

A light blue map of Southeast Asia is centered in the background of the slide. The map shows the outlines of the region, including Thailand, Laos, Cambodia, Vietnam, Myanmar, Indonesia, and the Philippines. The text is overlaid on this map.

Harmonization of Bond Standards: ASEAN+3 Bond Market Forum (ABMF)

FSD CoP Seminar

1 September, 2011

Satoru Yamadera, Economist, OREI

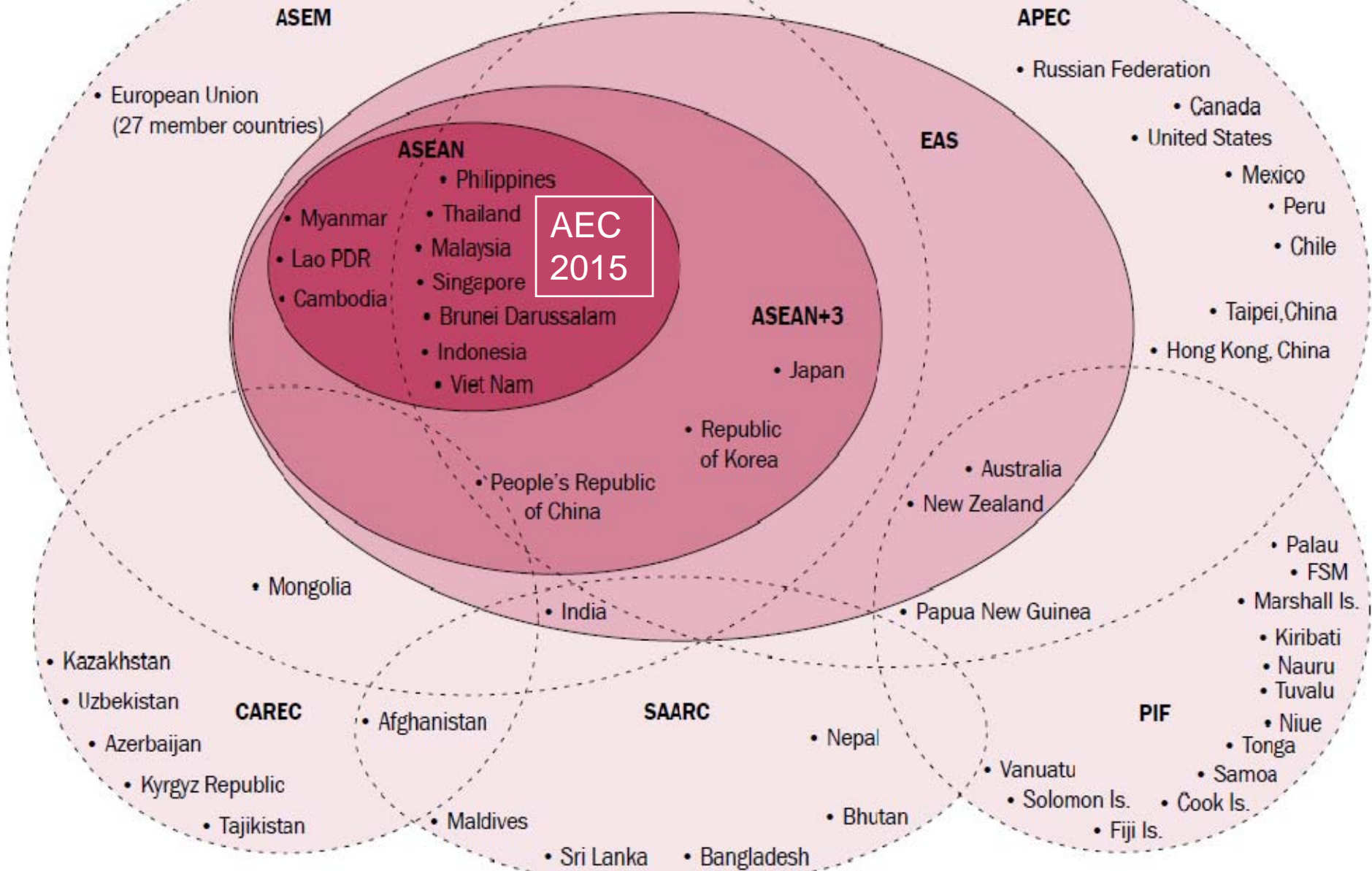
Outline of the seminar

- **Regional cooperation under ASEAN+3**
 - Loose but effective regional cooperation framework
- **Recent bond market developments in the region**
 - Rapid growth of the markets
- **Work under ABMF**
 - Developments in market regulations and practices
 - Developments in market infrastructures
 - Next step

A map of East and Southeast Asia is shown in a light blue color against a darker blue background. The map includes China, Japan, Korea, and the ASEAN member states. The text "What's ASEAN+3 ?" is overlaid in the center of the map.

What's ASEAN+3 ?

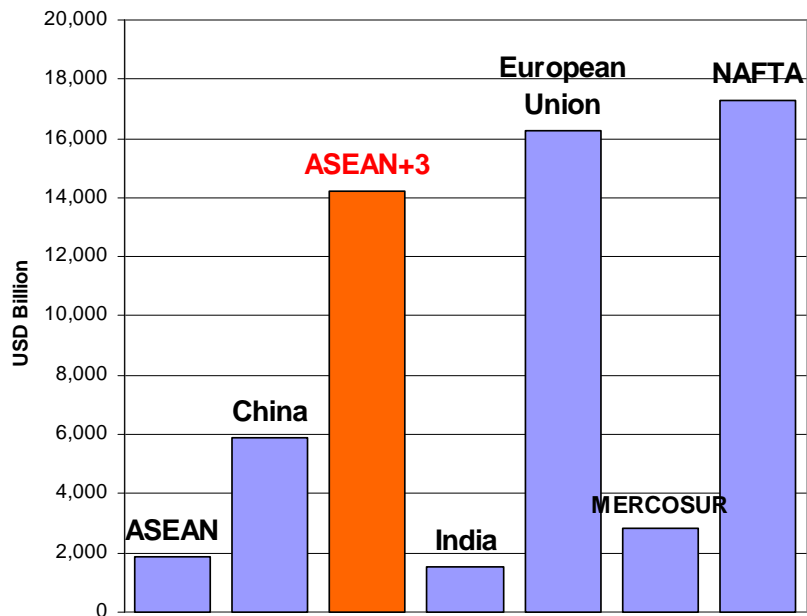
Regional forums in Asia



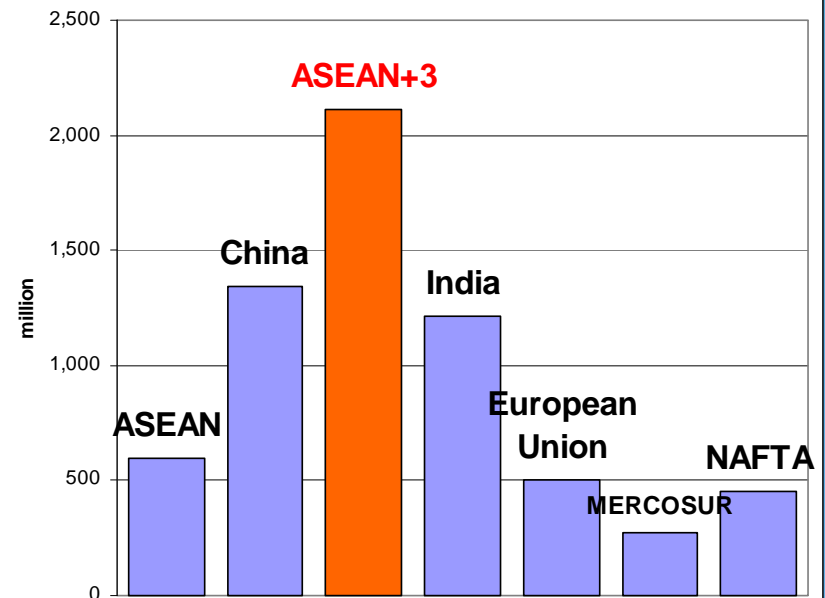
Source: ADB (2010), *Institutions for regional integration*

