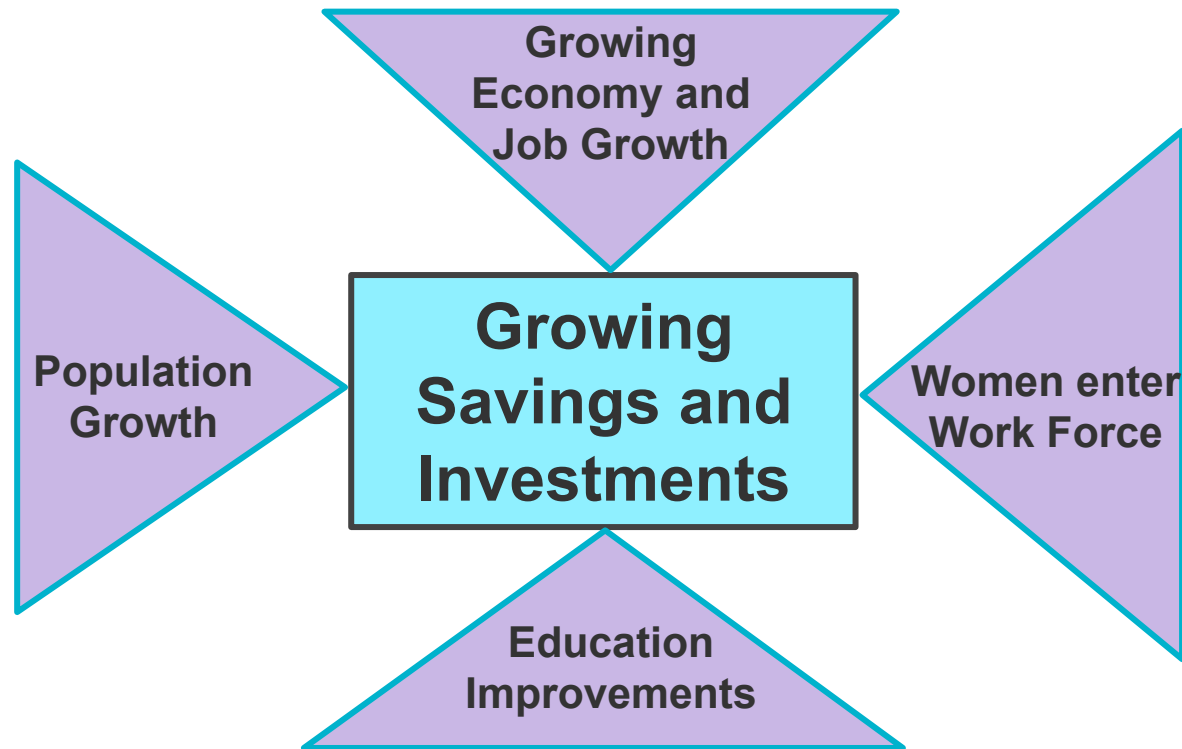

Pension Reform and Increasing Interest in Foreign Investment via Investment Funds

