Perspectives from International Organizations

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Panelists:

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Sustainable Development and Climate Change Department
Asian Development Bank (ADB)

Manmohan Singh
Senior Financial Economist
International Monetary Fund (IMF)

Keith Noyes
Regional Director, Asia-Pacific
International Swaps and Derivatives Association, Inc. (ISDA)
Progresses under ASEAN+3 Bond Market Forum (ABMF) and Cross-border Settlement Infrastructure Forum (CSIF) to date

Satoru (Tomo) Yamadera,
Principal Financial Sector Specialist,
SDCC, ADB
Asian Bond Markets Initiatives (ABMI)

(Chairman's Press Release on the Asian Bond Markets Initiative, 7 August 2003)

• ABMI aims to develop efficient and liquid bond markets in Asia, which would enable better utilization of Asian savings for Asian investments.

• The ABMI would also contribute to the mitigation of currency and maturity mismatches in financing.
  - ABMI contributes to financial stability by creating multiple channels of financing
## Major milestones of ASEAN+3 to date

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>07/1997</td>
<td>Asian Currency Crisis, starting from Thailand</td>
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<td>02/1997</td>
<td>The first ASEAN+3 Summit</td>
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<td>04/1999</td>
<td>The first ASEAN+3 Finance Ministers’ Meeting</td>
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<td>05/2000</td>
<td>Chiang Mai Initiative (CMI) agreed by ASEAN+3 Finance Ministers</td>
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<td>08/2003</td>
<td>Asian Bond Markets Initiative (ABMI) started</td>
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<td>05/2004</td>
<td>Launch of Asian Bonds Online (ABO) website under ABMI</td>
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<td>11/2004</td>
<td>First publication of Asia Bond Monitor</td>
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<td>05/2008</td>
<td>ABMI New Roadmap</td>
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<td>03/2010</td>
<td>Chiang Mai Initiative Multilateralization (CMIM) launched</td>
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<td>04/2010</td>
<td>Publication of Group of Expert (GOE) Report</td>
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<td>Establishment of ASEAN+3 Bond Market Forum (ABMF)</td>
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<td>Establishment of Credit Guarantee and Investment Facility (CGIF)</td>
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<td>Establishment of ASEAN+3 Macro Economic Research Office (AMRO)</td>
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<td>04/2012</td>
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<td>05/2012</td>
<td>ABMI New Roadmap Plus</td>
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<td>Establishment of Cross-border Settlement Infrastructure Forum (CSIF)</td>
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<td>ABMF Sub-Forum 2 Phase 2 Report : ASEAN+3 Information on Transaction Flows and Settlement Infrastructures</td>
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<td>CSIF Progress Report</td>
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<td>ABMF Phase 3 Reports: Implementation of AMBIF; and Harmonization and Standardization of Bond Market Infrastructure</td>
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<td>02/2016</td>
<td>Internationalization of AMRO</td>
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Institutional Framework of ABMI

Finance Ministers and Central Bank Governors Meeting

Deputy Ministers and Deputy Governors Meeting

CMIM*
Regional safety net

ASEAN+3 Macroeconomic Research Office

ADB as the Secretariat

ABMI
Asian Bond Market Initiative

Promoting LCY bond markets to address the double mismatch problem

TF 1
(Supply)

TF 2
(Demand)

TF 3
(Regulation)

TF 4
(Infra.)

ASEAN+3 Bond Market Forum (ABMF)

Sub-forum 1 AMBIF

Sub-forum 2 ISO STP

Cross-border settlement Infrastructure Forum (CSIF)

Infrastructure Finance

Credit Guarantee and Investment Facility (CGIF)

Asian Bonds Online Asian Bond Monitor

Lao-Thai bonds

CH TH JP SG JP MY KR PH

Promoting LCY bond markets to address the double mismatch problem
Growth of ASEAN+3 LCY bonds

Growth of Local Currency Bond (excl. JP)