ASEAN+3: its size and economic impact

GDP
current prices as of 2010



Population
as of 2010



Source: IMF

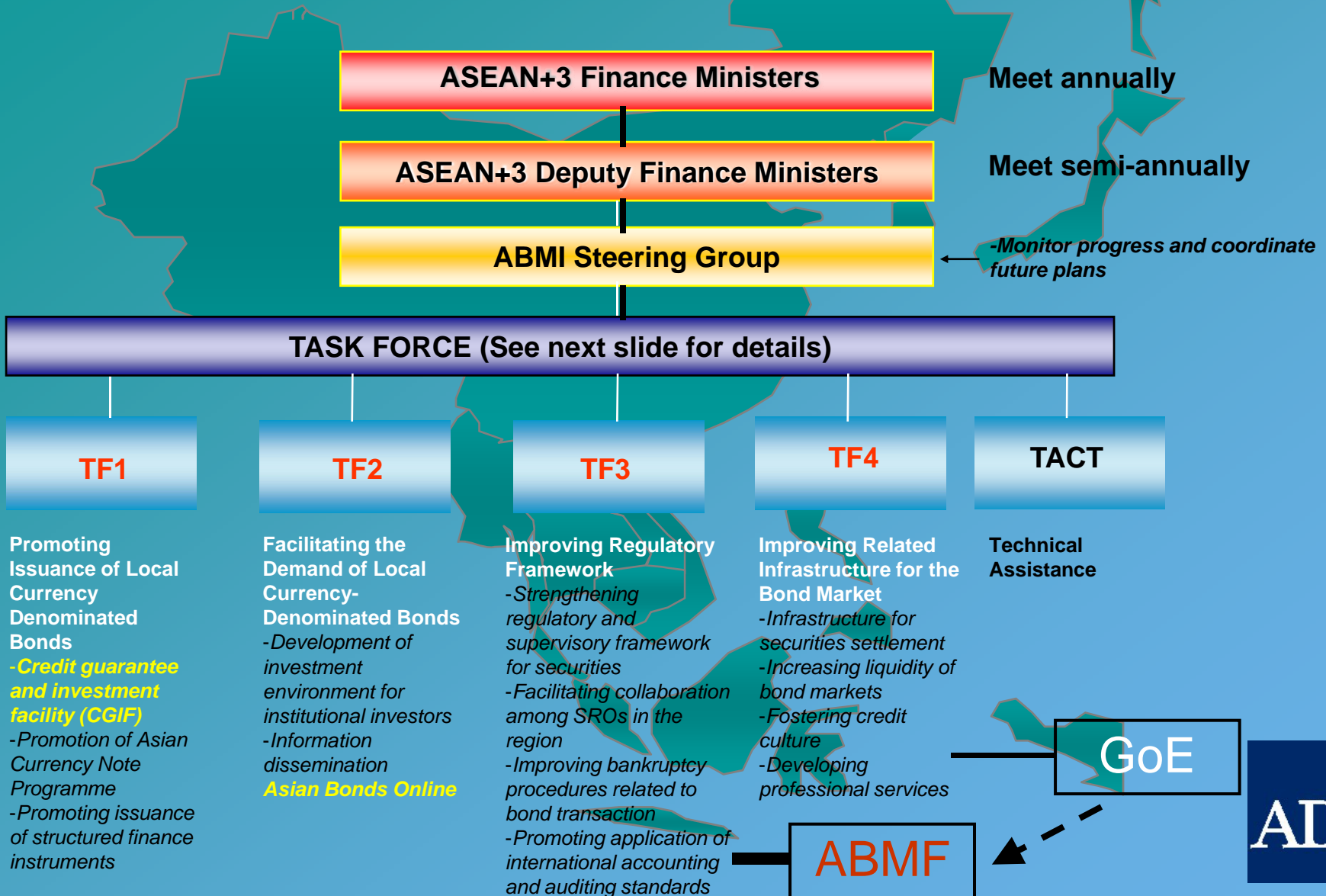
ASEAN+3

A map of Southeast Asia and East Asia, showing the ASEAN+3 region. The map is light blue with dark blue outlines of the countries. The text 'ASEAN+3' is overlaid on the map.

Regional collective re-action to the Asian Currency Crisis in 1997-98

- Macroeconomic surveillance and response to crisis
 - Chiang Mai Initiatives
 - ASEAN+3 Macroeconomic Research Office (AMRO)
- Asian Bond Markets Initiative (ABMI)
 - ABMI Group of Experts (GoE) Report
 - Credit Guarantee and Investment Facility (CGIF)
 - ASEAN+3 Bond Market Forum (ABMF)

The Organizational structure of ABMI



Why ASEAN+3?

