



ADB

PROPOSAL ON

ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)

Asian Development Bank

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Bond Issuance
Framework
(AMBIF)**

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Preface

There have been significant developments in bond markets in Asia since the early 2000s. The volume of local currency (LCY) bonds outstanding in emerging East Asia has grown sharply from less than US\$1.0 trillion at the end of 2001 to US\$6.5 trillion at the end of 2012. LCY bond markets became an effective alternative source of financing for governments and corporations during the recent global financial crisis (GFC), with more diversified issuance and a broader investor base that included an increasing number of foreigners. The channeling of regional resources to regional investment needs improved from 2.8% of the total in 2001 to 8.4% in 2011, as measured by the relative share of debt portfolio outflows from the region that was re-invested into the region.

However, there remain various issues to be addressed. For example, the region's bond market is still small given the dominance of the banking sector, regional resource channeling should be further enhanced, volatile capital flows should be appropriately managed, and there is a need to improve market efficiency with lower transaction costs by streamlining regulations and market practices. The ASEAN+3 Bond Market Forum (ABMF) is expected to contribute to market development as a regional platform to enhance standardization by incorporating both public and private entities.^a

To elevate the discussion on streamlining regulations and market practices, ABMF was established in 2010—and endorsed at the 13th ASEAN+3 Finance Ministers' Meeting on 2 May 2010 in Tashkent, Uzbekistan—as a common platform to foster standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region. The members of ABMF were appointed or endorsed by Asian Bond

Market Initiative (ABMI) Task Force 3 and include regulatory bodies, stock exchanges, independent self-regulatory organizations (SROs), infrastructure SROs, market associations, and international market institutions. The Asian Development Bank (ADB) serves as the Secretariat.

Since the first meeting in September 2010 in Tokyo, Japan, ABMF members and experts have met quarterly: December 2010 in Manila, Philippines; February 2011 in Kuala Lumpur, Malaysia; June 2011 on Jeju Island, Republic of Korea; September 2011 in Bali, Indonesia; December 2011 in Beijing, People's Republic of China (PRC); February 2012 in Hong Kong, China; April 2012 in Manila, Philippines; September 2012 in Seoul, Republic of Korea; November 2012 in Bangkok, Thailand; February 2013 in Singapore; April 2013 in Jakarta, Indonesia; July 2013 in Tokyo, Japan; and November 2013 on Jeju Island, Republic of Korea.

ABMF consists of two forums: Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2). The objectives of SF1 are to close the information gap with regard to regulations, market practices, and other areas in the region's bond markets. SF2 focuses on enhancing regional straight-through-processing (STP) by the harmonization of transaction procedures and standardization of messages.^b

In its first phase of activity in 2010–11 (Phase 1), SF1 collected legal and regulatory information on individual ASEAN+3 markets. SF2 identified and detailed bond transaction flows.

As a key output of ABMF Phase 1, a comprehensive ASEAN+3 Bond Market Guide was published in April 2012 and comprised individual market guides for 11 economies. The guide consisted of Volume 1: Sub-Forum 1—Comparative Analysis and Bond Market

^a ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea.

^b STP is generally recognized as a mechanism that enables trading and transactions to be conducted electronically without manual handling or intervention.

Guides and Volume 2: Sub-Forum 2—Information on Transaction Flows and Settlement. The guide aimed to (i) dispel common misunderstandings and misperceptions related to ASEAN+3 bond markets, and (ii) narrow information gaps and establish a common understanding of how markets in the region operate.

The information and findings gathered during Phase 1 became the foundation of the next phase in 2012–13 (Phase 2). In Phase 2, SF1 has been working on developing a regionally standardized bond issuance framework known as the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), and SF2 on identifying bond transaction flows, including corporate bond delivery-versus-payment (DVP) flows and interest payment and redemption procedures, to provide policy recommendations to standardize the flows. After continued consultations, AMBF members finalized the interim reports for both SF1 and SF2 during the 12th ABMF Meeting on 23–24 April 2013 in Jakarta, Indonesia, which included key policy recommendations on standardizing bond transaction flows. The interim reports were submitted to the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting (AFMCGM) on 2 May 2013 through ABMI TF3.