Source: Asia Bonds Online
### Remarkable growth of LCY bond markets

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<th>2016</th>
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<td><strong>in USD Billions</strong></td>
<td></td>
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<td>KR</td>
<td>319</td>
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<td>58</td>
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<td><strong>Total</strong></td>
<td></td>
<td>1,181</td>
<td>519</td>
<td>1,700</td>
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</table>

Source: Asia Bonds Online
Size of Local Currency Bond Markets

Source: AsianBondsOnline, BIS, IMF
Data as of September 2015
Major achievements of ABMI

- Harmonization and standardization of markets
- CSD-RTGS Linkages as RSI
- Research on:
  - Infra bond finance
  - Broadening the investor base

CGIF
$ 700 million

Asian Bonds Online

ABMF
Public Private platform

CSIF
CBs
CSDs
ABMF as enabler of market integration
Barriers and impediments for cross-border transactions in ASEAN+3

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 → ASEAN+3 Bond Market Guide

Source: GOE Report modified by ADB consultant
ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)
ABMF SF1
Due to different degrees of market developments, it is not practical to have a fully standardized bond issuance framework.

But, common elements may allow connecting the domestic bond markets across the region.
What AMBIF can achieve?

Public Offering Market
Including Retail and General Investors

Professional Investors Market

AMBIF is designed to capture the common elements by focusing on the professional markets in the region.

Market practice and issue process will be harmonized and standardized within the professional markets in the region.

Issuers can tap in all markets with harmonized documents for submission.

Investors can invest in all markets without knowing their regulations closely.
# AMBIF Elements

<table>
<thead>
<tr>
<th>AMBIF Elements (AMBIF Core Components)</th>
<th>Brief Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Settlement</td>
<td>Bonds and notes are settled at a national CSD in ASEAN+3 markets.</td>
</tr>
<tr>
<td>Harmonized Documents for Submission (Single Submission Form)</td>
<td>A common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information along with an ADRB recommendation needs to be included.</td>
</tr>
<tr>
<td>Registration or profile listing at ASEAN+3 (Place of continuous disclosure)</td>
<td>Information on bonds, notes, and issuers needs to be disclosed continuously in ASEAN+3 markets. Registration or a listing authority function is required to ensure continuous and quality disclosure.</td>
</tr>
<tr>
<td>Currency</td>
<td>The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.</td>
</tr>
<tr>
<td>Scope of Issuer</td>
<td>Resident of ASEAN+3</td>
</tr>
<tr>
<td>Scope of Investors</td>
<td>Professional investors defined in accordance with applicable laws and regulations, or market practice, in each ASEAN+3 market</td>
</tr>
</tbody>
</table>
**Key AMBIF Document (SSF)**

- **Single Submission Form (SSF)** is designed to facilitate an AMBIF bond and note issuance application to regulatory, listing, and registration authorities in each participating market.

- SSF is prepared for the benefit of issuers aiming to issue bonds/notes to Professional Investors in multiple ASEAN+3 markets.

- But investors can also be benefitted from the standardization of document.
Key AMBIF documents (Impl GL)

- SFF should be referenced to the AMBIF Implementation Guidelines, which explain specific issuance processes in each market.

- The Implementation Guidelines increase market transparency.
  - Impl GLs should minimize or reduce legal uncertainty.
  - Where a market does not, or no longer, requires the physical submission of documentation, the SSF can serve as a checklist or a guiding template while the Implementation Guidelines should always be able to support issuance application in any form.
Additional AMBIF Features

- Language of documentation:
  - English

- Governing law and jurisdiction:
  - Governing law related to settlement needs to be local;
  - However, the governing law and jurisdiction for specific service provisions may be negotiated and agreed between the parties involved in the issuance.