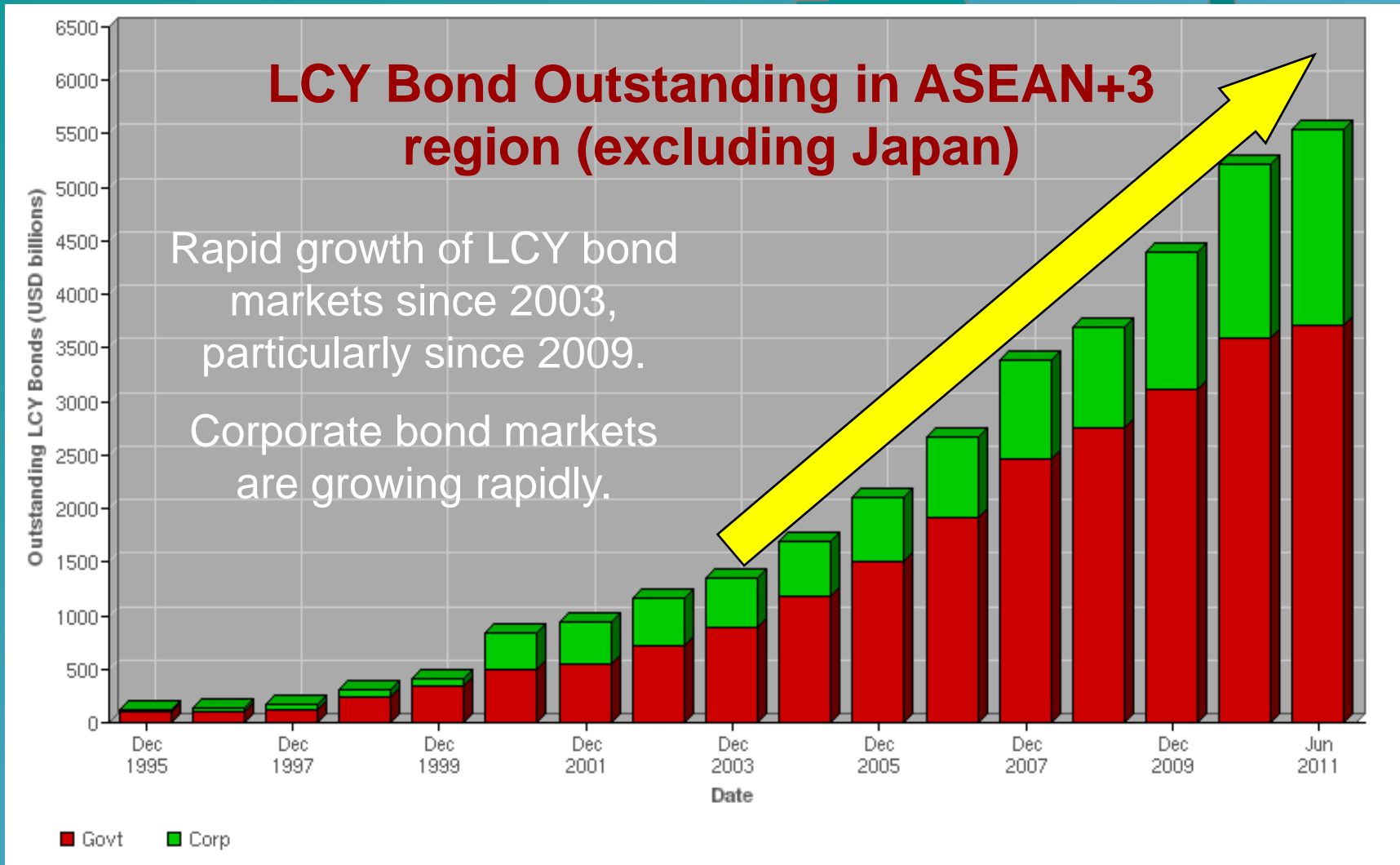
Active regional forum in Asia



A stylized map of Asia and Oceania, with countries outlined in white. The map is centered on the Asian continent, showing the Indian subcontinent, Southeast Asia, and the Pacific region. The text is overlaid on the map.

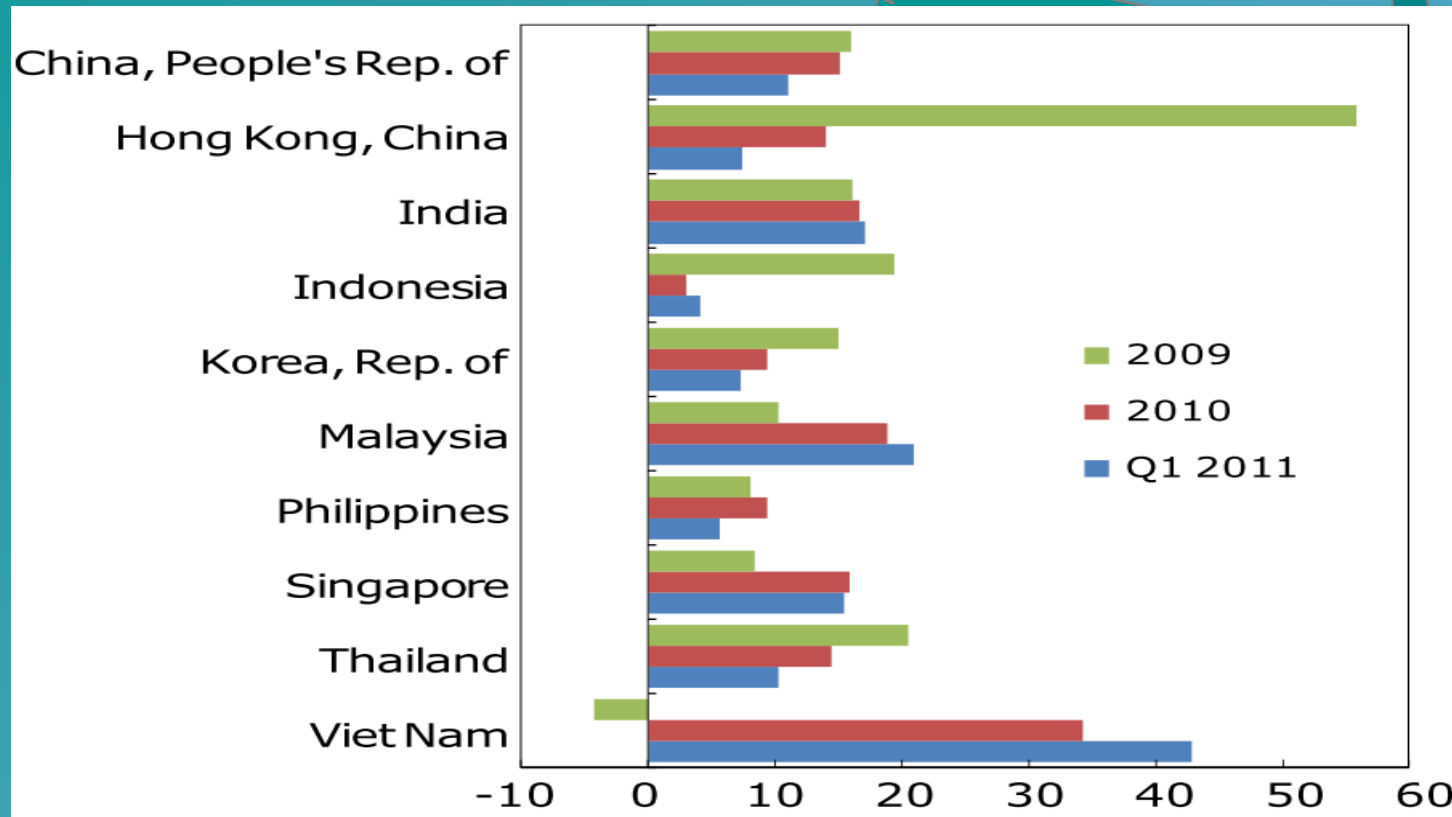
Recent bond market developments in A S E A N + 3

Historical growth of Asian LCY Bond Market



Source: Asian Bonds online <http://asianbondsonline.adb.org>

Growth of LCY Bond Markets in 2009, 2010 and 1Q11 (y-o-y %)



LCY = local currency, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. Emerging East Asia growth figure is based on end-December 2010 currency exchange rates and do not include currency effects.
4. For Singapore, corporate bonds outstanding quarterly figures are based on *AsianBondsOnline* estimates.

Source: People's Republic of China (*ChinaBond*); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (Bank of Korea and *KoreaBondWeb*); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

Bond Outstanding in Major Markets (USD billion)

Economies	1996		2010	
	LCY Bonds Outstanding (US\$ billion)	% of World Total	LCY Bonds Outstanding (US\$ billion)	% of World Total
United States	10,926	42.9	25,349	38.7
Japan	4,456	17.5	11,723	17.9
France	1,261	4.9	3,170	4.8
Germany	1,888	7.4	2,616	4.0
United Kingdom	678	2.7	1,647	2.5
Emerging Asia of which:	612	2.4	6,062	9.3
China, People's Rep. of	62	0.2	3,052	4.7
Korea, Rep. of	283	1.1	1,149	1.8
India	81	0.3	853	1.3
ASEAN-6 of which:	149	0.6	845	1.3
Indonesia	7	0.0	106	0.2
Malaysia	71	0.3	247	0.4
Philippines	28	0.1	73	0.1
Singapore	25	0.1	179	0.3
Thailand	19	0.1	225	0.3
Viet Nam	—	—	15	0.0
Brazil	299	1.2	1,338	2.0
Russian Federation	43	0.2	67	0.1
South Africa	82	0.3	189	0.3
Turkey	27	0.1	230	0.4

— = not available, ASEAN = Association of Southeast Asian Nations, LCY = local currency, PRC = People's Republic of China.

