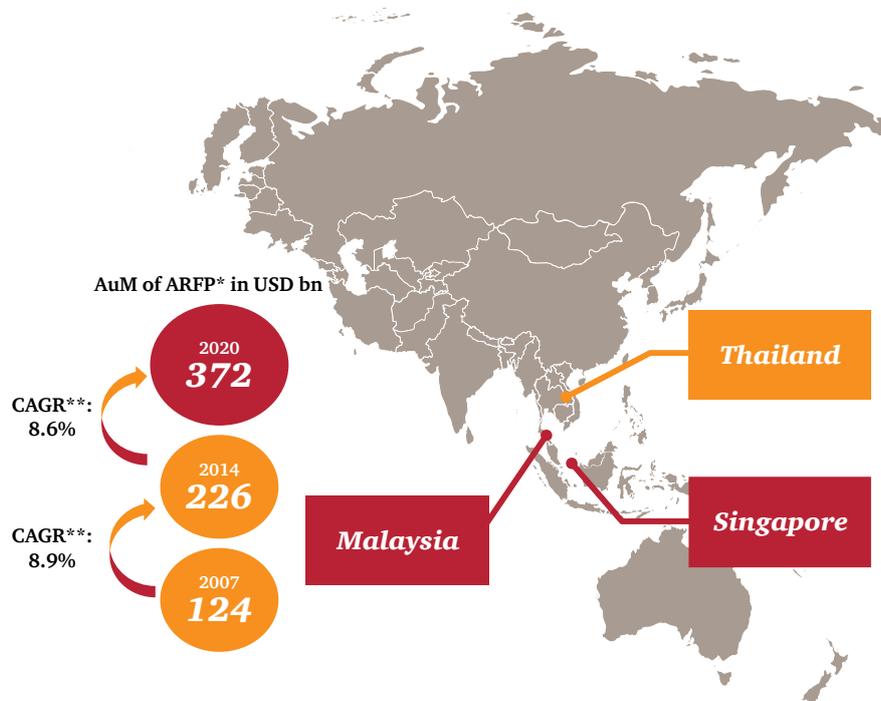
and Malaysia's foreign currency regulations are tightly controlled, which poses a challenge to distribute multi-currency share classes (non-Thai Baht and non-Malaysian Ringgit respectively) in these countries.

Both Thailand and Singapore are also offshore fund centres. Thailand did not have a robust offshore fund recognition regime till the start of the ASEAN CIS. Therefore, to-date many foreign fund managers distribute their products in Thailand through dedicated Thai feeder funds.



Source: Investment Management Supervision Department, SEC, Thailand

Development of Asia Pacific mutual funds AuM under ASEAN CIS



Source: PwC Market Research Centre

**CAGR: Compound Annual Growth Rate during the period

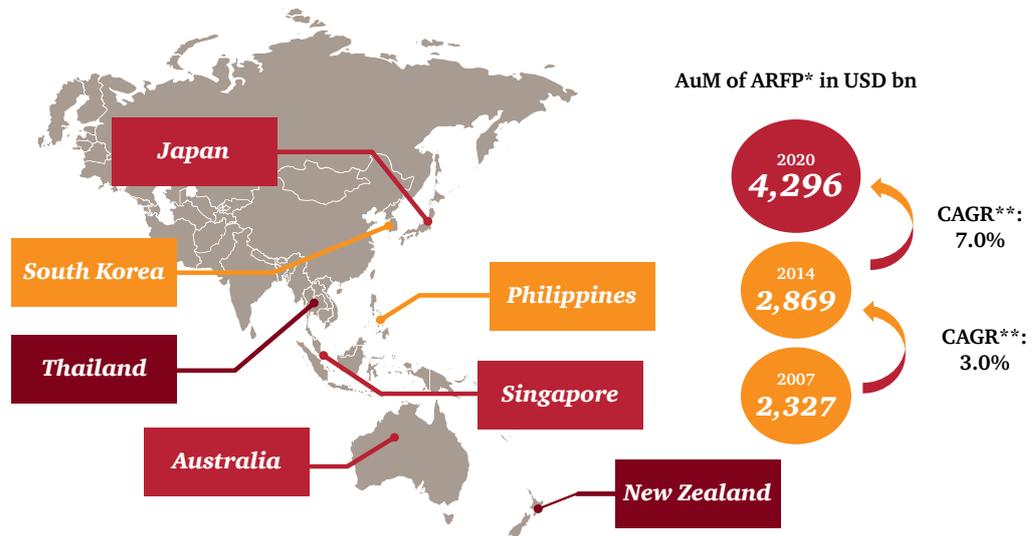
PwC Market Research's projection of the ASEAN CIS scheme would be a growth from USD 226bn in 2014 to USD 372bn by 2020 at an average annual rate of 8.6%. What could potentially accelerate this scheme's popularity would be for more of the ASEAN economies to participate in the scheme. In particular, the Indonesia market would be a great potential for Malaysian Islamic fund managers to export their funds. However, this is still an ongoing discussion among the other countries and there have been no indications or signs of more economies showing interest to participate in the ASEAN CIS for now.



Asia Region Fund Passport

The Asia Region Fund Passport has been the success of lobbying efforts of various industry stake holders in the region and a few regulatory authorities.

The PwC's Market Research Centre anticipates the AuM of mutual funds in the ARFP would grow at an average annual rate of 7% from USD 2.9 trillion in 2014 to USD 4.3 trillion by 2020.



Source: PwC Market Research Centre

**CAGR: Compound Annual Growth Rate during the period

In September 2013, finance ministers from Australia, Korea, New Zealand and Singapore signed a Statement of Intent on the establishment of the ARFP. According to the Statement of Intent, the ARFP aims to “facilitate the growth and competitiveness of financial markets in the region and the fund management industry, creating a common framework that has the effect of reducing the regulatory inconsistency and overlap faced by collective investment scheme operators seeking to offer CIS in multiple economies”. Over time this list has grown to include Thailand, Philippines and now Japan. A Passport Working Group (“Working Group”) comprising of Australia, Korea, New Zealand, the Philippines, Singapore & Thailand has released two public consultation papers on the Framework of the ARFP. With now seven economies who have committed to the development of this scheme, the addition of more would accentuate the success of this scheme. However, the program did witness its first set back when Singapore voiced its concern of tax discrimination not receiving adequate attention, which led Singapore to defer its decision to sign the latest statement of intent in September this year.

Various studies, research and conversations with the asset management industry point toward the support for a highly diversified and tightly regulated investment fund product, one which would be the avenue for the growing mass affluent and middle income class investors in Asia Pacific to save for their future. The Asia Pacific fund industry is quite disproportionate in its development amongst the participating economies, with Australia representing the fourth largest in terms of AUM in the world to Thailand and Philippines whose AUMs are not only smaller in absolute terms but also as a percentage of their GDP. Traditionally in Asia, several economies restricted the growth of offshore funds in their economies by prohibiting their entry or making it untenable; however now with the ARFP, the barriers to entry will be dropped so as to create a level playing field and a wider choice for investors. The level playing field will provide an opportunity for fund managers to increase their AUM in the region though better access, leading also to more economies of scale. This was very aptly and statistically demonstrated in the ARFP study report of July 2014.⁵ In that report, it demonstrated that the increase in the AUM of funds in a few countries led to a decrease in the total expense ratio (“TER”) of up to 10bps in Australia, 16bps in Singapore, 17bps in Korea and 12bps in Thailand.

5 APEC – Asian Region Funds Passport – A study of potential Economic Benefits and Costs – July 2014

ARFP – UCITS comparison

Set up in Home prior to Host	UCITS III – Host registration	Limited additional requirements for hosting	Management Company = Operator
Fair value principles	Custody of assets by Trustee/ operator and not “depository”	Independent depository/ operator	Single entity risk 15% v/s 10%
Reporting obligations	See lending 50% v/s 100%	NAV calculation by Operator	Delegation limitations
Synthetic short-selling through derivatives	Physical short-selling banned	Depository responsible for delegation	

Degree of similarity

- Low
- Similar
- Identical

Most of the UCITS strategies can be easily replicated in Asia Pacific through the ARFP. Similar to the ASEAN CIS, the ARFP schemes cannot be a feeder fund unless the master fund is also within the ARFP scheme. This would similarly restrict the ARFP funds to be used as feeder funds, and make it a necessity for fund houses to constitute and manufacture funds in the region. It has the potential to reach a wider market that have not traditionally been open to UCITS in the past. Unlike the ASEAN CIS, the ARFP does not have any restrictions on stock lending and repurchase transactions or prohibition on performance fees.

Also, the cases of foreign currency control issues as noted in the ASEAN CIS economies are less likely to be impediments for the ARFP, as most or majority of the participating economies of the ARFP do not have such restrictions. So far the only impediment noted is tax discrimination particularly on offshore funds.

What is the progress on tax?

The regulatory framework as reflected in the draft MOU is well developed and some refinements will be made to certain aspects following the release of the second consultation paper in March 2015. However, there are no specific consultation questions on tax issues.

The Working Group acknowledged that a large number of submissions received during the consultation process urged for the consideration of domestic tax implications and advocated for the neutral tax treatment of the passport funds. In this regard, each Working Group member agreed to share with other Working Group members, information about their taxation and capital control settings in their respective economies to provide further clarity and identify any impediments to the passport.

Asia Region Fund Passport

What is tax neutrality?

There are a number of key tax principles which should be incorporated in the ARFP:

- Create a level playing field in respect of returns to the investor
- Remove tax barriers in respect of distribution cross border
- Preserve tax neutrality through collective investment schemes
- Preserve integrity by mitigating tax evasion.

The questions that will need to be addressed at each level are:

The investor level

- How is the investor taxed if investing in a foreign fund versus a local fund?
- Are there any withholding taxes that apply?
- Are there any concessions that apply to local investors versus foreign investors?
- Are there any integrity measures that apply?

The fund level

- Is there any tax at the fund level?
- How is the fund taxed on its local investments versus foreign investments?
- Do the tax attributes of the investment flow to investors (ie transparent treatment of funds)?

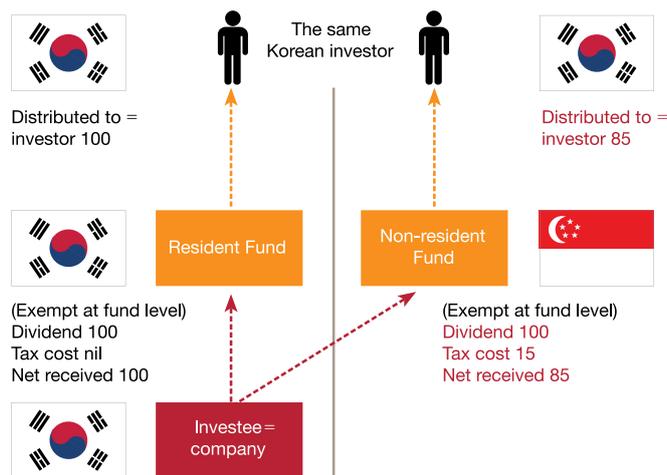
Under the current taxing regimes for each participating economy, there are some significant differences in tax outcomes to investors (refer PwC's publication – *Funds Passport Regimes in Asia Pacific – Taxing Issues June 2015*).

There is no doubt that investors are influenced by the tax outcomes in the choice of an investment product. Therefore, to what extent can anti-discrimination measures be implemented so that the viability and competitiveness of funds from participating economies are not adversely affected? Careful consideration of such measures will need to be undertaken, which for example may include:

- Passport funds are not subject to tax
- No withholding tax on distributions from the passport fund and distributions from investee companies
- Passport funds are exempted from capital gains on the disposal of investee companies
- Participating countries are required to adopt the OECD Common Reporting Standard or other integrity measures.

Examples of discriminatory tax outcomes

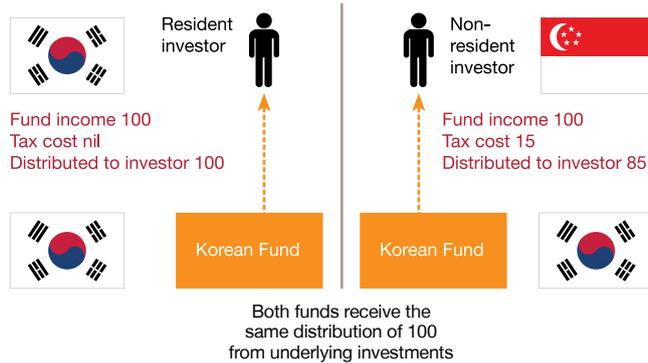
Example 1 – Tax discrimination at investment level



In the above example, the dividend paid by the Korean investee company to the Singapore fund will be subject to 15% withholding tax, which is a final cost to the fund. A Korean investor looking for exposure to the Korean investee company will, all other things being equal, be forced to invest through the Korean fund in order to avoid this excessive tax – this amounts to tax discrimination against the Singapore fund and will make it very difficult for the fund manager in Singapore to market the fund in Korea. This effectively reduces the choice of products available to the Korean investor, who may otherwise have chosen the Singapore fund based on commercial factors, eg fund manager reputation, superior performance (before tax), lower costs, etc. However, we acknowledge that this type of tax discrimination may not be easy to address consistently among the ARFP-participating countries from the outset, as the mechanisms to alleviate dividend withholding taxes for ARFP funds presumably do not exist and would have to be developed over time (perhaps in concert with other tax transparency/tax reporting measures). Further, where the funds invest in countries that are not participating in the ARFP, there will be even less chance of consistency being achieved in this respect.

Any withholding tax levied by an ARFP-participating country on distributions made by investment funds established in that jurisdiction to cross-border investors would have a similarly discriminatory effect, as shown in the next example.

Example 2 – Tax discrimination at investor level



So what does this mean?

The aim should be non-discriminatory treatment of passport funds and their investors. We have seen in the European context numerous cases arising as a result of discriminatory tax treatment over the last 10 years (beginning with the EFTA Fokus Bank case against Norway in 2004). Most European Union and EFTA member states have subsequently abolished dividend withholding taxes which been levied unlawfully on distributions to foreign funds. However, this issue has not yet been examined in Asia where no supra-national legal framework exists to guarantee certain rights and freedom for market participants. The question remains as to whether there will be a regional mechanism to administer, supervise and enforce anti-discrimination rules?

