

ABAC 1999 – Background Papers

PROMOTING RECOVERY AND SUSTAINABLE GROWTH

EXECUTIVE SUMMARY

APEC economies have undertaken important measures to address the financial crisis. We applaud the efforts of several economies deeply affected by the financial crisis to undertake many of the painful but necessary policy adjustments. We believe these measures are directly linked to improvements in the economic situation of Indonesia, Korea, Malaysia, the Philippines and Thailand. Strong contributions from Japan, the United States and international financial institutions have assisted in this process. Recovery appears to be within reach. Keeping the region on that road to recovery depends upon continuing the momentum for financial reforms and corporate restructuring; these should remain a high priority.

While ABAC acknowledges the importance of on-going discussions on the global financial architecture, our focus is on those actions that can be taken by member economies and their private sectors. ABAC has developed specific, detailed action plans to promote early economic recovery to the region and to lay the foundation for stability and sustainable growth. These proposals will have particular relevance to the small and medium enterprises in the Asia-Pacific region, which have suffered disproportionately the effects of the financial crisis.

(A) PROMOTING EARLY ECONOMIC RECOVERY

- i) **Measures which should be given immediate priority:**
 - Restoring workable access to capital.
 - Re-capitalization and restoration of the domestic banking sector.
 - Encouraging foreign investment.
 - Enabling rapid corporate reorganization, through legal reforms, improvement of domestic credit markets and trade finance.
 - Addressing concerns about regulatory standards and practices for financial and other institutions.

- ii) **Financial infrastructure and banking system improvements:** These proposals are designed to maximize private sector participation, use a market-driven approach and require stable and transparent government policies.
 - Restructuring bank balance sheets.
 - Encouraging foreign investment in domestic banks.
 - Legal, accounting, regulatory and corporate governance reforms to improve financial reorganization.
 - Improvement of domestic credit markets.
 - Facilitating trade finance securitization.

ABAC also suggests the following optional proposals:

- Debt-to-equity swaps similar to those in Chile and Mexico.
- Exchange rate mechanisms to cushion currency instability similar to those used in Chile and Mexico's FICORCA.

- iii) **Provision of special measures to facilitate access to capital.** ABAC reiterates its recommendation from last year regarding credit enhancements to government bonds and working capital for restructuring corporations by building on the momentum achieved by the Asian Growth and Recovery Initiative; New Miyazawa Initiative at the 6th APEC Finance Ministers meeting at Langkawi, Malaysia in May, 1999.

(B) BEYOND THE CRISIS: LAYING THE FOUNDATION FOR STABILITY AND SUSTAINABLE GROWTH

ABAC proposes the following measures, which deal with the longer term issues, which will strengthen financial systems and markets, especially within developing APEC economies, and reduce the vulnerability of these economies to financial turmoil:

i) Developing Domestic Debt Markets

- Several of the measures under "Promoting Early Economic Recovery" are relevant to the development of local debt markets.
 - Issues related to laws/regulations that affect securitization, development of secondary debt markets, development of local credit rating agencies, participation of foreign financial institutions in domestic debt markets, taxation of local and external debt financing and bankruptcy.
 - Promoting high standards in financial disclosure and accounting; and
 - Establishing benchmark government securities with a standard set of maturities.
- ABAC recommends the early adoption of the Voluntary Principles in Promoting Financial and Capital Market Development contained in the 1997 Joint Ministerial Statement from APEC Finance Ministers Meeting in Cebu, Philippines, and other initiatives on developing domestic debt markets currently undertaken by APEC.
 - measures to upgrade market infrastructure and the quality of available macroeconomic information;
 - measures to promote efficient financial market institutions, focusing on the development of pension funds and the insurance sector; and
 - measures for the development of debt market instruments with international financial institutions.

ii) Financial Sector Capacity-Building

ABAC recommends the development of effective and timely measures to harness the financial expertise within APEC member economies to assist other member economies with their implementation of measures required for strengthening central banking capacity, financial and corporate restructuring, improved corporate governance, legal reform and capital market development.

iii) Strengthening the Global Financial Architecture

ABAC strongly supports continued dialogue and work that has been done by APEC Finance Ministers, the Group of 7, and the IMF/World Bank on the strengthening and restructuring of the global financial architecture.