Note: Emerging East Asia comprises the People's Republic of China; Hong Kong, China; Indonesia: Republic of Korea; Malaysia; Philippines; Singapore; Thailand; and Viet Nam.

iBoxx Asia Bond Fund Index Family Returns

Market	Modified Duration (years)	2009 Returns (%)		2010 Returns (%)		Q1 2011 Returns (%)		2011 YTD Returns (%)	
		LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index	LCY Total Return Index	US\$ Unhedged Total Return Index
China, People's Republic of	5.8	(0.6)	(0.7)	1.6	5.1	0.4	1.0	1.4	3.1
Hong Kong, China	3.9	(0.8)	(0.8)	2.0	1.8	0.7	0.6	2.1	2.0
Indonesia	5.8	20.2	35.6	19.3	23.7	0.7	4.0	5.5	10.8
Korea, Republic of	4.0	1.9	9.7	8.0	10.6	0.8	4.2	2.4	7.4
Malaysia	4.4	0.5	1.6	5.2	15.6	0.4	2.3	1.3	3.6
Philippines	5.1	9.0	11.8	14.3	19.7	(1.3)	(0.4)	1.3	2.4
Singapore	5.6	0.5	3.1	2.5	11.3	1.7	3.4	2.7	6.6
Thailand	4.8	(3.5)	0.7	5.4	15.4	0.5	0.1	1.0	0.5
Pan Asia	4.9	n.a.	<u>5.0</u>	n.a.	<u>10.2</u>	n.a.	<u>1.9</u>	n.a.	<u>4.3</u>
HSBC ALBI	7.7	n.a.	<u>6.1</u>	n.a.	<u>11.5</u>	n.a.	<u>2.3</u>	n.a.	<u>4.7</u>
US Govt. 1-10 years	3.9	n.a.	<u>(1.4)</u>	n.a.	<u>5.3</u>	n.a.	(0.1)	n.a.	<u>2.4</u>

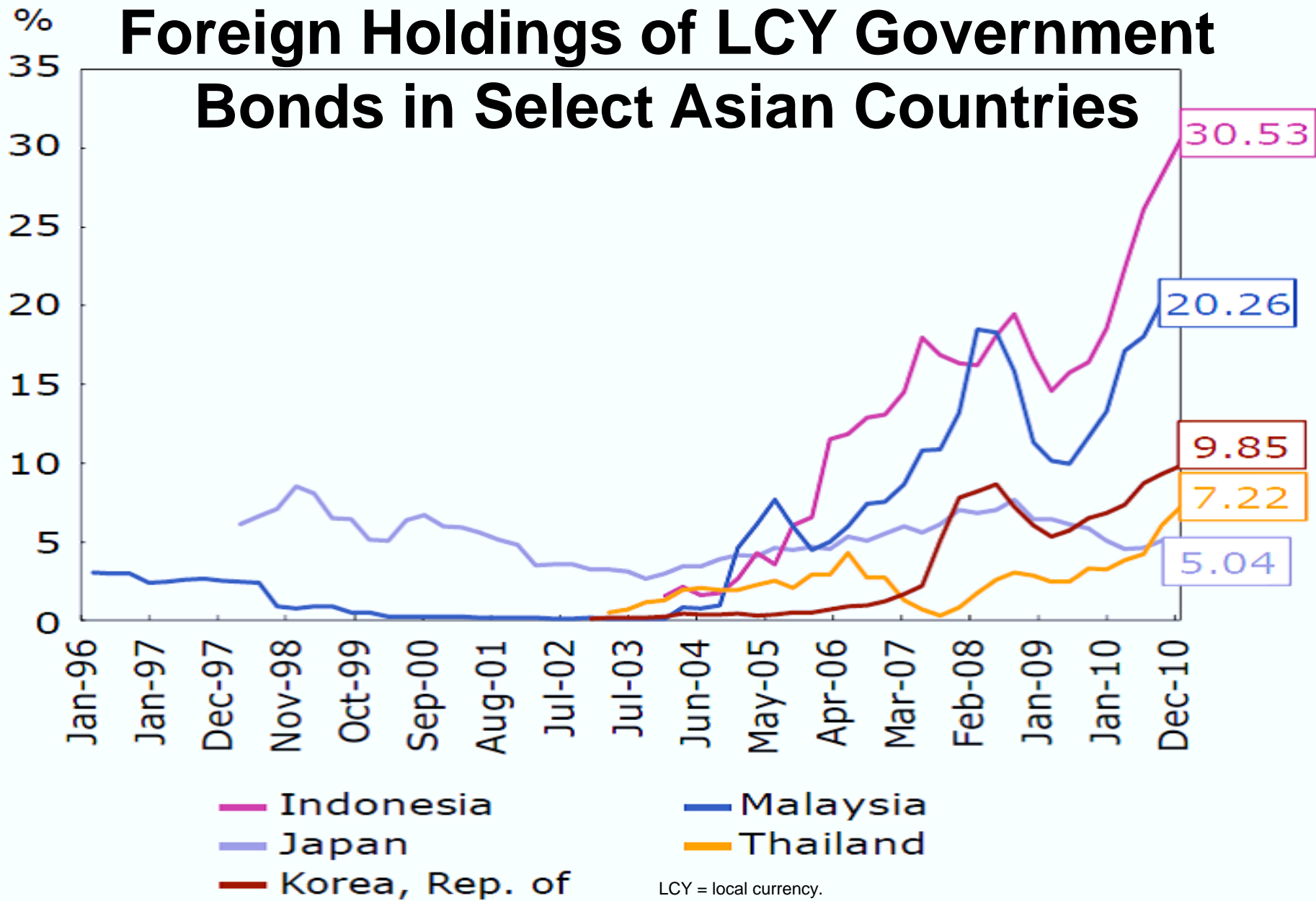
— = not applicable, ALBI = Asian Local Bond Index, LCY = local currency, US = United States, YTD = year-to-date.

Notes:

1. The Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.
2. Market bond indices are from iBoxx Index Family. Returns for 2011 are year-to-date as of 11 March 2011.
3. Annual returns are computed for each year using natural logarithm of end-of-year index value/beginning year index value.
4. Duration as of 11 March 2011.

Source: *AsianBondsOnline* and Bloomberg LP.

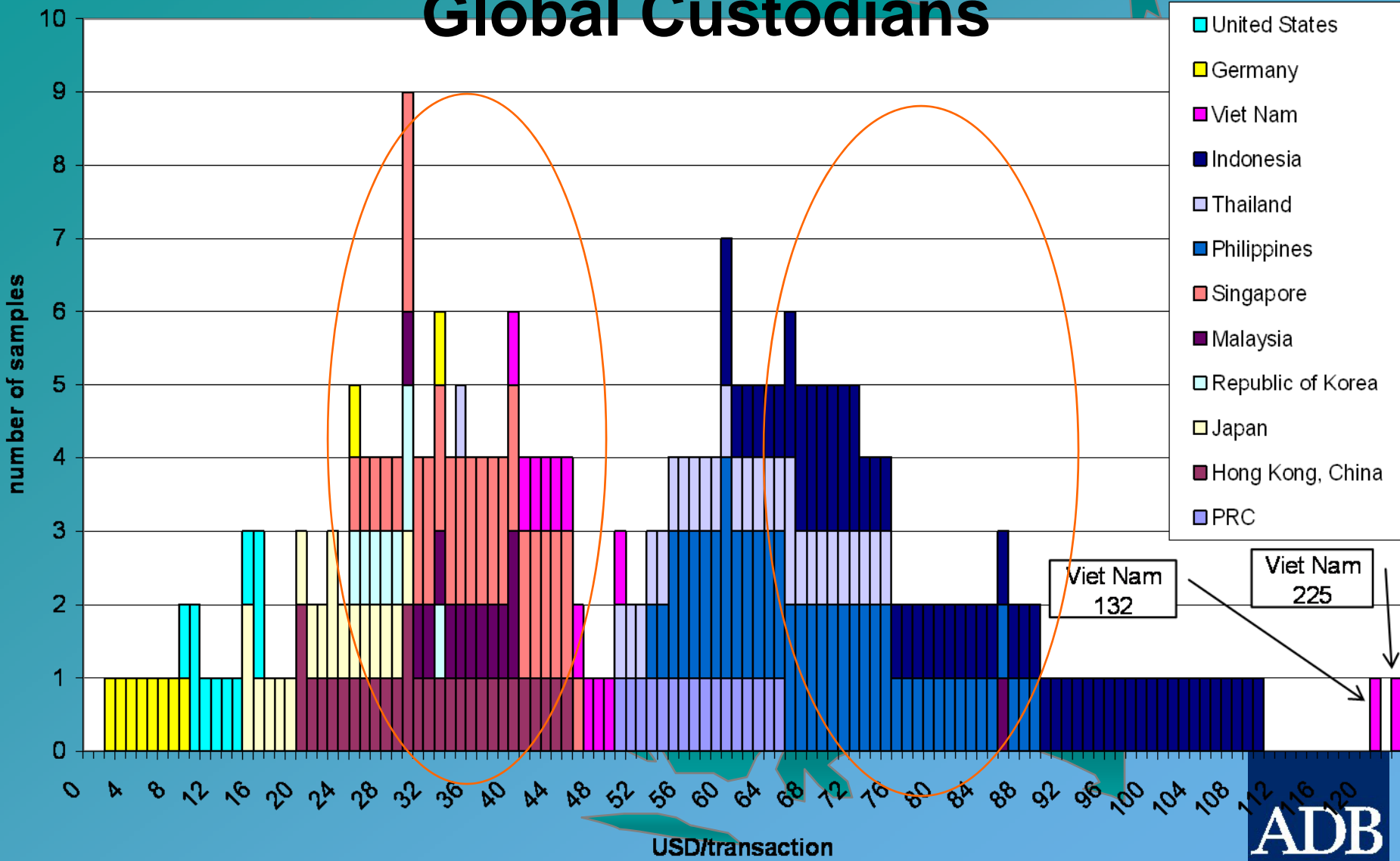
Foreign Holdings of LCY Government Bonds in Select Asian Countries