ACSDA

April 7, 2017

Bruce Sim

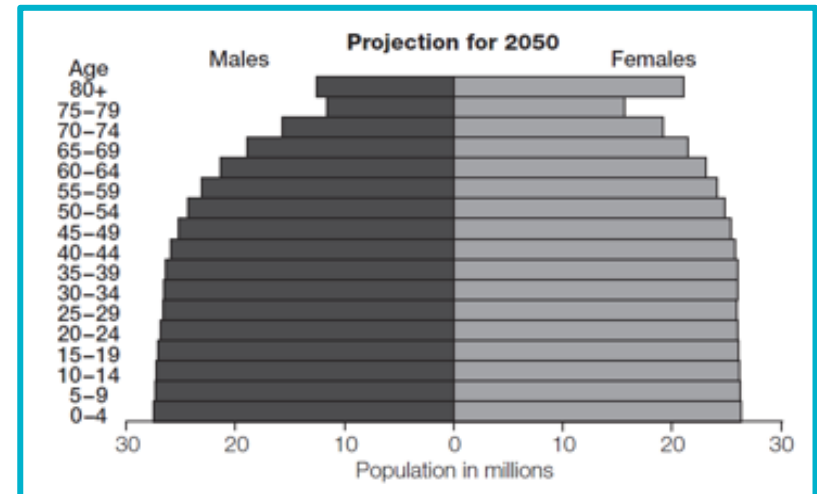
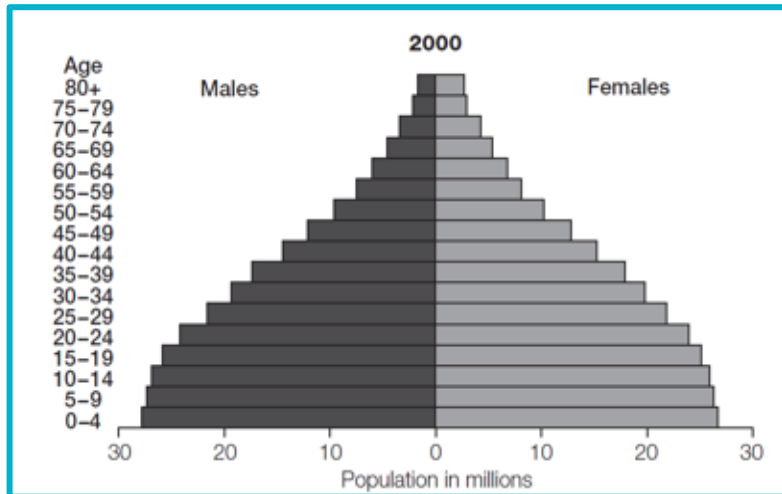
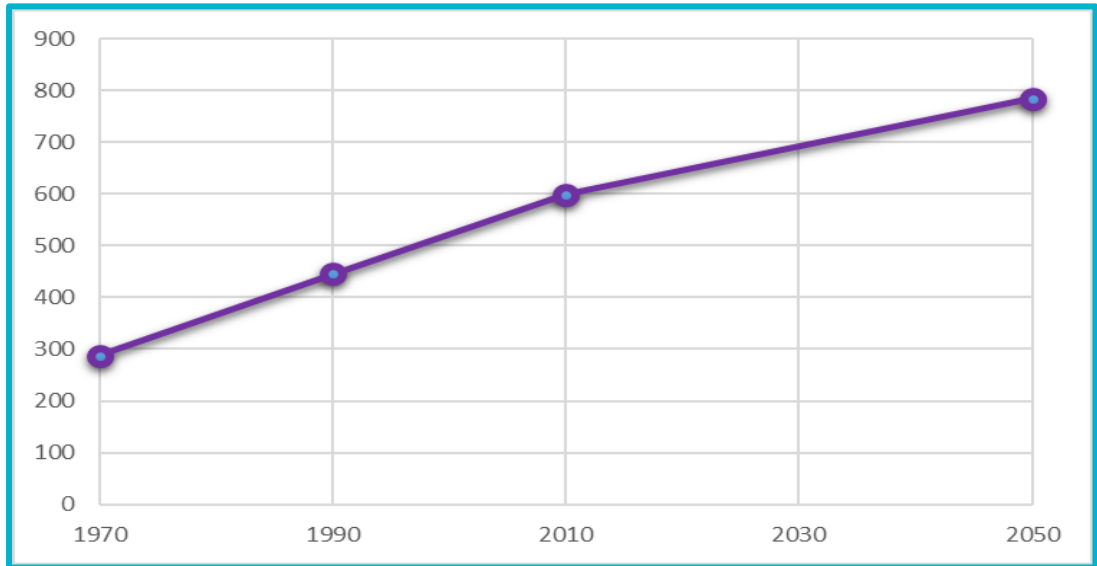
Investment in Foreign Assets is Growing - WHY?



