

# Plenary 6 Future of Capital Markets in Asia



# Future of Capital Markets in Asia Introduction

Richard Watanabe  
Partner & FS Leader, PwC Taiwan  
PwC Asia Pacific Tax Markets Leader



# Introduction

- “Fintech” will fundamentally change the future landscape of capital market and financial services industry;
- “Fintech” – a very big word.....
- Tax rules, accounting treatments, and regulatory frameworks regarding “fintech” are not clear;
- OECD based international tax rules are unable to cope complex cross boarder “fintech” transactions;
- Further education, experience sharing and multilateral collaboration are required to establish “fintech” tax principles.

# Our Panelists\*

- James Badenach** Partner, Asia Pacific International Tax Leader, EY Hong Kong
- Ting Chen** President, EasyCard Corporation, Taipei
- Sarah Hickey** Partner, Aust Tax Leader - Cryptocurrency & Fintech, PwC Sydney
- Mahesh Kumar** Partner, Withers LLP, Singapore
- Yoshihiro Masui** Professor of Law, University of Tokyo, Japan
- Ted Mlynar** Partner, Hogan Lovells LLP, New York

\*in alphabetical order

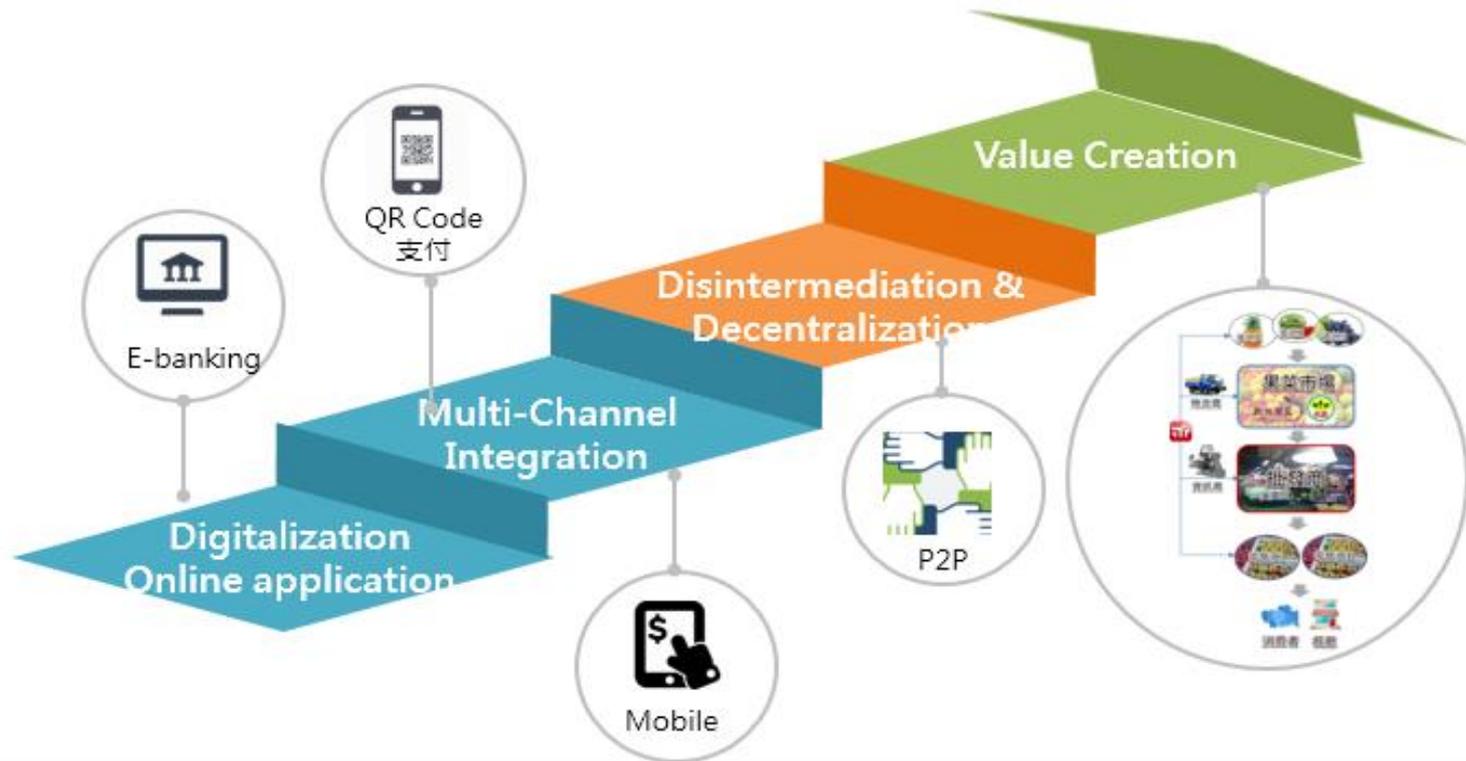
# Beyond Fintech...Creating Value Industry Observations