LCY = local currency.
 Note: Data for Japan and Malaysia as of September 2010; Indonesia, Republic of Korea, and Thailand as of December 2010.

Source: *AsianBondsOnline*.

Standard Transaction Fees of Global Custodians



Efforts to eliminate market barriers

Market:	CN	HK	ID	JP	KR	MY	PH	SG	TH	VN
A: Quotas	HI									
B: Investor registration	HI				LO					LO
C: FX controls - conversion	HI		HI				LO		LO	LO
D: FX controls - repatriation	HI		LO				HI		LO	HI
E: Cash controls - credit balances			LO						HI	
F: Cash controls - overdrafts	HI		HI		LO	LO	HI		LO	HI
G: Taxes	LO		HI	LO	HI		HI		LO	HI
H: Omnibus accounts	HI				HI					
I: Settlement cycle	LO									LO
J: Message formats	LO		LO			LO	LO		LO	LO
K: Securities numbering	LO		LO				LO		LO	HI
L: Matching		LO			LO					LO
M: Dematerialisation		LO					LO	LO	LO	
Regulatory framework	LO		HI				LO		HI	LO
HIGH barriers:	6	0	4	0	2	0	3	0	2	4
LOW barriers:	5	2	4	1	3	2	5	1	7	6
Total barriers:	11	2	8	1	5	2	8	1	9	10

A map of Southeast Asia and Oceania, including countries like Thailand, Vietnam, Laos, Cambodia, Myanmar, Indonesia, Philippines, and Australia. The map is rendered in a light blue color with dark blue outlines for the countries.

Regional cooperation under ASEAN+3 Bond Market Forum (ABMF)

Establishment of ABMF

13th ASEAN+3 Finance Ministers' Meeting
2 May 2010, Tashkent, Uzbekistan

- We endorsed the establishment of ASEAN+3 Bond Market Forum (ABMF) as a common platform to foster standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region.

ABMF as a common platform

Country
A

Country
B

Country
C

Country
D

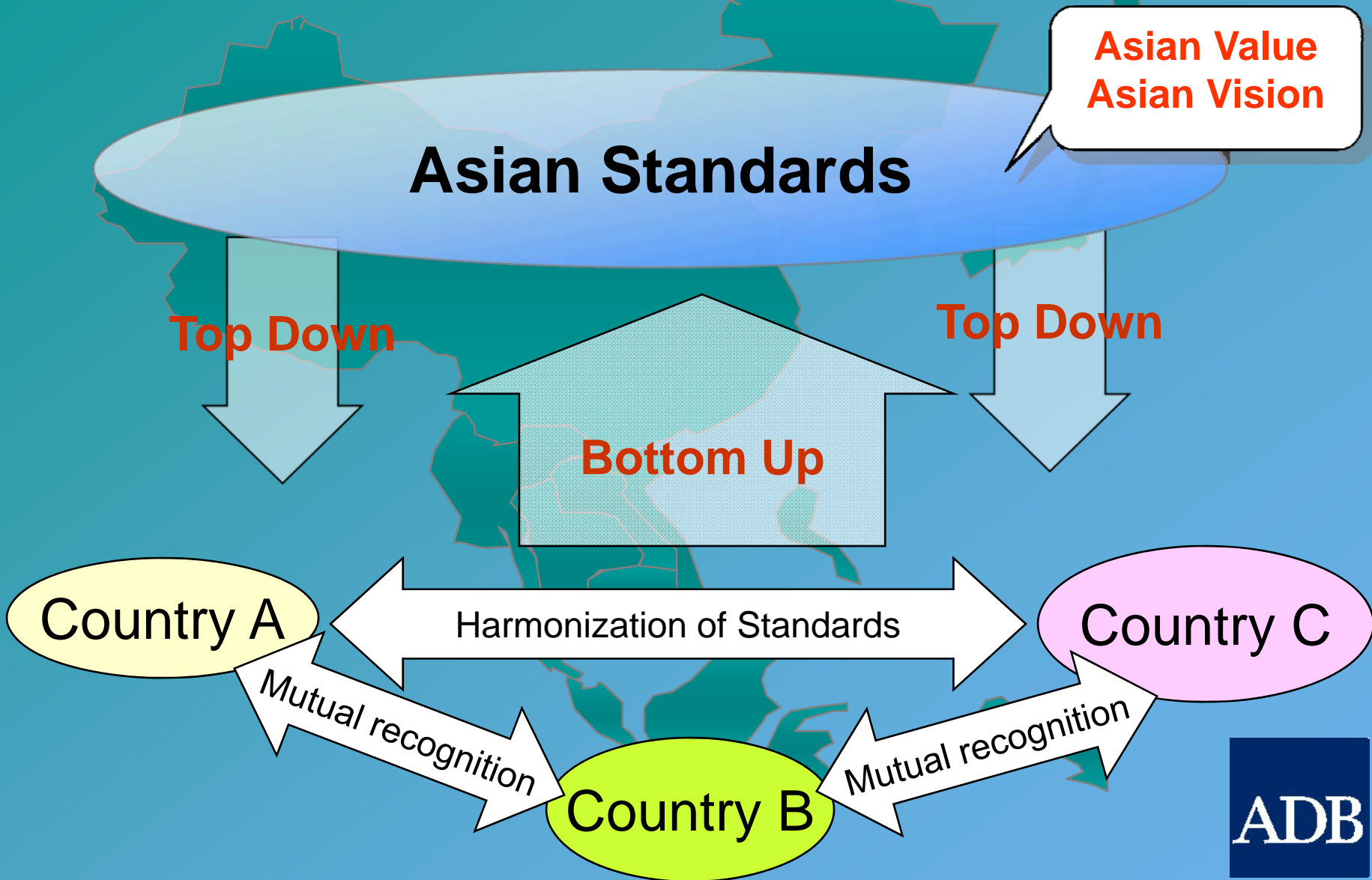
ASEAN+3 Bond Market Forum (ABMF)

