

MEMO# 28890

April 10, 2015

ICI Global Comment Letter - Arrangements for an Asia Region Funds Passport

[28890]

April 10, 2015

TO: ICI GLOBAL ASIA PACIFIC SENIOR LEADERS No. 5-15
ICI GLOBAL ASIA-PACIFIC CHAPTER No. 8-15
ICI GLOBAL ASIA-PACIFIC FUND PASSPORTS TASK FORCE
ICI GLOBAL EXCHANGE TRADED FUNDS COMMITTEE No. 4-15
ICI GLOBAL STEERING COMMITTEE No. 8-15
ICI GLOBAL TAX COMMITTEE No. 12-15
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 12-15
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 9-15
INTERNATIONAL COMMITTEE No. 17-15 RE: ICI GLOBAL COMMENT LETTER -
ARRANGEMENTS FOR AN ASIA REGION FUNDS PASSPORT

On 10 April, ICI Global filed a comment letter in response to the second consultation launched under the Asia Region Funds Passport (ARFP). [\[1\]](#) The comment letter is summarised below. The letter takes account of comments received from members on the draft comment letter. [\[2\]](#)

The letter welcomes the changes that have been made to the ARFP following the first consultation and underscores ICI Global's support for the ARFP initiative. The letter then makes two general comments and provides recommendations in nine substantive areas, as outlined below.

General Comments

On general issues, the letter submits the following:

- Tax and other similar issues – Tax issues, as we and others have stressed, present crucial challenges for funds distributed cross-border. We strongly support APEC's continuing commitment to addressing issues, like tax, that could impede the ARFP's use. We appreciate that at least one country has already begun this work. We stand ready to assist all relevant authorities in minimising, if not eliminating, tax barriers that will erode the benefits of investing in an ARFP fund. We also note that there may be other types of rules in Participant economies, such as capital controls, which could

inhibit the regional success of the ARFP. We urge APEC members to continue to devote their efforts to addressing issues that will lessen the attractiveness of the ARFP.

- Enlargement of number of economies – We strongly support enlarging the number of Participant economies and making appropriate ARFP changes that would assist in encouraging other economies in the region to join the group. Increasing the number of Participant economies in the ARFP would further support: (i) the development and integration of capital markets across the APEC region; (ii) efforts by Operators to achieve greater regional scale and efficiencies; and (iii) the goal of broadening the base of investors that can benefit from the ARFP.

Substantive Comments

The letter's recommendations on substantive requirements address the following areas:

- Delegation – clarify the process for assessing the effectiveness of regulation in non-Participant economies and the impact of positive (or negative) assessments on the ARFP;
- Independent Oversight and Compliance Review – undertake further work to reasonably accommodate the range of fund structures available in the Asia region;
- Investment in Regulated CIS – expand the domiciles of regulated CIS available for investment by ARFP funds;
- Single Entity Exposure Limits – further calibrate limits to better accommodate cross-border regional and global portfolio management practices;
- Data Protection – develop procedures for the handling and protection of data on a cross-border basis among regulators and other participants in the ARFP;
- Funds under Management Threshold – include separately managed accounts in the assets that can be used to meet the threshold;
- Financial Resources Requirement – fix a local currency equivalent exchange rate each year to take account of currency fluctuations, as is adopted in other multi-currency situations (Question 2);
- Fund Labelling – evaluate Participant economy rules to enable fund labels, such as MMF and ETF, to comply with home and host rules;
- Securities Lending Arrangements – adopt a pragmatic approach for the posting of additional margin collateral by a counterparty to an ARFP fund.

Next Steps

The Feedback Statement provides an indicative timeline for establishing and implementing the ARFP. The Working Group intends to consider public submissions to the consultation in May with a view to finalising the Memorandum of Understanding (MoU) between participating countries by August. Countries will be able to become party to the MoU in September, following which effect will be given to the ARFP through legislative and regulatory changes in the participating countries within 12 months.

It is envisaged that the first fund may be able to access the passport from September 2016.

ICI Global will continue to monitor developments concerning the ARFP.

Giles Swan
Director of Global Funds Policy - ICI Global

[Attachment](#)

endnotes

[1] Arrangements for an Asia Region Funds Passport: Feedback Statement and Consultation on Draft Rules, 27 February 2015, available from <http://fundspassport.apec.org/files/2015/03/ARFP-Feedback-statement-UPDATED-for-release.pdf> and <http://fundspassport.apec.org/files/2015/03/ARFP-Annex-1-2-and-3-UPDATED-for-release.pdf>

[2] Memo 28873, Re: Draft ICI Global Comment Letter – Arrangements for an Asia Region Fund Passport, dated 31 March 2015, available from <http://www.iciglobal.org/iciglobal/pubs/memos/ci.memo28873.global>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.