LIST OF RECOMMENDATIONS AND ACTION PLANS

(A) MEASURES TO PROMOTE EARLY ECONOMIC RECOVERY

Proposal 1: Providing Workable Access to Finance

Public Sector Actions:

Immediately implement the *New Initiative to Overcome the Asian Currency Crisis*¹ and the *Asian Growth and Recovery Initiative*,² by developing loan programs to provide credit enhancements to government debt and working capital for restructured corporations, through mechanisms such as guarantees and measures based on the concept of collateralized bond obligations.

Private Sector Actions:

Banks and non-bank corporations to participate in the development and implementation of restructuring programs.

Proposal 2: Restructuring Banks' Balance Sheets and Encouraging Foreign Investment

The proposal for restructuring bank balance sheets is critical for re-energizing the banking system. While we are recommending other avenues for domestic borrowing, local banks will continue to dominate and play a crucial role in domestic finance. Banks must have a solid capital foundation and clean balance sheets to be able to meet new investment opportunities. Restructuring of bank debt in Asia is required as a result of the financial crisis, and securitization of bank loans has become a major financial tool of the banking system on an on-going basis. Collateralized loan and mortgage obligations are important vehicles to transfer risk off bank balance sheets and allow banks to continue to generate new loan commitments.

This proposal also encourages foreign direct investment in banking. Let us be clear on this point – it is not meant to dilute governments' economic control. Rather, the goal is to enhance the ability of local banks to compete effectively in the increasingly open global financial markets. Initially, increased international investment brings global financial resources to recapitalize local banks. Subsequently, it brings financial expertise to join with the strong local presence of banks, permitting domestic banks to provide their local customers and markets with financial innovations developed in other parts of the world. These benefits will serve to strengthen local banking, not replace it.

Public Sector Actions:

1. Regulatory agencies to provide firm guidance for financial institutions to meet capitalization requirements, require banks to submit business and restructuring plans, and close those that cannot restructure.
2. Establish appropriate debt restructuring frameworks best suited to specific circumstances and, where needed, set up agencies to handle debt restructuring issues, and define and enforce principles for restructuring bank debt.
3. Undertake the necessary reforms to ensure the effectiveness of legal systems, including commercial codes and bankruptcy regimes
4. Address regulatory constraints on the sales and securitization process.

¹ Also called the *New Miyazawa Initiative*, this US\$30 Billion program aims to support economic recovery efforts in Asia.

² This is the multilateral initiative to revitalize private sector growth in Asia, which was launched by the United States and Japan, with the support of the World Bank and the Asian Development Bank in November 1998.

5. Address foreign exchange risk issues, and where such risks should reside (whether with the bank, the investor or the government).
6. Ensure that tax policy does not impede appropriate restructuring.
7. Provide all possible technical and policy information as well as assistance to domestic commercial banks or other financial entities, rating agencies, investment banks and potential investors.
8. Remove legal impediments to foreign participation in local financial institutions, as Singapore, Indonesia, Korea and Thailand have already done.
9. Secure a level playing field for foreign and local financial institutions, including identical regulatory/supervisory environments.

Private Sector Actions:

1. Promote improved financial disclosure and transparency as well as generally accepted accounting standards, and participate in setting those standards.
2. Coordinate bank restructuring programs with corporate sector restructuring to eliminate legal and regulatory barriers.
3. Sound banks to retain and manage problem loans; other financial institutions may also buy loans from banks and manage them as debt or convert them to equity.
4. Promote the training of bank staff in meeting the challenge of creating pools of assets to be securitized and in setting up appropriate financing structures; and create a private sector training program for bankers on securitization.
5. Ensure that foreign financial institutions have incentives to take care of their investment in local institutions by: (a) providing attractive economic incentives to perform well, including compensation arrangements for key personnel; and (b) avoiding the overuse of guarantees that reduce the incentive to perform.

Proposal 3: Legal, accounting, regulatory and corporate governance reforms to facilitate financial reorganization

Throughout our proposals, we make specific references to legal and procedural reforms that are crucial to the process of financial reorganization or liquidation. Legal reforms can substantially boost prices for distressed debt, easing the refinancing burden on Asian companies. And for the country, as well as the company, successful reorganization or liquidation can contribute to economic revival, preservation of skills, expertise and allocation of resources, minimizing social and fiscal costs. Legal reform has to be accompanied by strengthening the judicial system. Legal reform will not succeed without judicial reform. This proposal generalizes that reform process and new capital flows.

ABAC recommends the following improvements in the legal systems affecting restructuring, including negotiation, restructuring, refinancing and recourse.

