**MEETING MINUTES**

**FORUM:** SMPG SG

**DATE AND TIME:** 4 March 2013, 4PM

**LOCATION:** STANDARD CHARTERED BANK, 7 CHANGI BUSINESS PARK CRESCENT, NIGERIA ROOM

**ATTENDEES:**

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| **NAME** | **ORGANISATION** |
| Christina Ang | DB |
| Elizabeth Chia | BNP Securities Services |
| Judy Yang | DBS |
| Daisy Lam | HSBC |
| Gopu Maniam | HSBC |
| Tony Lewis | HSBC |
| Ganesh Iyer | HSBC |
| Janice Ow | OCBC |
| Mabel Goh | Citi |
| Gan Lai Chun | Citi |
| Anand Adipudi  | SGX |
| Tay Keng Kian  | SGX |
| Lilian Soong | SCB |
| Anthony Sim | SCB |
| Garry Chan | SCB |
| Lim Ek Young | SCB |
| Chueh Jyi Chen | SCB |
| Alexandre Kech | SWIFT |

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| **AGENDA** |
| 1. Updates from Sub-committees
2. Global SMPG

i) Attendance for next Global SMPG in April 2013ii) SMPG Steering Committee positions open for electioniii) Discussion of DR and IPO market practices for Global SMPG 1. ASEAN Bond Markets Forum (ABMF) 2013
2. Terms of Reference for SG SMPG
3. APAC RMPG (31 Jan 2013) update
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| **ACTION ITEMS** |
| 1. All to nominate names for formation of a working group to focus on market practices. The market practice working group will reside as part of transactional committee and work on two streams: a) Reviewing established market practices/standards and their application to local market and b) Creation of local market practices where there are no existing publications for reference, with focus on IPO, earmarking and proxy voting.
2. Transactional sub-committee to review team’s representation to include product expertise and identify core items to focus on for the year ahead.
3. Advocacy sub-committee to draw up pricing comparison analysis of CDP versus local depositories of countries in the region to include : HK and Australia (complexity) and Indonesia and Malaysia (physical proximity)
4. Advocacy to conduct industry poll to better understand investors needs and pain points in relation to CDP pricing
5. SGX to review and share more information on the exchange’s BCP plans
6. All to review past SGX broadcasts and share specific samples for SGX to discuss at next meeting where the communication could have been more inclusive
7. Interested members from the S&R and CA working groups are encouraged to register and participate at the Global SMPG as appropriate (limited to 3 representatives per country)
8. All interested members to note the vacancy of SMPG APAC regional director position is open for election
9. All to review draft of SG NMPG Terms of Reference and provide inputs for revision
10. All to consider nominations for SG NMPG Vice Chair role at the subsequent meeting
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| **MINUTES** |
| 1. Updates from Sub-committees

Sub-committee: CommunicationsAs the communications team was not able to meet, updates on progress will be provided in the next get together session.Sub-committee: Transactional1. Daisy (Co-Chair) shared the latest list of members currently sitting on the Transactional Sub-Committee. Any additions/amendments can be routed to either her or Judy for updating.
2. Updates from SGX were shared.
3. Contract statements and notes will be sent electronically with target date of implementation as June 2013.
4. SGX will also send the monthly portfolio statements to Depository agents (DA) via SFTP. Requests have also been made by the DA members to switch to daily frequency for cost mitigation.
5. Target implementation date for two FA (Factor Authentication) for CAS with target date: June 2013
6. For the API/PSMS project, SGX and CDP will be aligning the pricing from Trading to Settlement but there is no clarity as to when this will be implemented. API functional specs is expected to be released by Sep 2013 after which there will be a pricing consultation. Implementation is not expected until 6 to 9 months after the consultation.
7. CDP systems refresh will encompass the following enhancements and SGX will work with industry participants before development work commences
8. Port holdings from DA to another should primary DA of the Investor default, in line with the security margining framework
9. Multiple intraday settlement runs
10. Enable DVP multi-currencies to include currencies other than USD/SGD
11. Set up account grouping for printing
12. Anand shared that new brokers coming on board before refresh will continue to use CAS before API is implemented with an option period of 5 years. Likewise for brokers coming on after implementation, which is also dependent on readiness of the brokers.
13. Discussions on PSMS outstanding features for enhancement were also shared.
14. Linked trade capability is currently not supported on PSMS. This will be taken into consideration in conjunction with the API/CDP systems refresh
15. Currently, NDC will be earmarked once trade is matched; resulting in inconvenience for DAs which also leads to DAs uploading trades on PSMS closer to the settlement deadline to circumvent premature earmarking of NDC.
16. Decommission of e-Hub
17. Position Check on pre-matching which revolves around the prioritization of earmarking of securities