There is a significant risk that if left unaddressed, tax discrimination will arise under the ARFP and will undermine the effectiveness of the regime. In particular, ARFP investors will have to consider taxation as a key factor when choosing a fund product as funds established in certain ARFP countries may suffer performance drag from excessive corporate income taxes and/or withholding taxes.



Hong Kong and Mainland Mutual Fund Recognition of Funds (“MRF”)

Hong Kong and Mainland Mutual Recognition of Funds (“MRF”) was first announced by the Securities and Futures Commission (“SFC”) in January 2013. After more than two years of speculation, on 22 May 2015, the China Securities Regulatory Commission (“CSRC”) and the SFC in Hong Kong signed the Memorandum of Regulatory Cooperation on Mutual Recognition of Funds between Mainland China and Hong Kong (“Memorandum”). The Memorandum sets out the key principles and operational requirements under the MRF which was implemented on 1 July 2015 and laid a foundation to strengthen the financial and regulatory ties towards greater integration of the Asian asset management industry.

MRF represents an opportunity that international asset management companies have long been waiting for: the business opportunity to distribute investment funds within the Hong Kong and Mainland retail markets. This is a defining moment for international asset managers: Hong Kong can now operate as a gateway for asset managers to China and for the first time, China’s rapidly expanding population of investors is directly accessible to foreign funds.

Currently, China’s AUM as a proportion of GDP is approximately 20% and is one of the lowest in the region. The low penetration indicates that there is ample opportunity for growth in the asset management industry since China has an aging society with growth needs for retirement savings and investment diversification strategies.

Hong Kong, on the other hand, represents a good opportunity for domestic Chinese asset managers to reach international investors. Currently, Hong Kong is the largest offshore RMB centre. 38 out of the top 50 cross-border asset management groups have a presence in Hong Kong, which is the second highest in Asia. The MRF will allow domestic Chinese investors to have access to international investors and will be a stepping stone for them to expand globally.

The current framework states that only Hong Kong-domiciled funds managed by an SFC-licensed asset manager will be able to distribute into China, and vice versa. So, in order to be ready to operate, asset management companies will need to reassess and gear up their fund platforms and client strategies in order to be fully compliant with regulatory requirements under the MRF.

The opportunity to break into the asset management markets of China, Hong Kong and beyond is an exciting one. We envision that investible assets across Asia will increase with the further opening up of the Chinese market and the maturation of the asset management industry in China and in Hong Kong. This will translate into more avenues for investment and a wider range of asset classes. We also expect to see a greater number of innovative products and distribution channels emerging throughout the region.

The following summarise certain key requirements which asset managers in China and Hong Kong under the MRF regime have to be aware of:

China-Hong Kong Mutual Recognition of Funds (“MRF”)

SFC requirements for entry to Hong Kong	CSRC requirements for entry to mainland China
Domiciled on the Mainland	Domiciled in Hong Kong
Fund registered with CSRC	Fund registered with SFC
Established and authorised for over one year	Established and authorised for over one year
Fund size not less than RMB200 million	Fund size not less than RMB200 million
Less than 20% of assets in Hong Kong	Less than 20% of assets in Mainland
Distribution to Hong Kong investors doesn’t exceed 50% of total assets	Distribution to Mainland investors doesn’t exceed 50% of total assets
Investment management function remains on Mainland	Investment management function remains in Hong Kong
Must appoint a Hong Kong representative	Must appoint a Mainland agent



To qualify, fund assets must be above RMB200 million. Distribution in the other market (i.e. China for a HK-domiciled fund; HK for a China-domiciled fund) must be below 50% of total net assets. Consequently, asset managers should select funds with a stable fund size that is well above RMB200 million so that it will not be subject to suspension of distribution in the other market.

Currently, only general equity funds, balanced funds, bond funds and unlisted index funds (including physical index-tracking ETFs) are included. Other fund types (such as money market funds) do not currently come under the scope of the scheme. Funds must consistently fulfil the requirements of their primary investment focus.

The local Hong Kong representative or China agent is expected to play a major role in ensuring mutual funds comply with cross-border regulations and distribution limits in the other market. There would be useful synergies if this institution could carry out other initial fund activities, such as preparation for the fund authorisation, distribution and review of marketing materials.

One of the main eligibility criteria for mainland funds recognised in Hong Kong is that they must appoint a local representative to handle share subscriptions, notices and regulatory communications as required under Chapter 9 of the Code on Unit Trusts and Mutual Funds (“UT Code”).

CSRC requirements for entry of Hong Kong funds to Mainland China include the appointment of a Mainland agent qualified to engage in public-offered fund management business or fund custodian business on the Mainland pursuant to the host jurisdiction’s laws and regulations.

The management firm of the respective fund in its host jurisdiction cannot delegate its investment management functions to parties outside the host jurisdiction.

Under MRF, asset managers in China and Hong Kong have to be familiar with the relevant rules and regulations imposed by both regulators (the SFC and CSRC). Asset managers should reassess their compliance capabilities and resources to make sure they can meet ongoing compliance needs.

The Memorandum is silent on the potential PRC tax implications on non-resident investors deriving income from a Mainland fund recognised by the SFC. With reference to the taxation on non-resident investors deriving income from QFII/RQFII or Shanghai-Hong Kong Stock Connect, it is reasonable to expect that similar taxation rules may be announced later to grant similar tax treatment, i.e. tax exemption, on mutually recognised funds. However, if such a clarification is absent, how to disclose the potential tax implications in their offering documents can be a challenging issue for asset managers in Mainland China. For Mainland China investors, whether the existing tax incentives for mutual fund in Mainland China could be extended to Hong Kong SFC authorised funds is still unclear.

Qualified Hong Kong domiciled funds authorised by the SFC under section 104 of the Hong Kong Securities and Futures Ordinance are statutorily exempt from Hong Kong profits tax. There is no Hong Kong profits tax on any distribution made by such an authorised fund to its investors (whether resident, non-resident, corporate, or individual).

As of the date of this publication, there have been **17** Hong Kong-domiciled funds applied for distribution in Hong Kong and **14** China-domiciled funds applied for distribution in China.





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Australia



Population 2015: **22.8 mn**
 New South Wales (6.72 mn)
 Victoria (5.6 mn)



US\$1 (Nov-15) : 1.419
Australian Dollar
EUR1 (Nov-15) : 1.524
Australian Dollar

Business Overview

- Following two decades of continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system, Australia is currently facing a range of growth constraints, principally driven by a sharp fall in global prices of key export commodities.
- Although demand for resources and energy from Asia and especially China has grown rapidly, creating a channel for resources investments and growth in commodity exports, sharp drops in current commodity prices have already impacted growth.
- Australia has a disproportionately high retirement savings pool as a result of the introduction of mandatory superannuation guarantee contributions for all employees in 1992, which presently requires 9.5% of income to be paid into a superannuation fund.

2014 Tax and Regulation

1. Corporate Income Tax (CIT)	30%
2. Personal Income Tax	0-45%
3. Tax Incentives	Available
4. Total Tax Rate*	47%
5. Ease of paying taxes ranking	44/189

* Average world tax rate is 43.1%

Sector Attractiveness

Finance

- Australia was comparatively unaffected by the global financial crisis as the banking system has remained strong and inflation is under control.

Food

- Australia is one of the major supplier for livestock to several countries including South East Asia and the Middle East. The livestock export industry contributes to almost AU\$2 billion to Australia's economy.

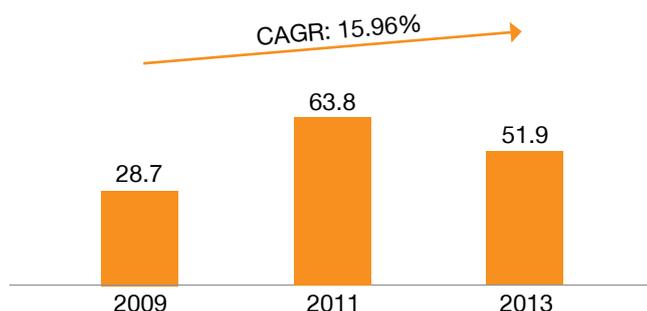
Commodities

- Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources.

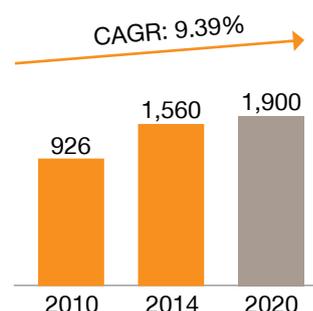
2014 Key Economic Indicators

1. GDP per capita	US\$68,421
2. Unemployment rate	6.1%
3. Population % between 15-54 years	54.81%
4. S&P rating	AAA
5. Internet penetration	90%
6. Consumer Price Index growth	2.5%
7. Ease of doing business ranking	10/189
8. Corruption Perception Index ranking	11/175

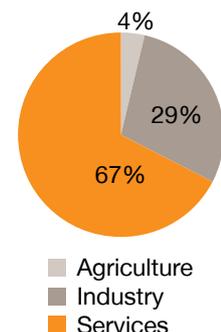
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Austrade, ABS, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

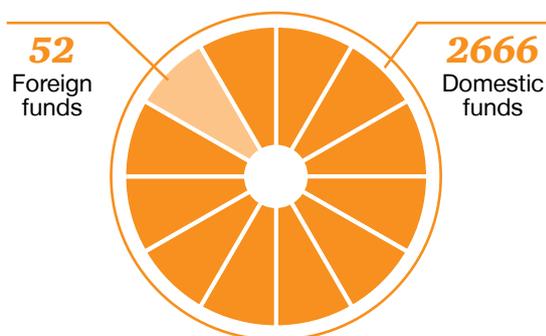
Distribution

Why is Australia a promising market?

“The pension fund market in Australia is one of the most sophisticated in the world with 258 pension funds managing more than USD 1 trillion. Australian’s pension funds are also those that invest the most through investment funds, 61% of their assets as at end 2014...”

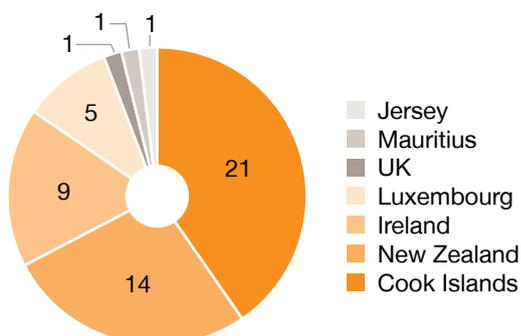
PwC – Beyond their Borders – Evolution of foreign investments by pension funds – September 2015

Breakdown of domestic/foreign funds



Top 10 pension fund by AuM	AuM (USD bn) 2014
1 Future Fund	85.8
2 AustralianSuper	64.6
3 Qsuper	42.6
4 First State Super	39.5
5 UniSuper	36.3
6 State Super	35.2
7 CSC	28.2
8 REST	26.8
9 HESTA	23.8
10 Sunsuper	23.8

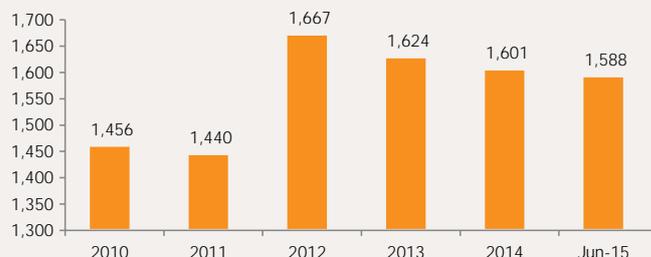
Domicile of foreign funds distributed in Australia (Oct 2015)



Overview of the Asset Management Market



Evolution of mutual funds assets in Australia (USD bn)



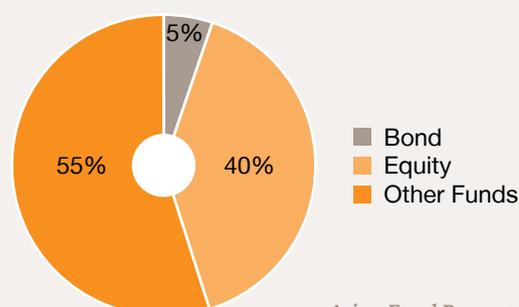
Distribution channels



Top 10 promoters by AuM*	AuM (USD bn) 2014/2015
1 Macquarie Group	368.0
2 Commonwealth Bank Group	151.7
3 NAB/MLC	136.7
4 AMP Capital	114.6
5 Westpac Banking	80.0
6 QIC	57.9
7 Challenger	44.3
8 IFM Investors	43.6
9 Antares Capital	32.4
10 Perpetual	31.8

* Largest asset managers for which their main market is in Australia

Asset class breakdown of mutual funds assets (June 2015)





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	Up to 6 months
What are the practical impediments to a foreign entity obtaining a licence?	Minimum capital requirements, audit and compliance requirements
What are the minimum capital requirements for a licence holder?	Varies depending on the role and function of the licence holder
How long does it take to authorise or register a fund?	ASIC will register within 14 days of lodgement of a successful application
How long does it take to achieve approval or registration of the disclosure document?	No formal approval period ¹
Does the disclosure document have any expiry date?	No, but the information must be up to date

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Trusts (unitised or otherwise), partnerships and superannuation funds
Investment types not permitted	None identified
Restrictions on outsourcing	No, except for superannuation funds which must comply with outsourcing standards
Diversification requirements	None identified
Leverage restricted	No, except for superannuation funds which may only borrow money and/or grant charges over their assets in certain permitted circumstances
Derivatives restricted	None identified
Local currency denomination required	None identified

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	ASIC ² APRA ³
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	English

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes, but currently limited to those in recognised jurisdictions
If so, which countries have achieved recognition?	New Zealand ⁴

¹ The nature and extent of the requirement to register a disclosure document will depend upon the specific circumstances.

