

AGENDA ITEM 3

SIXTH MEETING OF THE ADVISORY GROUP CEBU, PHILIPPINES, 14TH AUGUST 2006

REVIEW OF PROGRAM OF WORK TO SUPPORT THE DEVELOPMENT OF REGIONAL BOND MARKETS

Introduction

At the fifth Advisory Group meeting in Montreal, the Group considered that at this stage a proposal to consider a Peer Review process was inappropriate, given the relatively low rate of bond issuance, particularly by the corporate sector, and that progress might be better achieved by focusing on helping interested economies associate with relevant groups in developing policies to promote domestic bond markets.. The ABAC Finance Working Group later accepted this advice. In the FWG meeting, it was noted that perhaps more work was needed on identifying best practices and gaps in practices. FWG also noted that work on insolvency law reform being undertaken under the auspices of the ADB was important and to be supported by ABAC.

Issues

A revised proposal taking account the advice provided at Montreal is described in Attachment 1. (This same proposal will also be considered by the ABAC FWG at its Cebu meeting). This focuses on the establishment of a mechanism which would involve APEC economies – developed and developing - the private sector and key IFIs and which aims to support individual economies seeking to develop markets by identifying measures which would facilitate private sector activity and cross-border transactions. The proposal, which will be presented by Mr. Jeffrey Koo and Dr. Parrenas, is that initial activities would be undertaken by the Finance Ministers' processes and the Advisory Group and with the support of the ADB. Further thought is required on measures relating to the legal infrastructure and informal arrangements to support bond issuance. Mr. Richard Fisher of Blake Dawson Waldron and Ms. Clare Wee of the ADB will discuss these issues with the Group. A ppt is attached to this paper.

Recommendations

- the Advisory Group review and advise on the proposals in the attached paper to progress work in promoting bond markets, and
- consider further public/private sector capacity building initiatives to support the development of the legal infrastructure to support bond markets and to promote informal work-outs.