Eg: Currently shares received on SD are only available for utilization on SD+1.Team is working with SGX IT on this.1. Collateral management: Currently the DA has no visibility of the charged account balance for collateral arrangement made directly with CDP.
2. It was also shared that the sub-committee’s general consensus is to focus on Singapore market issues only and will continue to engage the exchange for system enhancements to meet industry needs and major market participants to explore and implement best market practices.
3. With regards to participation in developing or reviewing swift standards, while appreciative of the informative updates, the sub-committee will only be involved if it is applicable to the local market. For other international markets, it is suggested that the banks will have to rely on their own business or information technology teams or sub-custodians to provide inputs on the updates, as most members in the sub-committee do not have the adequate know-how in these markets.
4. Anthony would like the sub-committee to explore how it can map its objectives to the global forum’s agenda, essentially covering market practices. He suggests that the representation mix on the sub-committee can be reviewed to accommodate a more product-focused/ holistic operational approach, bearing in mind the items relevant to the local market such as: IPO issuance of instructions and earmarking of securities (Eg: VN stocks are locked on SD – 1 for DVP; similar to the SG market.) He looks to the team to capitalize on such proximities and recommend that the team explore how to create a Singapore market practice for trade allegements.
5. Anthony also opinionated that since S&R and CA teams are two distinct units, they should not be sitting in the same group for productive discussion. However, similarities will require bilateral communication between the two teams for alignment.
6. In concurrence, Jyi Chen believes that the market practices and standards requirements are driven not just from a technical perspective but also business needs and as the local NMPG, we should collectively agree within the industry to work on a set of agreed practices to avoid fragmentation and client confusion, quoting the example of how the local market is divided on its view of having one or two events to handle rights issues and stressing the importance of a unified approach in Singapore.
7. Alex also clarified that Standards is not necessarily looking for inputs from Singapore if updates are irrelevant, such as the recent discussion thread on IBAN requirements. Areas he is looking at the group to provide inputs to NMPG are business processes, inter-market communication flows, and building global market practices from local market practices. It is important for the global SMPG to learn how Singapore’s market works and the relevance of its practices to the rest of the world. This will contribute to global SMPG’s efforts to building a database or documentation for global practices as a guide for local markets to customize their country specific requirements.
8. Anthony noted that Singapore is system-reliant but he is looking beyond the technicalities with a view to drive more collaborative effects to align the local market practices with that of global. Drawing from his experience at global forums, he finds the local market forum inward-looking in comparison and need to move away from “following” to “leading” the standards development in the region instead and suggests that the committee to look at building consensus on local market practices.
9. Daisy agreed that S&R and CA, together with other industry group participants will work together on common issues/agenda involving the relevant expertise and will organize a subsequent meeting in March. She also highlighted that DB (Deutsche Bank) raised issues encountered for intra-day batch processing for tender offer and rights exercise through SGX-SSH service.
10. As a corollary, Anthony added that he had raised this as an Advocacy item earlier that there is a disconnect between SGX’s stipulated deadline and infrastructure support for market participants where currently the deadline for stock to be in "free balance" status is 5 pm on SD while market settlement position is only available overnight which effectively results in ineligibility of purchases made 3 days before expiry of tender offer to participate.
11. Anthony applauded the team to continue the good work and calls for team to
12. Identify core/priority items to tackle
13. Members to look at how to engage Standards for new items on market practices which may not necessarily be available in Singapore today and to have a better blend of operational and product focused representation.
14. Ganesh shared his observation that in line with the composition of the sub-committees, the current bottom up approach to identify local market gaps might be inadequate to transpose the discussion to global standards and does not see an international perspective to the agenda and would like to know if there can be a top down consulting arm to guide the direction.
15. In agreement, Anthony clarified that Alex is sitting in most meetings to share knowledge from his exposure at global forums and the group is now structured to drive discussions that are more global oriented, where country driven practices can influence the design of standards at the global level.
16. Alex shared that the local CA WG is working in the direction that is consistent with how NMPGs operate in other countries, where the working groups study how the current local market practices differ from the international standards and work on alignment where appropriate. He understands whereas the S&R group is primarily more focused on SGX infrastructure enhancements and unifying the market to work in conjunction with these developments and hence would like to offer assistance in accelerating the development of the local market practice standards.
17. Janice highlighted that there used to be a set of Singapore market practices in SMPG in the past and Alex concurred that it could be used as a base while he tries to retrieve as it would be helpful to investors looking to penetrate the local market from an operational perspective.
18. Tony Lewis also sees opportunity for S&R to work with Alex on the comparison analysis and draw an agreement on the market practices.
19. Lai Chun added that the transactional sub-committee was initially set up with the objective of addressing issues in relation to the BAU transactional activities and that it is up to the committee as to whether they would like to adopt the responsibility of creating market standards or set up a separate group to attend to such issues, with concurrence from Elizabeth.
20. Anthony elaborated that the driving rationale for creating local market practices is to help external investors better understand the idiosyncrasies of operating in the local market while acknowledging that standards are already in place for which our local market should not deviate too much from.
21. Action items for a) Members to consider nomination of names for the formation of a group within the NMPG forum to look at market practices and that b) the group will reside within the transaction sub-committee, c) working in two streams in terms of reviewing established market practices/standards and creation where there is no publication for reference, with focus on IPO, earmarking and proxy voting.

