ASEAN+3 BOND MARKET FORUM BRIEF No. 1

THE PROFESSIONAL BOND MARKET: A PRACTICAL INTRODUCTION

JANUARY 2023

Introduction

The ASEAN+3 Bond Market Forum (ABMF) Brief series aims to provide insights on professional bond markets; their development; and necessary or desirable components to issuers, investors, market intermediaries, regulatory authorities and policy makers, academia, and other interested parties.[1]

In this first edition of the series, the ABMF team will cover the characteristics of bonds and the bond market, the distinctions between professional bond markets and bond markets open to all investors, and briefly look at the facets and features of a professional bond market in an easy-to-understand manner.[2] One main objective of this inaugural brief is to familiarize readers with the critical concept of and terminology associated with professional bond markets. Subsequent briefs will each focus on specific subjects and explain relevant aspects of professional bond markets.

This ABMF Brief series may not be published at regular intervals but instead issued in clusters, as many of the topics relating to professional bond markets are closely connected. At the same time, the ABMF team has been seeking collaboration with and contributions from bond market and other subject matter (e.g., legal and regulatory) experts on market best practices. Hence, briefs on individual subjects may be published when they are ready.

HIGHLIGHTS

- Bonds have different characteristics from equities which necessitate a dedicated regulatory framework, including for the professional bond market.
- A professional bond market comprising only professional market participants, including professional investors, is an indispensable tool in developing a well-functioning, liquid, and attractive regional bond and capital market.
- By limiting investors to professional investors, it is possible to create a bond market with a simple, concise, and effective information disclosure system.
- The introduction of the ASEAN+3 Multi-Currency Bond Issuance Framework by the Asian Development Bank (ADB) and the ASEAN+3 Bond Market Forum illustrates that existing, typical bond market components can be combined to create a useful professional market concept in any market over time and that the ASEAN+3 Multi-Currency Bond Issuance Framework can act as a nexus to connect regional markets.

[1] This brief series is compiled by Satoru Yamadera, advisor, Economic Research and Regional Cooperation Department; Shigehito Inukai, consultant; and Matthias Schmidt, consultant; with input and expertise from ABMF members and other subject matter experts. ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

[2] The brief series uses the term "bond market" as the market for debt instruments with a maturity of more than 1 year, in contrast to the money market, which centers on debt instruments with a tenor of less than 1 year. At the same time, some markets in the region may regard commercial paper or similar products, being debt instruments with a tenor of less than 1 year, as bonds in terms of tracking statistics and for trading in the bond market.

ADB

Bonds Are Different from Equities

Some of the characteristics of a professional bond market can be derived from the features that define bonds. As such, it is practical to first have a quick look at the distinctions to equities.

While bonds and equities can both provide long-term funding to companies, the characteristics of these securities are fundamentally different; hence, they require different or distinct regulatory frameworks.

Equities

Equities—which are also referred to as shares or stocks—form part of a company's capital base, are issued once (or as share capital is increased), and do not have to be repaid.[3] Shares are bought and held by any party wishing to own a part and participate in the success of the issuing company, even if that part is small.

Equities are issued in small and uniform denominations (multiples of one share); can be owned in smaller lots (e.g., 50 or 1,000 shares); and are mostly traded in similar lots on an exchange-listed market (the "stock market"), including by retail investors.[4]

Exchange-listed equities are traded on stock exchanges with an order-driven market that displays all the bids and offers for these equities in an open marketplace; the concentration of trading on an exchange can create liquidity. Trading is fairly standardized because the variation of equities is limited—typically, one company has only one type of listed shares. In addition, equities are priced based on expectations of the long-term future performance of the company; as expectations change, the price will change. Timely disclosure on the exchanges of information about the company's prospects helps establish their share price.

Bonds

In contrast, bonds represent a termed obligation by the issuer to repay the issued amount ("principal") and to make periodic interest payments on predetermined dates to conditions agreed upon at the time of issuance.[5] Depending on the financing needs or market conditions, an issuer may issue a variety of instrument types with different conditions and maturities, and issue bonds often or sparsely, at regular intervals, or as needed.