Investment in Foreign Assets - Drivers

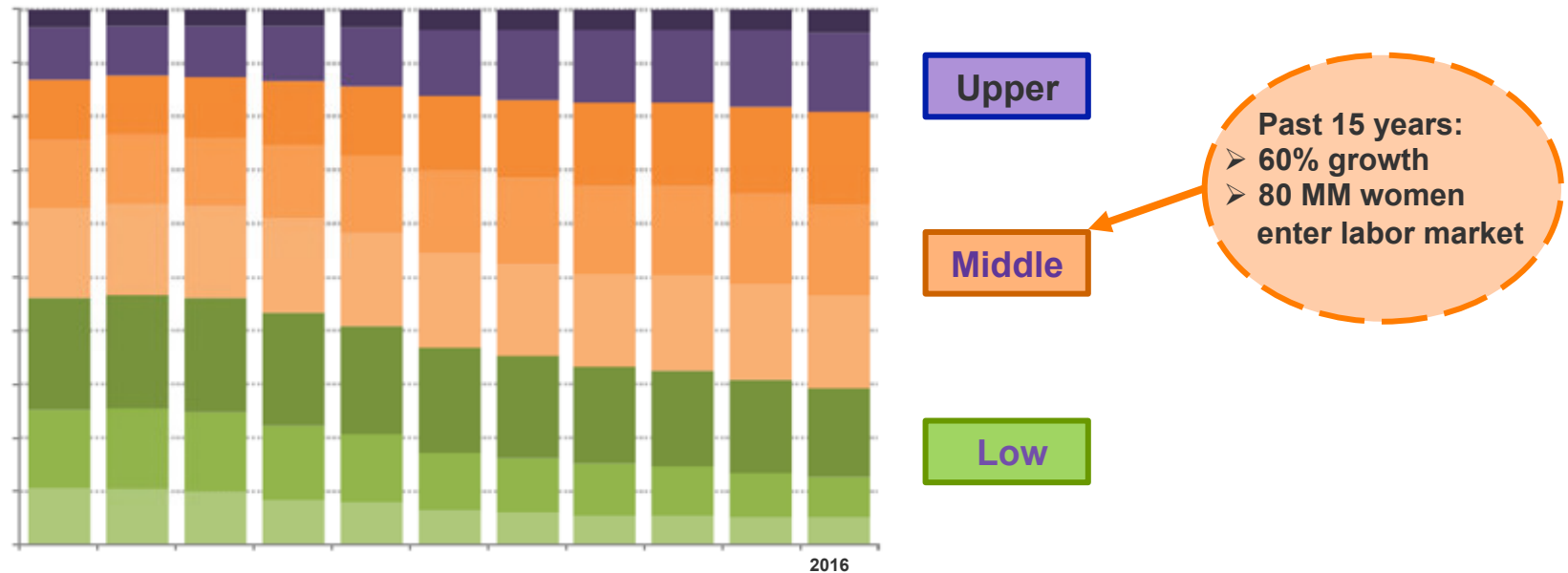
Demographics:

LATAM Population:

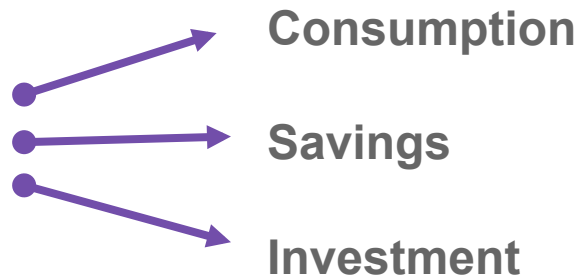


Investment in Foreign Assets - Drivers

Booming Middle Class:

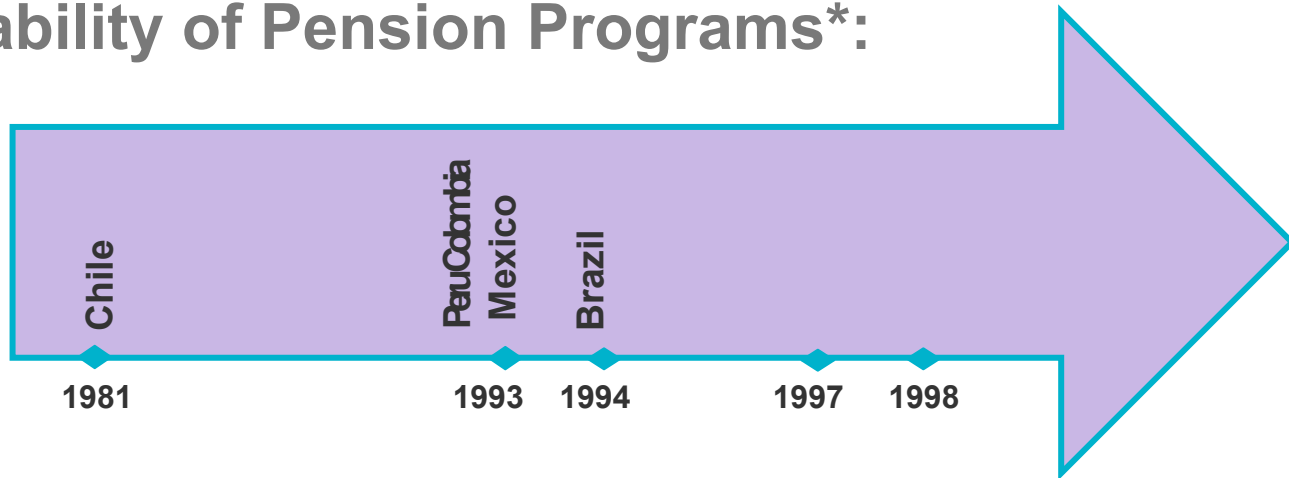


Middle Class drives increased

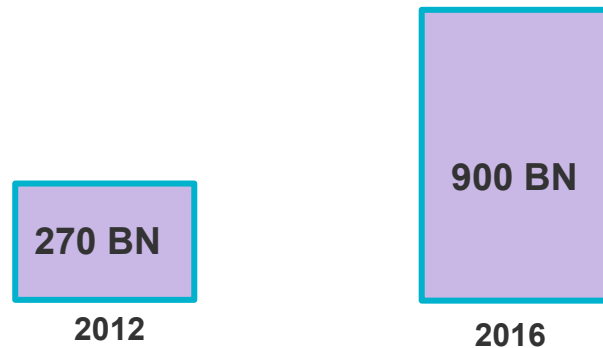


Investment in Foreign Assets – Supported By

➤ Availability of Pension Programs*:



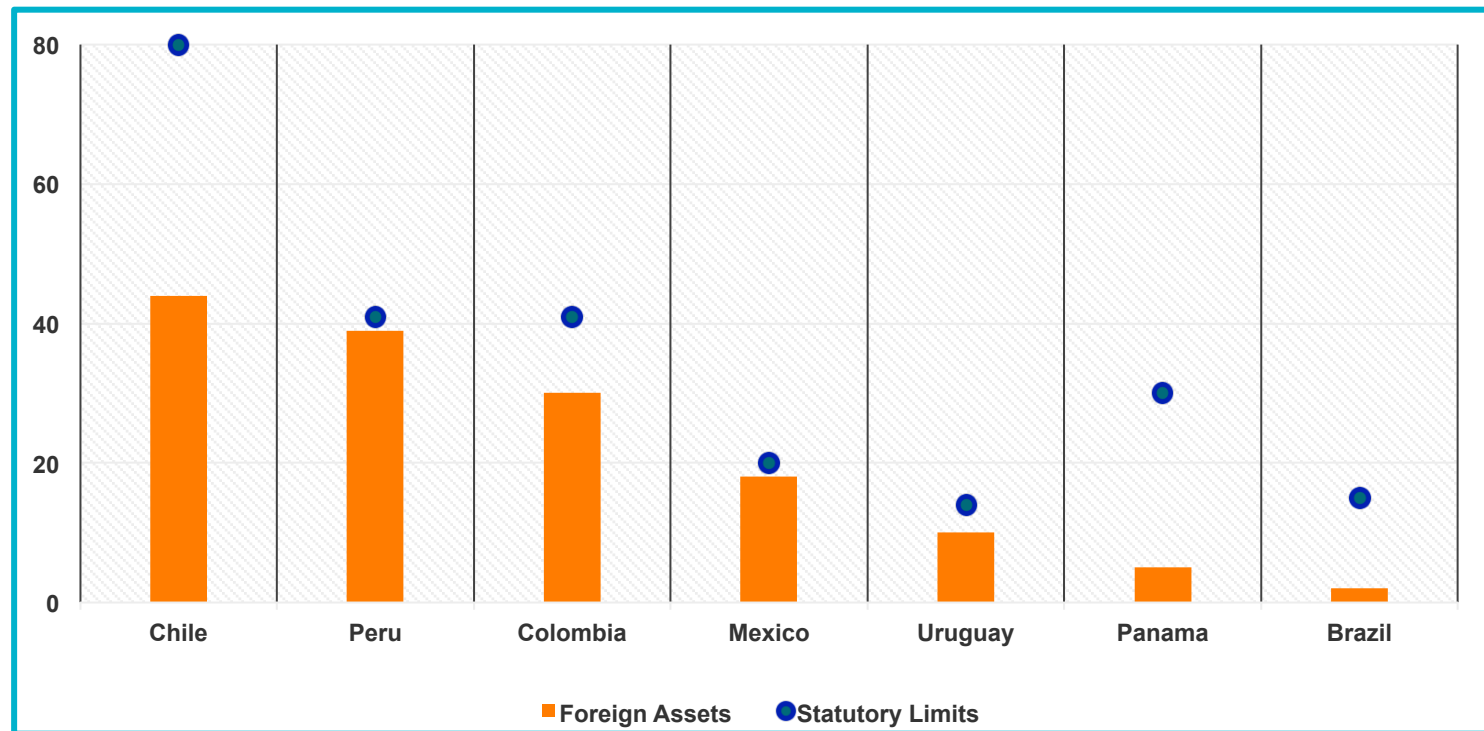
➤ Value of Pension Assets:



Pension Plan Reform

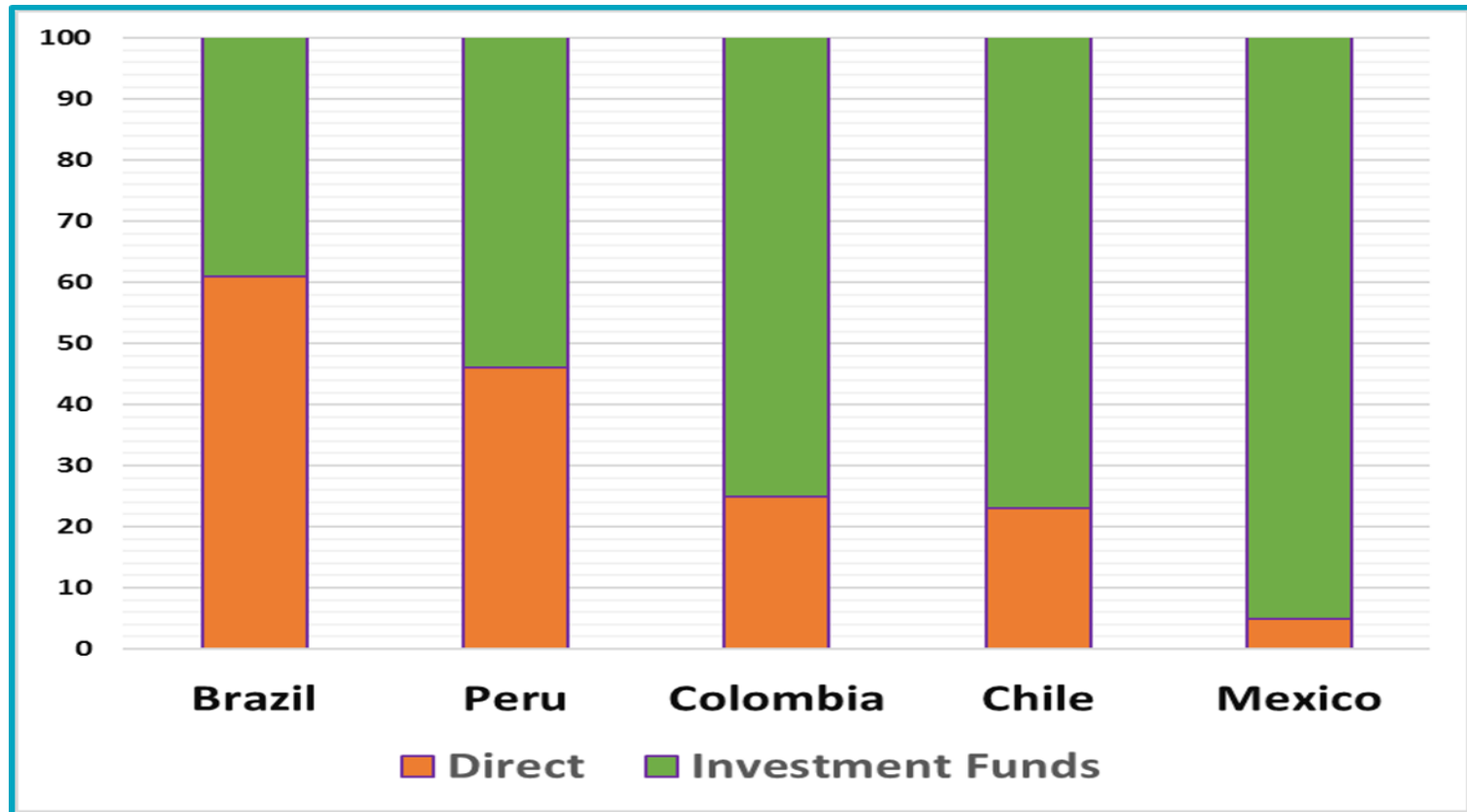
In order to achieve diversification and attractive investment returns, pension reforms enacted to allow increased foreign investment – direct and via external asset managers.

Sample of Pension Plans
Foreign Holdings (2016)