² Australian Securities and Investments Commission

³ Australian Prudential Regulatory Authority

⁴ In addition to the mutual recognition scheme with New Zealand, ASIC may also provide relief for certain US, Jersey, Singaporean and Hong Kong collective vehicles making offers to Australian retail investors to be exempt from the Australian financial services licence regime and to have modified disclosure requirements.

+ The information on this page does not address, in detail, the various restrictions that apply in respect of funds held within Australia's superannuation system.



China



Population 2015: **1.356 bn**
Beijing (21 mn)
Shanghai (24 mn)
Guangzhou (16 mn)



US\$1 (Nov-15) : 6.343
Chinese Yuan
EUR1 (Nov-15) : 6.810
Chinese Yuan

Business Overview

- Economic growth in China is slowing and was at 7.3% in Q3 2014, the slowest growth in five years
- PBoC initiated its first interest rate cut in over two years which is expected to bolster growth, improve GDP and foreign investor confidence
- Global response to the Shanghai Free Trade Zone remains tepid with real economic benefits and reforms still to be seen

2014 Key Economic Indicators

1. GDP per capita	US\$7,636
2. Unemployment rate	4.1%
3. Population % between 15-54 years	61.9%
4. S&P rating	AA-
5. Internet penetration	45.8%
6. Consumer Price Index growth	2.0%
7. Ease of doing business ranking	90/189
8. Corruption Perception Index ranking	100/175

2014 Tax and Regulation

1. Corporate Income Tax (CIT)	25%
2. Personal Income Tax	5%-45%
3. Tax Incentives*	Available
4. Total Tax Rate**	63.7%
5. Ease of paying taxes ranking	120/189

* Companies that are eligible for incentives pay a CIT of 15%

** Average world tax rate is 43.1%

Sector Attractiveness

Healthcare

- Public and private investment in the Chinese healthcare sector has led to growth in excess of 14%
- Total healthcare expenditure doubled between 2008 and 2013 and is expected to reach more than US\$ 1 trillion in 2020
- The Government has initiated a privatisation pilot in certain cities which has led to increased interest from foreign healthcare providers

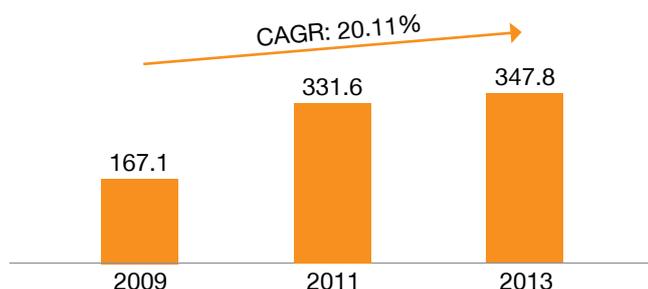
Automotive

- Automotive companies are evolving their business and operating models to capitalise on the opportunities in China
- China outbound deal services for Chinese auto manufacturers remains attractive, particularly with Chinese OEM's expanding overseas for acquisition of technology, vertical integration and branding

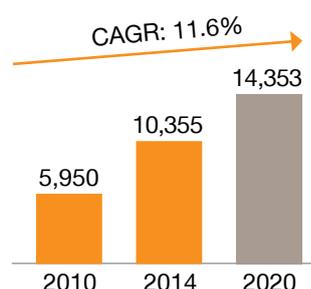
Retail and Consumer

- China is the second largest retail market globally - M&A within the industry continues to remain strong with buyers buying smaller companies in the industry where niche customer tastes are (e.g. sport and energy drinks)
- The R&C industry is undergoing a wave of digital and customer transformation and retail markets are shifting towards e-commerce channels with transaction values up by more than 150% year on year in 2014

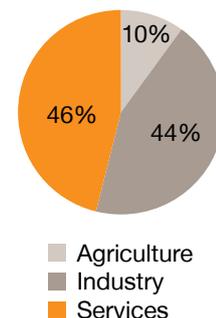
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis



Distribution

Why is China a promising market?

The anticipated growth drivers for the mutual fund industry in China are predominantly found in the subsidiary companies many fund management houses now hold and from non-core AUM growth. The latest AMAC figures point to total AUM of RMB17tr (USD2.1tr), of which, RMB10.2tr is in segregated accounts (non-core mutual fund AUM). The meteoric rise and stunning collapse of the Chinese equity markets from Q4 2014 to Q2 2015 may mean that China's mass-retail investors, whose AUM vastly outnumbers institutional AUM, may be reluctant to invest in equity and balanced funds. Fund houses that have developed user-friendly applications where investors can easily transfer their holdings across different products are expected to do well as well as those that partner with large corporations to allow employees to make direct salary contributions to their products.

The growth of pension schemes within China are linked to the centralisation of the country's pension system and liberalisation of the private pension sector. In this regard, there has been some progress from the state side with the NCCSSF receiving mandates from Shandong and Guangzhou PPF funds and the introduction of the Occupation Annuity scheme though the private side remains constrained. As an example, Enterprise Annuities remain an under-utilised product and it will take significant liberalisation of this scheme, particularly in the granting of more EA (Enterprise Annuities) licenses and the ability to issue offshore mandates, for this scheme to begin developing its great potential.

Mutual funds that have applied north bound under MRF scheme

Fund name	Company name	Asset Class
1 Amundi HK New Generation Asia Pacific Equity Dividend Fund	Amundi	Equity
2 Amundi HK Growth Fund	Amundi	Equity
3 BEA Union Investment Asian Bond and Currency Fund	BEA	Fixed Income
4 BEA Union Investment Asia Pacific Multi Income Fund	BEA	Fixed Income
5 BOCHK All Weather HK & China Equity Fund	BOCHK	Equity
6 BOCHK All Weather China High Yield Bond Fund	BOCHK	Fixed Income
7 Global Equity fund	BOCI-Prudential	Equity
8 Hong Kong Equity fund	BOCI-Prudential	Equity
9 CCB International Policy Driven Fund	CCB International	Equity
10 Hang Seng China H-share Index Fund	Hang Seng Bank	Equity
11 Hang Seng Index Fund	Hang Seng Bank	Equity
12 Multi-Income Fund	JP Morgan	Mixed Assets
13 Pacific Securities Fund	JP Morgan	Equity
14 Asian Total Return bond Fund	JP Morgan	Fixed Income
15 Asian Asset Income Fund	Schroders	Fixed Income
16 Value Partners Classic Fund	Value partners	Equity
17 Voyage China Fund	Zeal Asset Management	Equity

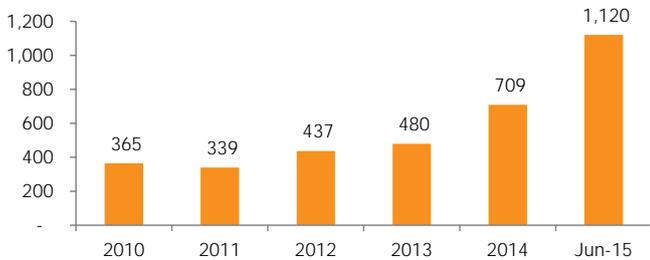
Distribution channels



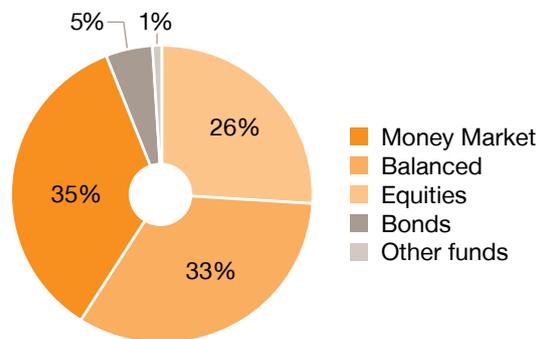


Overview of the Asset Management Market

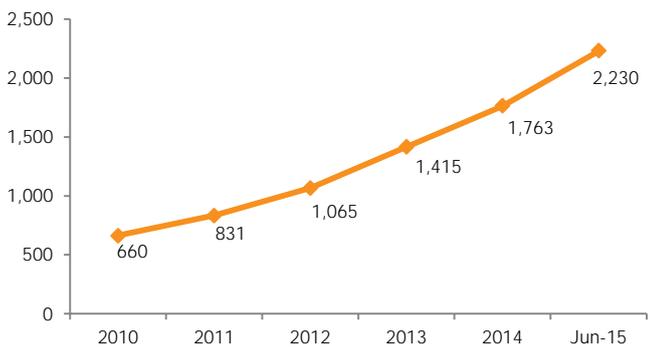
Evolution of mutual funds assets in China (USD billion)



Asset class breakdown of mutual funds assets (June 2015)



Evolution of the number of mutual funds



Top 10 promoters by AuM* AuM (USD bn) June 15

1	Tianhong Asset Management Co.,Ltd.	107.8
2	China Asset Management Co.,Ltd.	65.8
3	E Fund Management Co., Ltd.	59.1
4	ICBC Credit Suisse Asset Management Co	56.8
5	Harvest Fund Management Co., Ltd.	45.6
6	Fuligoal Fund Management Co., Ltd.	42.9
7	Penghua Fund Management Co., Ltd.	36.7
8	GF Fund Management Co., Ltd.	36.5
9	China Universal Asset Management Co.,Ltd.	35.5
10	China Southern Fund Management Co., Ltd.	35.4

Sources : AMC, ICI and PwC analysis

* Promoters of funds domiciled in China

Regulatory requirements



Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a fund manager license?	Depends on regulator's approval**
What are the minimum capital requirements for a fund manager license holder?	RMB 100 million
How long does it take to obtain a fund promoter license?	Depends on regulator's approval
What are the practical impediments to a foreign entity obtaining a licence?	Regulator's approval
What are the minimum capital requirements for a fund promoter license holder?	<ul style="list-style-type: none"> • RMB 20 million for security investment consulting institutions and independent fund promoters • RMB 50 million for insurance brokers and agencies • RMB 500 million for insurance companies • No specific capital requirements for banks, security companies and futures companies which are subject to specific regulatory requirements.
How long does it take to authorise or register a fund?	Depends on regulator's approval**
How long does it take to achieve approval or registration of the disclosure document?	Depends on regulator's approval**
Does the disclosure document have any expiry date?	A fund must be launched in 6 months after CSRC's approval

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes
If so, which countries have achieved recognition?	Hong Kong

Restrictions on how a fund operates in each jurisdiction

Types of CIVs offered	Publicly offered securities investment funds (open-ended or close ended)
Investment types permitted	Stock, bond, derivative (stock index future, gold future, stock warrants, foreign exchange forwards), repos and other financial instruments approved by CSRC
Restrictions on outsourcing	No – if the service provider has the appropriate license
Diversification requirements	Yes – the fair value of the fund's investment in the stock issued by one company can not exceed 10% of the fund's net assets, the investment held by all funds managed by the same fund manager in the securities issued by one company can not exceed 10% of the securities on issue. There may be other diversification requirements in fund contracts.
Leverage restricted	Yes – only through repos. Monetary market funds could have repos of no more than 20% of its net asset value; other funds could have no more than 40% of its net asset value in inter-bank repos.
Local currency denomination required	Yes

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	CSRC*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	Chinese

* China Securities Regulatory Commission

** Regulators are required to reply within 6 months whether approved or not

Hong Kong



Population 2015: 7.14 mn



US\$1 (Nov-15) : 7.750
Hong Kong Dollar
EUR1 (Nov-15) : 8.320
Hong Kong Dollar

Business Overview

- Hong Kong is one of the most attractive investment destinations in the region.
- As one of the largest financial hub in Asia, many MNCs continue to establish their presence in Hong Kong to tap into the China Market
- However, recent crackdown between those pro-democracy and the Chinese government has negative impact on the economy.

Sector Attractiveness

Financial Services

- As an international financial centre, Hong Kong provides a sound regulatory framework and provides opportunities for businesses to grow.

Tourism

- Hong Kong tourism market has increased significantly with the rise of middle-class mainland Chinese.

Trading and Logistics

- Logistics is one of the main pillars to Hong Kong's economy as Asia's hub for trading in commodities and other products and services.

2014 Key Economic Indicators

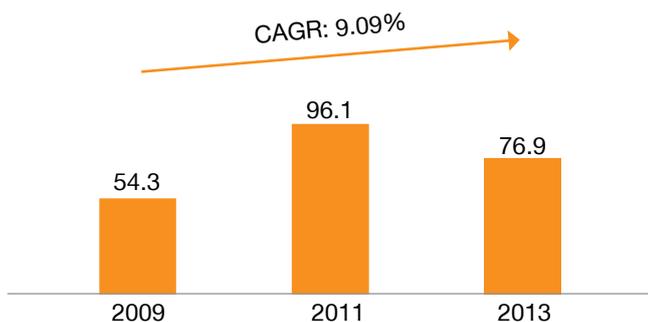
1. GDP per capita	US\$40,756
2. Unemployment rate	3.1%
3. Population % between 15-54 years	57.29%
4. S&P rating	AAA
5. Internet penetration	79.2%
6. Consumer Price Index growth	4.4%
7. Ease of doing business ranking	3/189
8. Corruption Perception Index ranking	17/175

2014 Tax and Regulation

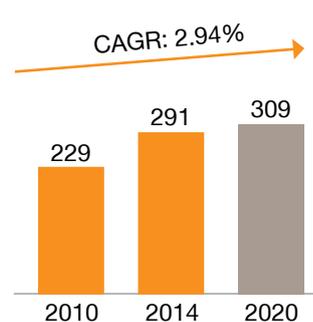
1. Corporate Income Tax (CIT)	16.5%
2. Personal Income Tax	0-17%
3. Tax Incentives	Available
4. Total Tax Rate*	22.9%
5. Ease of paying taxes ranking	4/189

* Average world tax rate is 43.1%

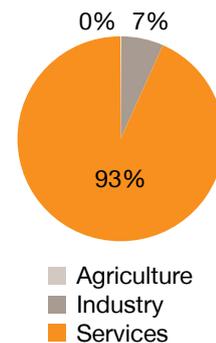
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis, Census and Statistics Department, Hong Kong

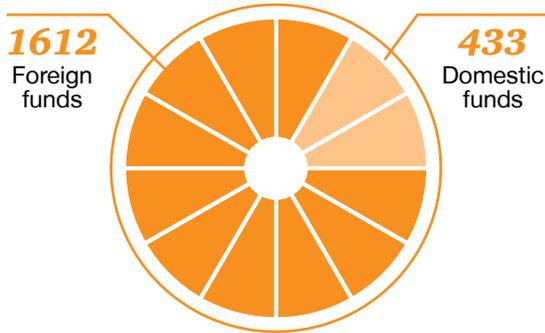


Distribution

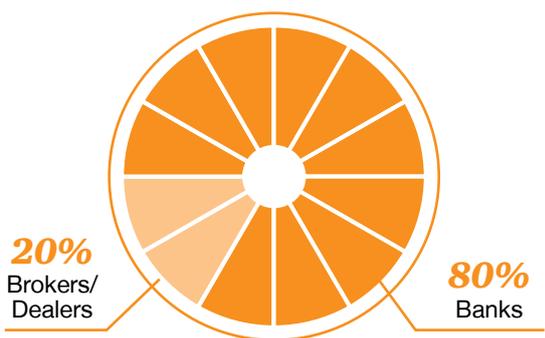
Why is Hong Kong a promising market?

