

## Press Release

### **ASIFMA AND THOMSON REUTERS LAUNCH WHITE PAPER ON STOCK CONNECT TITLED "THE THROUGH TRAIN: STOCK CONNECT'S IMPACT AND FUTURE"**

**HONG KONG**, 2 December 2014 - ASIFMA and Thomson Reuters today launched their new white paper examining the implications of, and outlook for, the recently launched Shanghai-Hong Kong Stock Connect initiative. The report focuses on three core areas of the landmark pilot program: its significance in context, the key remaining issues to tackle and the possible next steps in its development.

The paper – titled "The Through Train: Stock Connect's Impact and Future" – consolidates the views of ASIFMA, which as an industry association represents the perspective of many market participants, and Thomson Reuters, a key enabler and infrastructure service provider that works with market participants to ensure timely access and delivery of financial information and real-time data for this historic market development.

"Obviously there has been a great deal of focus on the launch of Stock Connect over the past weeks and months. We felt that it would be valuable to take a look at the program from a more holistic standpoint and address what is next post launch," said Mark Austen, CEO, ASIFMA.

As part of an objective analysis of the Stock Connect program, the paper examines issues that still need addressing in order for the scheme to reach its full potential, such as the pre-delivery requirement and beneficial ownership.

"The current pre-delivery requirements are definitely a barrier for some institutional investors. Pre-delivery is not part of the customary practice of most portfolio managers, whose processes and procedures simply can't be changed quickly," said Mark Austen. "In terms of beneficial ownership, many global funds and regulators are still not comfortable with the enforcement rights of beneficial owners in China, which means that most long-term institutional investors are not going to be investing in the near term. On the other hand, once these issues are addressed, acceptance of the scheme will become more broad-based. That would pave the way for adding Chinese equities to more investment indices and lead to higher weighting of Chinese equities in portfolios around the world – and a more active Stock Connect."

In the long term, both ASIFMA and Thomson Reuters expect investors in China and worldwide to make maximum use of the opportunities from the Shanghai-Hong Kong Stock Connect initiative, which will help support China's further integration into the global economy.

Building on the progress with dim sum bonds and renminbi (RMB) trade settlement, and in response to increasing appetite amongst global investors for more RMB denominated assets, Stock Connect broadens market access to PRC equities and raises interest in other RMB products, laying the groundwork for further RMB liberalization, noted Sanjeev Chatrath, managing director, Asia Pacific & Japan, Thomson Reuters.

"This marks the concerted push of an unprecedented scale by China and the global community to build on the momentum gathered from the establishment of offshore RMB markets," said Sanjeev Chatrath. "Both PRC and international investors are set to gain – Mainland Chinese investors will get to diversify their investments into international markets while Hong Kong and global investors will have additional avenues for RMB assets at a time when the currency is gaining stature as a medium for trade and investment."

The paper suggests that now the Stock Connect program is up and running, there is certainly potential for expansion – the Stock Connect is a pilot program that can not only be expanded to other exchanges in China but can also in principle be replicated among markets around the globe.

“Of course it makes sense for Stock Connect to start with equities, but we foresee it being extended to other asset classes such as futures and bonds,” said Mark Austen. “There are certainly exciting times ahead for this historic program.”

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**About ASIFMA**

[ASIFMA](#) is an independent, regional trade association with over 70 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: [www.asifma.org](http://www.asifma.org).

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