Growth Foreign Investments – LATAM Investors

Increasing Role of Investment Funds



Domestic

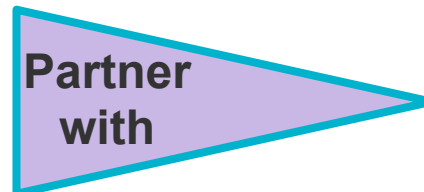
➤ Domestic asset clearing and custody

- Bonds
- Corporates
- Equities

Foreign / Growth Opportunity

➤ Foreign asset settlement and custody

- Sovereign Bonds
- Equities
- Eurobonds
- Mutual Funds / ETFs



Agent Banks
ICSDs
Custodians

CSDs : Offering Foreign Asset Classes

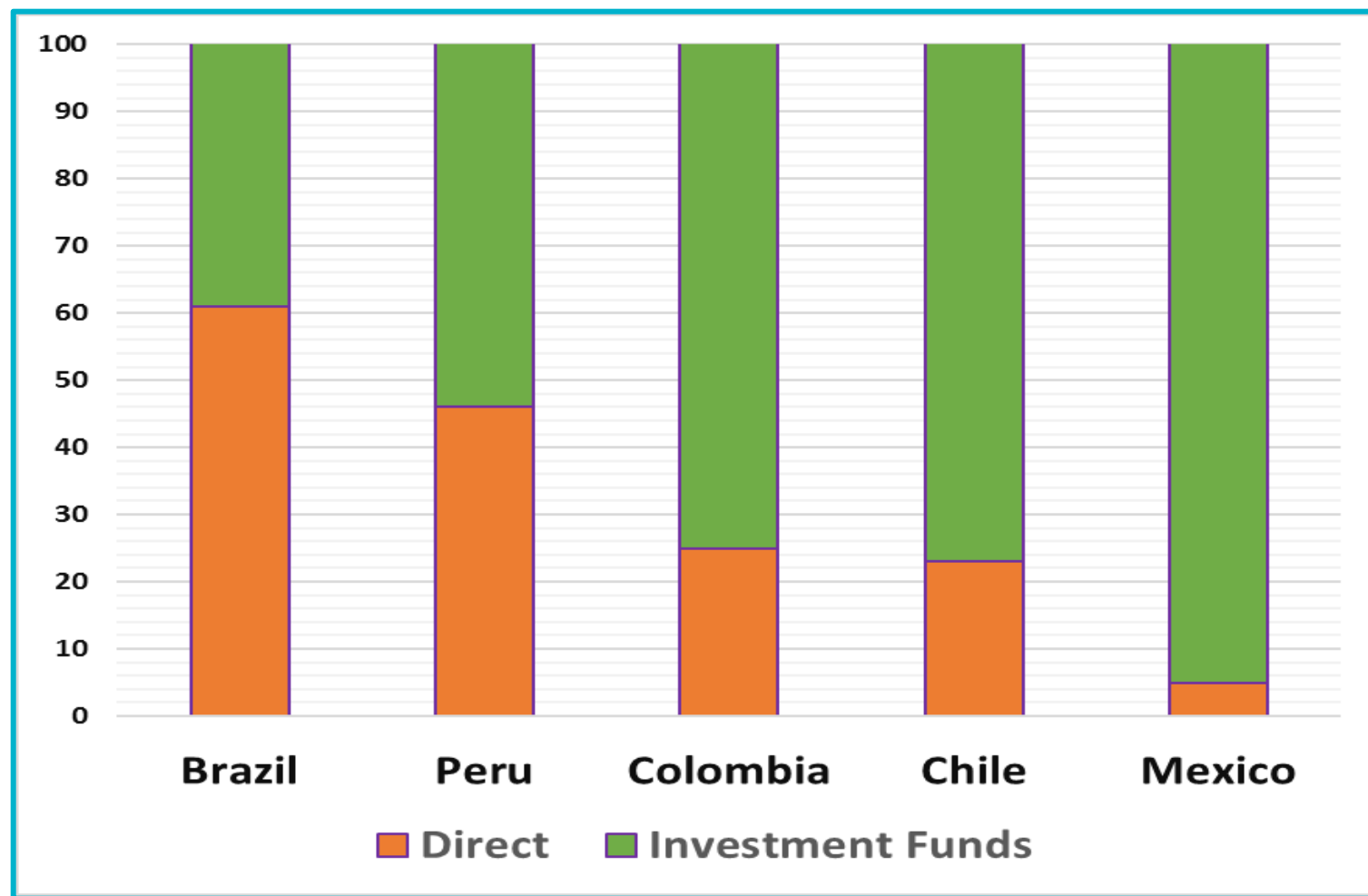
Sovereign Bonds
Equities
Eurobonds
Corporate Bonds

Mutual Funds / Investment Funds
ETFs
Hedge Funds

- ✓ **DVP**
- ✓ **Straight through Processing**
- ✓ **Efficient**
- ✓ **Book Entry**
- ✓ **Secure custody location**
- ✓ **Scaleable**

- ✗ **Manual Processing**
- ✗ **Lack STP**
- ✗ **Lack DVP**
- ✗ **Multiple safekeeping locations**
- ✗ **Costly**