Under the Mutual Recognition of Funds initiative (MRF), 100 Hong Kong-domiciled funds and 850 Mainland funds would currently be eligible. Only funds domiciled in Hong Kong and managed by an SFC-licensed fund manager will be eligible to apply for authorization for Mainland retail distribution under the MRF. The MRF remains the greatest opportunity for Hong Kong but the growing pension system in Hong Kong is also seen as strategically important. Familiarising retail investors with the importance of portfolio diversification and long-term investment will be key to expand the retail investor base.

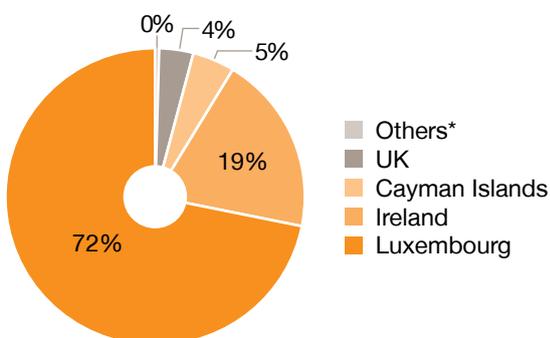
Breakdown of domestic/foreign funds



Distribution channels

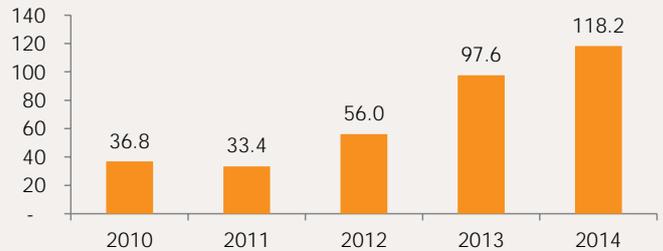


Domicile of foreign funds distributed in Hong Kong (Oct 2015)

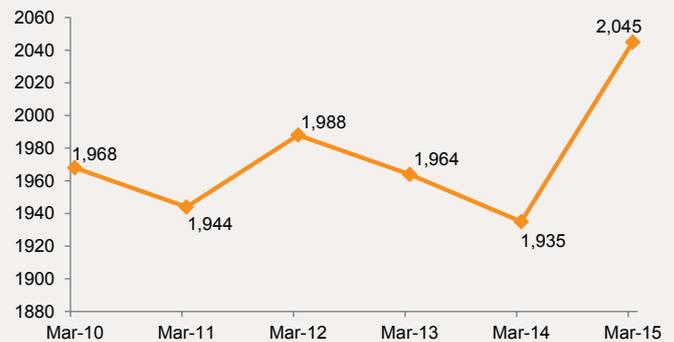


Overview of the Asset Management Market

Evolution of authorized unit trusts and mutual funds assets in Hong Kong (USD bn)



Evolution of the number of Authorised Unit Trusts and Mutual Funds

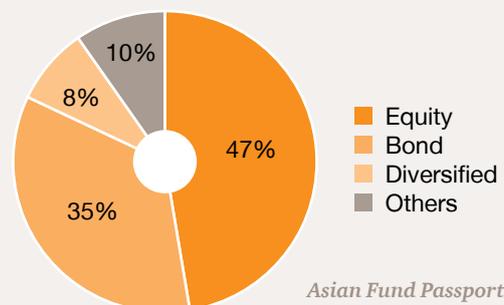


Top 10 promoters by AuM*

Rank	Promoter	AuM (USD bn) Aug 15
1	Franklin Templeton	127.9
2	BlackRock	119.9
3	Fidelity	95.9
4	Schroder	86.2
5	JP Morgan	59.8
6	HSBC	55.3
7	Invesco	44.9
8	AllianceBernstein	44.0
9	Threadneedle	41.8
10	Allianz	39.7

* Promoter of assets managed in Hong Kong

Asset class breakdown of authorized unit trusts and mutual funds assets (2014)





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	About 4 months
What are the practical impediments to a foreign entity obtaining a licence?	Periodic submission of financial resources returns, compliance requirements, resident responsible officers...
What are the minimum capital requirements for a licence holder?	An asset manager must have a minimum paid up capital of HKD 5 million and liquid capital of HKD 100,000 if it is subject to specified licensing conditions (e.g. does not hold client assets).
How long does it take to authorise or register a fund?	1 to 3 months
How long does it take to achieve approval or registration of the disclosure document?	1 to 3 months
Does the disclosure document have any expiry date?	No, but the information must be up-to-date

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Unit trusts and Mutual funds, eg equity fund, hedge fund, index fund, warrants fund, REIT etc.
Investment types not permitted	Real estates (including buildings, excluding shares in real estate companies or REITS)
Restrictions on outsourcing	No
Diversification requirements	Yes, extensive. A securities scheme may not hold more than 10% of its net assets in securities issued by a single issuer. It may not hold more than 15% of its net assets in unlisted or unquoted securities. There are range of "specialised funds" under the Unit Trusts Code, such as management funds, hedge funds and structured funds, which have specific diversification requirements.
Leverage restricted	Yes – depends on the asset class, but generally between 10% and 25% of total net assets
Derivatives restricted	Yes for general securities funds which may invest in options and warrants for hedging purposes, but subject to a 15% diversification restriction. A scheme may invest in futures contracts for hedging purposes, but subject to diversification restrictions. It is possible to establish specific funds to invest in derivatives with increased levels of disclosure.
Local currency denomination required	There is no specific requirements

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	SFC*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	Chinese and English

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes, the SFC may accept that some schemes already comply in substance with certain provisions of the Unit Trust and Mutual Funds Code by virtue of prior authorization in a regulated jurisdiction
If so, which countries have achieved recognition?	Australia, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Luxembourg, Malaysia, Taiwan, UK, US

* Securities and Futures Commission





Population 2015: **126.92 mn**
Tokyo (34 mn includes
Greater Tokyo)



US\$1 (Nov-15) : 123.050
Japanese Yen
EUR1 (Nov-15) : 132.190
Japanese Yen

Business Overview

- Japan enjoyed a sharp uptick in growth in 2013 on the basis of Prime Minister Shinzo Abe's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform.
- However, since the complete shutdown of Japan's nuclear reactors after the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than it was previously on imported fossil fuels.

Sector Attractiveness

Manufacturing

- The manufacturing industry in Japan is one of its strengths albeit few natural resources. As a result, Japanese companies will import raw materials from overseas and process them using the cutting edge technology to make finished goods which are used domestically or exported for higher returns.

Food

- A small agricultural sector is highly subsidised and protected, with crop yields among the highest in the world. While self-sufficient in rice production, Japan imports about 60% of its food on a caloric basis.

Transportation

- Japan's transport system is highly developed, with road and rail networks covering virtually every part of the country together with extensive air and sea services.

2014 Key Economic Indicators

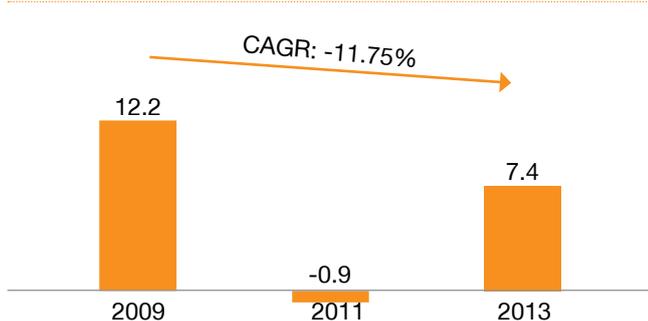
1. GDP per capita	US\$36,251
2. Unemployment rate	3.6%
3. Population % between 15-54 years	47.55
4. S&P rating	AA-
5. Internet penetration	86%
6. Consumer Price Index growth	2.7%
7. Ease of doing business ranking	29/189
8. Corruption Perception Index ranking	15/175

2014 Tax and Regulation

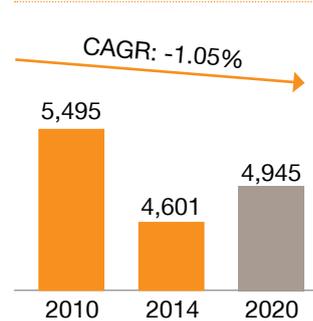
1. Corporate Income Tax (CIT)	33.06%
2. Personal Income Tax	5-40%
3. Tax Incentives	Available
4. Total Tax Rate*	49.7%
5. Ease of paying taxes ranking	122/189

* Average world tax rate is 43.1%

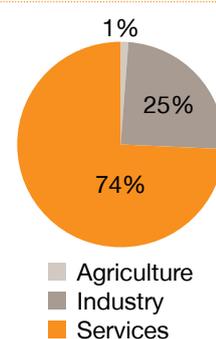
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



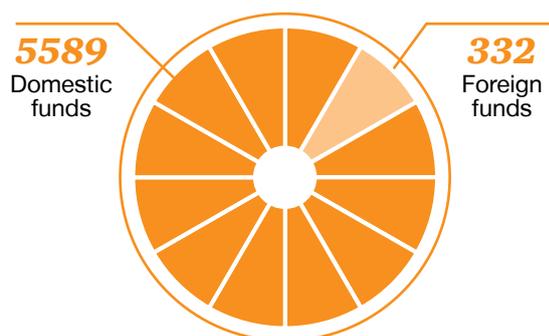
Sources : ICI, Lipper, Tushin and PwC analysis

Distribution

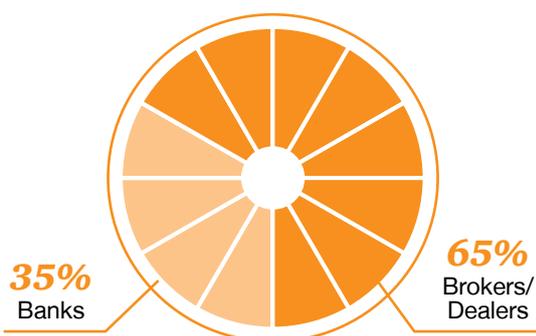
Why is Japan a promising market?

In light of one of the highest old-age dependency ratio in the world (42% in 2014), Japanese pension funds have to diversify their investment portfolio in terms of asset class but also in terms of geographical exposure. Recently, defined benefit pension funds in Japan have sharply increased the amount they have handed to fund houses to invest on their behalf. In addition, Japan's USD 1.2 trillion Government Pension Investment Fund (GPIF) changed its allocation targets in a drive to double domestic and international equities exposure to 25% each. The ARFP framework will be an opportunity for foreign asset managers to market their local equity expertise towards the Japanese pension fund industry.

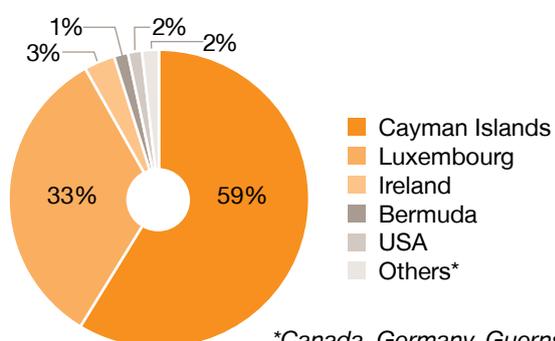
Breakdown of domestic/foreign funds



Distribution channels



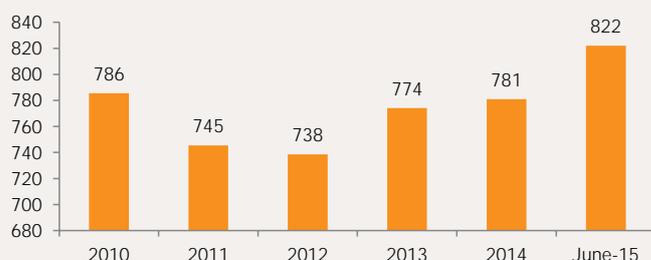
Domicile of foreign funds distributed in Japan (Oct 2015)



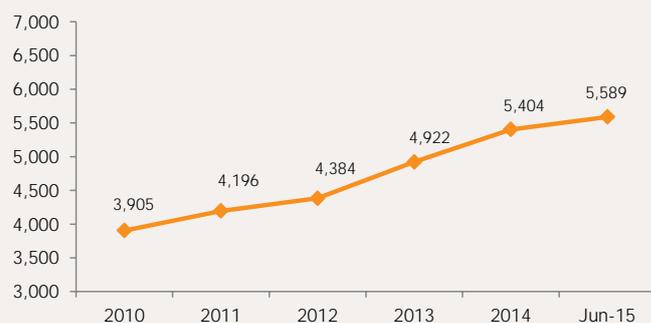
Overview of the Asset Management Market



Evolution of mutual funds assets in Japan (USD billion)