Public Sector Actions:

1. Articulate a set of principles to guide initial out-of-court negotiations between creditors and debtors, and where appropriate, assume oversight functions with regard to the process.
2. Address legal and regulatory barriers, as well as disincentives to the efficient operation of secondary debt markets, which would be helpful in sorting out and repricing claims out of court.
3. Undertake measures to further strengthen judicial systems, including additional training of judges and court officers, and where necessary, make funding available to intensify current training programs.

4. Address the necessary issues to promote clear, impartial, transparent and effective laws, procedures and standards governing the following key areas:
 - Initiation of insolvency proceedings, especially with regard to transparency of procedures and providing for the gathering and dispensing of information.
 - Establishment of workable frameworks for rational and equitable creditor decisions, especially with regard to ensuring that administrators' and creditors' committees function at a high level of competence, and to promoting effective creditor participation, where creditors are notified on key matters and allowed to have a voice in those matters.
 - Provisions for allowing moratoria on creditor actions, especially to prevent undue disruption of company operations by ensuring their prompt effectivity, and allowing petitions for relief from moratoria that are not functioning.
 - Treatment of creditors, especially with regard to ensuring that the rule of absolute priority, or the hierarchy of claims outside of insolvency, is maintained within insolvency, and promoting the equitable treatment of similarly-situated foreign and domestic creditors.
 - Provisions for allowing companies to acquire critical cash flow financing and to handle contracts and leases during a negotiation or restructuring, and ensuring the clarity of laws concerning prejudicial transactions.
 - Exercise of right to submit reorganization plans, and providing a level playing field for both debtors and creditors.
 - Frameworks for classification of creditors, voting rights and contents of plans.
 - Frameworks permitting debt-equity swaps, together with a review of banking laws and regulations to facilitate them.
 - Use of pre-packaged plans to facilitate reorganization.
 - Creation and operation of structured finance, especially with a view to ensuring quick and cost-effective application.
 - Ways to allow debtors a "fresh start" through the discharge of debt after confirmation of reorganization plans.

Proposal 4: Improvement of Domestic Credit Markets

The fourth proposal focuses on improving domestic credit markets, lifting some of the financing burden from the banking system during the recovery, providing a mechanism to efficiently price risk and transmit information to both borrowers and lenders. These markets will be crucial to many of the debt restructuring actions to be taken. A functioning credit market will, in time, remove some of the potential default risk from the government, thereby permitting a more rapid return of sovereign debt to investment-grade status. Investor confidence will be restored by putting in place convincing measures that insure that the sovereign will not default.

ABAC recommends the following to encourage local market debt issuance, minimize cost, including risk premiums, to prospective issuers, and promote the implementation by the private sector of best practices in domestic securities markets.

Public Sector Actions:

1. Encourage expanded participation of foreign financial institutions in local markets, especially by addressing restrictions on their operations, ceilings on foreign purchases of domestic securities, direct investment flows, and ownership of financial institutions.
2. Address provisions in existing tax codes that unduly disadvantage local debt financing over external debt financing.

3. Establish benchmark government securities with a standard set of maturities.
4. Promote the development of local credit rating agencies, especially by addressing legal and regulatory impediments to the rating process, and encourage the use of ratings.
5. Ensure the effective implementations of the APEC Finance Ministers' Strengthening Financial Market Supervision initiative, the APEC Financiers Group's training and education program for financiers across the APEC region, and other multi- and bilateral training initiatives.

Private Sector Actions:

1. Implement high-quality internationally-accepted accounting and auditing principles and require their use by companies accessing securities markets. All participants in the securities markets should provide transparent, high-quality and consistent accounting information to enable markets to make informed decisions and to reduce risk and lower borrowing costs.
2. Upgrade clearing and settlement systems to meet international standards.
3. Rate fixed income securities to minimize cost to issuers, and encourage the creation of effective credible and independent domestic rating agencies with transparent guidelines and policies.

Proposal 5: Facilitating Trade Finance Securitization

The proposal for trade finance securitization plays directly to Asian companies' strength – their role as export powerhouses. Current limitations on trade finance primarily reflect investor concerns over domestic economic conditions and company balance sheets, not viability in export markets. These proposed trade finance securitizations sever the links to those risks and allow companies access to trade credit at reasonable interest rates. These investment vehicles are in wide use around the world in financing a broad array of export cash flows and are perfectly suited for Asian companies.