Private sector

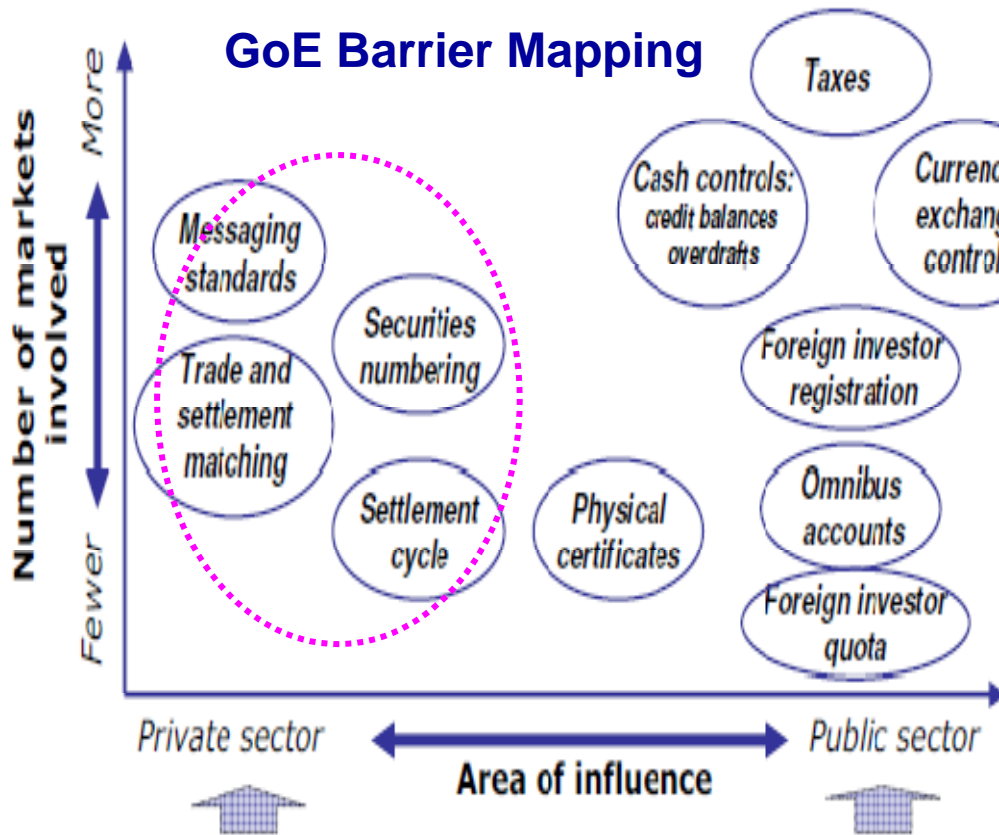
Public sector



Harmonization in Asia



Agenda Items for Discussion



Sub-Forum 1: Collecting information on regulations and market practices

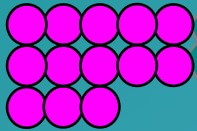
Sub-Forum 2: Enhancing regional Straight-Through-Processing (STP)

Improve information flows in the markets

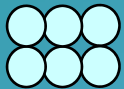
Timely information, uniform disclosure, price transparency, market statistics, information on corporate actions and legal information such as bankruptcy and insolvency laws.

Organizational Structure of ABMF

National Members
nominated by the
governments



National and
International
Experts

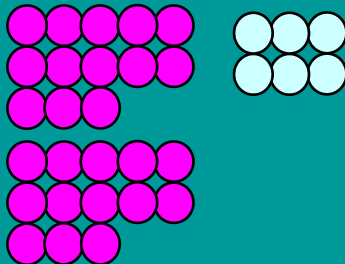


ABMI TF 3

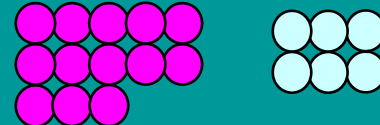
Secretariat (ADB)

ASEAN+3 Bond Market Forum (ABMF)

Sub-Forum 1



Sub-Forum 2



**Multiple forums may be established if issues
need to be discussed separately**

SF1 members and experts

Brunei International Financial Centre (BIFC)	Japan Securities Dealers Association
National Bank of Cambodia	Japanese Bankers Association
SEC of Cambodia	Nomura Securities Co. Ltd.
People's Bank of China	Daiwa Securities Capital Markets Co. Ltd.
China Security Regulatory Commission	Korea Financial Investment Association
Hong Kong Monetary Authority	Korea Capital Market Institute (KCMI)
China Securities Depository and Clearing Corporation Limited Shanghai	Korea Exchange (KRX)
China Government Securities Depository Trust and Clearing Co. LTD	Securities and Exchange Commission Office, Bank of the Lao PDR
National Association of Financial Market Institutional Investors	Financial Market Association of Malaysia (PPKM)
China Exchange Trading System	Central Bank of Myanmar
Shang Hai Clearing House	Bureau of Treasury of the Philippines
Ministry of Finance of Indonesia	Securities and Exchange Commission of the Philippines
Indonesian Capital Market and Financial Institutions Supervisory Agency	Securities and Exchange Commission of Thailand
Indonesian Stock Exchange	Thai Bond Market Association (Thai BMA)
Tokyo Stock Exchange, Inc	Vietnam Bond Market Association (VBMA)

SF2 members and experts

Brunei Currency and Monetary Board (BCMB)	Securities and Exchange Commission Office, Bank of the Lao PDR
SEC of Cambodia	Central Bank of Myanmar
People's Bank of China	Philippine Dealing System Holdings Corp/PDS Group
China Security Regulatory Commission	Bankers Association of the Philippines (BAP)
Hong Kong Monetary Authority	The Stock Exchange of Thailand (SET)
China Securities Depository and Clearing Corporation Limited Shanghai	Vietnam Securities Depository
China Government Securities Depository Trust and Clearing Co., LTD	Hanoi Stock Exchange
Ministry of Finance of Indonesia	State Street Global Advisors
Indonesian Capital Market and Financial Institutions Supervisory Agency	Citibank
PT Kustodian Sentral Efek Indonesia (KSEI) Indonesian Central Securities Depository	JP Morgan
Japan Securities Depository Center, Inc.	Deutsche Bank AG
Mizuho Corporate Bank, Ltd.	SWIFT
Korea Securities Depository (KSD)	HSBC
Korea Capital Market Institute (KCMI)	The Bank of Tokyo Mitsubishi UFJ Ltd

Sub-Forum 1

- **Objective: Close the information gap**

1. Collect all relevant information on regulations as well as market structures and practices in the region

- Issuance procedures (auction, primary dealer system, etc)
- Requirements for investors (registration, documentation, etc)
- Trading rules (Repo, etc.)
- Tax procedures (income and capital gain tax, etc)
- Redemption procedures
- Investment rules for domestic investors

2. Once all of the relevant information has been collected, a compendium of regulations and market structures and practices in the region will be published through the ADB-sponsored **Asian Bonds Online** website.