Evolution of the number of mutual funds



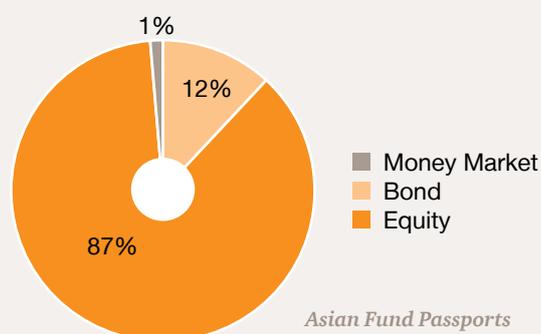
Top 10 promoters by AuM*

AuM (USD bn) Aug 15

1	Nomura	206.1
2	Daiwa	122.3
3	Nikko	90.0
4	Mitsubishi UFJ Kokusai	88.1
5	Shinko	32.2
6	Sumitomo Mitsui Trust	29.3
7	FIL Investments (Japan) Limited	27.3
8	Daiwa SB Investments Ltd.	22.7
9	Sumitomo Mitsui	21.5
10	DIAM	20.7

* Promoters of Japanese Unit Trust

Asset class breakdown of mutual funds assets (March 2015)





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	6 months to 1 year
What are the practical impediments to a foreign entity obtaining a licence?	Language barriers, highly regulated environment and compliance risks/costs
What are the minimum capital requirements for a licence holder?	JPY 50 million and net capital ratio to risks calculated based on prescribed formulae depending on the licence
How long does it take to authorise or register a fund?	1 to 6 months
How long does it take to achieve approval or registration of the disclosure document?	Securities Registration Statements get effective 15 days after the submission. Before that date, the shares can not be distributed to the investors in the case of publically offered fund.
Does the disclosure document have any expiry date?	Yes – Semiannually

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Investment Trusts (ITM Funds). For alternative investments, other types of mutual funds are used (eg investment corporation, TK, TMK)
Investment types not permitted	ITM Funds may invest in various products
Restrictions on outsourcing	Yes – must have internal portfolio management function but can outsource some asset management
Diversification requirements	Yes
Leverage restricted	Yes – The use of leverage should be within net asset value of the fund, and the borrowings are allowed only for the purpose of paying redemption and/or distribution investors
Derivatives restricted	Yes – for hedging purposes (e.g.) such investments should not go over the scope of hedging, or should be defined in its contract Document
Local currency denomination required	While there are no laws prohibiting an ITM Fund from being denominated in foreign currencies, from an operational perspective it is extremely difficult to do so. No such limitations exist for foreign funds

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	FSA* SESC**
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	Japanese

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes – but currently limited to those in recognised jurisdictions
If so, which countries have achieved recognition?	Bermuda, Canada, Cayman Islands, Germany, Guernsey, Ireland, Luxembourg, USA

* Financial Services Agency

** Securities and Exchange Surveillance Committee



Malaysia



Population 2015: **30.5 mn**
Kuala Lumpur
(6 mn includes Greater KL)
Johor Bahru (1.5 mn)



US\$1 (Nov-15) : 4.351
Malaysian Ringgit
EUR1 (Nov-15) : 4.671
Malaysian Ringgit

Sector Attractiveness

Finance

- Malaysia strives to be a global hub for Islamic finance, with strong and comprehensive Islamic financial systems and a robust business driven regulatory regime and framework
- Banking in Malaysia is adopting more technology and commercial banks are seeing consolidation within the sector

Food

- Malaysia strives to present itself as a global Halal hub for Halal food production, ingredients, cosmetics and personal care products, capitalizing on its status as an Islamic country
- It is expected that by 2020 – Halal products will account for approximately 8.5% of Malaysia's exports
- The opportunity size of the Halal market in Malaysia is estimated to be approximately US\$ 500 bn

Palm Oil

- Palm oil represents the king of commodities in Malaysia, accounting for over 80% of total value of commodities
- The country is the second largest producer of palm oil globally after Indonesia

Business Overview

- Malaysia is ranked highly as a favourable business location; its competitiveness, connectivity and ease of doing business are attractive to foreign investors
- The Government plays a proactive role in the economy, promoting significant public and private spending via its Economic Transformation Programme initiatives
- Investors are provided with numerous concessions and tax breaks to boost FDI, driven by the government's plan to become a high income nation by 2020

2014 Key Economic Indicators

1. GDP per capita	US\$11,049
2. Unemployment rate	2.9%
3. Population % between 15-54 years	58.1%
4. S&P rating	A-
5. Internet penetration	40.3%
6. Consumer Price Index growth	3.1%
7. Ease of doing business ranking	18/189
8. Corruption Perception Index ranking	50/175

2014 Tax and Regulation

1. Corporate Income Tax (CIT) [^]	26%
2. Personal Income Tax ^{^^}	0-26%
3. Tax Incentives	Available
4. Total Tax Rate ^{**}	36.3%
5. Ease of paying taxes ranking	32/189

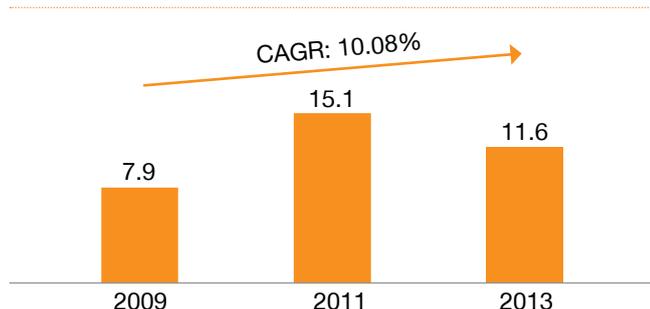
^{*} 20% tax is imposed on the first MYR 500,000 of chargeable income

^{**} Average world tax rate is 43.1%

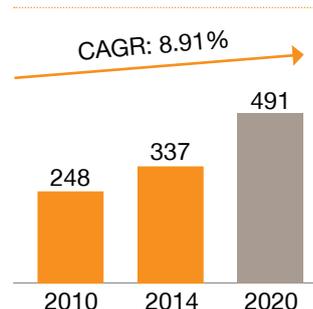
[^] Proposed tax rate of 25% in YA 2015 and 24% in YA 2016

^{^^} Proposed max tax rate of 25% for YA2015

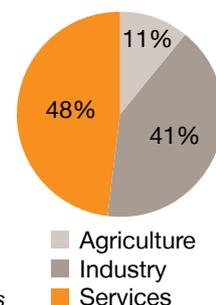
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

Distribution

Why is Malaysia a promising market?

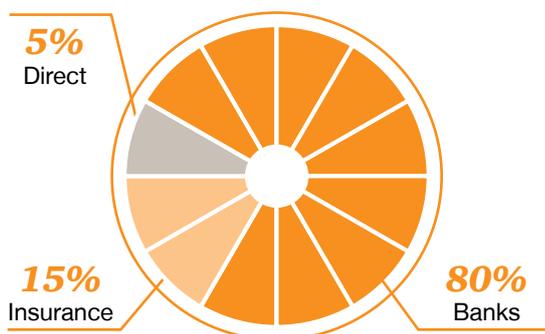
Malaysia has the largest domestic market of the ASEAN CIS passport with about USD 116 billion of AuM. For the moment, four Malaysian domiciled funds have been approved to be distributed in Singapore. Malaysia is considered as the epicentre of Islamic Finance managing more than USD 500 billion of assets. On the mutual funds side, Malaysia has a dedicated Islamic finance regulatory regime with around 300 Islamic funds accounting for about USD 20 billion. With the ASEAN CIS passport, opportunity is now given to the Islamic fund centre to distribute its expertise in Singapore and Thailand.

ASEAN CIS mutual funds

	Company name	Fund name	Asset Class	Status
1	CIMB-Principal AM	CIMB-Principal Asean total Return Fund	Equity	Approved by Singapore
2	CIMB-Principal AM	CIMB-Principal Asia Pacific Dynamic Income Fund	Fixed Income	Approved by Singapore
3	CIMB-Principal AM	CIMB Islamic DALI Equity Theme Fund	Equity	Approved by Singapore
4	CIMB-Principal AM	CIMB-Principal Malaysia Equity Fund	Equity	Approved by Singapore
5	Maybank Asset Management	Maybank Bosera Greater China ASEAN Equity-I Fund	Equity	Not yet Approved

* Promoters of funds domiciled in Malaysia

Distribution channels



Sources: AMC, ICI and PwC analysis

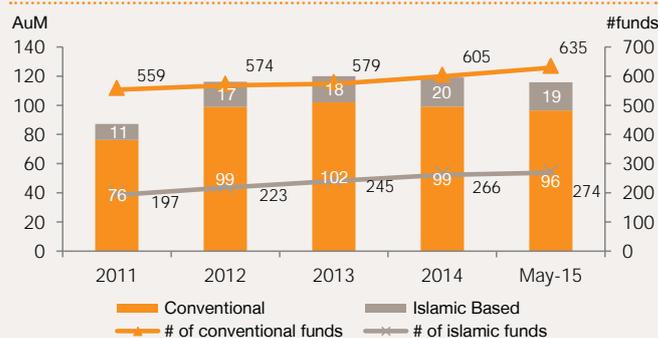
Overview of the Asset Management Market



Breakdown of AuM between wholesale funds and Unit Trust (USD bn)



Evolution of AuM and # of funds for wholesale funds and Unit Trust (USD bn)

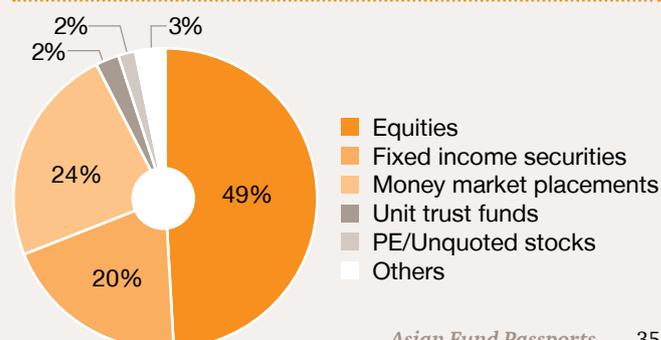


Top 10 promoters by AuM* # funds June 15 %AuM

Rank	Promoter	# funds June 15	%AuM
1	Public Mutual	112	30.4%
2	CIMB	111	12.3%
3	RHB-OSK	138	10.0%
4	Affin Hwang	80	7.0%
5	AmlInvestment	91	6.9%
6	Maybank	25	4.2%
7	KLCC REIT	1	3.6%
8	Hong Leong	49	3.1%
9	Sunway	1	1.9%
10	IGB REIT	1	1.8%

* Promoters of funds domiciled in Malaysia

Asset Allocation of the Fund Management Industry* by AuM (June 2015)



Asian Fund Passports 35

Sources: Securities Commission Malaysia, Lipper and PwC analysis



Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	3 to 6 months
What are the practical impediments to a foreign entity obtaining a licence?	The designated person must be licensed/registered/approved/ authorised to carry on the activity of fund management by the relevant regulator in his home jurisdiction
What are the minimum capital requirements for a licence holder?	Depends on the type of license i.e. dealing in securities: MYR 5 million maintained at all times, fund management: MYR 2 million maintained at all times.
How long does it take to authorise or register a fund?	Depends on regulator's approval
How long does it take to achieve approval or registration of the disclosure document?	Within 21 calendar days from date of submission
Does the disclosure document have any expiry date?	Yes

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	Securities Commission
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	English or Bahasa Malaysia

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Unit trusts are more common
Investment types not permitted	None identified
Restrictions on outsourcing	A market intermediary can only outsource its:- (a) back office function to a service provider; (b) internal audit function to group or an external auditor; (c) risk management and compliance functions to a group; and (d) any other function that the SC or the exchange (in consultation with the SC), may determine.
Diversification requirements	Only for specific fund types, for example, REITS must have a certain percentage invested in completed property
Leverage restricted	Yes
Derivatives restricted	Yes
Local currency denomination required	Yes

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes
If so, which countries have achieved recognition?	Singapore, Thailand



New Zealand



Population 2015: **4.4 mn**
Auckland (1.4 mn)



US\$1 (Nov-15) : 1.530
New Zealand Dollar
EUR1 (Nov-15) : 1.643
New Zealand Dollar

Business Overview

- The New Zealand economy has recovered well following the global financial crisis in 2008. The recovery was driven primarily through quality exports and a strong dairy sector.
- Recovery from the crisis is largely due to strong demand from Australia and China who were less affected by the crisis.
- Key government policies have helped to boost the domestic economy.
- New Zealand was ranked by the World Bank in 2015 as the easiest place in the world to start a business.

Sector Attractiveness

Tourism

- Tourism contributes significantly to the GDP of New Zealand due to the attractiveness of its landscape and outdoor activities.

Agriculture

- New Zealand is famous for its primary sector exports; in particular dairy, meat, fisheries and wine. The quality of its produce is driven by fertile soil and superior growing conditions.