The following measures are recommended to reform current regulatory and legal constraints which limit companies' ability to raise working capital through securitization of trade finance.

Public Sector Actions:

1. Promote short- and medium-term financing facilities, which are necessary to tide companies over the crisis and foster investor confidence. In this regard, we strongly support the Export Credit Agencies (ECA) Joint Statement in Support of Asia issued by 18 economies on February 21, 1998.
2. ECAs to give special consideration to the financing problems of small and medium enterprises (SMEs).
3. Address regulatory constraints on the securitization process that affect export receivable securitization, to enable companies to finance export activities at minimum cost.
4. Address tax and accounting policies and regulations that unduly disadvantage securitization over other forms of financial intermediation.
5. Address legal issues to reduce the cost and expand interest in securitizing export cash flows, especially through the promotion of effectively functioning commercial codes, a solid legal basis for the absolute transfer of future export sales proceeds to the security, workable bankruptcy regimes and experienced bankruptcy judges that are required in the event of originator insolvency.
6. Identify, in cooperation with the private sector, appropriate export cash flows that could be securitized and provide all possible technical and policy information and assistance to companies, rating agencies, investment banks and potential investors.

Private Sector Actions:

1. Exporters to begin working with the government, legal experts, rating agencies and investors to establish mechanisms to identify opportunities and remove barriers to export finance.
2. Improve financial disclosure and transparency and adopt generally accepted accounting standards to facilitate securitization and reduce financing costs.
3. Structure future cash flow securities to handle multiple issues, reducing risk and expense to the originator and offering known, stable, and well-defined financial structures for rating agencies and investors.

Proposal 6: Debt-Equity Swaps Option

A proposal for debt to equity swaps, is aimed at corporate recapitalization, encouraging foreign direct investment and extinguishing foreign currency denominated debt. Just as with banks, companies will benefit, not only from the infusion of new capital, but also from the synergy of international expertise with local strengths of well managed companies, competitive labor costs and strong track records in international export markets.

ABAC recommends an action plan for debt-equity swaps in local currencies to convert bank debt claims into equity and to allow local investors to buy corporate debt from banks at a discount and then swap it into equity. This newly created class of preferred equity will have certain characteristics of debt and others of equity:

1. The preferred equity would have no required periodic payments. Instead, it would be subject to mandatory redemption from the available cash flow.
2. The redemption price would be based upon the unpaid principal and accrued and future interest on the debt that was converted into the preferred equity.
3. No dividends would be paid on common as well as preferred equity as long as any preferred equity is outstanding.
4. Prior to redemption in full, the preferred equity holders will have a voice in the management of the company.
5. The management control would revert to common equity holders, once the preferred equity is redeemed in full.
6. If the preferred equity is not redeemed in full by the agreed date, the holder may have the right to convert it into sufficient amount of common equity to acquire a controlling position in the company.
7. If the company fails, the preferred equity holder would have a liquidation preference over a common equity holder.
8. Local laws may need to be changed to implement the above debt-into-preferred equity swap mechanism.

Optional Action Plan for Debt-Equity Swaps for Foreign Investors:

1. Foreign Investors would purchase in the (international) secondary market rescheduled debt notes from original creditors, at (discounted) market value which reflects the risk of default as perceived by creditors. The more sound the relevant laws, the better price these equity will fetch.
2. With these notes in hand the foreign investor would negotiate with original debtors a prepayment of the debt. The debtor would probably be willing to make a prepayment only if rewarded at an attractive discount.

3. Although the prepayment would be in local currency (at the market exchange rate), foreign investments funded through this program would be given foreign investment treatment, allowing them to benefit from all the prerogatives granted by the foreign investment statute. Investors would have the right to remit profits and principal after a specified period of time.
4. The difference between the discount at which the investor buys a debt claim in the secondary market and the discount which he has to give the original debtor to obtain a debt prepayment in local currency has to be large enough to make the transaction attractive to a foreign investor. Note that the discount differential plays a role similar to that of a subsidized exchange rate. But the mechanism has no fiscal cost: the “subsidy” is paid by the original creditors when they decide to sell their loans at a discount.
5. Interested foreign investors would be required to sign a contract with the Government stipulating that they have the right to access the foreign exchange market to remit profits and capital, but only after the stipulated grace period expired. This restriction is needed to avoid a massive outflow of foreign exchange (or undue pressures over the exchange rate) by creditors interested in using debt-equity swaps as a means of speeding-up amortization of reschedule debts.
6. Care also must be taken to avoid the destabilizing effects on the currency and financial markets caused by large portfolio adjustments triggered by the program. First, resident investors should not be allowed to buy foreign exchange to participate in the program, except under a strict quota set by the Central Bank. Second, excessive foreign investor appetite for the program should be controlled; otherwise the high demand for funds to prepay foreign debts in local currency could put stress on the local financial markets.