Except for bonds targeted at the retail sector only, to make issuance cost-effective, bonds are primarily issued in large overall amounts as well as large denominations,

The ASEAN+3 Bond Market Forum (ABMF) was established in 2010 under the Asian Bond Markets Initiative by the ASEAN+3 Finance Ministers, with a mandate to support the development of regional local currency bond markets. Since then, ABMF has acted as a platform for dialogue among public and private sector stakeholders in the regional bond markets and promotes the exchange and evaluation of ideas among finance ministries, securities regulators, securities exchanges, depositories, custodian banks, underwriters, and other market intermediary organizations. Discussion outcomes in ABMF have helped to address common issues and formulate policy recommendations.

The Asian Development Bank publishes the ASEAN+3 Bond Market Guide series, which are created and updated by ABMF, for interested parties. The economy-level bond market guides serve as reference material to learn more about individual regional markets' development, help to address misperceptions, and project regional bond market information to a larger audience. ABMF has proposed, agreed on, and helped implement the ASEAN+3 Multi-Currency Bond Issuance Framework as one practical initiative toward harmonizing the professional bond markets in ASEAN+3.

As part of its efforts, ABMF created the Working Group for Comparative Capital Market Law and Regulations to research market foundations and practices. The working group will share observations and policy input with constituents and the public, particularly on the regional professional bond markets.

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[3] Equities, stocks, and shares are fundamentally the same and represent partial ownership in a company; the use of these terms may differ by market or context; "equities" is a typical collective term (i.e., when compared to "bonds"); "share" is the undivided unit of ownership, and the term "stock" is most often used for a publicly traded instrument.

[4] This ABMF Brief series will use the term "retail investors" for individuals and investors that are not classified in any other manner.

[5] Bonds may also be referred to as "debt securities," "debt instruments," or "fixed-income instruments"; terms used in regional markets may also differ based on prescriptions in law or regulations once translated from the national language. For consistency, this ABMF Brief series will use the term "bonds" unless the context demands otherwise.

and traded in large sizes. Hence, trading most often occurs between institutional investors in the over-the-counter market where prices are negotiated between counterparties; retail investors typically cannot participate. Transactions on electronic bond trading platforms are quote-driven, based on bid and ask prices displayed by designated market dealers and brokers.

In most regional markets, only bonds issued by governments (also called sovereign bonds) offer the opportunity of direct participation in the bond market for retail and general investors, through smaller denominations and specific bond types to encourage saving or safe-haven investing. Only a few countries feature the issuance of corporate bonds to individuals after taking measures to protect retail investors (see **Selling and Transfer Restrictions** for more details). Normally, retail and general investors wishing to access other bond market products will have to invest indirectly, such as through bond mutual funds or unit trusts.

Bond prices are negotiated because they represent the risk-free rate in a market—typically, the government bond interest rate or a similar reference rate—plus a credit risk premium for the issuing company. Prices may be affected by the performance of the company and changes in economic conditions, such as inflation and the foreign exchange rate, which are beyond the control of the issuer. Prices of bonds from the same issuer may also differ due to instrument type, original conditions, or the time left to maturity.

Necessary Distinctions

The different characteristics of bonds, instrument variations, issuance methods, as well as their trading and pricing practices set them apart from the characteristics of the stock market.

At the same time, regulators may only create limited distinctions for the issuance, trading, and transfers of bonds from other instrument types. Additionally, some authorities may not distinguish how shares and bonds and their issuance methods and practices should be regulated. Fundamentally, the method of securities regulation should be differentiated based on the characteristics of each investment product, differences in issuance and sales methods, and investor characteristics.

In developing markets where the stock market has long been the only securities market and a bond market is only emerging, such distinctions may not yet exist. However, it is important to design a regulatory framework suitable for the market from the beginning, as a solid foundation for all market segments and instrument types.