List of information included in the market guides (1/4)

1. Governing Law for Corporate Bonds Issuance
2. Definition of Securities (Bonds)
3. Competent Authority (Regulator)
4. Issuing Approval Method
5. Role of the SROs
6. Purpose of the Listing of Bonds (e.g. profiling or real listing)
7. Obligation for the Listing of Bond
8. Main Trading Places (OTC / Exchange)
9. Necessity of the Credit Rating

List of information included in the market guides (2/4)

10. Method of Registration of Bonds
11. Status of the Bonds (Bearer / Registered)
12. Form of the Bonds (Scripless / Physical)
13. Status of the Scripless Bonds (Complete Dematerialised or Immobilised)
14. Existence of the exchangeability of the Scripless Bond to the Physical Bonds
15. Method of Transfer of Interest in Bonds
16. Finality of Settlement
17. Legal Basis and Definition of “Settlement and Clearing”

List of information included in the market guides (3/4)

18. Existence of the Omnibus Accounts
19. Existence of the Nominee Concept
20. Regulators' Policy related to the necessity of Disclosure of Real Beneficially Owner
21. Documentation Language
22. Definition of the Payment Default
23. Bankruptcy Procedures
24. Existence of the Meeting of Bondholders
25. Trustee (Bond Representative / Commissioned Persons) System

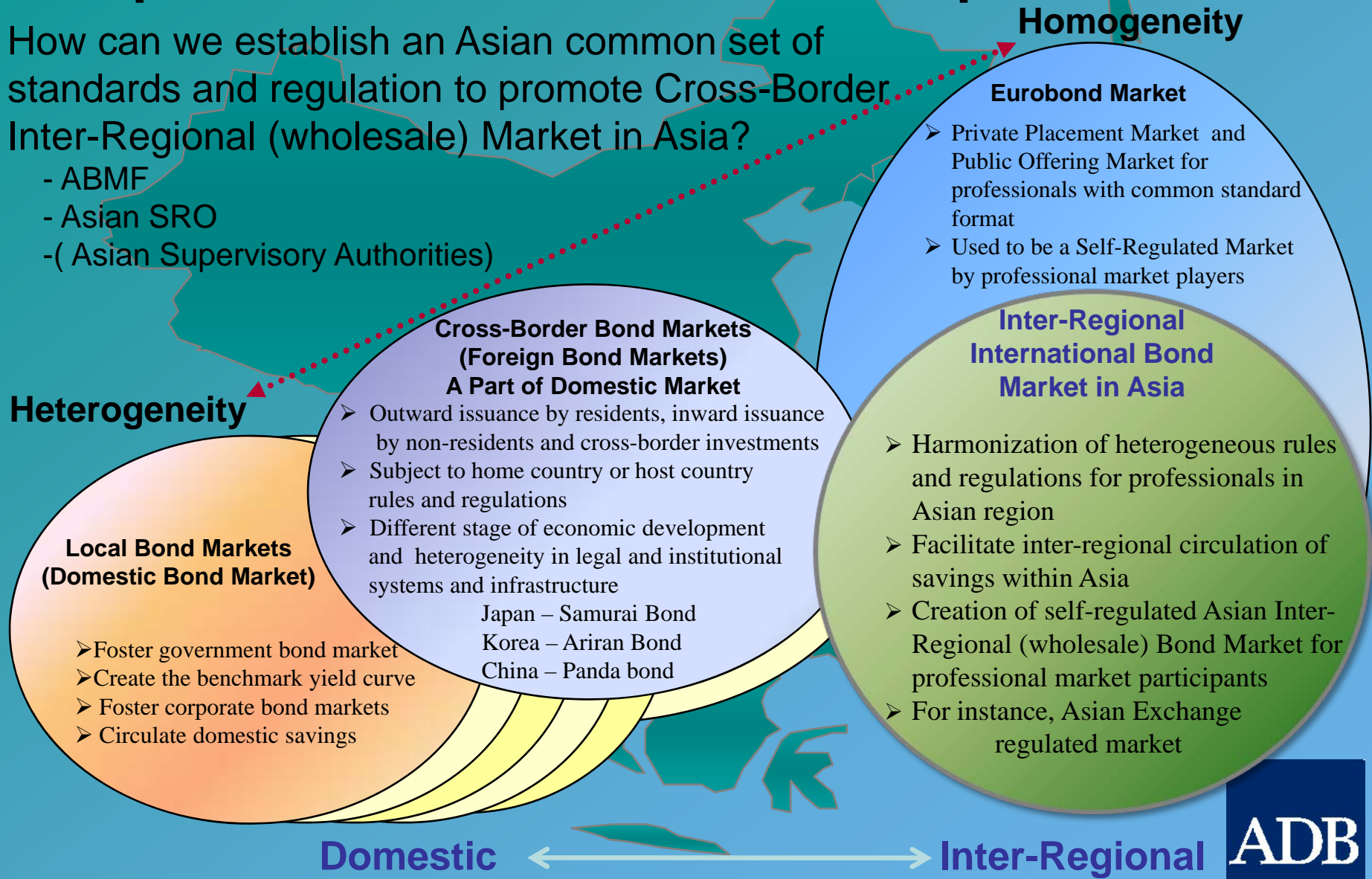
List of information included in the market guides (4/4)

- 26. The definition of Professional / Institutional investors
- 27. Public Offering (Full disclosure) Rules and Regulation
- 28. Private Placement (Market of Exemption of full disclosure of information) Rules, and the related matters
- 29. Definition of Professional (institutional) Investor and HNWI (High Net worth Individuals)

Sequence of Bond Markets Development in Asia

How can we establish an Asian common set of standards and regulation to promote Cross-Border Inter-Regional (wholesale) Market in Asia?

- ABMF
- Asian SRO
- (Asian Supervisory Authorities)



Homogeneity

Eurobond Market

- Private Placement Market and Public Offering Market for professionals with common standard format
- Used to be a Self-Regulated Market by professional market players

Inter-Regional International Bond Market in Asia

- Harmonization of heterogeneous rules and regulations for professionals in Asian region
- Facilitate inter-regional circulation of savings within Asia
- Creation of self-regulated Asian Inter-Regional (wholesale) Bond Market for professional market participants
- For instance, Asian Exchange regulated market

Cross-Border Bond Markets (Foreign Bond Markets) A Part of Domestic Market

- Outward issuance by residents, inward issuance by non-residents and cross-border investments
- Subject to home country or host country rules and regulations
- Different stage of economic development and heterogeneity in legal and institutional systems and infrastructure

- Japan – Samurai Bond
- Korea – Ariran Bond
- China – Panda bond

Local Bond Markets (Domestic Bond Market)

- Foster government bond market
- Create the benchmark yield curve
- Foster corporate bond markets
- Circulate domestic savings