Proposal 7: Optional Exchange Rate Mechanisms to Cushion Currency Instability

A proposal for exchange rate mechanisms to cushion currency instability is designed to remove exchange rate risk from company balance sheets. By providing such foreign exchange rate mechanisms under restructured company debt, further FX risk is removed from the company. In some instances, this could be crucial to restoring investor confidence.

ABAC offers for consideration the option of the Chilean-style and/or the Mexican FICORCA-style exchange rate floors as a short-term emergency mechanism to protect companies against further devaluation risk. The Chilean scheme involves swapping dollar-denominated debts into local-currency-denominated debts of the same characteristics in terms of maturity, grace period and real interest rates. The FICORCA arrangement involves granting of exchange rate risk cover to those corporations that have either long-term debt obligations or manage to restructure their short-term foreign liabilities into long-term debt by a certain date so as to encourage a prompt debt restructuring.

Optional Action Plan for the Chilean Scheme:

1. Get corporation A and its bank to sign a new debt contract rescheduling the foreign currency debt on terms negotiated by the government.
2. Allow the central bank or another government agency to sell to corporation A an amount of foreign exchange equal to the principal of the re-scheduled debt. This transaction is carried at the going market exchange rate.
3. Corporation A deposits with the central bank the purchased foreign exchange with the deposit having exactly the same terms (maturity and interest rates) as the rescheduled debt.

4. As a counterpart, Corporation A gets a local currency denominated loan from the central bank. The maturity of this loan exactly matches that of the rescheduled debt.
5. Thus, Corporation A will end up doubling its liabilities, holding on its books the foreign currency denominated rescheduled debt plus a local currency debt owed to the central bank of equal initial size. The former, however, will be matched with a deposit of the same amount, term, currency and rate with the central bank. Since interest rate and exchange rate risks associated with this deposit are offset by those of the foreign currency loan, Corporation A ends up facing no exchange risk.
6. As a consequence of the simultaneous issuance of a foreign currency deposit and a local currency loan, the central bank assumes full foreign exchange risk associated with any further depreciation of the local currency. This simplifies accountability and accounting – the central bank knows the exact aggregate currency-debt mismatch for the banking sector.

Optional Action Plan for the Mexican FICORCA Program:

While FICORCA is not meant to absorb the commercial risk of private debt owed to foreign creditors, it can provide local currency financing to those companies that lack cash resources to purchase the exchange risk cover. Such financing can be structured to delay the financial burden from the early to the late years.

1. Establish a reference framework for the minimum terms of debt restructuring such that the corporate debt servicing burden is made compatible with the country's long-term ability to pay.
 2. Set the FICORCA-style exchange guarantees to cover principal only or principal and interest.
 3. The debtor makes a local currency deposit at the Central Bank or at a specially created Trust Fund for the total amount of the restructured foreign debt (and interest, if covered).
 4. The local currency equivalent is calculated using either the market exchange rate and the deposit earns interest at the market rate.
 5. When the restructured debt comes due, the Central Bank/FICORCA Trust Fund makes the requisite dollar payments to creditors.
- iv) **Provision of special measures to facilitate access to capital.** ABAC recommends credit enhancements to government bonds and working capital for restructuring corporations by building on the momentum achieved by the Asian Growth and Recovery Initiative; New Miyazawa Initiative at the 6th APEC Finance Ministers meeting at Langkawi, Malaysia in May, 1999.

(B) BEYOND THE CRISIS: LAYING THE BASIS FOR SUSTAINABLE GROWTH

(i) Measures to promote the development of domestic debt markets

Actions to Upgrade Market Infrastructure

1. Address problems related to the availability, quality and timely publication of macroeconomic information, which should be easily accessible to all investors.
2. Develop concrete action plans to facilitate the development of efficient and modern clearing and settlement systems to reduce settlement risks and transaction costs.

Actions to Promote Efficient Financial Market Institutions

1. Review current policies, as well as prudential and regulatory frameworks governing pension funds and develop, where needed, concrete action plans for the reform of these policies and frameworks.
2. Identify and address constraints to the development of the insurance sector.