Public Offering and Professional Bond Market Segments and Their Issuance Methods

Public Offering Bond Market

The public offering bond market, or the market open to all investors, is characterized by the issuance method aptly called "public offering." Public offers are aimed at all investor types, including retail investors, and feature as critical ingredients mechanisms to protect general or retail investors. The term "general investors" refers to individuals and legal entities that do not have particular and sufficient knowledge or investment expertise in the securities market. "Retail investors" is the term used for individual investors that tend to invest small(er) amounts. For practicality, the ABMF Brief series will continue to reference retail investors as those investors that are not professional investors. The protection of retail investors is one of the principal objectives in the mandate of any regulatory authority in the securities market. Consequently, public offers require statutory, comprehensive information disclosure and feature accessible minimum denominations, the ability to buy and sell bonds issued through public offers readily, and the mechanism to protect retail investors in case of, for example, an event of default. Some of these features are explained later in this brief.

Professional Bond Market

The term "professional bond market" indicates the issuance market of debt instruments for a select type or group of investors—professional investors. The designation of being a professional bond market, in contrast to the public offering bond market, is primarily due to its investors being designated as professionals. These are institutional investors such as banks, insurance companies, and pension funds that require the investment of large quantities of available funds with a predictable return for various periods of time.[6] They have specific requirements that the public offering bond

[6] An institutional investor is a company or organization that invests money on behalf of other people, according to Investopedia (https://www.investopedia.com/terms/i/institutionalinvestor.asp).

market may not be able to meet, thereby necessitating the development of distinct market practices for interactions among professional participants. The professional bond market segment is not meant to supplant the public offering market but rather complements it and is an indispensable tool in the development of a well-functioning, liquid, and attractive overall bond market. Another common designation for such a market segment is a "professional investors-only market." Typical requirements to be considered by a professional investor will be explained later in this brief under the heading **Merits of a Professional Bond Market**.

Due to the difference in the investor profile, the professional bond market can have different, more flexible features that are not available in the public offering bond market, as professional investors need not be afforded the same level of protection as retail investors (**Figure 1**). In addition to financial institutions, market infrastructures, such as exchanges and central securities depositories, are professional by definition of their roles, regardless of whether they are facilitating or servicing retail investors or professional investors. Government and corporate issuers accessing the market are also considered to be professional participants.

A professional bond market is not limited to a particular debt instrument but is often focused on one or more specific method of offering debt securities to professional investors. It is most often characterized by the issuance method referred to as "private placement" with a corresponding framework in the related law and regulations. Hence, a private placement becomes a critical component of a professional bond market, which is further explained in **Components of a Professional Bond Market**.

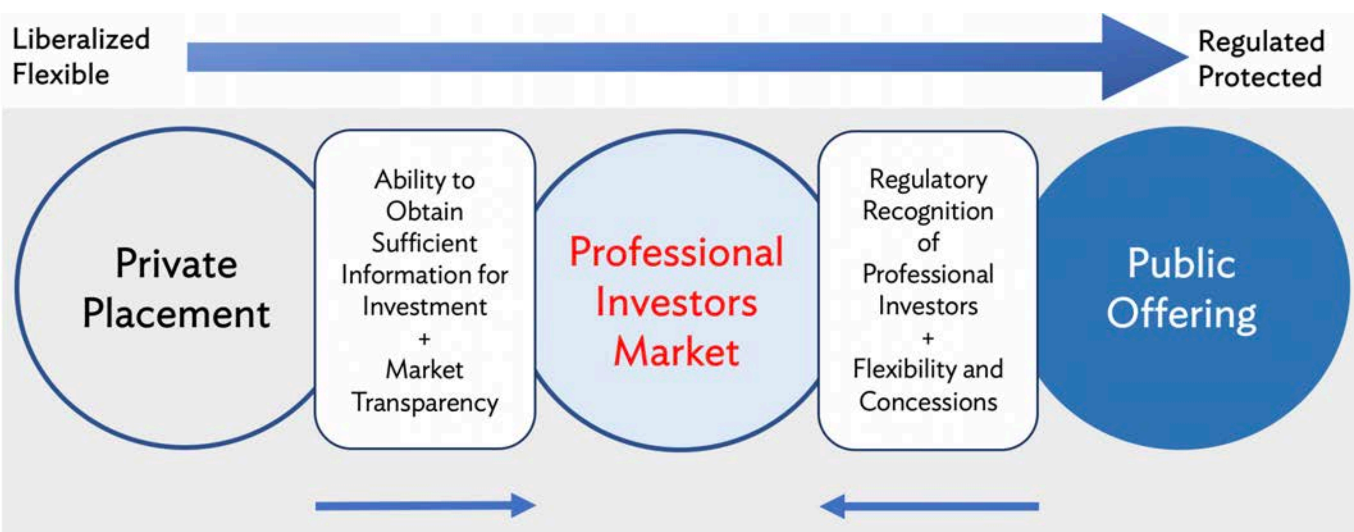
The concept of professional investors, their types, categories, and eligibility criteria will be explained in greater detail in *ABMF Brief No. 2: Professional Investor Concepts and Categories.*