Mutual Funds / ETFs play a significant role

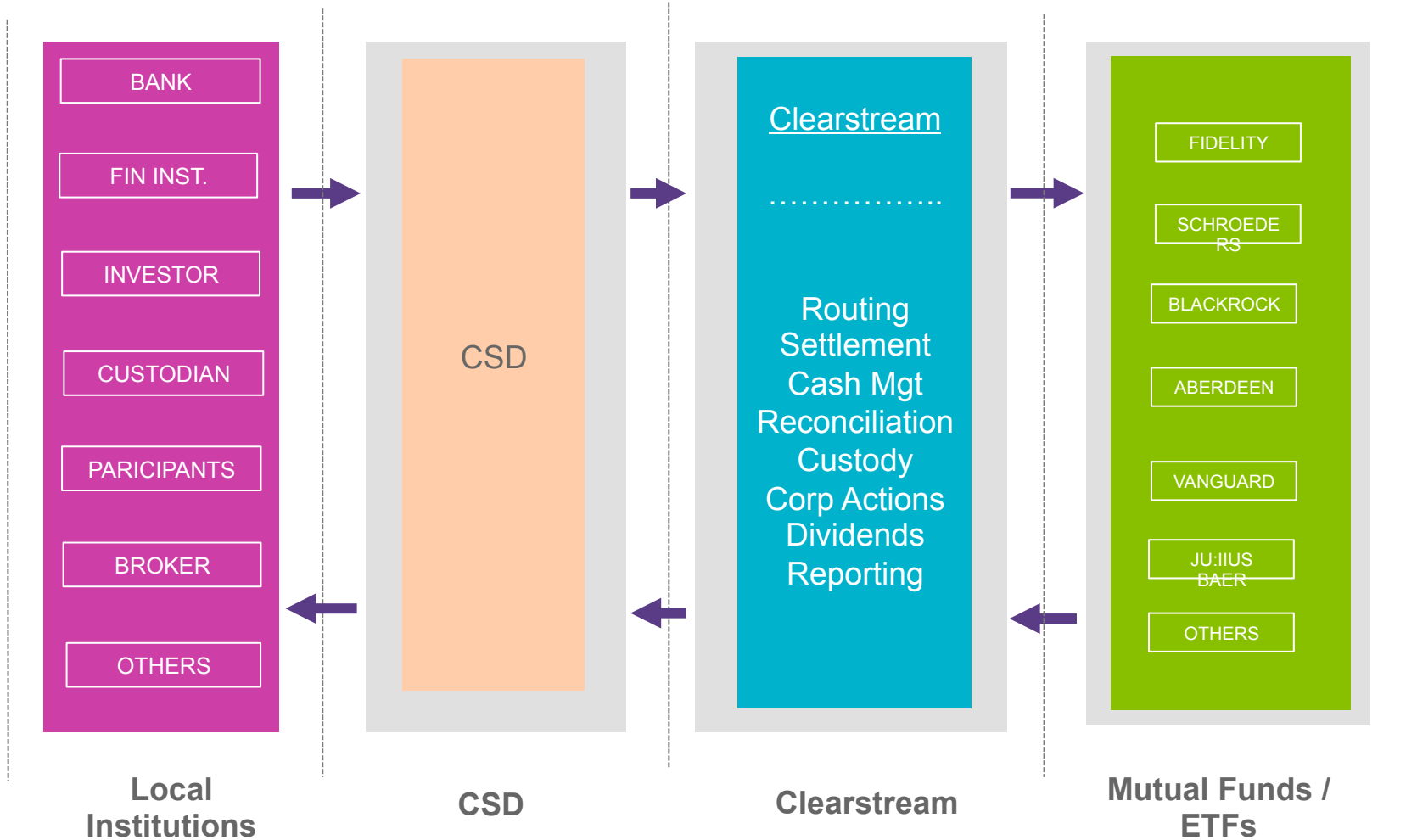


Challenge : Mutual Funds / ETFs

Manual, costly, inefficient processes are being addressed.

- **Clearstream** : **Vestima**
- **Euroclear** : **FundSettle**
- **DTCC** : **FundServe**

Vestima – Partnering with CSDs



clearstream | DEUTSCHE BÖRSE
GROUP