Sub-committee: Advocacy1. Proxy voting: Christina shared that the sub-committee would like to continue working closely with SGX on providing more transparency on how local developments in proxy voting messaging and other matters impacts the market and how it affects investors
2. CDP pricing: As a major pain point for both local and foreign investors, it needs to be addressed as part of the team’s agenda too in view of promoting Singapore as a major hub and needs SGX to provide leads on key contact with decision making authority for effective discussion.
3. To this, Gopu advised that it was also discussed at the last transactional subcommittee meeting where Anand had requested for a pricing structure comparison against SGX with the regional markets, which will be shared with the Advocacy committee
4. Anthony asked if resources should continue to be channelled towards these efforts to change the pricing without reciprocity from the exchange, to which Christina expresses her conviction that SGX should address if they wish to work with the market participants to promote the local industry
5. Gan Lai Chun suggested that a specific proposal on the pricing structure and lowering of the absolute pricing be put together first before going back to the exchange for another review.
6. Elizabeth also recommended that an industry poll could be done to have better understanding of the market’s needs and investors’ concerns.
7. Anand and Keng Kian affirmed that SGX is focused on reviewing the pricing structure from end to end to provide something palatable to both the regulator and the industry participants.
8. Christina advised that the RMPG group is also willing to work with the local NMPG team to approach the exchange to implement the pricing change requests.
9. Anthony proposed that the pricing comparison be done against countries in the region: HK and Australia (complexity) and Indonesia and Malaysia (physical proximity) and suggests that the approach can be more targeted and not a structural overhaul to demonstrate tangible achievements of the forum.
10. Discussion was also raised on the responsibility of engagement on electronic form submission which Christina is of the opinion is locally oriented and perhaps should be parked under the transactional group instead as the advocacy group sees itself more as a vehicle for discussion of topics that can be taken up with the regional or global peers.
11. With reference to two topics raised to the Advocacy group for consideration as below, Christina believes they are transactional in nature for the respective committee to review for prioritization.
12. Disparity in denomination for local bonds where SGS bonds are denominated as FAMT by MAS but denominated as UNIT when traded via CDP
13. Inefficient SGXPrime password issuance procedure
14. Keng Kian explained that the disparity in denomination of the fixed income instruments can be attributed to legacy systems and that a solution can be possibly be explored in the next system refresh but unlikely, because retail trading is minimal or close to zero.
15. Alex also shared that the practice of denominating bonds in units is also prevalent in France.
16. Elizabeth raised the possibility of the Advocacy group working with Jamie Allen from ACGA, on the back of the past successful collaboration on multiple proxy voting practice in Singapore.
17. Anthony suggested that Jamie Allen can be invited in subsequent meetings to share updates and ACGA’s working agenda to identify commonalities to cooperate on.
18. Christina also sounded that Conrad would not be able to continue on the sub-committee and invites interested volunteers for the co-chair position.
19. On the third discussion point for a more robust contingency process adopted by custodians and brokers alike, Lilian cited that there are concerns that there is not enough transparency on repercussions where local exchange systems break down and how SGX plans for such scenarios in comparison with Hong Kong.
20. Keng Kian shared that SGX has split sites and data centres and that there should be minimal risk of connectivity breakdown supported by virtual servers as well. If both sites are down, market is definitively closed. SGX will also check with IT/compliance for further details and revert on BCP matters.
21. The final point on Advocacy’s agenda (item could be taken up by communication sub-committee as well) discusses the need for the information dissemination from the local exchange/depository needs to be less selected and inclusive within the broker and custodian community to reach a wider audience, as custodians are often looked to by their clients to respond to non custody related queries but relevant to the securities industry, while acknowledging that it would be challenging for the exchange to broadcast to every participant and that the information is available on the website.
22. Keng Kian adds that consultation papers and news publications are also issued where there is significant to the public and that it is difficult also for the exchange to decide/decipher what might be of interest or importance to the members of the securities industry.
23. As an action point, Anthony and Tony Lewis also suggest that the members of the NMPG forum can also review instances and share with SGX what sort of communication can be shared with a wider audience against the established current protocol.
24. Elizabeth also added a discussion point for the Advocacy to consider how to position Singapore against as a secondary service provider in China’s internationalization of the RMB currency, where MAS can be engaged and supported in brainstorming sessions to introduce securities product offerings for the proposed strategy
25. Alex brought up that there is currently already market practice documentation in place for CNY trades and cash payments and securities instructions in accordance with ISO standards. Standards are engaging MAS to agree on the same standards and that a similar set be created for the local market and published on the SMPG website, and will provide further updates as appropriate.
26. As another advocacy point, Elizabeth also requested for the group to explore the possibility of leveraging on the renewed interest in Singapore’s CECA (Comprehensive Economic Cooperation Agreement)with India to position Singapore as a gateway to India as opposed to Mauritius.
27. i) Attendance at Global SMPG
28. Anthony calls for representation for CA and S&R working groups at the forum while Alex explains that the forum’s objective is to harmonize and reconcile local and global market practices. Attending members can expect to see about 80 representatives at the meeting with one representative each from the CA, S&R and funds services working groups and that more information is published on the SMPG website.
29. Anthony also shared that the previous session he attended was an open dialog with very useful informational exchange in the respective working group discussions and that the trip will be self funded.