2014 Key Economic Indicators

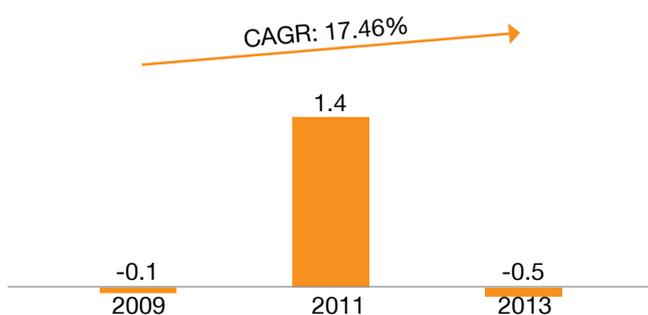
1. GDP per capita	US\$36,136
2. Unemployment rate	5.4%
3. Population % between 15-54 years	53.99%
4. S&P rating	AA
5. Internet penetration	92%
6. Consumer Price Index growth	0.8%
7. Ease of doing business ranking	2/189
8. Corruption Perception Index ranking	2/175

2014 Tax and Regulation

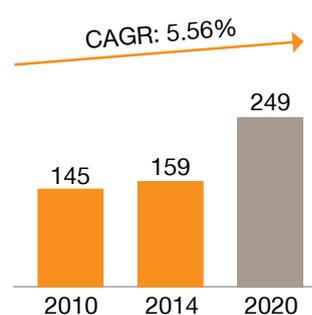
1. Corporate Income Tax (CIT)	28%
2. Personal Income Tax	10.5%-33%
3. Tax Incentives	Available
4. Total Tax Rate*	34.6%
5. Ease of paying taxes ranking	22/189

* Average world tax rate is 43.1%

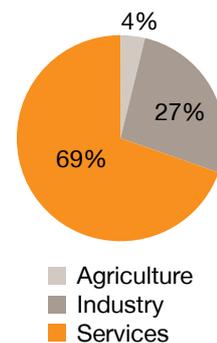
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector

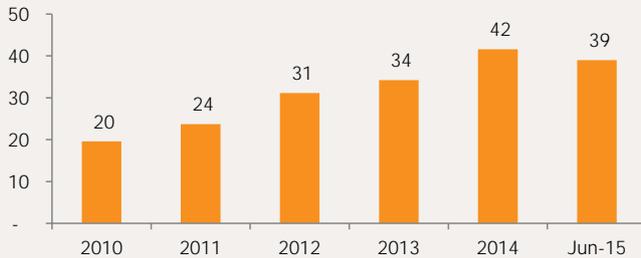


Sources : CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

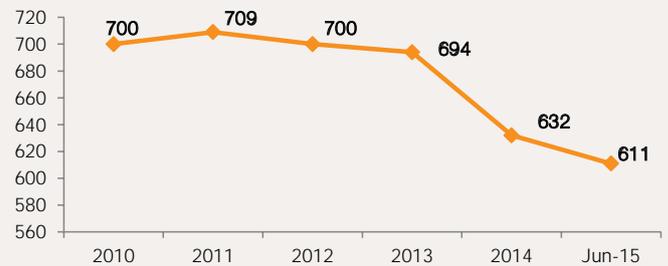
Overview of the Asset Management Market



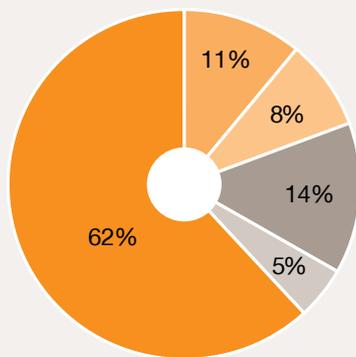
Evolution of mutual funds assets in New Zealand (USD bn)



Evolution of the number of mutual funds



Asset class breakdown of mutual funds assets (June 2015)



- Mixed Assets
- Money Market
- Bond
- Equity
- Other Funds

Fund Managers operating in New Zealand

- AMP Wealth Management
- ANZ Wealth
- ASB Bank
- Bank of New Zealand
- BT Funds Management (including Westpac)
- Devon Funds Management
- Fisher Funds Management
- Forsyth Barr
- Harbour Asset Management
- Kiwi Wealth Limited
- Kiwibank
- Mercer (NZ) Limited
- Milford Asset Management
- Nikko Asset Management NZ
- Russell Investment Management





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	1 to 4 months
What are the practical impediments to a foreign entity obtaining a licence?	None identified
What are the minimum capital requirements for a licence holder?	None identified
How long does it take to authorise or register a fund?	Up to 3 months
How long does it take to achieve approval or registration of the disclosure document?	None identified
Does the disclosure document have any expiry date?	Yes depending on type of disclosure document

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	KiwiSaver, superannuation, workplace savings scheme, unit trusts
Investment types not permitted	None identified
Restrictions on outsourcing	None except for bank based fund managers
Diversification requirements	None identified
Leverage restricted	None identified
Derivatives restricted	None identified
Local currency denomination required	There is no specific requirement

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	FMA*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	English

* Financial Markets Authority

Current arrangements for distribution of foreign Mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	YES
If so, which countries have achieved recognition?	Australia



Philippines



Population 2015: **101 mn**
 Manila (12 mn)
 Quezon City (2.7 mn)



US\$1 (Nov-15) : 47.017
Philippine Peso
EUR1 (Nov-15) : 50.481
Philippine Peso

Business Overview

- Strong GDP growth has been supported by significant infrastructure investment, a booming manufacturing sector and numerous PPPs
- Preparation for the upcoming 2016 election has led to new political alliances and a renewed interest from the business community to implement economic reforms
- IPO funding has been encouraging, as approximately US\$ 100 mn was raised in the first half of 2014

2014 Key Economic Indicators	
1. GDP per capita	US\$2,871
2. Unemployment rate	6.8%
3. Population % between 15-54 years	56.0%
4. S&P rating	BBB
5. Internet penetration	39.43%
6. Consumer Price Index growth	4.1%
7. Ease of doing business ranking	95/189
8. Corruption Perception Index ranking	85/174

2014 Tax and Regulation	
1. Corporate Income Tax (CIT)	30%
2. Personal Income Tax	5%-32%
3. Tax Incentives	Available
4. Total Tax Rate*	43%
5. Ease of paying taxes ranking	127/189

* Average world tax rate is 43.1%

Sector Attractiveness

Infrastructure

- The Philippines is witnessing a huge growth in PPP infrastructure projects – this is across airports, highways and trains
- There are approximately 50 PPP projects in the pipeline currently
- Key projects include the North-South commuter rail and the Mass Transit loop

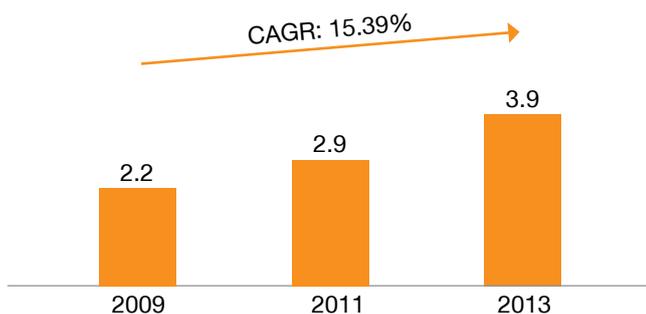
IT/BPO

- The Philippines ranks 7/51 of the popular countries for BPO services and investment
- Key reasons for this; a young workforce, low operating costs, educated and English-speaking population and affordable real estate
- The BPO industry is expecting an average yearly growth rate of 20%, as investors are given numerous incentives

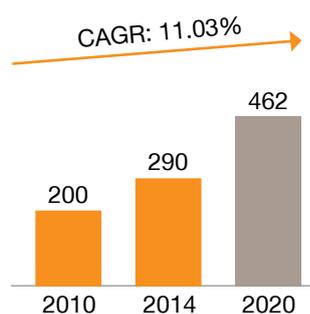
Banking

- In 2014, a new law was signed that allows full entry of foreign banks into the Philippines and grants locally-incorporated subsidiaries of foreign banks equal banking privileges as domestic banks
- This, coupled with the availability of skilled talent and a well established banking framework has propelled the growth of the banking industry

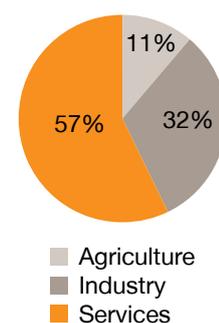
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector

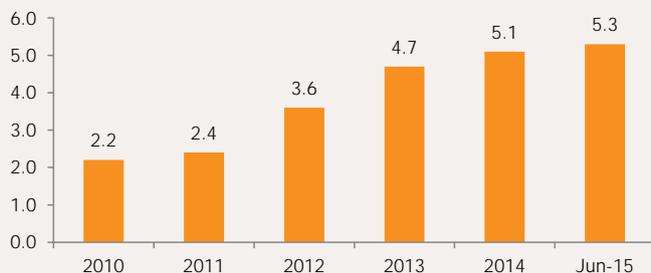


Sources : CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

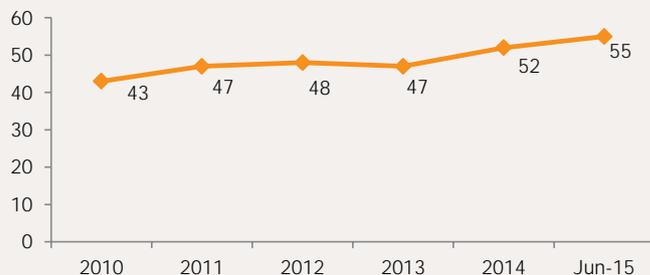
Overview of the Asset Management Market



Evolution of mutual funds assets in Philippines (USD billion)



Evolution of the number of mutual funds

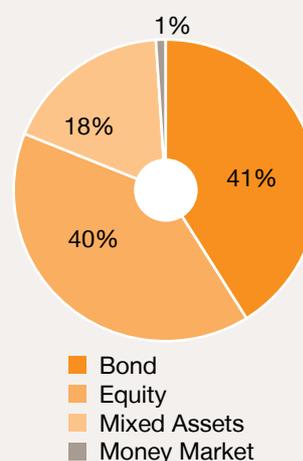


List of registered promoters

- 1 ATR Asset Management
- 2 BPI Asset Management
- 3 Cocolife
- 4 First Metro Asset Management
- 5 Grepalife Asset Management Corporation (GAMC)
- 6 MAA General Assurance Philippines, Inc.
- 7 Philam Asset Management, Inc
- 8 Philequity Management, Inc.
- 9 Prudentiallife
- 10 Sun Life Financial

Sources: PIFA, ICI and PwC analysis

Asset class breakdown of mutual funds assets (June 2015)





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	Between 1 and 3 months depending the type of funds
What are the practical impediments to a foreign entity obtaining a licence?	<ul style="list-style-type: none"> • For MF/ETF – Directors must all be Filipinos • For REIT – 60% Foreign Equity Ownership Limitation • For UITF – Prior BSP preclearance of the capability to establish a Trust
What are the minimum capital requirements for a licence holder?	<ul style="list-style-type: none"> • For ETF – Php250M • For UITF – Trust Company – Php100M subject to capital build up of P300M in 5 years • For UITF – Banks – depends on the type of bank, e.g. Php2B for commercial banks • For MF – Php50M • For REIT – Php300M
How long does it take to authorise or register a fund?	Generally, between 2 to 4 weeks, depending on the type of fund
How long does it take to achieve approval or registration of the disclosure document?	SEC processes applications to market funds at least 120 days. BSP approves the UITF Plan in at least 4 weeks
Does the disclosure document have any expiry date?	Within 135 days from the effectivity date

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	<ul style="list-style-type: none"> • Exchange Traded Fund (ETF) • Unit Investment Trust Fund (UITF) • Mutual Fund (MF) • Real Estate Investment Trust
Investment types not permitted	<ul style="list-style-type: none"> • Those not included in prescribed investments • Permitted investments securities traded on markets, government securities
Restrictions on outsourcing	UITF – BSP Guidelines on Outsourcing are Applicable
Diversification requirements	UITFs/MFs are subject to investment caps even in permitted investments.
Leverage restricted	–
Derivatives restricted	Yes
Local currency denomination required	UITF – No restriction Mutual Fund – No Restriction

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	SEC*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	English

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	N.A.
If so, which countries have achieved recognition?	Malaysia, Thailand and Singapore

*Securities and Exchange Commission





Population 2015: **5.7 mn**



US\$1 (Nov-15) : 1.419 Singapore Dollar
EUR1 (Nov-15) : 1.523 Singapore Dollar

Business Overview

- Singapore is one of the most attractive investment destinations in the region – FDI investment in 2013 was estimated at more than US\$ 65 bn
- As one of the most competitive and easiest countries in the world to do business, many MNCs continue to establish their regional headquarters in Singapore, spurring the economic growth of the country
- The high cost of living and conducting business in Singapore is a concern that may impact the business environment in the long term

2014 Key Economic Indicators

1. GDP per capita	US\$53,860
2. Unemployment rate	2%
3. Population % between 15-54 years	67.82%
4. S&P rating	AAA
5. Internet penetration	80.7%
6. Consumer Price Index growth	1%
7. Ease of doing business ranking	1/189
8. Corruption Perception Index ranking	7/175

2014 Tax and Regulation

1. Corporate Income Tax (CIT)	17%
2. Personal Income Tax	0-20%
3. Tax Incentives	Available
4. Total Tax Rate*	27.1%
5. Ease of paying taxes ranking	5/189

* Average world tax rate is 43.1%

Sector Attractiveness

Energy

- Singapore is a regional leader in renewable energy – developing the clean technology sector to contribute US\$ 2.7 bn to the GDP by 2015
- The government promotes use of natural gas (it fuels 80% of Singapore's electricity generation), it is currently building a terminal to import liquefied natural gas and diversify its supply

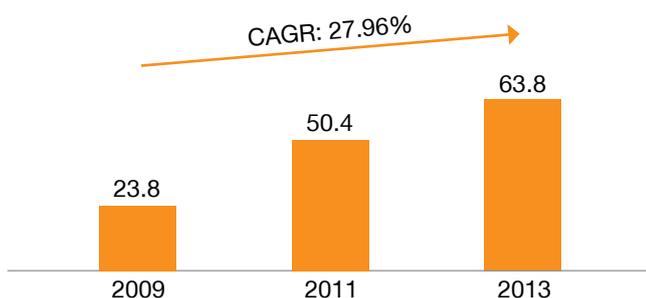
Healthcare

- Singapore has a mature healthcare market, ranked 1st in Bloomberg's annual healthcare efficiency ranking
- Driven by an ageing population, increasing incidences of chronic diseases and medical tourism – healthcare expenditure is expected to grow at a CAGR of 12% to reach US\$ 22 bn in 2018

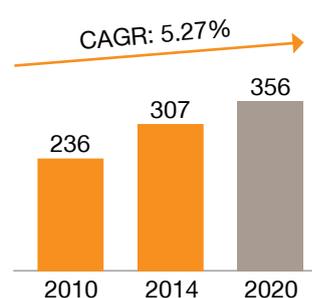
Infrastructure

- Singapore constantly ranks highly amongst attractive countries for infrastructure investment – key drivers include stable political and economic environment, transparency and ease of regulatory environment
- Investors believe that challenges such as high cost of labour and real-estate are outweighed by benefits
- Investment in construction projects has amounted to between US\$ 18-29 bn in the last 5 years

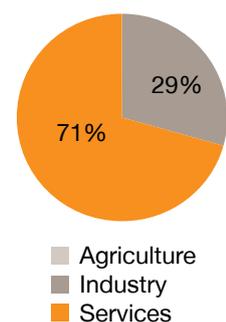
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

Distribution

Why is Singapore a promising market?