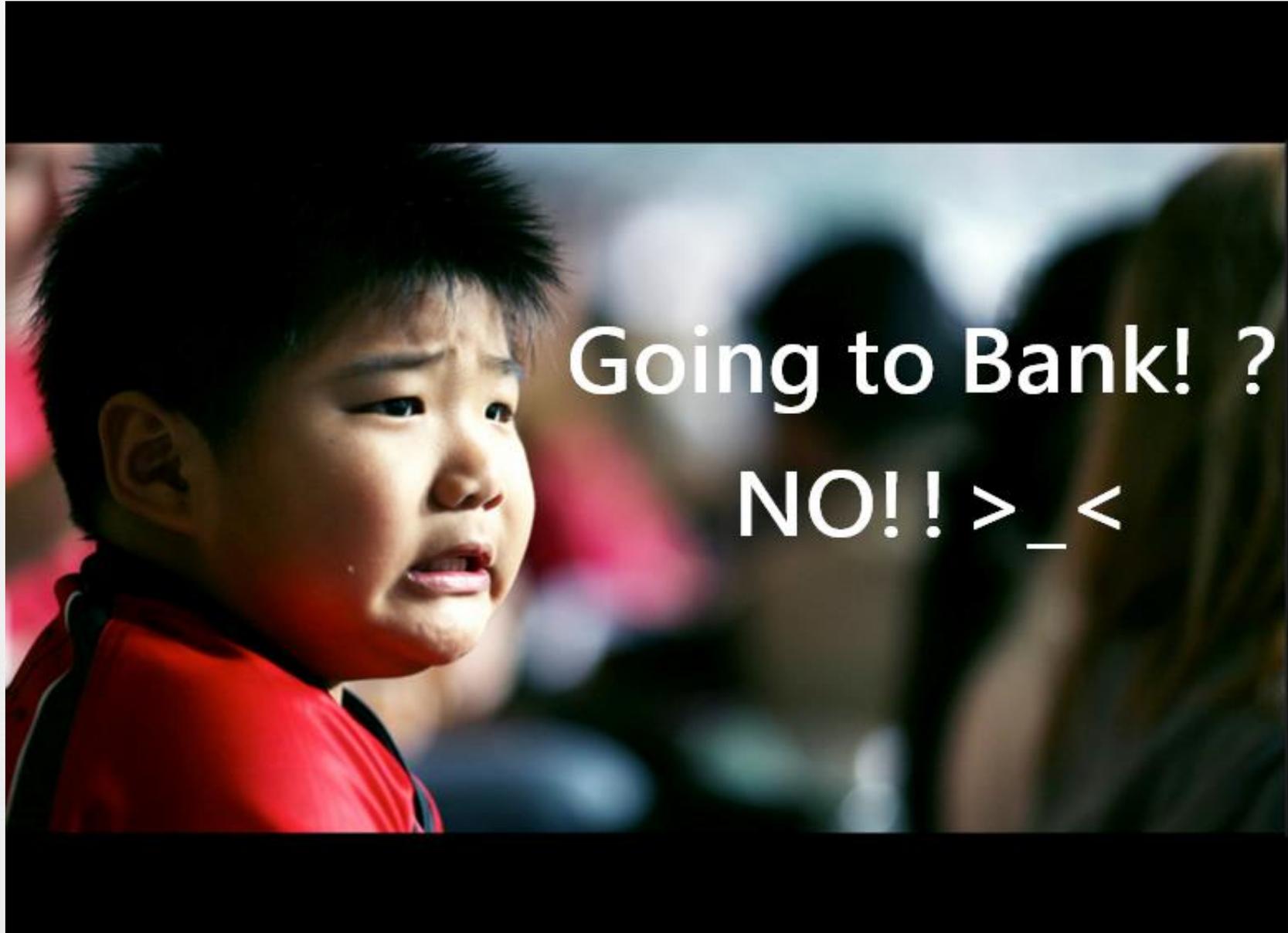
Ting Chen  
President, EasyCard Corporation



