

# Initiatives to Eliminate Barriers in Cross-Border Linkages in Asia

*ACSDA's 2010 General Assembly*



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# Overview of ACG

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- Member: 30 members which provide central depository and clearing services.
- Objective:
  - ➔ Facilitate exchange of information and promote mutual assistance among ACG members
  - ➔ Encourage the local markets to adopt best practices
  - ➔ Promote efficiency and cost effectiveness in the post-trade services
  - ➔ Establish committees to coordinate tasks and carry out activities
  - ➔ Develop channels for dialogue with other international organizations

# Current linkages of ACG members

- Only few members have established cross-border linkages

	ASX	CDC	HKMA	CDP	KSD	JASDEC
<b>Austraclear</b>			✓			
<b>CDC</b>			✓			
<b>CMU</b>		✓			✓	
<b>Clearstream</b>	✓	✓	✓	✓		✓
<b>DTCC</b>				✓		
<b>Euroclear</b>	✓		✓			✓
<b>JASDEC</b>				✓	✓	
<b>KSD</b>			✓			

# Types of linkages

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## Services

Cross listing

Cross border trading and  
settlement

## Methods

Direct/Indirect  
membership

Unilateral  
(inward/outward)

Bi-lateral

FOP/DVP

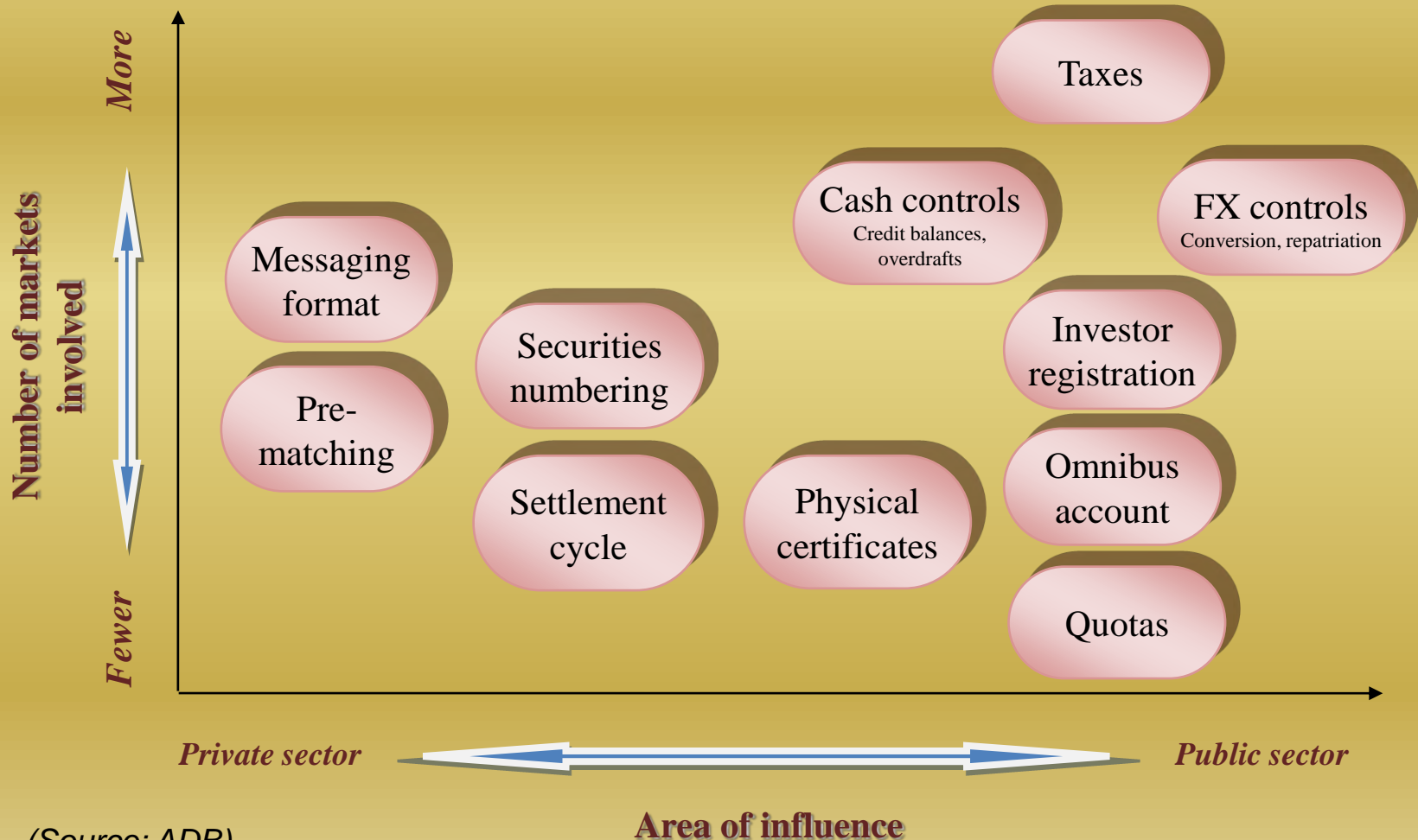
# Advantages of cross border linkages

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- Same communication links and facilitates to settle a wide range of domestic and overseas securities transactions.
- Eliminate intermediary risk
- Lower fee
- New investment and financing opportunities.
- Immediate access to accurate information from every local market.
- Close relation with Regulatory Authority



# Major Barriers to establish linkages in Asia



(Source: ADB)



# Initiatives to reduce barriers

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- Establish a co-ordinating body to set realistic goals and time scales for the reduction of barriers. The co-ordinating body should:
  - Liaise with regulatory authorities and private sector industry representatives, and monitor and publish regular reports on progress
  - Encourage individual market authorities to produce and publish a roadmap for reduce the barriers in their markets
  - Recognize the existence of perception gaps and do next steps to minimize these perception gaps
- Relaxation of non-supervisory restrictions, where they exist, against access by foreign financial intermediaries to the domestic financial markets.
- Harmonization of standards in the financial system.
- The strengthening of co-operative efforts in financial system development.
- Relaxation of restrictions on cross-border investment

# Options for linkages in Asia

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- According to GOE' study







# Options for linkages in Asia

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## Asian ICSD

- Solve certain risks inherent in the current cross-border settlement infrastructure in the ASEAN+3 region
- Lay the foundation for the expansion and development of a regional bond market in Asia

## CSD linkage

- Improve the cross-border trading infrastructure of the ASEAN+3 region
- Address certain risks inherent in the current infrastructure
- Increasing access to cross-border trade between country
- thereby promoting increases in local currency issuance and further development of the regional bond market



# Options for linkages in Asia

Asian ICSD

## Core services

### 1. Settlement

- External links to multiple markets
- Multi-currency internal settlement
- Commercial Bank Money during business hours of ASEAN+3 region
- Same-day cash deadlines

### 2. Custody

- Collection of income and redemption proceeds
- Corporate action notification and processing
- Voting and consent collection
- Market Claims and Default management
- Tax Services