- Other consideration in the next steps
  - note issuance program
  - credit rating, etc.
Regional efforts for standardization and CSD-RTGS Linkages
Standardization under ABMF

(Step 1)
Identification of transaction flows of cross-border bond settlement
  ✓ Government bonds
  ✓ Corporate bonds

(Step 2)
Further identification of transaction flows
  ✓ Trades, coupon payment, and redemption

(Step 3)
Identification of message items to be harmonized and standardized
  ✓ Promotion of ISO 20022, BIC and ISIN

➢ Create awareness of international standards, and support discussion and implementation of international standards.
## Adoption schedule of International Standards by CSDs

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<th>Name of Bond Settlement System</th>
<th>Inst.</th>
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Notes: the above information is based on the understanding and prognosis of the ADB consultant. Source: ABMF SF2.
## Adoption schedule of IS by CBs

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<th>Operator</th>
<th>Name of the System</th>
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<th>BIC</th>
<th>Char. Code set</th>
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</table>

Notes: the above information is based on the understanding and prognosis of ADB consultant. Therefore, confirmation by market infrastructure operators is essential. Source: ABMF SF2.
CSD-RTGS Linkages
Cross-Border Settlement Infrastructure Forum (CSIF)

- The Forum aims to:
  1) enhance dialogue among policy makers and operators of bond and cash settlement infrastructure in the region;
  2) assess the existing settlement infrastructures and identify comprehensive issues and requirements to facilitate cross-border bond and cash settlement infrastructure in the region;
  3) develop common basic principles for cross-border bond and cash settlement infrastructure in medium- and long-term perspective;
  4) discuss prospective models, overall roadmap and implementation plan for establishment of cross-border bond and cash settlement infrastructure in the region.

Membership

**National Members (policy-makers):** Central Banks responsible for cash settlement and policy-makers responsible for corporate and sovereign bonds settlement. Participation of the Central Banks and the policy-makers is voluntary.

**National Members (operators):** National Central Securities Depositories (NCSDs) responsible for operations of settling corporate and sovereign bonds. National Members (policy-makers) shall nominate National Members (operators) of respective economies as appropriate.
CSD-RTGS Linkage as Regional Settlement Intermediary model

CSD-RTGS Linkage was chosen as the most possible model to implement RSI in ASEAN+3

CSD-RTGS Linkage enables the local bonds to be settled in Delivery versus Payment (DVP) via central bank money, which ensures safety of settlement and is compliant with the international standards as well as being cost-efficient.
CSD-RTGS Linkage adopts a “flexible implementation” approach. Each country can choose when and how to participate in the linkage.
CSD-RTGS Linkages

Country A
- Central Bank
- RTGS
- Participant

Country B
- Central Bank
- RTGS
- Participant
- GW

Country C
- Central Bank
- RTGS
- Participant

Gateway
- Participant
- Participant

GW
- Participant
- Participant
Cross-border collateral and repo through CSD-RTGS linkages

- CSD-RTGS Linkages will provide DVP
- The Linkages can accommodate increase in demand for cross-border collateral by central banks.

**Assumption**

- Demand for DVP is high because settlement risks is high.
- Demand for DVP is high because it reduces counterparty risks
- Central banks accept other country’s securities as eligible collateral.
Roadmap

Develop standard message flows and items
Specifying essential user requirements

Develop CSD-RTGS Linkage
Defining detailed user requirements, design, coding, and testing

Implement CSD-RTGS Linkages
Starting production operation of CSD-RTGS Linkages

Implement integrated solution
Developing a central hub and connecting each CSD and RTGS system with the hub

Implementation phase 1
2015-2016

Implementation phase 2
2017-2018

Implementation phase 3
2019-2020

Integration phase
2020-

Next steps
ABMI Evolution and CSIF

CMIM ($240 Billion) – AMRO <Macroeconomic stability>

Global Financial Crisis

Addressing the problem of double mismatch

Asian Currency Crisis

Promoting development of domestic markets

ABO

CGIF

Stronger economic linkages and synchronization of markets

Linking the segmented markets for a more resilient regional market

AMBIF

Inter-operable market infrastructures

More advanced financial infrastructures

CSD-RTGS Linkages

Financial regulation overhaul

Bond markets as another wheel.

Bond markets as a spare tire.

ASEAN financial integration

+ PRC, JPN, KOR

More integrated financial markets

New regional safety net
Discussion
THANK YOU