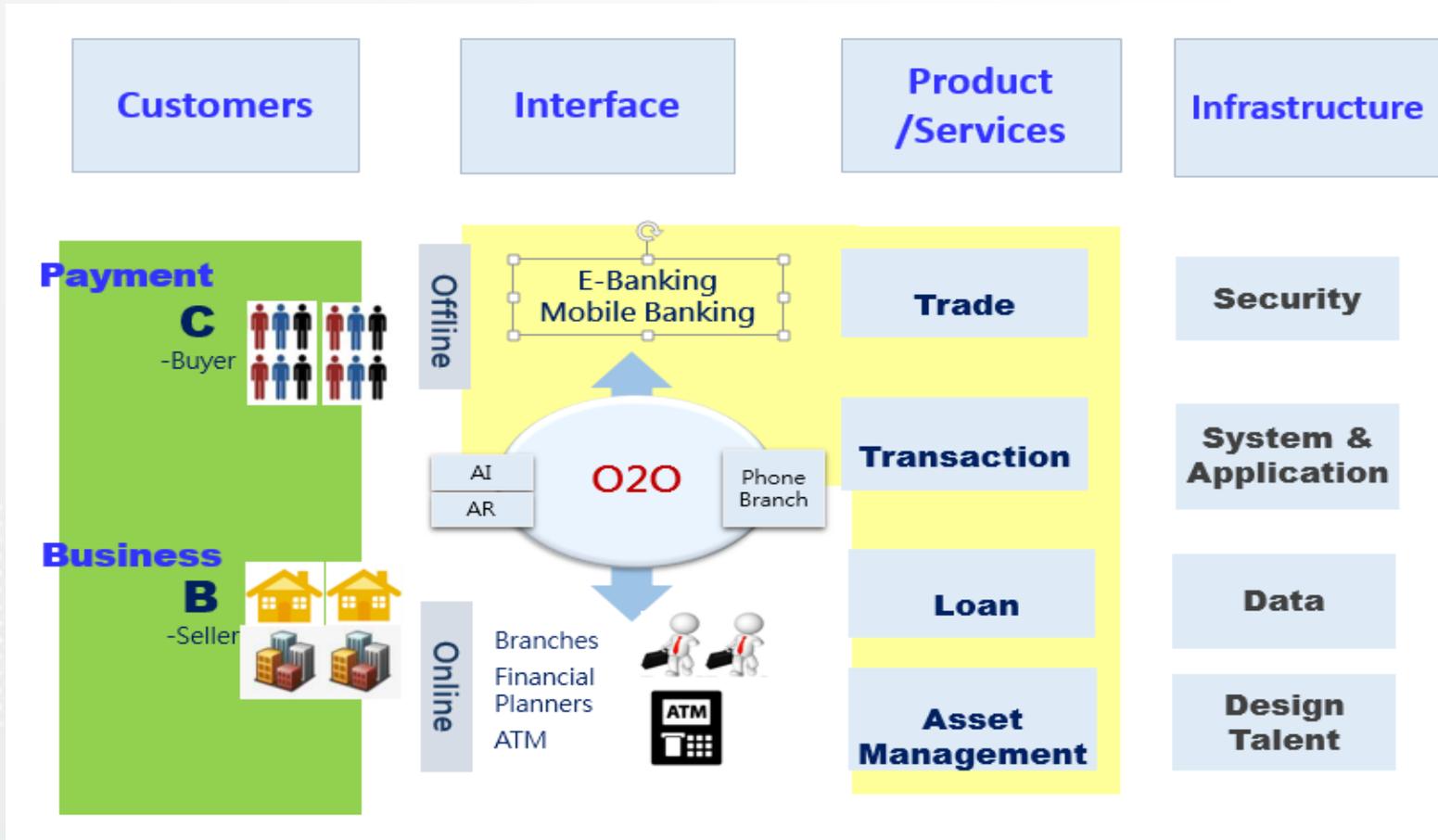


# Fintech Journey





# Fintech affects all 4 aspects of Financial Services



# From Financial Planner to Life Planner



Service from home



CRM linked to health



AR: be there at right moment



Fun & Convenient Payment



# From Banker to Partner



Temple fintech



Micro-Business Solution



FloraHolland Eco-system Banking

# New Financial Value by Sharing

P2P  
Lending



P2P  
ForeX



P2P SME  
Financing



P2P  
Insurance



P2P  
Funding



# Issues:



- ✓ Trust
- ✓ Data Integrity & Cyber Security
- ✓ Identity Authentication
- ✓ Taxes
- ✓ Co-dependency



## Ting Chen

Ting Chen is a cross-disciplinary professional in M&A, banking, as well as in the e-commerce sector, specialized in digital innovation, payment, customer experience and retail banking services. She built up Bank SinoPac's E-Banking Division in 2010, leading the bank to become the pioneer among its peers in its digital development, including the award winning third party payment FunCashier, mobile banking app, corporate banking and ATM solution, and innovative eco-banking solution tailored to specific business models and sectors.

Her recent focus has shifted to the integration of seamless customer experiences in online-offline service journeys, and leading Bank SinoPac's full retail business with a new customer-focus initiative. In March 2018 Ting joined the EasyCard Corporation, the leading transportation and retail payment platform in Taiwan. With more than 70 million cards issued and in circulation, she aims to lead the company to expand its dynamic in payment integration and innovation, while turning payment into a fun and easy experience.

Ting holds Bachelor of Commerce degree from McGill University in Canada and is a qualified Canadian Chartered Accountant.

### ◆ Experiences

#### **President, EasyCard Corporation**

Head of Retail Business / Head of Electronic Banking Division, Bank Sinopac

Chief of Strategy Office, SinoPac Holdings

Chief Finance Officer, PChome eBay Co., Ltd. (Ruten Auction)

# Future of Capital Markets in Asia- Perspectives from the U.S.

Ted Mlynar  
Partner, Hogan Lovells LLP



# Follow the ICOs . . .

- In 2016, less than US\$100M
- In 2017, nearly US\$4B
- As of April 8, nearly US\$6B !

Source: [www.coinschedule.com/stats.html](http://www.coinschedule.com/stats.html) (visited 4/11/18)

# Cryptocurrency transactions

- Cryptocurrency mining
- “Air drop” coins/tokens
- Blockchain “forks”
- Distribute coins/tokens with a “faucet”
- Buy/sell cryptocurrency with \$, ¥, €
- Trade cryptocurrencies
- Buy goods/services with cryptocurrency
- Pay taxes with cryptocurrency
- Smart contract blockchain transactions

# Blockchains will be everywhere . . .

- Capital markets
- Banking and financial services
- Payments and remittances
- Insurance
- Supply chain management
- Real estate
- Healthcare and life sciences
- Media
- Identity
- Charitable contributions