Singapore is considered as the largest Wealth Management Centre of Asia and in the world after Singapore recently overtook Switzerland. Middle-class consumption continues to grow across Asia. In addition, the city-state has been the favoured entry point to Asia for western investment fund houses due to its connectivity to the broader Asian community, robust regulatory framework and business-minded government and infrastructure. Indeed, Singapore is very open to foreign investment funds with more than 2,800 foreign funds distributed in the country.

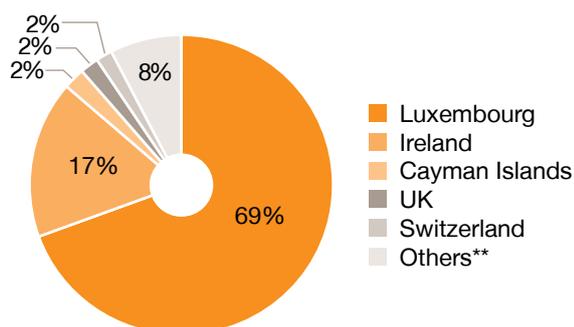
Breakdown of domestic/foreign funds



ASEAN CIS approved funds

	Company name	Fund name	Asset Class
1	Maybank Asset Management	Maybank Asian Equity Fund	Equity
2	Maybank Asset Management	Maybank Asian Income Fund	Fixed Income
3	Nikko Asset Management	Nikko AM China Equity Fund	Equity
4	Nikko Asset Management	Singapore Dividend Equity Fund	Equity
5	Phillip Capital	Phillip Income Funds	Fixed Income

Domicile of foreign funds distributed in Singapore (Oct 2015)

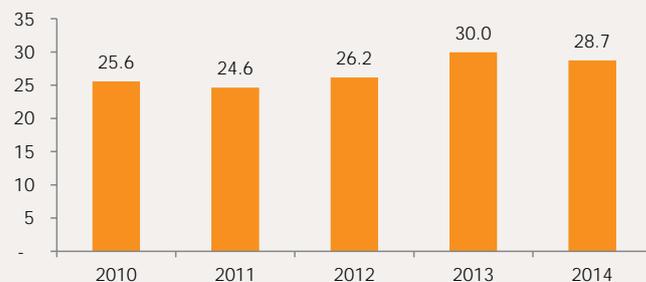


** Bermuda, British Virgin Island, Cook Islands, Curacao, France, Germany, Guernsey, Hong Kong, India, Indonesia, Isle of Man, Jersey, Liechtenstein, Malaysia, Malta, Mauritius, Sweden

Overview of the Asset Management Market



Evolution of domestic mutual funds assets in Singapore (USD billion)



Distribution channels

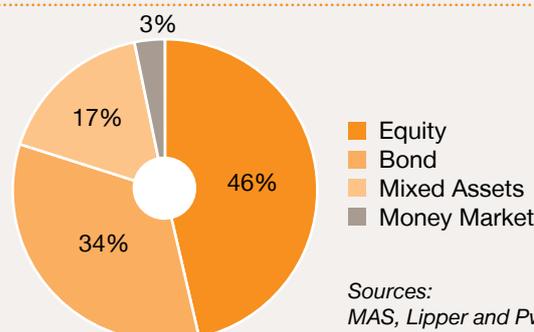


Top 10 promoters by AuM*

	AuM (USD bn) Sept 14
1	Aberdeen AM Asia Ltd 91
2	Eastspring Invst (Singapore) Ltd 78
3	MFS Int. Singapore Pte Ltd 70
4	Templeton AM Ltd 50
5	AIA Singapore Private Ltd 28
6	Lion Global Investors Ltd 26
7	NTUC Income Insurance Ltd 24
8	Schroder IM (Singapore) Ltd 23
9	Morgan Stanley IM Company 22
10	Ashmore IM (Singapore) 17

* Promoters of assets managed in Singapore

Asset class breakdown of Authorised CIS assets (end 2014)





Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	4 to 6 months
What are the practical impediments to a foreign entity obtaining a licence?	Meeting the capital and operational requirements and "fit and proper" test
What are the minimum capital requirements for a licence holder?	SGD 250,000 to SGD 1,000,000 depending on type of licence
How long does it take to authorise or register a fund?	2 to 3 months
How long does it take to achieve approval or registration of the disclosure document?	3 to 4 months
Does the disclosure document have any expiry date?	Yes

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Unit Trust Limited Partnerships
Investment types not permitted	Generally none
Restrictions on outsourcing	No, but needs to be in compliance with the guidelines on outsourcing
Diversification requirements	Yes. Depends on type of funds, ie Equity/bond/balanced have no restrictions, but FoHF do.
Leverage restricted	Yes
Derivatives restricted	No
Local currency denomination required	No. Funds may issue different classes of securities denominated in different currencies

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	MAS*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	English

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes, but currently limited to those in recognised jurisdictions
If so, which countries have achieved recognition?	Bermuda, Canada, Cayman Islands, Germany, Guernsey, Ireland, Luxembourg, USA, Australia

* Monetary Authority of Singapore



South Korea



Population 2015: **49 mn**
 Seoul (10.4 mn)
 Busan (3.7 mn)



US\$1 (Nov-15) : 1152.070
South-Korean Won
EUR1 (Nov-15) : 1236.950
South-Korean Won

Business Overview

- Following a decline in private consumption in 2014, the Government has improved real estate measures, eased the monetary policy and boosted the fiscal policy
- This has been attractive for investors interested in the services industry in South Korea
- Economists expect GDP to expand 3.5% in 2015 and project more than 3.6% GDP growth in 2016

2014 Key Economic Indicators

1. GDP per capita	US\$29,571
2. Unemployment rate	3.5%
3. Population % between 15-54 years	60.15%
4. S&P rating	A+
5. Internet penetration	91.5%
6. Consumer Price Index growth	1.3%
7. Ease of doing business ranking	5/189
8. Corruption Perception Index ranking	43/175

2014 Tax and Regulation

1. Corporate Income Tax (CIT)	11.0%~18.7%
2. Personal Income Tax	6%-38%
3. Tax Incentives	Available
4. Total Tax Rate*	35.4%
5. Ease of paying taxes ranking	25/189

* Average world tax rate is 43.1%

Sector Attractiveness

Semiconductor

- The semiconductor industry increased by 8.8% in 2014, with an export revenue of close to USD \$62 billion
- Measures to protect local competitors ensure that competition is minimized and export profits are shared amongst large Korean companies
- In 2015, the semiconductor industry is expected to increase by 6.9%

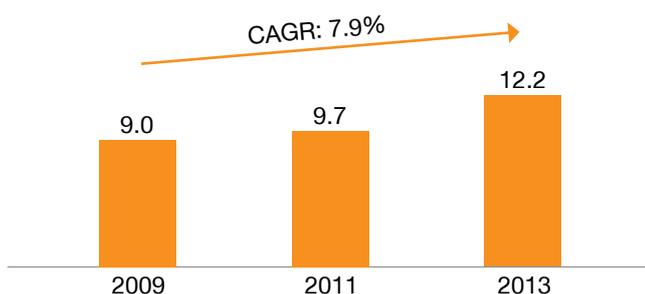
Food & Beverage

- The South Korean food and beverage industry is profiting from free trade agreements with the US, EU and China – leading to a huge increase in exports
- Retailers are actively looking for expansion opportunities across the region, focusing on operational efficiency and diversifying their products

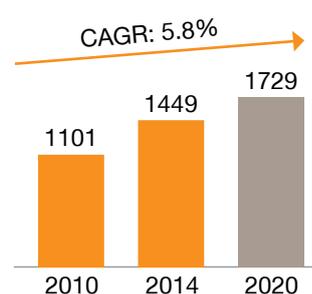
Entertainment

- The South Korean entertainment industry has grown by 50% over the last 3 years
- This can be attributed to the aggressive marketing campaigns and the popularity of the movie and music sectors in the region
- The entertainment industry is a significant contributor to the services sector in South Korea

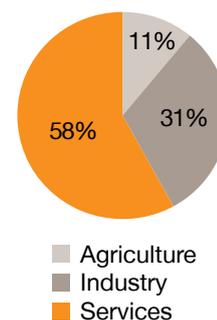
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis

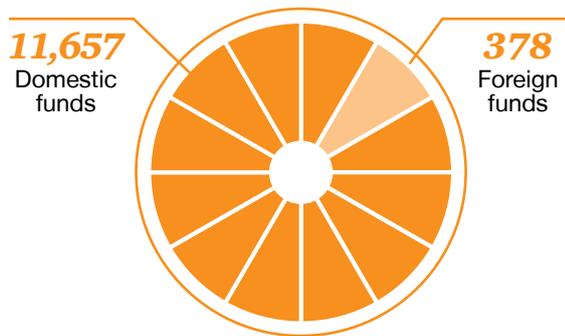


Distribution

Why is South Korea a promising market ?

Korea's corporate pension system is a great opportunity for fund managers. Driven by guaranteed products, corporate pensions have grown to USD 97 billion. About 70% of the market is defined benefit, with defined contribution (22%) and individual plans (8%). Currently, investors' preferences has meant little uptake for funds, which account for 6% of corporate pension assets. Nevertheless, the government has implemented measures to support diversification and raise the cap on Defined Contribution risk assets from 40% to 70%. This may encourage the use of equity funds and allow foreign fund firms to propose their local expertise.

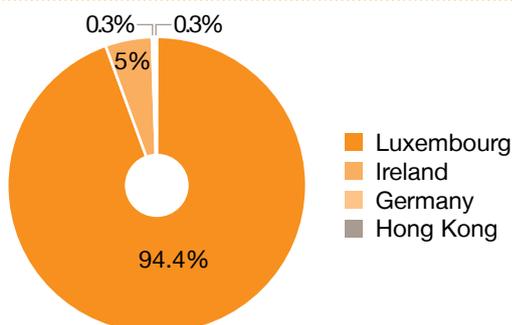
Breakdown of domestic/foreign funds



Distribution channels



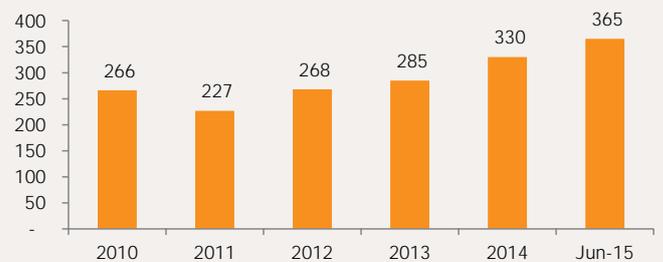
Domicile of foreign funds distributed in South Korea (Oct 2015)



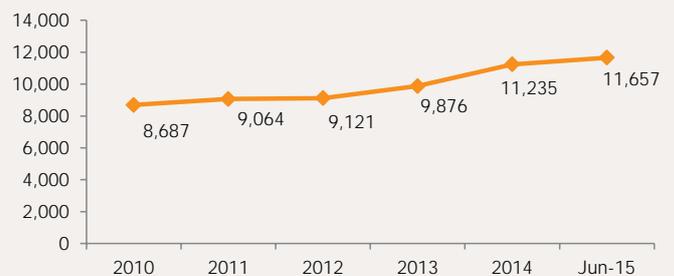
Sources: Lipper and PwC analysis

Overview of the Asset Management Market

Evolution of mutual funds assets in South Korea (USD bn)



Evolution of the number of mutual funds



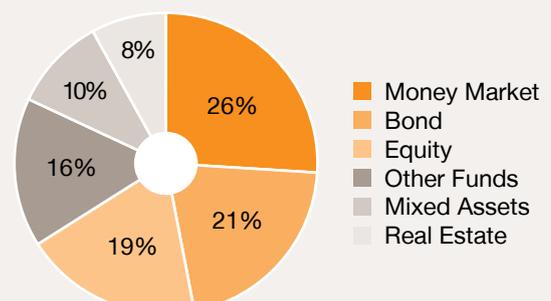
Top 10 promoters by AuM*

AuM (USD bn) Aug 15

1	Samsung ITMC	41.8
2	Mirae AM	41.5
3	KB AMC	29.4
4	Korea ITMC	22.2
5	Shinhan BNP Paribas	18.3
6	Hanwha ITMC	16.2
7	Kiwoom AMC	15.5
8	NH-CA AMC	13.9
9	Hungkuk ITMC	13.1
10	UBS Hana AMC	12.5

* Promoters of funds domiciled in South Korea

Asset class breakdown of mutual funds assets (June 2015)



Sources: KOFIA, ICI and PwC analysis



Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	3 months
What are the practical impediments to a foreign entity obtaining a licence?	Need to establish local branches or other business offices
What are the minimum capital requirements for a licence holder?	Initial minimum capital: KRW 8 billion Ongoing minimum capital: 70% of initial minimum Capital
How long does it take to authorise or register a fund?	20 days from application date
How long does it take to achieve approval or registration of the disclosure document?	15 days
Does the disclosure document have any expiry date?	No

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	<ul style="list-style-type: none"> • Investment trust • Investment company • Investment limited liability company • Investment limited partnership company • Investment limited partnership • Investment undisclosed association
Investment types not permitted	Private equity and hedge funds cannot be offered to the public
Restrictions on outsourcing	Yes, asset management compliance, internal audit, risk management are restricted to outsourcing. However, foreign investment management function can be delegated to other asset managers
Diversification requirements	Yes. Diversification requirements depend on types of assets invested by funds (eg 10% rule)
Leverage restricted	Yes, Generally, fund portfolios are prohibited from using leverage. However, in the case of private placement funds for qualifying investors, total borrowing is limited.
Derivatives restricted	Yes, Basically, the total risk exposure to derivatives should not exceed net asset of the fund.
Local currency denomination required	Yes, however, foreign funds can be denominated in foreign currencies and may issue different classes of units in different currencies.