Domestic

Inter-Regional

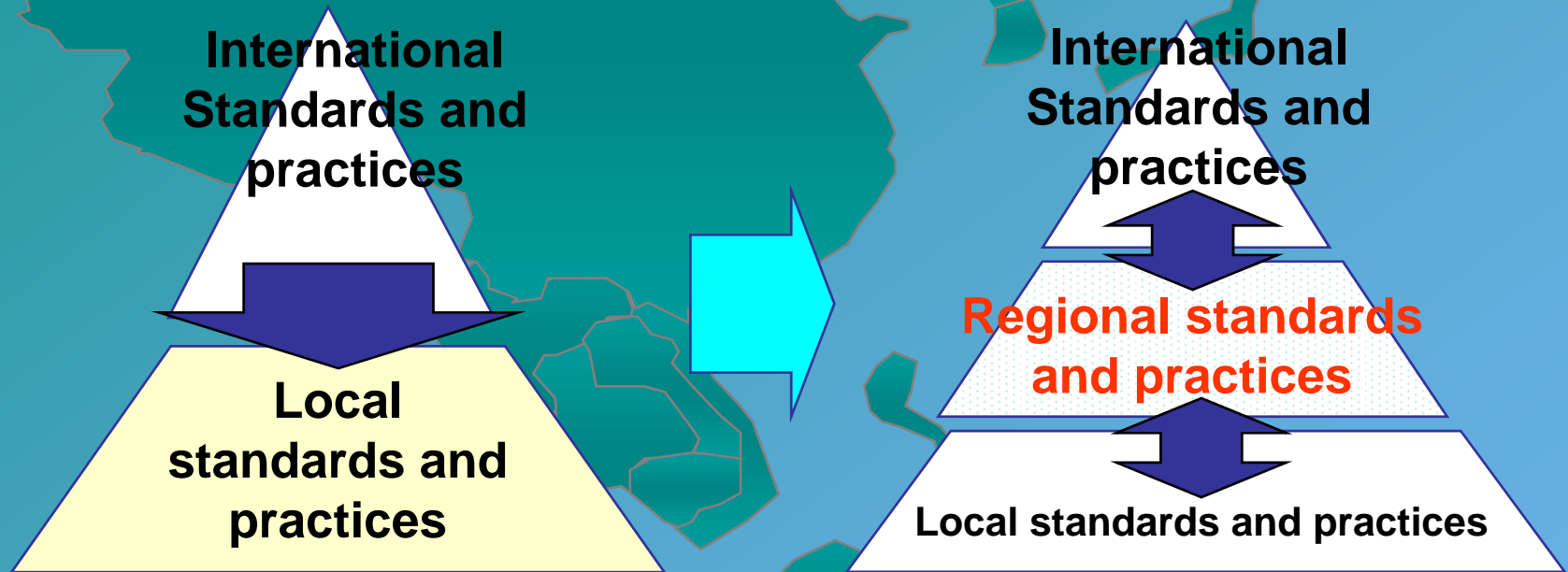


Sub-Forum 2

- **Objective: Reduce cross-border transaction costs by enhancing STP**
 1. Identify custodians' procedures which lead to higher costs
 2. Clarify all transaction procedures involved in cross-border transactions from one end-user to the other end-user
 3. Ideally, all transactions should be operated straight-through by using common standards and the same messaging

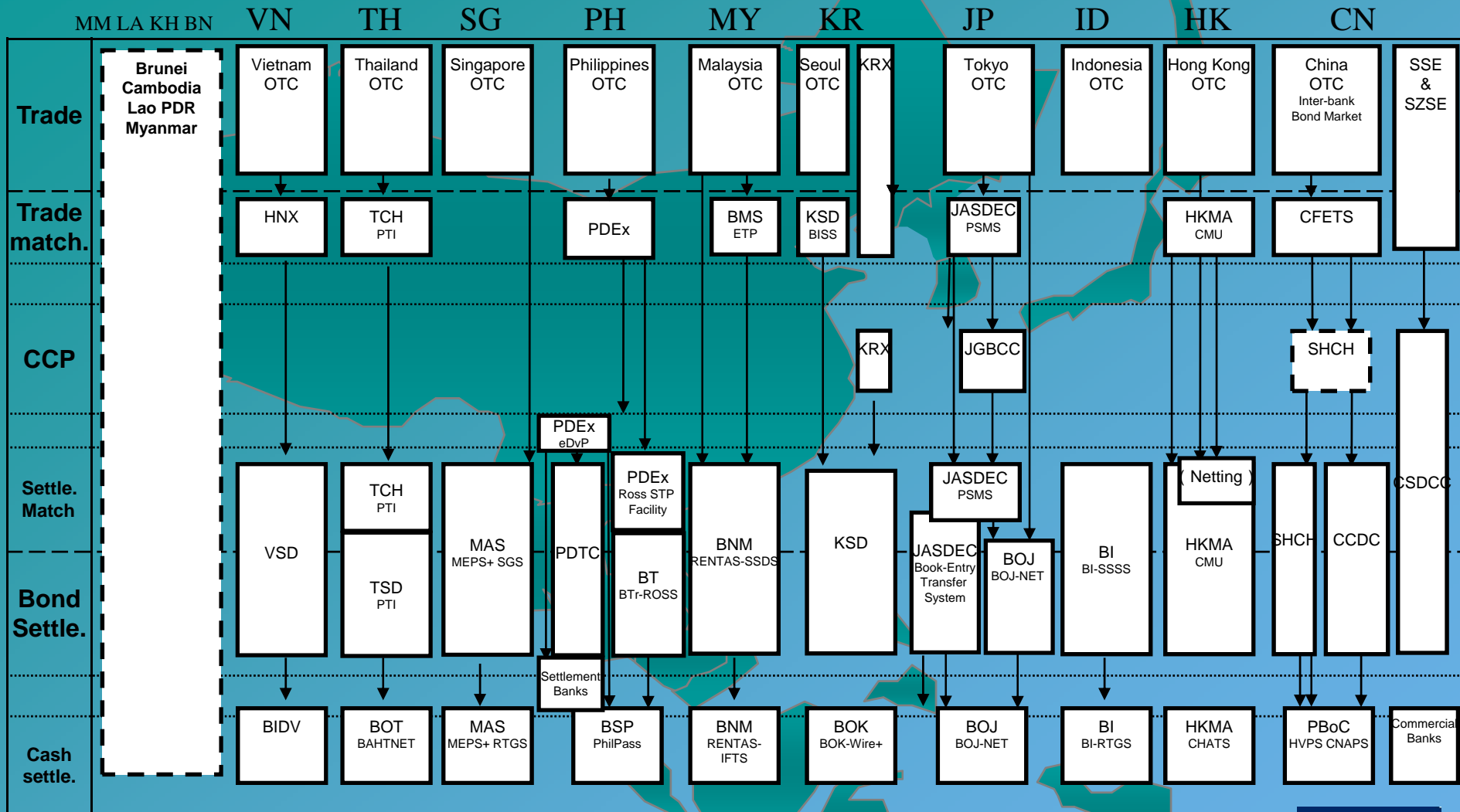
Vision of ABMF SF2

Asia should engage standard setting more closely and should lead discussions in the international forum



International standards (such as ISO20022) will be the focal point and hub of local standards

Bond Settlement infrastructures in ASEAN+3



Working schedule



Phase 1 of ABMF (2010-2011)

1st meeting – 28 Sept. 2010 in Tokyo, Japan

2nd meeting – 13-14 Dec. 2010 in Manila, Phils.

3rd meeting – 16-17 Feb. 2011 in KL, Malaysia

First reporting to TF3

4th meeting – 30 June-1 July 2011 in Korea

5th meeting – 12-13 Sept. 2011 in Indonesia.

Second reporting to TF3

6th meeting – Dec. 2011 in People's Republic of China

Submission of the final reports by the end of 2011

Phase 2 of ABMF (2012-2013)

- Proposal of a common bond issue scheme
- Roadmap to standardize messaging and transactions

ADB AsianBondsOnline
An ASEAN+3 Initiative

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REGIONAL OVERVIEW | Brunei Darussalam | Cambodia | China, People's Rep. of | Indonesia | Japan | Korea Rep. of | Lao PDR | Malaysia | Myanmar | Philippines | Singapore | Thailand | Viet Nam

Latest Update: October 7, 2010 11:22 (Manila Time)

Asia Bond Monitor
October 2010

Local currency bond markets in emerging East Asia expanded by an annual 18.8% as of the end of June, with \$4.8 trillion in paper outstanding. This large expansion was driven by 24.4% year-on-year growth in the corporate bond market, which has become an increasingly important source of funding for private sector investment. Strong offshore and onshore demand for emerging East Asia's local currency bonds has reduced the premiums paid on corporate debt over government benchmark bonds and contributed to a flattening in government bond yield curves.

Download the ABM Issue
Download the highlights

Read the news release
Browse past issues

Asia Bond Monitor October 2010
Credit Guarantee and Investment Facility (CGIF) looks for CEO and CRO

Asia Capital Markets Monitor 2010
ABMI ASEAN+3 Bond Market Forum (ABMF)

Weekly Debt Highlights
Asian Bond Markets Initiative: New ABMI Roadmap

News | ADB Research | External Research

- (JP) Japan's foreign reserves hit record high in Sept.
- (KR) FDI into Korea sags 9.4%, partly on strong won
- (KR) S. Korea's manufacturing labor productivity rises 13.6 pct in Q2
- (KR) S.Korea may cut 2011 treasury issue volume - source
- (PH) Capital controls not being considered by central bank

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Thank you

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<http://asianbondsonline.adb.org>

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