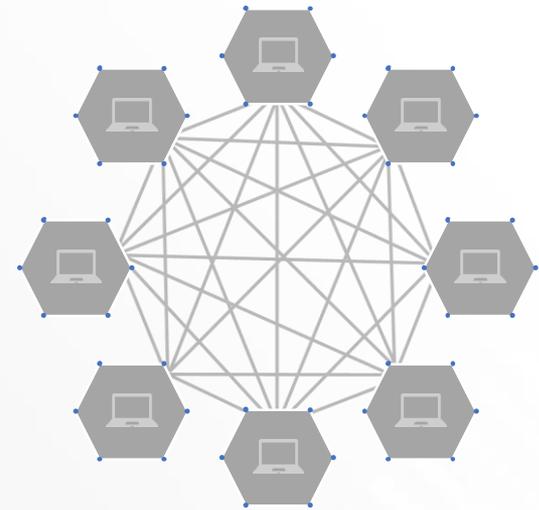
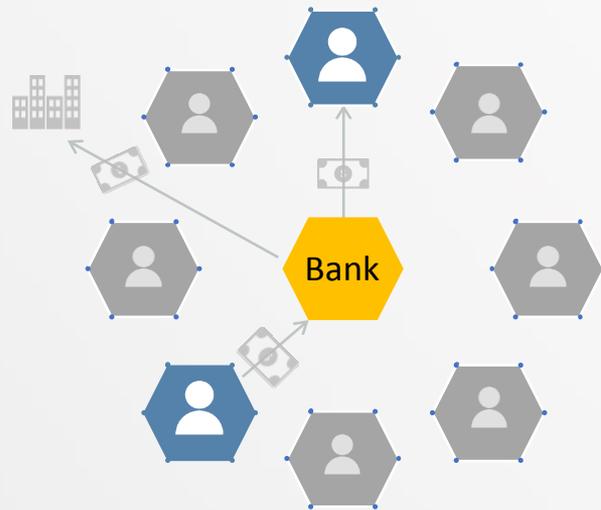
# What is a blockchain?

- A blockchain is
  - a data structure
  - created by a computer program
- In most blockchains of interest,
  - the stored data is transaction data
  - the computer program implements a transaction (e.g., Alice pays Bob \$100)

# Why is a blockchain special?

- In most blockchains of interest, the computer program runs on a network of computers
  - the data structure is stored on each computer (a distributed ledger)
  - the network of computers must reach a *consensus* to add data to the data structure
  - each computer adds data to its copy of the ledger (blocks are added to the blockchain)

# Distributed ledger



- Instead of a bank controlling a transaction ledger, control is dispersed among multiple computers on the network.
- Each computer holds a copy of the distributed ledger.

# What else can a blockchain store?

In some blockchains,

- the stored data is *another* computer program:

*a Smart Contract*

- the stored computer program implements a more complicated transaction (e.g., *if today is June 15, then Alice pays Bob \$100*)
- the network of computers run the stored computer program automatically and simultaneously based on data on/off the blockchain

# Tax issues

- Cryptocurrency mining
- “Air drop” coins/tokens
- Blockchain “forks”
- Distribute coins/tokens with a “faucet”
- Buy/sell cryptocurrency with \$, ¥, €
- Trade cryptocurrencies
- Buy goods/services with cryptocurrency
- Pay taxes with cryptocurrency
- Smart contract blockchain transactions

## Theodore J. "Ted" Mlynar

Partner, New York

Ted Mlynar is a partner in the New York office of Hogan Lovells specializing in intellectual property. For more than twenty years, he has been developing and implementing innovative solutions to some of the most difficult intellectual property problems in the world. Combining a keen legal acumen, first-chair trial experience, and a deep understanding of technology, Ted works closely with clients to resolve disputes outside the court room where possible, and inside when necessary.

He has a particular focus in areas of complex technology, including electronics, wireless communications, software, and e-commerce. He majored in electrical engineering at Caltech and is a registered patent attorney.

Ted has co-authored numerous articles relating to blockchain and smart contract technologies and has been acknowledged by the Chamber of Digital Commerce as a subject matter expert in the field of smart contracts. Ted leads the Hogan Lovells Blockchain-Smart Contracts IPMT Working Group.



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### Practices

Intellectual Property  
Litigation and Arbitration  
Patents  
Trade Secrets and Confidential Know-how  
Trademarks and Brands  
Copyright

### Education

B.S. in Electrical Engineering,  
California Institute of Technology, 1991  
J.D., University of Southern California, 1994

[hlengage.com/blockchain](https://hlengage.com/blockchain)

# Future of Capital Markets in Asia- Perspectives from China & Hong Kong

James Badenach  
Partner, EY Hong Kong





# China: Fintech Demographics

China has the highest FinTech adoption driven by financial innovation by e-commerce giants, flexible regulatory environment and less competition from incumbents