Professional Bond Markets in ASEAN+3

It was mentioned earlier that a professional bond market or market segment is a marketplace that is populated only by participants considered to be professionals in the capital market, featuring distinct market practices for interactions among the professional participants.

The professional market, or market segment, and its key features may be prescribed in law or by regulations, designated by the regulatory authority, or come into existence through the establishment of common market practices among professional entities. The market may be directly overseen by a regulator or governed by the rules of a self-regulatory organization. How professional markets are defined depends on each jurisdiction and its framework for securities regulation. It may differ based on an economy's legal tradition or its regulatory authorities' mandate. Some professional markets originally evolved out of market practice alone; though,

Figure 1: Positioning of the Professional Bond Market



Source: ASEAN+3 Bond Market Forum.

Table 1: Overview of Professional Markets in ASEAN+3

Economy	Designation of Professional Bond Market or Segment	Accessible to Nonresident Investors
Brunei Darussalam	Offering of Debentures to Sophisticated Investors	Yes
Cambodia	Debt Securities Offerings to Qualified Investors	Yes
China, People's Republic of	**China Inter-Bank Bond Market:** Targeted Placements of Debt Financing Instruments to Specialized Institutional Investors	Yes (Bond Direct and QFII)
	Exchange Bond Market: Offering to Qualified Investors	Yes (QFII)
Hong Kong, China	Professional Investors Only Market	Yes
Indonesia	Public Offerings to Professional Investors	Yes
	Debt Securities and Sukuk Not Through a Public Offering	Yes
Japan	TOKYO PRO-BOND Market	Yes
Korea, Republic of	Qualified Institutional Buyer Market	Yes
Malaysia	Excluded Offers–Sophisticated Investors Market	Yes
Philippines	Qualified Buyers' Market	Yes
Singapore	Wholesale Market (on Singapore Exchange)	Yes
	Offers to Institutional Investors	Yes
Thailand	Private Placements to Institutional Investors (PP-II Regime), HNWIs	Yes
Viet Nam	Private Placements to Professional Investors	Yes

HNWI = high-net-worth investor, PP-II = private placement for institutional investors, QFII = qualified foreign institutional investor.
Source: ASEAN+3 Bond Market Forum. *ASEAN+3 Bond Market Guides*. Manila.

at the time of writing, all professional bond markets or market segments existing in domestic ASEAN+3 markets had their foundation in law or regulations.

Such a foundation provides clarity and legal certainty for issuers, investors, and their service providers. It also helps represent the market to nonresident investors and other interested parties. A reflection of professional bond market features and functions in law and regulations is, hence, desirable.

Table 1 provides an overview of the existence of professional bond markets or market segments in ASEAN+3 and whether they are accessible to nonresident investors.

Merits of a Professional Bond Market

The merits of a professional bond market cut across individual groups of market participants and stakeholders, even though they may encompass different aspects for each group. The creation of a specialized market or market segment for professional investors is crucial for the sustainable development of regional bond markets. In a professional bond market where only professional investors can invest or trade, broader and more flexible issuance and offering methods can be used to provide timely access to large issue sizes and consider specific investor preferences. Such a market can meet the differing needs and objectives of issuers and investors.