ii) SMPG Steering Committee positions open for election1. Alex shares that the APAC regional director position is open to any currently active NMPG member for participation in the election and that the commitments of the role includes attending conference calls in the Euro time zone, physical attendance at least one of the two annual global meetings and also informing global SMPGs of what is happening in the region and vice versa
2. ASEAN Bond Markets Forum (ABMF) 2013
3. Next meeting will be in Jakarta, April
4. Updates were also shared for the previous session where it was held at MBS hosted by SGX.
5. Alex explains the structure of ABMF which is divided into two sub forums:
6. Sub-Forum 1 (SF1) defines the framework for issuance of bonds in the region, and common set of rules to ensure the process is accessible at regional level.
7. Sub-Forum 2 (SF2) oversees the back office processes and how the settlement flow takes place in the region. It defines the settlement model for effective settlement and the infrastructure needed for the respective types of transaction and the operational framework for clearing and settlement of bonds
8. Recommendations will be submitted to the governing body, ABMI, where ministers of finance and regulators are sitting on.
9. Alex sits on SF2 as an international expert while Kok Leong represents Singapore.
10. Terms of Reference for SG SMPG
11. The draft of the TOR will be circulated to members for inputs after the meeting as a guideline as to how members regard themselves as representatives of the forum.
12. Anthony is also looking to have a Vice-Chair nominee subsequent to the meeting to co-chair the forum.
13. APAC RMPG update
14. A regional corporate action sub group was recently launched to address or influence CA related issues in the region and work with NMPGs on these issues or help create a NMPG where there are none. Notably, the composition of the group also includes market data providers.
15. A survey will also be rolled out to members for topics of interest to discuss and Anthony suggested that the transaction committee can help look at contributing inputs.
16. Jyi Chen who is also sitting on the regional working group will also extend the invitation to the forum to decide who in the group might be best suited to represent at the regional CA working group forum as well.

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