# 69%

**China**

# 33%

**Global**

### Adoption by gender



74%

72%

### Adoption by region

78%

Large Cities

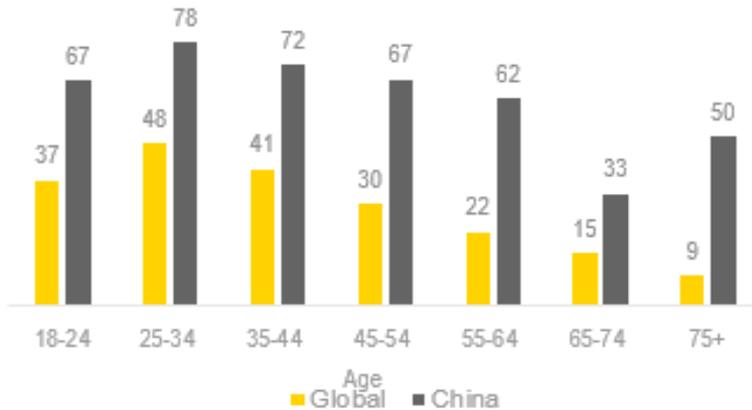
66%

Small and Medium Cities

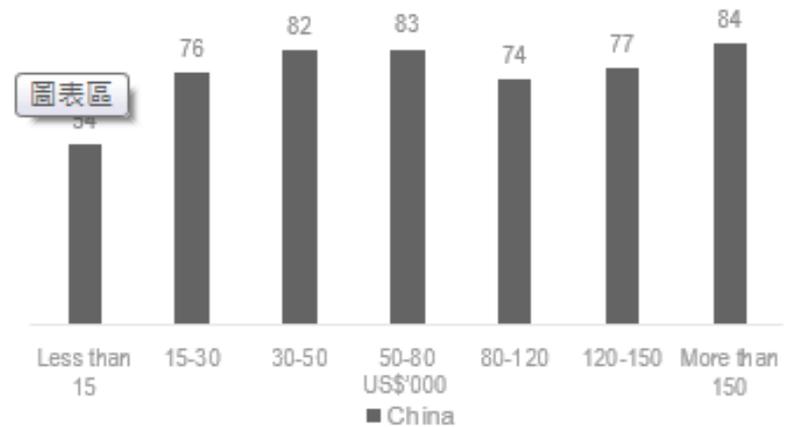
43%

Rural

### FinTech adoption across age brackets (%)



### FinTech adoption across income brackets (%)



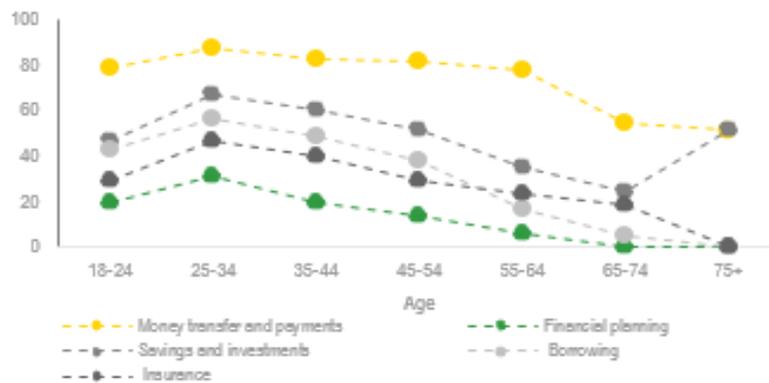


# China: FinTech categories

China leads FinTech adoption across all categories, with the exception of insurance services where it ranks third

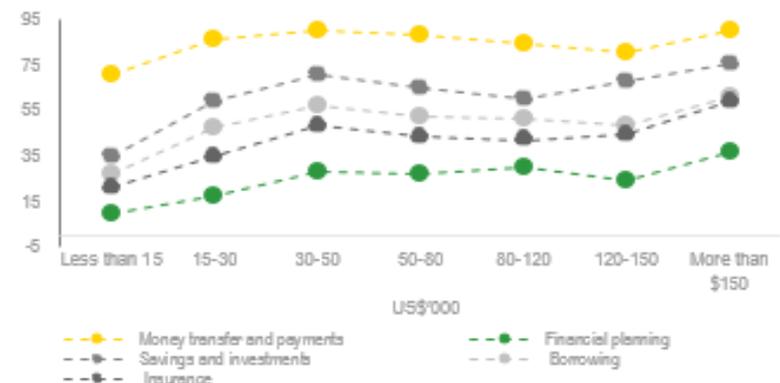
	Money transfer and payments	Financial planning	Savings and investments	Borrowing	Insurance
China	83%	22%	58%	46%	38%
Global	50%	10%	20%	10%	24%

### Adoption across age brackets and categories (%)



- The tech-savvy younger generation are high adopters of FinTech services, particularly amongst money transfer and payments, and savings and investments services
- FinTech adoption is highest among consumers in the 25-34 age bracket

### Adoption across income and categories (%)



- FinTech adoption increases with income
- Adoption of each categories is relatively similar across all income brackets

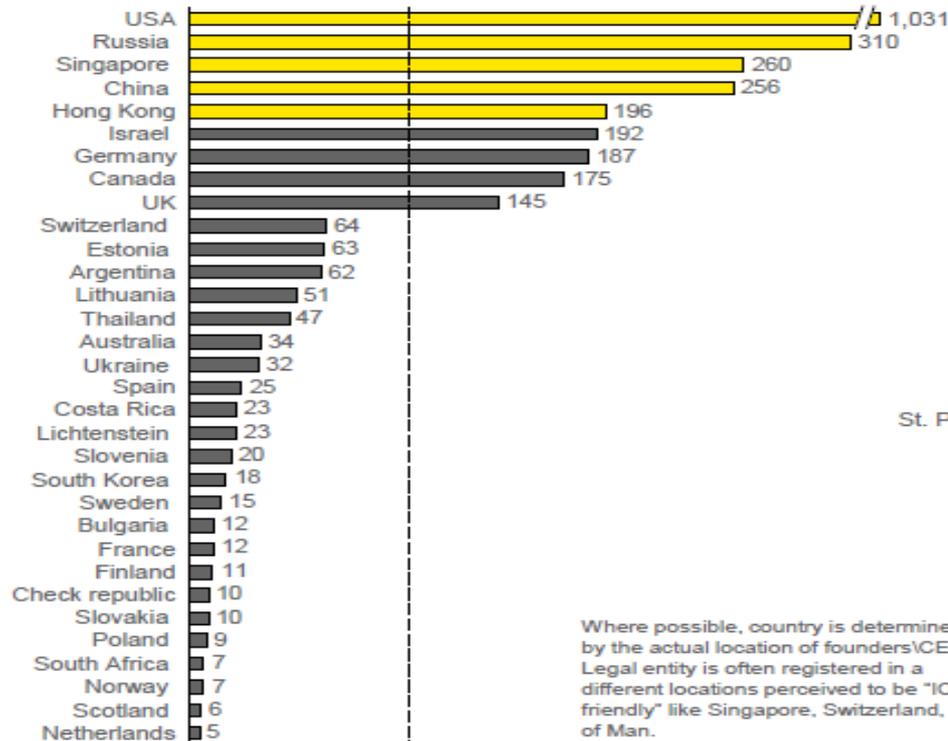
# Personal Data: Chinese consumers are more willing to trust companies