This proposal on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) is the complete report for Phase 2 SF1 activities. The report was written by an ADB Team comprising Shigehito Inukai (ADB consultant), Matthias Schmidt (ADB consultant), and Seung Jae Lee (Advisor, Office of Regional Economic Integration [OREI], ADB). However, this report should not be regarded as an output of the team alone but as a result of the collective work of ABMF members and experts.

International experts very kindly provided input on report topics and freely shared their knowledge and assessments, often from proprietary sources. National ABMF members and experts provided answers to questionnaires during the market visits and thoroughly reviewed the draft to help shape the

report. In addition, the team thanks all interviewees who gave useful comments and responses during the Phase 2 market visits. Therefore, the report should be regarded as a crystallization of regional collaborative efforts and knowledge toward more harmonized and integrated ASEAN+3 bond markets.

Without such strong support and cooperation from ABMF members and experts, as well as from market experts in the region, this report could not have been published.

The Tokyo Stock Exchange and CIMB Investment Bank, as the Chair and Vice Chair of SF1, respectively, provided leadership and facilitated very active discussions among members and experts. The team also thanks the national members and experts of the PRC, Indonesia, Japan, the Republic of Korea, Singapore, and Thailand for hosting ABMF meetings during Phase 2. The smooth organization of the meetings made possible the conduct of intensive discussions through multiple sessions at each meeting.

The efforts for the harmonization and standardization of bond markets in the region have just begun. Given large differences in economic and market developments in the region, the task will not be easy. The work inevitably requires a gradual, step-by-step process. However, this unique initiative will create momentum to push the region toward more harmonized and integrated bond markets in the future.

ABMF is expected to continue to function as a regional platform to realize and institutionalize regionalism by helping formulate regional views and opinions into a common policy framework.

Finally, it should be noted that no part of this report represents the official views of any of the institutions that participated as either ABMF members or experts; the ADB team is responsible for the contents of the report.

Statement from SF1 Chairs

We wish to express our sincere appreciation and gratitude to the members and experts of the ASEAN+3 Bond Market Forum Sub-Forum 1 (ABMF SF1) for their work in developing the contents of this report.^o

Their support and unwavering dedication during the 2 years of ABMF Phase 2 have permitted us to deliver this report to the Chairs of Task Force 3 (TF3) of the Asian Bond Market Initiative (ABMI) as planned, in time for their early March 2014 meeting in Yangon, Myanmar.

Mr. Shunzo Kayanuma
Chair of ABMF SF1

On the basis of the approval for the proposed ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) contained in this report, we are looking forward to having the same strong support from members and experts for the implementation of AMBIF in ABMF Phase 3, which begins in 2014.

On behalf of our members and experts, we are grateful to the Secretariat at the Asian Development Bank (ADB) and its consultants for their efforts that have brought this valuable report to fruition.

February 2014

Mr. Thomas Meow Yoke Nean
Vice-Chair of ABMF SF1
(Alternate for Mr. Lee Kok Kwan)

^o ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea.