The professional investors acting in a professional bond market must be qualified and licensed entities that are able to make their own investment decisions. Dealing only among professional investors alleviates risks and reduces costs. The participation of only professional investors allows market regulators to be principally able to relax some regulatory requirements, as participants are qualified and able to make their own investment decisions. This creates room for regulators to apply flexibility in their governance of the market and provides opportunities for market participants.

Professional bond markets attract large investors and give institutions with a large regular inflow of funds the opportunity to place such funds in debt instruments; their participation in turn broadens and deepens the market, which may also positively influence investment and liquidity in the public offering market.

At the same time, professional bond markets and their participants aim for the defined (i.e., mutually acceptable) disclosure of information, which typically results in a fairly standardized manner to present such information. Defined disclosure and standardized documentation, as well as more standardized market practices, amplify the potential benefits of a professional bond market.

Benefits from an Investor Perspective

As mentioned, large institutional investors, insurance companies, asset managers, and pension funds will need to regularly invest large amounts of their clients' or members' funds for a specified return. In the same context, in line with their investment horizon, they must be able to liquidate such investments on short notice. This requires a market populated by issuers that regularly issue large quantities of bonds and other investors that can absorb large trade sizes. Only the professional bond market can satisfy these needs. Unlike bonds offered to retail investors, underwriters can directly solicit professional investors and create various instruments across several tenors in response to investor demand. In turn, investors may approach issuers in search of additional issuances of familiar instruments, sizes, or tenors, a practice referred to as "reverse inquiry." Such negotiations broaden and deepen overall market offerings.

Professional investors also benefit from specific market practices catering to their professional status, such as the highly standardized and structured documentation and defined information disclosure mentioned previously.

Benefits from an Issuer Perspective

From an issuer perspective, costs associated with producing issuance documentation and disclosure information in professional bond markets are lower than that for an offering to retail investors, which would require additional information to satisfy investor protection requirements. Consequently, the time to market can be much shorter, which allows for timely issuance and the ability to take advantage of favorable market conditions. Previously mentioned was the practice of reverse inquiry, in which keen investors approach reputable, regular issuers for additional issuance under mutually beneficial conditions.

Benefits from the Perspective of Regulators and Policy Makers

Policy makers may appreciate the presence of a professional bond market segment, as it offers mutually beneficial financing and investment opportunities for corporates and institutional investors. Knowing that the market is populated exclusively by professional actors also allows the authorities to divert their attention to other market segments that require stronger investor protection or closer supervision.

One additional aspect of a professional bond market, from a regulatory perspective, is the opportunity to delegate market governance and participant administration to a self-regulatory organization designated by the authorities; this can be a market association or an exchange. Since participants in the professional bond market are professional institutions that are already registered or licensed by market regulators, the governance of the market can be partly left to market parties. This makes the market more responsive to changes and increases the effectiveness of market governance.

Components of a Professional Bond Market

What does it take to make a bond market professional—only professional investors or does it require other features and functions?

Actually, it is possible for a professional bond market or market segment to be designated solely as a result of a professional investor concept but, most often, the professional bond market is the result of any combination of specific market attributes that become integral components of such a market.

As will quickly become apparent in the following discussion, these attributes are all related and interdependent and, as such, are not presented in a particular order. While this brief serves as an introduction to relevant attributes, each attribute will be explained in greater detail in the course of this ABMF Brief series. An overview of the most common attributes is presented as follows:

Exempt Regimes

An exempt regime refers to the exemption of market participants, notably corporate issuers and professional investors, from the need for full compliance with the market requirements for public offers (explained earlier). Exempt regimes recognize the nature of professional investors and their ability to process defined and specialized information, assess associated risks, and make informed investment decisions. In fact, the exemptions represent concessions in relation to prescriptions in law and regulations that remain in place for all parties that are not professional. These concessions may cover the following:

- eligible investor types,
- number of investors,
- specific instruments or instrument types,
- issuance methods,
- documentation,
- initial and continuous disclosure requirements, and
- simplified registration with an authority or listing on an exchange.