Actions to Issue More Debt Market Instruments

International financial institutions (IFIs), especially the Asian Development Bank, to issue more bonds in Asia to act as catalyst in the development of deep and mature domestic debt markets.

(ii) Financial sector capacity-building

Mobilize Financial Expertise within the Region

Develop regional or bilateral schemes to harness the experience and expertise of experts from within the region to help governments, monetary authorities, regulators and financial institutions deal with issues related to financial sector reform, corporate debt restructuring and capital market development. Existing programs involving such experts, such as the United States' Financial Services Volunteer Corps and the Canadian Executive Service Organization can be harnessed for this purpose and serve as models for designing regional and bilateral schemes.

Regional Cooperation to Develop Skills and Improve Standards

Develop regional public-private sector cooperation programs to promote skills and improve standards within the financial sector. ABAC recommends the following as key areas for consideration:

- Strengthening debt work-out expertise in banks. APEC and IFIs should consider cooperative schemes to provide financial and technical support to banks' efforts in developing such expertise, adopting applicable features of similar schemes during Poland's successful experience with corporate debt restructuring in the early 1990s.
- Promoting consistency of skills in accounting firms, to address critical differences in the level of skills from one jurisdiction to another among accounting firms, which are not merely restricted to the area of corporate restructuring, but also encompass due diligence.
- Improving standards of corporate governance, with a view to accelerating the graduation of firms in less-developed economies to higher standards of corporate governance, and to facilitate the eventual application of a single set of corporate governance criteria to all APEC member economies in the future.

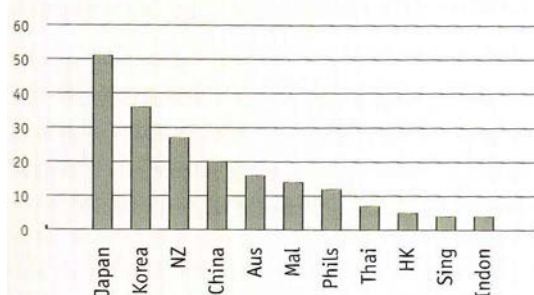
ADDENDUM

ASIA'S DEBT MARKETS: THE CURRENT SITUATION

The debt market in developing Asian economies is relatively small in terms of size and number of instruments. The combined market size of eight major developing Asian economies, measured in terms of outstanding debt (as of end-1995/96), represented only 6% of the size of the Japanese bond market. In most developing Asian economies debt markets play only minor roles when compared to stock and money markets. [See Chart 1]

Chart 1: Share of bond market in size of overall financial markets (%) (Based on outstanding bonds at end-1995/96)

Source: Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)



Outstanding bonds at end-1995/96 in US\$ Billion

Economy	US\$ Billion
Japan	5,149.73
South Korea	179.93
Australia	111.89
China	45.03
Malaysia	40.05
Hong Kong	19.66
New Zealand	16.61
Thailand	11.67
Philippines	10.63
Singapore	10.23
Indonesia	4.99

Source: EMEAP

Measures to develop the debt market have been implemented by several economies over the past few years.³ Nevertheless, the development of local Asian debt markets has been slow due to various factors.⁴ For most of Asia except Japan, local regulatory frameworks are not conducive

³ Among these improvements are the following: (a) improvements in the delivery system (shifting to paperless systems); (b) creation of benchmark instruments; (c) lengthening the maturity structure of debt instruments, (d) liberalization of insurance sector, (e) implementation of policies promoting securitization; (f) making agency ratings mandatory for bond issues; (g) deregulation of domestic markets to allow foreign portfolio bond flows; and (h) regulatory reforms allowing the issuance of bonds in local currency.

⁴ Among these are the following: (a) the small issuance of government debt where governments are pursuing a balanced budget; (b) underdeveloped domestic institutional investors (central provident funds, social security organizations, mutual funds); (c) inadequate or unfavorable policy, tax and regulatory frameworks (e.g., in most economies, a capital gains tax is levied on transactions in the money and debt markets, but not in the stock market); (d) underdeveloped clearing and settlement systems; (e) lack of creditable local rating agencies;

enough to debt issuance and secondary market trading. Given the importance of debt markets to finance Asia's future needs, economies need to address key issues and undertake cooperative actions to facilitate their growth.

and (f) economic and business uncertainties (e.g., lack of interest in paper issued by banks due to the weakness of the banking system and large quantity of non-performing loans).