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	FSC*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	Korean

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes
If so, which countries have achieved recognition?	Luxembourg, Ireland, Hong Kong, Germany

* Financial Supervisory Commission



Thailand



Population 2015: **68 mn**
Bangkok (8.5 mn)



US\$1 (Nov-15) : 32.675 Thai Baht
EUR1 (Nov-15) : 38.304 Thai Baht

Business Overview

- Thailand is ranked as the 8th most attractive country for investment in the region
- A 1H-2014 BOI survey of foreign investors indicated 98% had continued confidence in Thailand due to adequate suppliers and raw materials, infrastructure, and funding
- After a year of political instability, Thailand has re-positioned itself as a hub of medical tourism, agriculture and services

2014 Key Economic Indicators

1. GDP per capita	US\$5,588
2. Unemployment rate	0.80%
3. Population % between 15-54 years	61.47%
4. S&P rating	BBB+
5. Internet penetration	28.8%
6. Consumer Price Index growth	1.9%
7. Internet penetration	26/189
8. Corruption Perception Index ranking	85/175

2014 Tax and Regulation

1. Corporate Income Tax (CIT)*	20%
2. Personal Income Tax	0-35%
3. Tax Incentives	Available
4. Total Tax Rate**	29.8%
5. Ease of paying taxes ranking	62/189

* Progressive tax rate of 0-20% applies to SMEs

** Average world tax rate is 43.1%

Sector Attractiveness

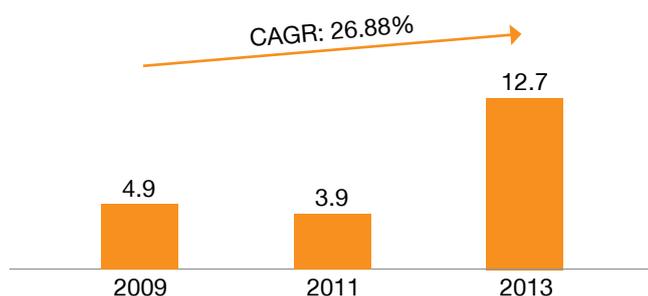
Food

- Thailand's agricultural expertise and abundant natural resources have made the country one of the world's leading suppliers of commodities (e.g. rice, sugar, cassava, and rubber)
- The use of leading technologies combined with governmental support in food R&D have developed Thailand's reputation as the "Kitchen of the World"
- Increasing regulatory focus on implementing international standards of food safety and hygiene are increasing consumer trust and consumption

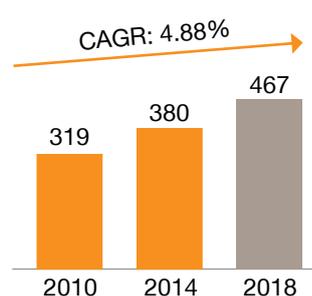
Healthcare

- Thailand is the world's largest medical tourism market due to its low-cost medical treatments and high quality of healthcare
- The government continues to launch initiatives to strengthen its position as the Medical Hub of Asia (e.g. internationally certified medical facilities and standards, tourist visa fee exemptions and discounts on parking and landing fees to entice both regular and medical tourists)
- The Thailand Board Of Investment offers attractive incentives for a wide range of activities related to the medical sector (e.g. manufacture of medical food and medical equipment)

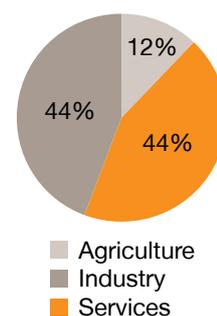
FDI Inflow – US\$ bn



GDP – Current US\$ bn



By Sector



Sources: CIA Factbook, Global-rates, World Bank, Oanda, IBGE, Trade Economics, IMF, PwC Reports & Analysis, PwC APEC CEO Survey, Thailand Board of Investment Survey

Distribution

Why is Thailand a promising market?

Thailand is currently revamping its mutual fund industry. The Securities and Exchange Commission plans to issue regulations that would allow the launch of hedge funds and junk bond funds in order to expose Thai investors to more sophisticated products. Under the new SEC rules, Thai investors will also be able to take positions on derivatives and commodities futures. Nevertheless, the new regulations would take some time to have an impact and only high net-worth investors would invest in the new funds as a first step. For the moment, only one equity fund is approved by the home regulator under the ASEAN CIS passport.

Distribution channels



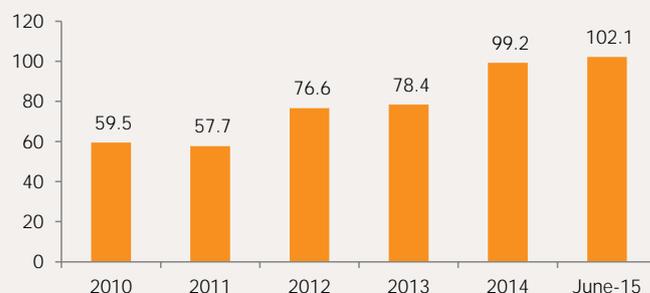
Thailand domiciled fund approved by the home regulator under the ASEAN CIS Passport

	Company name	Fund name	Asset Class
1	One Asset Management	One Stoxx Asean Select Dividend Index Fund	Equity

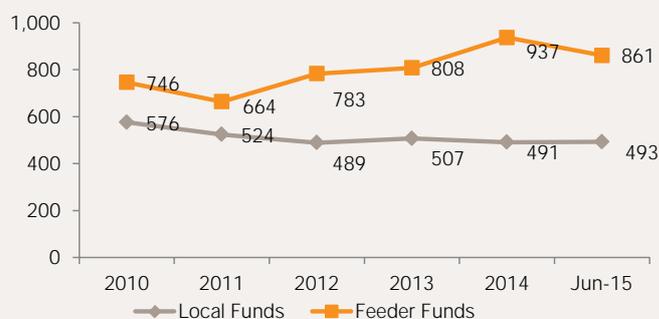
Overview of the Asset Management Market



Evolution of mutual funds assets in Thailand (USD bn)



Evolution of the number of mutual funds



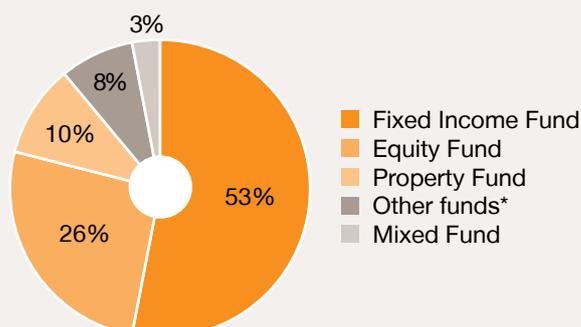
Top 10 promoters by AuM*

AuM (USD bn) Aug 14

1	Kasikorn AMC Ltd	25.3
2	SCB AMC Ltd	22.3
3	Krung Thai AMC Public Ltd	15.1
4	BBL AMC Ltd	14.0
5	Krungsri AMC Ltd	6.9
6	MFC AMC Public Ltd	6.4
7	TMB AMC Ltd	6.2
8	Thanachat FMC Ltd	4.1
9	UOB AM Company Ltd	3.7
10	One AM Ltd	1.5

* Promoters of funds domiciled in Thailand

Asset class breakdown of mutual funds assets (June 2015)



Sources: Investment Management Supervision Department, SEC, Association of Investment Companies and PwC analysis



Regulatory requirements

Average time and financial conditions required to obtain a licence, authorise a mutual fund or register a disclosure document in each jurisdiction

How long does it take to obtain a licence to market a fund?	No information
What are the practical impediments to a foreign entity obtaining a licence?	Foreign entities have to comply with SEC requirements.
What are the minimum capital requirements for a licence holder?	Private fund management companies and derivatives brokers shall have a minimum registered capital of 100 million baht starting from January 1, 2012. (The current requirements are 20 million baht and 25 baht, respectively).
How long does it take to authorise or register a fund?	Within 45 days
How long does it take to achieve approval or registration of the disclosure document?	Normally, the disclosure of document (Q&A, prospectus and etc.) is around a couple days prior to the fund IPO.
Does the disclosure document have any expiry date?	It is required by regulation to update the pack of documents every fund's accounting period.

Restrictions on how a fund operates in each jurisdiction

Types of mutual funds offered	Mutual Fund, Property Fund, Infrastructure Fund, Private Fund, Thai Provident Fund
Investment types not permitted	None
Restrictions on outsourcing	Asset manager has to be under supervision of SEC or a regulatory agency who is a member of IOSCO An intermediary could outsource the functions without seeking approval if the following conditions are met: 1) the FI is under supervision of: - SEC Thailand - Regulatory agency who is a member of the International Organization of Securities Commissions (IOSCO) - A central bank which is a member of the Bank for International Settlement (BIS). 2) an audit firm, whose auditors are recognized by the SEC Office 3) the Stock Exchange of Thailand
Diversification requirements	Depend on funds type. All have been modified in the prospectus
Leverage restricted	Yes
Derivatives restricted	Yes
Local currency denomination required	Yes

Authorisation/registration requirements for promoters, funds and disclosure documents

Regulator	SEC*
Fund promoter licence	YES
Investment manager licence	YES
Fund Authorization/Registration	YES
Disclosure document registration	YES
Disclosure document language requirement	Thai

Current arrangements for distribution of foreign mutual funds in the Asia region

Does the jurisdiction have a system of recognition of foreign funds for distribution to the public?	Yes
If so, which countries have achieved recognition?	Malaysia, Singapore

* Securities and Exchange Commission



Supporting your aspiration into Asia Pacific

Whether you are setting up in Asia Pacific for the first time or are already established, you will need a strategy for entering this fragmented market. Depending on your size and existing operations, you will face a range of challenges.

Market entry strategy



- Conduct market research of any of the Asia Pacific fund industry to provide overviews of key players, products and distribution channels
- Perform industry benchmarking and research capabilities
- Define market entry strategies, including investment vehicle and capital requirements
- Define business model (customer segments, product strategies, etc.)
- Assess eligibility criteria and capital requirements
- Perform operational due diligence assessment on asset managers and distributors

- ### Audit
- Provide statutory audit services for asset managers and investment funds



Tax



- Identify and advise how to address potential transfer pricing implications arising from cross border sales/investment management
- Executives and expatriate income tax planning
- Work visa applications
- Tax structuring on cross border distribution of fund products by fund managers' Corporate, employer, and/or employee tax filing

Regulatory, governance and compliance



- Provide overview of the regulatory landscape, compliance and tax requirements
- Provide advice and assistance on licensing application and fund authorisation
- Provide advice on differences between regulatory and compliance requirements of the various mutual funds markets.
- Assess current governance frameworks and regulatory compliance programmes
- Support ongoing regulatory compliance

Operating model and infrastructure



- Design/validate operating model and infrastructure requirements to support the business strategy/ model covering the following areas:
 - Assess operating model options for building out of domestic funds platform, including in-house build or outsourcing to third parties
 - Assess potential third-party vendors and service providers in Asia Pacific; develop vendor evaluation programmes and RFP processes
 - Design end-to-end business processes for key functions, including transfer agency, fund administration and custody
 - Define interactions with head office/offshore entities
 - Benchmark against industry peers and/or process re-engineering
 - Review internal control readiness

About PwC Asian Investment Fund Centre



PwC's Global Fund Distribution (GFD) service, headquartered in Luxembourg, has over 14 years of experience in bringing out the best in fund promoters' visions for distribution in foreign markets. This expertise has now come to Asia's shores, with the launch of the Asian Investment Fund Centre in Singapore. The GFD team currently covers more than 40 countries worldwide, thus is able to offer efficient and multi-jurisdictional solutions. The in-depth knowledge and experience of our combined GFD team based in Singapore and Luxembourg,

supported by our extensive network of local distribution experts where necessary, provide you with a single point of contact for all aspects of your fund distribution activity. Above all, it is our client focus that has contributed most to our standing as the market leader in fund distribution services. We tailor our solutions to your distribution footprint in order to meet your operational needs and thus free up your internal resources. The GFD service will support and guide you through the unique challenges of determining and managing a multi-jurisdictional fund distribution approach.

Thought leadership



Fund Domicile Web Tool

The tool allows you to compare different ‘key’ fund jurisdictions, from a tax, regulatory, assurance and commercial (set up, market etc.) perspective. Key jurisdictions are: Bermuda, BVI, Cayman Islands, Guernsey, Ireland, Jersey, Luxembourg, Malta, Mauritius, Singapore and UK.

<http://www.fundjurisdictions.com>



Asian Investment Fund Centre – Expanding your footprint

How PwC’s Asian Investment Fund Centre can help you expand your footprint in Asian and European fund industry by supporting you in creating, delivering, and maintaining a successful fund distribution strategy for your retail and alternative fund products.

<http://pwc.to/1UDIV9J>



AIFMD for Asian fund managers marketing non-EU AIFs in the EU

The main purpose of this document is to provide a useful overview of the main requirements and steps to follow in order to market without passport within the European Union.

<http://pwc.to/1URLiot>



Fund Passport Regimes in Asia Pacific – Taxing Issues

In this series, we provide a brief update on the various regimes and in particular, look at some of the specific tax issues and treatments affecting the participating countries, and what may need to be considered in the future.

<http://pwc.to/1KmOo2i>



Future of distribution in Asia

This newsletter shares the overview of the future of distribution in Asia.

<http://pwc.to/1Y5MHfm>



Mainland and Hong Kong Mutual Recognition of Funds (MRF) – A new era for asset management in China and Hong Kong

In this newsletter, we share our insights into how you can prepare your market entry and expansion strategies, and outline some of the key areas you need to consider when planning for MRF.

<http://pwc.to/1MjRPXW>

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