Source: Harvard Business Review, May 2015

# ICO Market

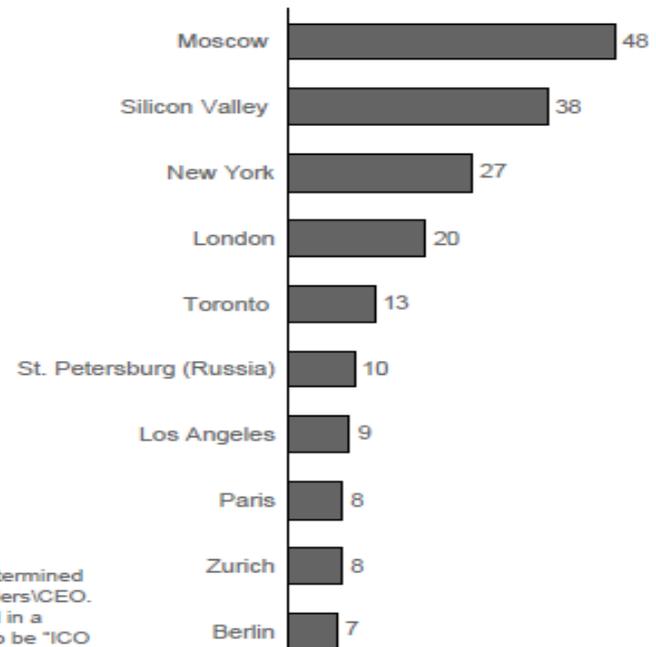
ICO projects by countries\*, mln USD<sup>(1)</sup>



Ø 104

Where possible, country is determined by the actual location of founders\CEO. Legal entity is often registered in a different locations perceived to be "ICO friendly" like Singapore, Switzerland, Isle of Man.

Top 10 cities by the number of ICO. Based on founder / CEO actual location <sup>(2)</sup>



<sup>(1)</sup> Source: EY analysis based on Coindesk, Autonomous Next, Token Market, company websites

<sup>(2)</sup> Source: State of European Tech Report 2017, Atomico



# James Badenach - Curriculum Vitae



James Badenach  
Partner, Financial Services Tax

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## Background

- ▶ James is a Hong Kong based Financial Services Tax Partner and is also Ernst & young's Asia Pacific International Tax Services Leader
- ▶ Joined Ernst & Young in 2011 and is based in the Hong Kong office)
- ▶ Education/Background
  - ▶ University of Tasmania, Bachelor of Commerce
  - ▶ Member of the Institute of Chartered Accountants in Australia (ICAA)
  - ▶ Former Chairman of the Capital Markets Tax Committee of Asia

## Skills

- ▶ Hong Kong Profits Tax & Stamp Duty
- ▶ International Corporate Taxation
- ▶ Banking & Capital markets
- ▶ Commodity Trading
- ▶ Financial Transactions / Corporate Treasury Centres

## Professional experience

- ▶ James has over 20 years of tax experience and has been based in Hong Kong since 2001 focusing on International tax, transfer pricing and Hong Kong tax. He has also spent time working in Australia, the UK and Latin America.
- ▶ His clients include a number of global financial institutions and Asia Pacific based financial institutions in the banking and capital markets, asset management and commodity trading sectors in relation to the international and Asia Pacific tax aspects on various activities, such as global compliance and reporting, tax function effectiveness and advising on the tax implications of transactions, cross border arrangements and access structures.
- ▶ James works closely with the Ernst & Young FS transfer pricing team providing international tax advice to banking and capital markets clients as these clients are responding to regulatory and tax changes and have sought to optimise the use of capital. He has also been actively involved in assisting advising clients on tax aspects of disposals across APAC as BCM clients have re-focused their businesses.
- ▶ James also leads Ernst & Young's Tax Transparency and Operational Tax initiatives in APAC with respect to financial services clients.
- ▶ Prior to joining Ernst & Young, James was a Managing Director and Asia Pacific Regional Head of Tax at the Royal Bank of Scotland, after joining ABN AMRO in early 2004. He was responsible for the overall management of the bank's tax position across Asia Pacific. In this role, he dealt with all aspects of taxation across the 13 jurisdictions in APAC and across all business areas with a primary focus on the Global Banking and Markets business which included, investment banking, equities, fixed income, currencies and commodities and commercial banking.