Acronyms and Technical Terms

ABMF	– ASEAN+3 Bond Market Forum
ABMI	– Asian Bond Market Initiative
ADB	– Asian Development Bank
ADRB	– AMBIF Documentation Recommendation Board
AFMGM+3	– ASEAN+3 Finance Ministers and Central Bank Governors Meeting
AMBIF	– ASEAN+3 Multi-Currency Bond Issuance Framework
AMBIP	– ASEAN+3 Multi-Currency Bond Issuance Program
ASEAN	– Association of Southeast Asian Nations
ASEAN+3	– Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea
ASIFMA	– Asia Securities Industry and Financial Markets Association
BCLMV	– Brunei Darussalam, Cambodia, Lao PDR, Myanmar, and Viet Nam
BM	– Bursa Malaysia Berhad
BMG	– ASEAN+3 Bond Market Guide
CGIF	– Credit Guarantee and Investment Facility
CGT	– capital gains tax
CIP	– Common Information Platform
CMSA	– Capital Market and Securities Act (Malaysia)
CSRC	– China Securities Regulatory Commission
FATF	– Financial Action Task Force
FCY	– foreign currency
FIEA	– Financial Instrument and Exchange Act (Japan)
FII	– Foreign Institutional Investor(s)
FSCMA	– Financial Services and Capital Market Act (Republic of Korea)
FSS	– Financial Supervisory Service (Korea)
FX	– foreign exchange
GFC	– global financial crisis
GOE	– Group of Experts
HKEx	– Hong Kong Stock Exchange
HKMA	– Hong Kong Monetary Authority
HNWI	– high net worth individuals
HNX	– Hanoi Stock Exchange
LCY	– local currency
IBBM	– Inter-Bank Bond Market (PRC)
IFRS	– International Financial Reporting Standard
IFSA	– Indonesian Financial Services Authority (also known as OJK)
IIP	– Individual Information Platform
ISIN	– International Securities Identification Number
J-FSA	– Japanese Financial Services Agency
JSDA	– Japan Securities Dealers Association
KCMI	– Korea Capital Market Institute
KOFIA	– Korea Financial Investment Association
KRX	– Korea Exchange
KYC	– know-your-customer

MAS	– Monetary Authority of Singapore
MTN	– medium-term-note
NAFMII	– National Association of Financial Market Institutional Investors (PRC)
NMPG	– National Market Practice Group
OJK	– Indonesian Financial Services Authority (also known as IFSA)
OTC	– over-the-counter
PBOC	– People's Bank of China
PDEx	– Philippine Dealing and Exchange Corp.
PDMO	– Public Debt Management Office, Ministry of Finance (Thailand)
Phase 1	– refers to the work of ABMF from its inception in October 2010 through publishing of the Phase 1 report in April 2012
Phase 2	– refers to the work of ABMF since January 2012 through the expected publication of the Phase 2 report in December 2013
Phase 3	– refers to possible future phase for ABMF on the basis of the approval of ABMF Phase 2 outcomes and the commitment of the regulatory bodies
QFII	– Qualified Foreign Institutional Investor (PRC)
QIB	– Qualified Institutional Buyer (professional investor concept)
SCA	– Substituted Compliance Approach
SC MY	– Securities Commission Malaysia
SEC	– Securities and Exchange Commission
SF1	– Sub-Forum 1 of ABMF
SF2	– Sub-Forum 2 of ABMF
SFC	– Securities and Futures Commission (Hong Kong, China)
SGX	– Singapore Exchange Ltd.
SME	– small and medium-sized enterprises
SRO	– self-regulatory organization
SSC	– State Securities Commission (Viet Nam)
SSE	– Shanghai Stock Exchange
<i>Sukuk</i>	– refers to Islamic fixed-income instruments
TF3	– Task Force 3 of ABMI
ThaiBMA	– Thai Bond Market Association
TSE	– Tokyo Stock Exchange, Inc.
VBMA	– Vietnam Bond Market Association.

Executive Summary

Background

The ASEAN+3 Bond Market Forum (ABMF)¹ was established in September 2010 and endorsed by the ASEAN+3 Finance Ministers' Meeting as a common platform to foster the standardization of market practices and regulations in bond markets.² The ABMF consists of two forums: Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2).

The mandate of SF1 has been to address the persistent information asymmetry surrounding ASEAN+3 bond markets and to foster harmonization of the region's bond market regulations. Phase 1 (2010–11) of SF1 saw the compilation of the *ASEAN+3 Bond Market Guide*, a comprehensive set of descriptions of the 11 bond markets already established or under development in ASEAN+3 economies, including an overview of their individual regulations and practices.³ The ASEAN+3 Bond Market Guide was

published in April 2012 and is increasingly being referenced in the public domain.

