

Regional Initiatives for Developing Asia's Bond Markets

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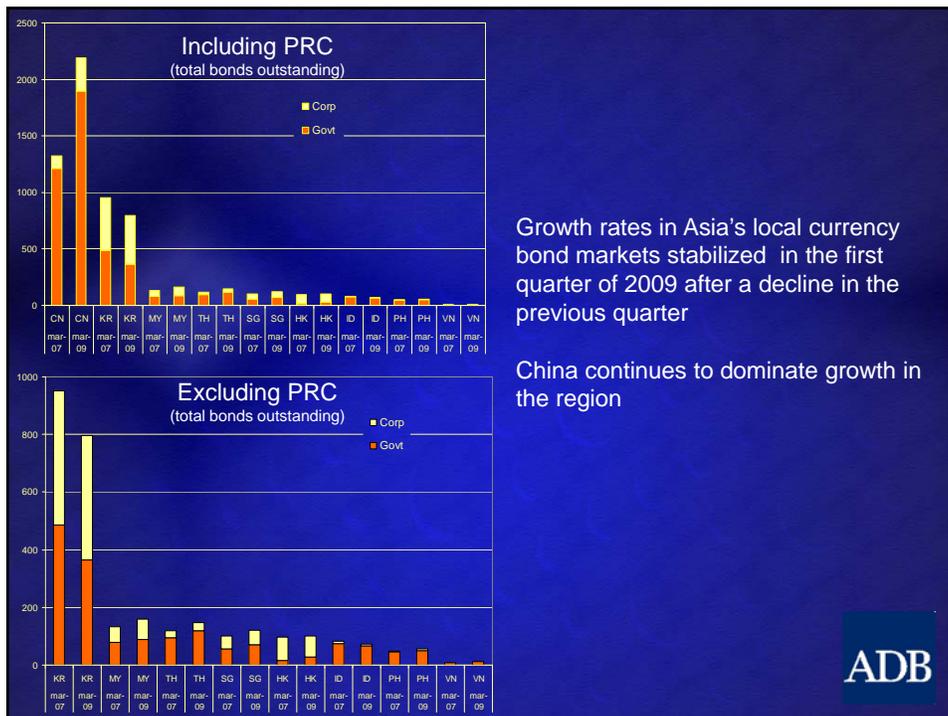
The Advisory Group on APEC Financial System Capacity-Building

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* The views expressed here are those of the author and do not necessarily reflect the views of the Asian Development Bank (ADB) or ADB's Board of Governors or the countries they represent.

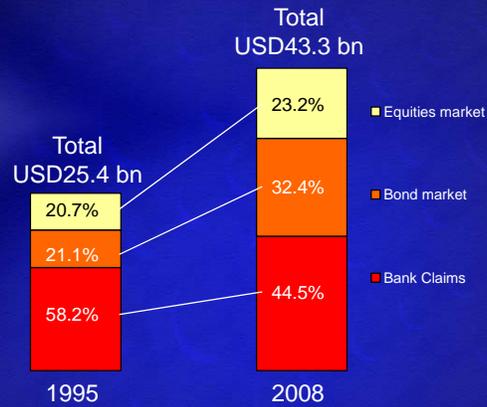


Growth rates in Asia's local currency bond markets stabilized in the first quarter of 2009 after a decline in the previous quarter

China continues to dominate growth in the region



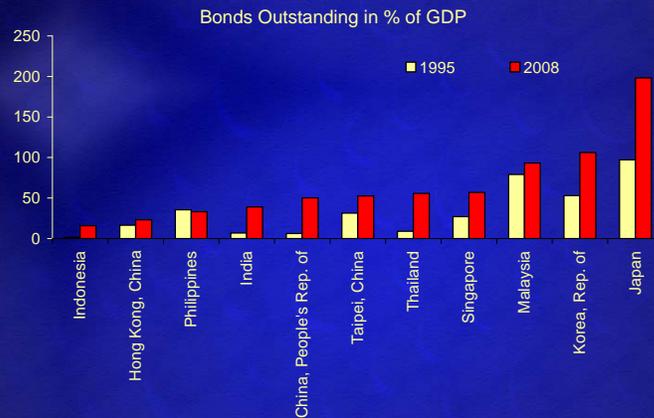
Markets have become less bank focused —increasing share of capital markets