Table 2: Type of Professional Market (Exempt) Regimes in ASEAN+3

Economy	Type of Professional Market Regime
Cambodia	Offerings to Qualified Investors based on public offering framework, but with concessions.
China, People's Republic of	**China Inter-Bank Bond Market:** Non-public issuance to Targeted Investors (simplified registration with NAFMII).
	Exchange Bond Market: Non-public issuance to Qualified Investors (SSE and SZSE listing process simplified).
Hong Kong, China	Concise disclosure available for listing debt issues to Professional Investors.
Indonesia	Issuance via private placement only requires filing of prescribed issuance documentation with OJK prior to issuance. Concessions to regular public offerings vary with nature and status of issuing entity.
Japan	Concise disclosure available for profile listings of debt issues and programs aimed at professional investors in the TOKYO PRO-BOND Market. Private placements are exempt from filing and full disclosure.
Republic of Korea	Offers to Qualified Institutional Buyers are exempt from full disclosure.
Malaysia	Offers to Sophisticated Investors are exempt from full disclosure when utilizing the Lodge and Launch Framework.
Philippines	Sale to Qualified Buyers or those transactions are classified as exempt from registration with the Securities and Exchange Commission, including private placements to 19 buyers or less.
Singapore	Placements to Accredited Investors, Institutional Investors are exempt from prospectus requirements. Private placements are exempt from filing and full disclosure requirements.
Thailand	Private placements to Institutional Investors are exempt from full disclosure.
Viet Nam	Concessions for private placements to professional investors only.

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; NAFMII = National Association of Financial Market Institutional Investors; OJK = Otoritas Jasa Keuangan (Financial Services Authority); SSE = Shanghai Stock Exchange; SZSE = Shenzhen Stock Exchange.
Source: ASEAN+3 Bond Market Forum.

Table 2 gives an overview of the existing exempt regimes in ASEAN+3. Many markets in the region have introduced an exempt regime as the basis for a professional bond market. Some aspects of such exempt regimes are among the other components explained in this section.

Eligible Investor Types

The protection of retail investors is one of the principal objectives in the mandate of any regulatory authority in the securities market since such investors are assumed to not have particular market knowledge or investment expertise. Hence, they need to be afforded any and all opportunities to obtain sufficient information for their participation in the public offering market, and they are not eligible to participate in the professional bond market segment.

In contrast, professional investors are financial institutions and other entities that are subject to licensing, registration or accreditation, and subsequent supervision and auditing by the securities market authorities or equivalent regulators, as the case may be in a given market and have, hence, already demonstrated their qualifications and capabilities as capital market participants to be eligible for participation in the professional bond market.

Professional investors include commercial and investment banks, insurance companies, mutual funds or unit trusts, and prudential institutions such as pension and provident funds (and their asset managers). Some markets include corporates and high-net-worth individuals as potential professional participants who must comply with defined minimum qualifications to be eligible as professional investors. Professional investors in any market are also deemed able to read and process disclosure information in English, something that may be challenging for many retail investors in regional markets.

By limiting participation to professional investors only, it becomes possible to create a professional bond market with a more streamlined approval process and a concise and effective information disclosure system. Currently, most ASEAN+3 markets feature a definition of professional investors, but no two regional markets include the exact same types of investor categories in their respective professional investor definitions. *ABMF Brief No. 2: Professional Investor Concepts and Categories* will be dedicated to the further explanation of professional investors; their concepts, categories, and eligibility requirements; and their recognition in regional markets.

Disclosure

Disclosure is the overall term for the level of detail and manner in which information is offered and distributed. Disclosure in the context of the bond market refers to the activities, by an issuer of debt securities, of publishing information to investors or the market that an issuer is either required or willing to provide relating to the offer of its debt securities, their registration, listing, or continued trading in the market.

Disclosure describes a concept rather than a single activity; may occur through traditional or via electronic means; and covers a number of activities by different parties, depending on the type of instrument, the nature of the issuer, and the prevailing market practices. Disclosure may be prescribed in law, regulations, or market rules, or be developed and, in turn, be influenced by those market practices.