# Future of Capital Markets in Asia- Perspectives from Singapore & India

Mahesh Kumar,  
Partner, Withers LLP, Singapore



# India's FinTech landscape

## MERCHANT SERVICES

### PAYMENTS



### LENDING & BANKING



### INSURANCE



### OTHER



## CONSUMER PAYMENTS

### MOBILE WALLETS & E-COMMERCE



## GOVERNMENT & CORPORATE INITIATIVES



## PERSONAL FINANCE

### LENDING



### TAXES



### INSURANCE



### BANKING, TRADING & WEALTH



Source: CB Insights



# Fintech in Singapore

## PAYMENTS (32)



## INVESTMENT/WEALTH MANAGEMENT (41)



## DIGITAL BANKING (6)



## COMPARISON SITES (11)



## CROWDFUNDING (9)



## BLOCKCHAIN/CRYPTOCURRENCY (23)



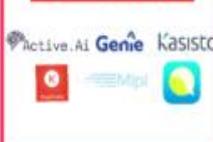
## API (3)



## INSURTECH (20)



## CHATBOT (6)



## CURRENCY EXCHANGE (4)



## REGTECH (12)



## LENDING (16)



## REMITTANCE (12)



## DATA MANAGEMENT (9)



## PERSONAL FINANCE (6)



Source: Fintechnews.sg



# FinTech: Disrupting capital markets for good

- New avenues to raise capital: Initial Coin Offerings (ICOs), Crowding funding, P2P/B2B/B2C lending
- Making capital markets more efficient: Digitization & Block chain
- Tech solutions disrupting capital deployment: Robo advisory & AI
- New asset classes: Crypto-currency

# Every solution creates

Regulatory  
Challenges



Tax  
Challenges

# India on Crypto currency...

**Bitcoin BAN: India rocks  
cryptocurrency by  
OUTLAWING digital  
currencies from system**

INDIA is planning to make cryptocurrencies illegal to prevent the cryptocurrency from ever entering the country's mainstream financial system, a finance ministry official has said.

**India likens cryptocurrencies to Ponzi  
scheme, cautions investors**

**I-T Dept issues notices to  
100,000 cryptocurrency  
investors: CBDT chairman**

and in Singapore...

**Singapore says no strong case to ban  
cryptocurrency trading**

# Crypto currency: Key tax issues

- Currency or commodity?
- Taxation at the point of:
  - Mining
  - Token issue
  - Sale
  - Trading
- Goods and services tax



# Structuring an ICO

Token Issuer

IP Company

R&D company

- Which country: India, Singapore or offshore?
- What entity: Company, trust or foundation?
- Pre-mine
- IP holding
- Monetizing tokens
- Group services
- Other practical issues



**Mahesh Kumar**

**Partner  
Withers LLP  
Singapore**

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Mahesh is a Partner with Withers Worldwide, an international law firm with 16 offices globally.

He is based in the firm's Singapore office and specializes in providing integrated legal, tax and strategic advice to successful entrepreneurs, MNCs, funds and family offices on complex cross-border structures and investments.

Mahesh was ranked by Singapore Business Review in an exclusive list of the most influential lawyers in Singapore. He regularly speaks at major conferences worldwide and is widely published.

Mahesh is a member of the Executive Committee of the International Fiscal Association, Singapore.

# Future of Capital Markets in Asia- Perspectives from Japan

Yoshihiro Masui  
Professor, Faculty of Law  
University of Tokyo

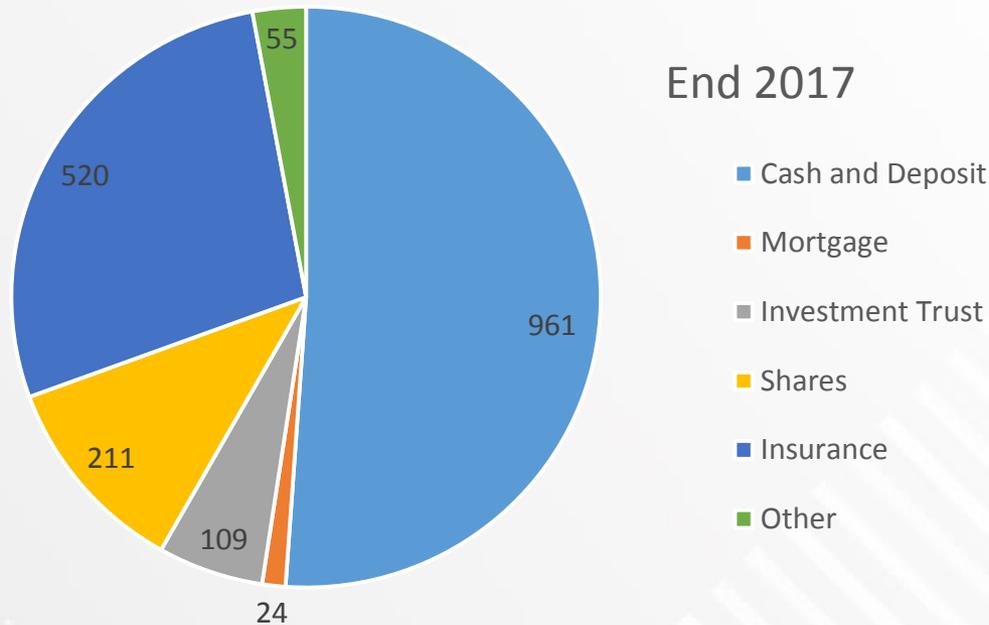


# Japan

- "Future" of capital market
- "FinTech" as a buzzword - settlement, lending, asset management, crypto-currency
- I'll comment on the "retail" side from a perspective of a tax lawyer