### 3. Securities Lending & Borrowing

### 4. Collateral Management Services

### 5. Integrated Credit Facilities

## Optional services

### 6. PVP / FX Services

### 7. Pre-Matching Utility



# Options for linkages in Asia

CSD linkage

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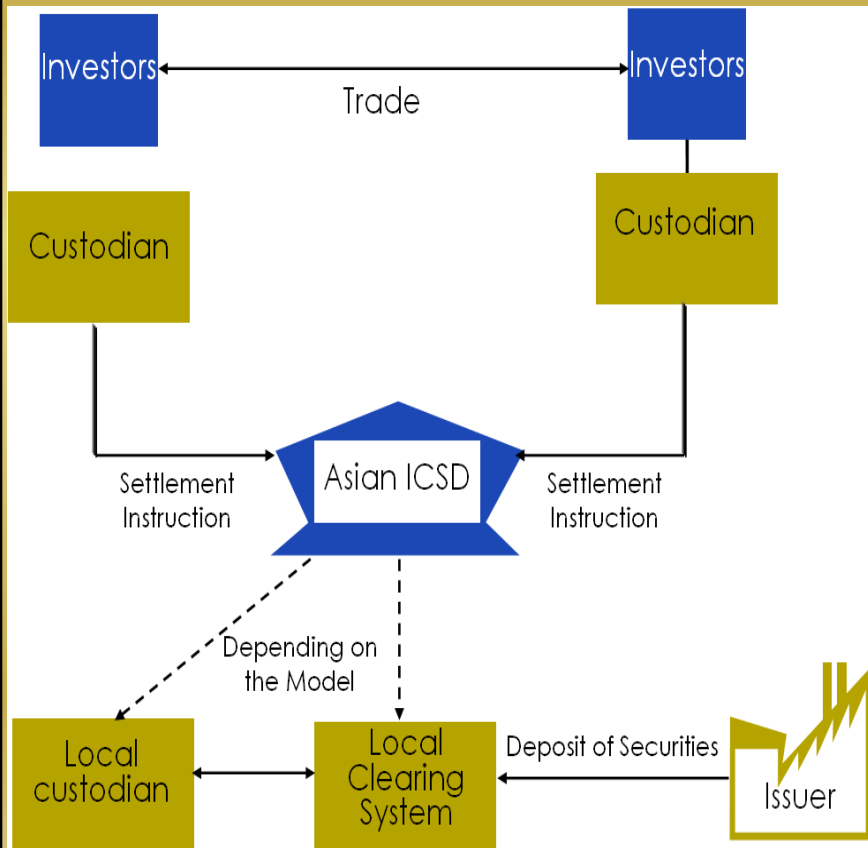
## Optional services

3. Securities Lending & Borrowing
4. Collateral Management Services
5. Integrated Credit Facilities
6. PVP / FX Services
7. Pre-Matching Utility
8. CCP or Netting Features

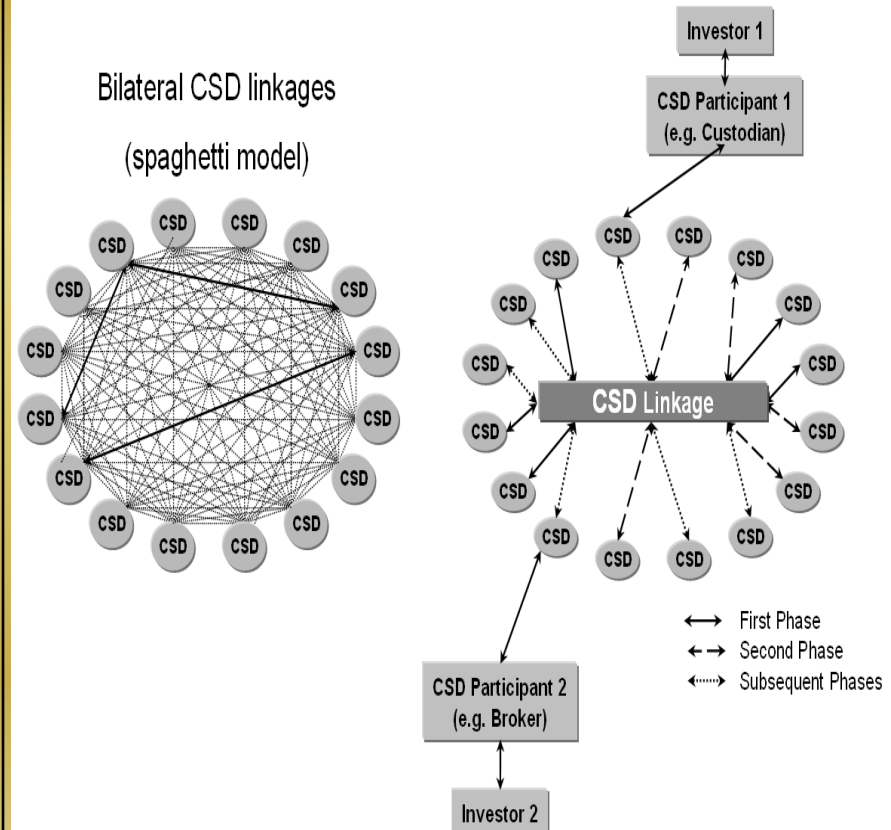


# Options for linkages in Asia

## Asian ICSD



## CSD Linkage



# *Thank you!*