A key finding of Phase 1 was that while individual ASEAN+3 bond markets are heterogeneous in nature, a number of common elements allows opportunities for connecting the markets domestic bond markets across the region. This is based on the fact that in almost all markets, key legal and operational frameworks are already in place.

SF1 members, hence, agreed to develop an intra-regionally standardized bond issuance framework, which would ultimately allow bond issuers in ASEAN+3 to issue bonds in all participating economies with one set of standardized documentation and information disclosure requirements, subject to compliance with the legal and regulatory requirements of each economy. The framework will aim at (i) facilitating intra-regional, cross-border bond issuance and investments; (ii) channelling and circulating regional resources within ASEAN+3 economies; and (iii) helping further develop regional bond markets, considering the high levels of domestic savings in ASEAN+3 economies.

¹ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea.

² Currently, ASEAN+3 Finance Ministers and Central Bank Governors' Meeting.

³ The full report in PDF format is available at the ABMF Home Page and *AsianBondsOnline*.

As a result of its work in Phase 2 (2012–13), SF1 is now proposing the establishment of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)⁴ as a measure to support local currency (LCY) bond issuance and investment in the domestic markets of ASEAN+3. The intention is to establish AMBIF in a flexible manner to allow as many regional economies as possible to participate in AMBIF at the earliest possible stage. In doing so, SF1 would initially focus more on an expedited regulatory process and a standardization of the AMBIF Disclosure Documentation Framework.

The benefits of AMBIF would be significant and include a new and flexible avenue for regional LCY financing, complemented by limited but focused disclosure requirements via defined documentation. Through agreement among participating economies, the ultimate benefit from AMBIF would be an expedited or fast-track regulatory process for multiple bond issuances by an issuer or issuer groups in ASEAN+3. More immediate benefits would be access to a wider base of investors and a shorter time to market that results in more reasonable issuance costs.

From an investor and market perspective, AMBIF is expected to create significant opportunities for additional LCY-denominated investments and issuances as a distinct asset class. These issuances would broaden and deepen overall market offerings. Investors would also clearly benefit from a common approach across participating markets. A number of challenges may lie ahead during an AMBIF implementation; these are explained in this report.

Basic Approaches

Introducing AMBIF as a regionally standardized bond issuance framework necessarily implies that the participating economies should agree on the key concepts of AMBIF. However, adopting a fully standardized bond issuance framework might

not immediately be practical for many ASEAN+3 economies, due to different degrees of market development and different legal and regulatory frameworks and market practices. In this respect, AMBIF will seek to have economies agree on only the minimum standards that are essential for launching it, while accepting other related regulations for the time being. In considering such practical difficulties, SF1 members adopted a number of approaches in the AMBIF discussion.

Key among them is the step-by-step approach in which AMBIF will start with a meaningful number of ASEAN+3 economies ready for implementation, with the other economies joining later as they become ready. Those economies joining AMBIF later would closely communicate with AMBIF-participating economies until their inclusion in the framework, and would receive appropriate knowledge support. Also, a number of the AMBIF features are proposed to be implemented incrementally, according to each economy's own conditions. The timing and manner of the adoption of AMBIF features would be left to each economy's regulatory bodies.

AMBIF as a concept has been designed not to adversely impact current regulations in participating economies. Rather, AMBIF should generally represent or provide an additional bond issuance option that supplements existing markets, neither displacing nor substituting for them for the time being. At the same time, nothing should prevent policy bodies or regulatory authorities in individual markets from making any beneficial or planned adjustments to their regulatory framework, if they so deem necessary (i.e., a non-exclusion approach).

Ultimately, AMBIF is designed as an initiative to cover all ASEAN+3 economies. Hence, a multilateral agreement among participating economies would be needed for its implementation. However, as a practical step toward a multilateral agreement, the use of bilateral agreements with a regional perspective could also be considered. Depending on the development of and possible actions arising from AMBIF, SF1 recommends ASEAN+3 regulatory bodies to further discuss the issue of intra-regional, cross-border cooperation.

