

PRESS RELEASE

Regulation threatens the future of Asia's financial benchmarks in Europe says new ASIFMA report

Hong Kong, 6 December 2017 – Asia's financial indexes and benchmarks could be dropped from important financial products in Europe and potentially other countries if their administrators fail to register under a new EU regulation.

The new EU Benchmarks Regulation comes into force on 1 January 2018, with full compliance required by 1 January 2020.

The regulation applies to high profile indexes such as the Hang Seng Index and the Nikkei, along with thousands of smaller benchmarks.

Benchmarks are used to determine amounts payable under a financial contract or are tracked by investment products to generate a return for investors.

However, with less than four weeks until the new regime comes into force, the registration process has yet to be announced.

The issues and concerns are outlined in a [new ASIFMA report](#), co-authored with Herbert Smith Freehills.

Given the time pressures and lack of information about the process, ASIFMA is concerned that very few of Asia's benchmarks will be registered by the end of the two-year grace period in January 2020.

"Our members have identified at least 55 important benchmarks in Asia Pacific that stand to be affected by the regulation, including several in large markets like Hong Kong, Japan and South Korea," said Wayne Arnold, Head of Policy and Regulatory Affairs at ASIFMA.

"With few benchmarks likely to be registered by the final 2020 deadline, we also fear that banks and investors may be forced to either scramble into benchmarks they believe likely to win EU approval or simply cut back investments in the region. We're already seeing a drop in benchmark availability, and this is likely to be amplified by the new regulation," Mr. Arnold said.

A sample survey of Asia Pacific benchmark administrators conducted by Herbert Smith Freehills found many still struggling for information about the process and disappointed at the lack of consultation and outreach by the EU.

"Three-quarters of administrators surveyed had benchmarks affected, and over half intended to seek EU recognition, but very few had concrete plans in place," explained Herbert Smith Freehills partner Will Hallett.

DEVELOPING ASIAN CAPITAL MARKETS

"Ultimately, there is a risk that firms and individuals will be denied the ability to utilise financial products such as derivatives, loans, bonds and mortgages, which reference non-EU benchmarks, causing issues with liquidity, existing contractual arrangements and market access."

The report can be accessed [here](#).

ENDS

For media queries, please contact:

Corliss Ruggles, Head of Communications, ASIFMA

Tel: +852 2537 3029 / +852 9359 6996

Email: cruggles@asifma.org

Sally Greig, Herbert Smith Freehills

Tel: +852 2101 4624 / +852 9815 4096

Email: sally.greig@hsf.com

About ASIFMA

[ASIFMA](#) is an independent, regional trade association with over 100 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.

About Herbert Smith Freehills

Operating from 26 offices across Asia Pacific, EMEA and North America, **Herbert Smith Freehills** is at the heart of the new global business landscape providing premium quality, full-service legal advice. We provide many of the world's most important organisations with access to market-leading dispute resolution, projects and transactional legal advice, combined with expertise in a number of global industry sectors, including energy, natural resources, infrastructure, technology and financial services.

With a 30-year history in Asia, Herbert Smith Freehills has over 300 lawyers and legal professionals in the region, advising clients on complex corporate, disputes and finance matters from offices in Bangkok, Beijing, Hong Kong, Jakarta*, Kuala Lumpur, Seoul, Shanghai, Singapore and Tokyo.

**In Jakarta, Herbert Smith Freehills' international counsel practise alongside its affiliate firm, Hiswara Bunjamin & Tandjung, one of Indonesia's leading commercial and corporate law firms.*