As part of their mandate to ensure investor protection, regulatory authorities will prescribe comprehensive information disclosure (also referred to as “full disclosure”) for any offers to the general public. In contrast, offerings to only professional investors may be based on reduced or streamlined disclosure that is still sufficient for those investor types; such concessions may be referred to as “defined,” “concise,” or “limited” disclosure. Defined disclosure is a possible aspect of an exempt regime but a key characteristic in any professional bond market.

The particular significance of disclosure in a professional bond market lies in the fact that laws and regulations may permit less or much less information than is required for public offerings. Yet, professional investors still require specific and relevant information to form an opinion on an investment. An adequate balance between disclosure obligations for issuers and information needs for professional investors remains a crucial challenge for any professional bond market and influences a number of other market characteristics; the actual disclosure format and content is often agreed as part of market practice and may also incorporate international conventions.

Defined disclosure and its distinctions from full disclosure, their variations and typical underlying regulations, relevant market practices in ASEAN+3, and relevant considerations will be explained in a subsequent dedicated brief in this series.

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Selling and Transfer Restrictions

It was earlier stipulated that regulators need not pay the same supervisory attention to professional bond markets. They can even relax requirements, and allow concessions, as the market participants are all professional and, thus, have the knowledge and expertise to make informed investment decisions. This, however, will only be possible if the professional bond market is effectively ringfenced from other investors.

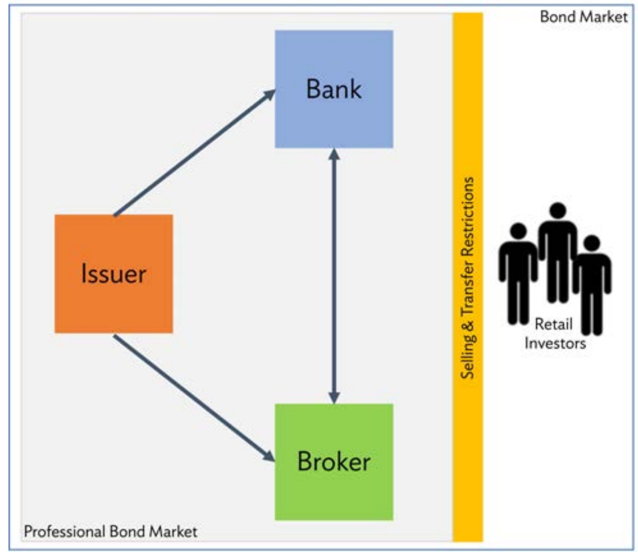
The typical ringfencing of a professional bond market is achieved through a combination of the existence of a professional investor concept, the definition of an appropriate market segment, and adequate market practices. A critical success factor for regulatory authorities to ringfence a professional market from any investors or investor types that are not eligible to participate in that market is the setting of selling and transfer restrictions in both the primary and secondary markets; the necessary practices should be embedded in law or regulations and their administration and enforcement may be delegated to market intermediaries where practical.

The fundamental purpose of these restrictions is that debt securities aimed at professional investors are only issued to professional investors in the primary market and, subsequently, are only sold and transferred to other professional investors. Professional investors have to be designated as such and be identifiable in market transactions. A sale or transfer to retail investors cannot be permitted at any time (**Figure 2**).

There are several techniques to implement the effective ringfencing of a professional market and it is important to combine them according to market needs. They include the following:

- selling and transfer restrictions are to be clearly reflected in offering and issuance documentation for debt instruments aimed at the professional market;
- market intermediaries such as underwriters and market participants such as professional investors must only sell such instruments to eligible investors; and
- trading platforms or transfer systems (such as those operated by a central securities depository) must effect trades and transfers only among professional investors.

Figure 2: Selling and Transfer Restrictions in a Professional Bond Market



Source: ASEAN+3 Bond Market Forum.