⁴ The ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) was chosen as a name by members for several revisions. It was initially referred to as the Asian Multi-Currency Bond Issuance Program (AMBIP) as a regionally standardized bond issuance program. At a later stage, the members agreed to replace Asian with ASEAN+3, and Program with Framework. The latter decision was taken to specify its purpose of defining a number of conditions under which such issuances would be possible. In contrast, a program typically represents a number of issuances of just one issuer.

AMBIF Components Required for Implementation

AMBIF Markets. Based on their research, SF1 members decided to consider professional markets populated by professional investors, or exempt market regimes, including private placement markets positively recognized by regulators, that require limited disclosure for professional investors but waive the full disclosure requirements typically applicable to ordinary public offerings across jurisdictions.⁵ However, in the interest of allowing the largest possible number of ASEAN+3 economies to participate in AMBIF, the definition of AMBIF Markets is not based on a single professional market concept, but instead represents the most suitable professional market or market segment in each economy. The resulting AMBIF Markets carry strong selling restriction mechanisms to support the regulatory mandate to protect non-professional investors.

AMBIF Instruments and Currencies. AMBIF Instruments would be limited to straight conventional, interest-bearing notes and bonds, and straight common Islamic fixed-income instruments (hereafter referred to as *Sukuk*, including *Sukuk Ijarah*) with due consideration for the necessary underlying transactions for such *Sukuk* and the need for *Sukuk* to be vetted in each market by the responsible Islamic council. These instruments represent the most desired types of issuance in ASEAN+3 markets.

Issuance of AMBIF Instruments is initially proposed to be in the home currencies of participating economies. However, based on the feedback of ABMF members and international experts, and given potential demand by issuers and investors in the region, AMBIF is not designed to prevent the issuance of AMBIF Instruments in other deliverable currencies.

AMBIF Investors. AMBIF Investors are present in all ASEAN+3 bond markets and include banks, securities houses or broker-dealers, insurance companies, investment advisory businesses, and government entities. All such entities are already

established and licensed under the relevant laws and regulations of individual ASEAN+3 economies. At the same time, these investors represent the most experienced and active bond market participants. A number of candidate AMBIF Investors have also been identified for subsequent consideration. Foreign institutional investors (FIIs), which are effectively investors from any jurisdiction other than the jurisdiction of issuance, will also be able to participate in AMBIF Markets.

AMBIF Issuers. AMBIF Issuers are entities of multi-national corporations or banks and other financial institutions domiciled in ASEAN+3 economies, as well as large domestic companies in ASEAN+3 economies. Supra-national institutions, such as the Asian Development Bank (ADB), may consider new issuances under AMBIF in support of regional efforts. In addition, government agencies should also be considered as issuers under AMBIF since they face similar challenges in cross-border bond issuance as the other proposed issuer types.

AMBIF Disclosure Documentation. AMBIF Disclosure Documentation is intended to cover both the actual disclosure documents that are expected to be required for bond issuance under AMBIF and the various possible approaches through which these disclosure documentation could be defined, organized, and harmonized. Disclosure documents are to be in English where acceptable, although SF1 recognizes that this may not be possible in some jurisdictions where it contravenes existing laws. In such cases, disclosure documentation in the local language can be used. A list of relevant issuance and disclosure documents is presently being considered by a volunteer group of SF1 members.⁶

Implementation Process of AMBIF

Because AMBIF is aiming to introduce an intra-regionally standardized bond issuance framework, it necessarily requires a bond issuance regulatory

⁵ Limited disclosure refers to a certain level of disclosure information that can be accepted as the minimum required information by professional investors.