domestic financing, total billion USD and shares in percent of total

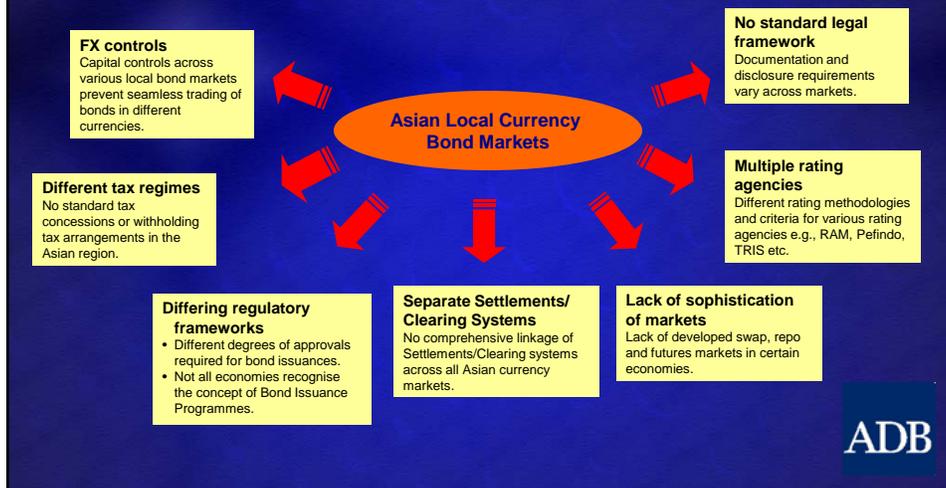


... and local currency bond markets are increasing in size



... but emerging Asian local currency bond markets remain underdeveloped

The underdevelopment of financial markets and institutions in East Asian economies is an impediment to financial integration



ADB promotes initiatives to develop integrated local currency bond markets

1. Provide technical and research assistance to the ASEAN+3 ABMI
2. Stimulate market activities by issuing local currency bonds
3. Capacity building for Bond Market Development in ASEAN+3
4. Conduct research and promote information dissemination through Asia Bond Monitor, Asia Capital Markets Monitor, working papers and AsianBondsOnline website

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1. Asian Bond Markets Initiative



TF1: Focus on supply side

- Credit Guarantee Investment Mechanism (CGIM)
 - Support the issuance of local currency bonds
 - Contribute to developing regional bond markets
 - Effective by the 2010 AFMM+3
 - Business scope, leverage ratio and country limit to be further discussed
 - Established as a **trust fund** of ADB with an initial capital of **USD500 million**
- Asian Currency Note Program
 - Multicurrency bond platform
 - Links capital markets in HK, MY, SG, PH and Taipei, China.
 - Issuers can access Asian financial markets simultaneously: helps reduce legal and transaction costs.
 - Investors can benefit from more frequent issues and greater diversification
 - Supports efforts to harmonize bond documentation and conventions in the region and serves as a model for regional and international issuers interested in tapping regional markets

TF 2: Focus on demand side

- AsianBondsOnline website
 - Hub for local currency bond markets
 - Facilitate information exchanges among member countries on developments in the local currency markets

TF 3: Focus on regulation

- Harmonization of Bond Standards
 - Report to ABMI early next year on harmonization developments in (i) secondary market for government and corporate bonds, (ii) self regulatory agencies

TF 4: Focus on infrastructure

- Regional Settlement Intermediary (RSI)
 - Group of Experts established to conduct feasibility study of RSI options and identify barriers for cross-border bond transactions and settlements in the region
 - Recommendations to ABMI in April 2010 on (i) cost and benefits of each option, (ii) regulatory requirements, and (iii) next steps
 - website <http://asean3goe.adb.org>



2. ADB Local Currency Bond Issuance

—has increased the supply of high quality domestic currency bonds

Country	Coupon %	Amount	Issue Date	Tenor (Yrs)
Kazakhstan*	6.80%	KZT 6.0 B	Aug-07	5
Philippines	5.23%	PHP 5.0 B	May-07	5
Malaysia	4.00%	MYR 0.5 B	Feb-07	10
Singapore	3.27%	SGD 0.25 B	Feb-07	5
Hong Kong	4.00%	HKD 1.5 B	Jan-07	5
Hong Kong	4.28%	HKD 1.0 B	Sep-06	3
Singapore	3.335%	SGD 0.3 B	Sep-06	5
Thailand	5.34%	THB 5.5 B	Sep-06	5

Country	Coupon %	Amount	Issue Date	Tenor (Yrs)
Thailand	5.54%	THB 1.0 B	Sep-06	10
Malaysia	4.265%	MYR 0.5 B	Apr-06	5
Philippines	0.00	PHP 2.5 B	Nov-05	5
China	3.34%	RMB 1.0 B	Oct-05	10
Thailand	3.87%	THB 4.0 B	May-05	5
Malaysia	3.94%	MYR 0.4 B	Nov-04	5
India	5.4%	INR 5.0 B	Feb-04	10

Source: ADB Treasury



3. Capacity Building for Bond Market Development in ASEAN + 3

- Three-week training course on bond market development
- Target participants - middle management officials from the ministry of finance, central bank, financial services authority and securities and exchange commissions in the region
- Training program to run for 3 years (2008-2010)

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4. Research and Information Dissemination

- Asia Bond Monitor
 - Quarterly publication
- Asia Capital Markets Monitor
 - Annual publication
- ADB Working Paper Series on Regional Economic Integration
 - See Asia Regional Integration Center
<http://aric.adb.org>
- AsianBondsOnline website
<http://asianbondsonline.adb.org>

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Thank You

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