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ASEAN CIS Passport  
Framework launched

## ASEAN CIS Passport Framework launched

On 25 August 2014 the securities regulators of Singapore, Malaysia and Thailand (the "**Framework Countries**") released full details of the ASEAN CIS Passport Framework (the "**Framework**"), with the ASEAN Capital Markets Forum ("**ACMF**") confirming that the Framework is now operational across these jurisdictions. The purpose of the Framework is to facilitate the cross-border offering of CISs, enabling fund managers from these jurisdictions to offer their funds directly to retail investors in the Framework Countries.

The detailed requirements in relation to application requirements, host regulator rights, notification and disclosure requirements are set out in the Framework handbook jointly published by the three regulators. The handbook can be downloaded [here](#). Funds and fund managers will also be required to meet certain general criteria before being eligible for the scheme. For CISs constituted and managed in Singapore these criteria should not prove too problematic, although the Framework rules for matters such as the delegation of management functions, REIT eligibility, performance fees and collateral recognition are more stringent than the existing Singapore CIS rules.

The ACMF has not yet confirmed how long the authorisation process is likely to take or when the first passported fund will launch. Given that the Framework has progressed relatively quickly (it was first announced on 1 October 2013) it is reasonable to expect that the first funds may launch in early 2015.

It had been envisaged that Indonesia, the Philippines and Vietnam would also participate in the Framework but the pace of implementation has proved too fast for their respective regulators. It remains the intention of ACMF to admit these countries, plus others from the ASEAN group in the near future.

The Framework is one of three regional funds passporting regimes in the pipeline, but is the first to have been launched. The next scheme to be launched is likely to be a mutual recognition arrangement between Hong Kong and China that will allow the marketing of funds between Hong Kong and the mainland. This is expected to be launched later this year, offering considerable regulatory and cost benefits to Hong Kong managers (who must currently market to Chinese investors through a licensed subsidiary or a Chinese partner firm) and potentially opening up the domestic Renminbi asset management sector to international investors.

The second scheme is the Asia Region Funds Passport scheme being developed by APEC and which is

expected to be launched by Australia, New Zealand, South Korea and Singapore in 2016. The APEC scheme has a similar objective to the Framework, albeit with a different geographical scope.

The launch of the Framework and the on-going development of other regional passport schemes mark a significant stage in the development of the funds management industry in Asia. For many years regional regulators have taken a protectionist stance, limiting overseas access to their domestic investor pool and, as a result, limiting the development of more sophisticated products and placing a ceiling on AUM growth. However, with the boom in the regional middle class and with the funds management sector reaching some degree of maturity across the region, the tide is clearly turning towards increased cooperation and a streamlined regulatory approach.

These developments should benefit not just regional managers, but also established managers outside of Asia who will now, through a single regional office have access to a huge retail investor base and more straightforward marketing process. Singapore is particularly well placed to be a base for foreign managers looking to take advantage of the schemes, being the only country likely to participate in both the ASEAN and APEC schemes at launch.



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