# Big, but strikingly risk-averse

- Household financial savings: 1,880 trillion yen (= 17 trillion US dollar)



# Will FinTech make a difference?

- Will people be more risk-taking?
- Policy agenda since 1990s:
  - financial “Big Bang”
  - “streamlined” financial income taxation
  - “NISA” - Nippon Individual Savings Account
- OECD (2018) Taxation of Household Savings OECD Tax Policy Studies No.25

# Will FinTech make a difference?

- Arguments in favor:
  - Big space for change
  - User-friendly technology
- Arguments against:
  - Still a mostly cash-based economy
  - Older people save more
- Ultimately an empirical question, but we try

# Government initiatives

- “Growth Strategy 2017” (June 2017)
  - KPI - Introduction of open API in 80 banks by June 2020
  - KPI - Double the cashless payment ratio to 40% by June 2027
  - FinTech demonstration test hub
- Common law vs. civil law? - Look at Estonia

# What about the tax side?

- Only 5% of the population file returns to pay tax
- Income tax withholding by investment banks - “specified account” system for taxing capital gains in shares
- A more cost-efficient system by IT?
- NTA “A smarter tax administration”  
June 2017

# A word on crypto-currency

- Regulation – Registration at FSA since April 2017
- VAT: exempt transaction
- PIT: “miscellaneous income”
  - need to file a tax return!
  - Gains subject to progressive tax rates
  - No loss-offset with other income



**Yoshihiro Masui**

**Professor of Law at the  
University of Tokyo**

**[masui@j.u-tokyo.ac.jp](mailto:masui@j.u-tokyo.ac.jp)**

## **Background**

Yoshihiro Masui is Professor of Law at the University of Tokyo. He taught as a visiting professor at Columbia University, WU (Vienna University of Economics and Business), New York University, the University of Sydney and the National University of Singapore.

Prof. Masui served as a member of the Permanent Scientific Committee of the International Fiscal Association. He is currently a member of the Tax Commission of the Japanese government.

His English contributions can be found in various publications, among which IBFD's Bulletin for International Taxation and Asia-Pacific Tax Bulletin. In 2002, his monograph Taxation of Corporate Groups (in Japanese) won the Institute of Tax Research and Literature Award.

# Cryptocurrency and ICOs; fly-by-night or here to stay ?

Sarah Hickey  
Partner, PwC Australia



# Relevance to the FS industry

	<b>Banks</b>	<b>Asset Managers</b>	<b>Insurers</b>
<b>Digital currency</b>	Shift in how money is held (bank deposit versus blockchain)	New asset/currency	New product offerings to manage crypto volatility?
<b>Initial Coin Offerings</b>	Natural investor in blockchain technology (key offering in ICOs)	New asset class, with new funds being established to invest	Natural investor in blockchain technology (key offering in ICOs)

# Three key trends

- Cryptocurrency moving slowly into the mainstream
- The search for yield for crypto investors: ICOs
- Tax as a determinant of where/how activity happens throughout Asia-Pac



## 1) Billions are changing hands via Australia's Digital Currency Exchanges (DCEs)

- In 2017, the estimated total value of digital currency trading (buying and selling of cryptocurrencies) in Australia was circa **\$5.9bn.**



# Two predictions

- Asia-Pac divides into three crypto-territories:
  - The advocates
  - The passives
  - The detractors
- Regulation will become a differentiator for serious crypto players



**AUSTRALIAN  
FINANCIAL REVIEW**

Local cryptocurrency exchange gets certified

# One (huge) question

- Will traditional financial institutions accept crypto into the mainstream?

**CBA bans customers from using credit cards to buy bitcoin**

**Teachers Mutual Bank, UniBank, Firefighters Mutual ban cryptocurrency lending**

**Banks in the UK and US ban Bitcoin buying with credit cards**



- If not, how much longevity does the industry have and how does this impact financial markets?



**Sarah Hickey, Partner**

Financial Services, PwC Australia  
Australian Tax Leader – Cryptocurrency and FinTech

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**Academic & Professional Qualifications**

- Sarah holds a Bachelor of Laws (First Degree Honours) and Bachelor of Arts (With Distinction) from Deakin University and an MBA (With Distinction) from the University of Western Australia.
- Sarah is a qualified solicitor and an associate of Chartered Accountants Australia & NZ.

**Experience and Core Competencies**

- Before joining PwC Australia, Sarah worked as a lawyer at Blake Dawson (now Ashurst). Sarah has worked at PwC for the last eight years across PwC Sydney, Melbourne and Perth.
- Sarah is a partner in Australia’s Financial Services tax practices and her clients include a range of domestic and foreign banks, algorithmic traders, wealth managers. Sarah provides income tax compliance services, as well as tax structuring and due diligence advice with respect to acquisitions and disposals of assets,.
- Sarah also leads Australia’s FinTech and Cryptocurrency tax practice. She works with a number of Australian companies that are conducted and have completed ICOs, and with major Australian cryptocurrency exchanges. Sarah is also involved in consultation with regulators in respect of digital currency and has strong connections with Australian industry bodies.

# Plenary 6 Future of Capital Markets in Asia

THANK YOU