Violations of any of these restrictions should be subject to penalties and censure of the entities involved, while inadvertent errors should be correctible through a prescribed process. We will come back to the subject of effective selling restrictions when reviewing professional investor concepts and qualifications.

The ASEAN+3 Multi-Currency Bond Issuance Framework

ABMF will also use this brief series to review and explain the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), which was developed by ABMF and its constituents under the guidance of ADB acting as secretariat. ABMF developed AMBIF in 2014, aiming for a standardized approach to professional bond issuance across regional markets and drawing on the various characteristics that made a market professional, as they already existed or were subsequently introduced.[7]

Through AMBIF, ADB and ABMF were able to illustrate how often already available bond market features can be combined to create a professional bond market concept for the benefit of all stakeholders. With seven markets

[7] The original reports on AMBIF can be found on the *AsianBondsOnline* website: *Proposal on ASEAN+3 Multi-Currency Bond Issuance Framework* and *Implementation of the ASEAN+3 Multi-Currency Bond Issuance Framework* (https://asianbondsonline.adb.org/abmf/ambif.html).

Table 3: ASEAN+3 Multi-Currency Bond Issuance Framework Elements

AMBIF Element	Brief Description
Domestic Settlement	Bonds or notes are settled at a national CSD in ASEAN+3.
Harmonized Submission Documents (Single Submission Form)	Common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information along with ADRB recommendation needs to be included.
Registration or Profile Listing at ASEAN+3 (Place of Continuous Disclosure)	Information on bonds or notes and issuer needs to be disclosed continuously in ASEAN+3. Registration or listing authority function is required to ensure continuous and quality disclosure.
Currency	Bonds and notes are denominated in currencies normally issued in domestic bond markets of ASEAN+3.
Scope of Issuer	Resident of ASEAN+3
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations or market practice in each ASEAN+3 market

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; CSD = central securities depository.
Source: ASEAN+3 Bond Market Forum.

already participating in AMBIF, it can also be considered as a nexus to connect the region's individual bond markets, with room for the further harmonization of practices. AMBIF and its components, the so-called AMBIF Elements, will be explained in detail in a dedicated brief in this series. As such, the following is only a short review of the AMBIF Elements, being the aspects of professional bond markets that define AMBIF issuances.

ASEAN+3 Multi-Currency Bond Issuance Framework Elements

ABMF proposed the creation of AMBIF on the basis of common denominators found across regional bond markets at the time, based on extensive research and discussions with policy makers, market authorities, and participants. The idea was to show that market features which already largely existed could be utilized to create a practical and portable concept for the issuance of bonds to professional investors in multiple markets in a comparable manner. Six characteristics that together represented the essence of regional professional bond markets were identified by ABMF and labeled as AMBIF Elements.

In keeping with the mandate of ABMF to support the development of local currency bond markets in ASEAN+3, the AMBIF Elements designate an AMBIF bond as domestic if settlement occurs at the domestic central securities depository and the bond is denominated in local currency.

This is complemented by the need for an issuer to be domiciled in an ASEAN+3 market and the participation only of investors that have been defined as professional investors in the participating bond market.

Critical, however, are two elements that were earlier explained in **Components of a Professional Bond Market**. It was mentioned that disclosure is an integral part of any bond market including the professional bond market segment. Even professional investors require a certain level of information to make informed decisions; this level of information—the defined disclosure—should be on offer through a profile listing (i.e., a listing without the requirement to trade) or registration with a market authority, as a given market may offer, thereby compelling issuers and ensuring a regular supply of information to professional investors and regulatory authorities. This is coupled with a prescribed single and harmonized disclosure document for all participating markets, offering standard data and giving issuers, investors, and intermediaries familiarity and the ability to reuse the same disclosure document across markets. ABMF named its recommended document the Single Submission Form (SSF).

The SSF has been normalized to cater to all disclosure requirements in the region's participating professional market segments and has been reviewed and received either consent or no objection for use from the relevant regulatory authorities, registration, and listing places in those markets. The SSF continues to be maintained by ABMF.

About the Asian Development Bank
ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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Note: ADB recognizes "China" as the People's Republic of China.