⁶ The recently formed AMBIF Documentation Recommendation Board (ADRB) is presently studying issuance documentation in regional, as well as intra-regional (cross-border) markets, in order to recommend to ABMF the suitable standardized and streamlined documentation framework to be used among professionals for AMBIF.

process⁷ that is agreed upon by participating regulatory bodies.⁸ The ultimate objective for AMBIF is to achieve an expedited regulatory process that generates benefits for all stakeholders on the basis of the existing processes in participating economies. Among the various options considered by SF1, the so-called Substituted Compliance Approach (SCA), already in use in Asia, was found to best support this objective.

SCA. Under an SCA, both the Home Regulator⁹ and Host Regulator¹⁰ cooperate in processing a bond issuance by incorporating the results of the regulatory process conducted by one regulator into the regulatory process of the other regulator, doing so in an expedited manner.

Mutual cooperation among regulators under an SCA. Assuming an SCA as being a basic methodology for implementing AMBIF, SF1 members discussed and consulted with regulatory authorities on specific ways of mutual cooperation for AMBIF bond issuance. This resulted in the following two options for the implementation of AMBIF.

Option 1: Notice on AMBIF bond issuance. In essence, an SCA for AMBIF requires both the Home Regulator and Host Regulator to cooperate to achieve an expedited regulatory process for bond issuance across the relevant markets. For this purpose, it is proposed that the regulators issue a notice detailing their regulatory process for an AMBIF bond issuance to other regulators. By doing so, information on AMBIF bond issuances could be shared among the regulators and utilized for the purpose of an expedited regulatory process. This is perceived to be an appropriate method for the actual implementation of AMBIF, but it is also understood that some regulators could question the increased

regulatory burden and possibly dispute the legal authority of the notice.

Option 2: Posted information on AMBIF bond issuance. Rather than requiring regulators to issue a notice on an AMBIF bond issuance to other regulators, an SCA could also be implemented by requiring regulators to post or publish the results of the regulatory process on their own or a common website. The objective of such a posting is to share information on bond issuance with other regulators and market participants, but it is not intended to satisfy legal or liability requirements in other regulators' markets. For additional bond issuance in other economies, the issuer or its agent may be required to submit AMBIF bond issuance information to the Host Regulator(s) so that the Host Regulator(s) could cross-check the submitted information with posted ones. Establishing a Common AMBIF Information Platform where information on bond issuance and investors could be collectively posted by participating regulators and shared with others is seen as a pragmatic approach.

However, nothing should prevent pilot issues while the above options are being discussed and decided upon.

Other Issues for Consideration in the Context of AMBIF

Elements for later consideration. SF1 also identified in its work a number of elements that are expected to have a bearing on the quality and success of AMBIF. These could be considered by the relevant authorities at a later stage, although they are not directly included in the components to be immediately addressed for implementation of AMBIF. Key among these elements would be the continuous disclosure of material information beyond initial documentation and information disclosure, and selling restrictions, which are one of the most important principles of investor protection. Other elements include the lack of common financial reporting standards and tax treatment, the due consideration of credit ratings and foreign exchange (FX)-related transactions, and language and legal considerations. Members also put forward the issue

⁷ In the context of AMBIF, regulatory process refers to the process that allows an issuer to issue bonds in a given market, since such processes vary widely across jurisdictions. This term is meant to include (but is not limited to) clearance, approval, verification, registration, screening, evaluation, and mere submission or filing, as the case may be; here, this term does not relate to the acceptance of civil liabilities. It is not the intention of AMBIF for regulatory authorities to effect major changes to the current regulations or adopt new regulations.

⁸ Regulatory bodies, or regulators, refers to the regulatory authorities, listing and registration places, and other institutions that are directly involved in the bond issuance regulatory process specific to individual markets.

⁹ Home Regulator is the regulatory body at the domicile of the issuer.

¹⁰ Host Regulator refers to the regulatory body for bond issuance if the country is not the domicile of the issuer.

of enforcement across home and host markets from a medium- to long-term perspective.

Conclusion and Recommendations

Submission of the report to ABMI TF3. ABMF SF1 would like to submit this report to the Chairs of the Asian Bond Markets Initiative (ABMI) Task Force 3 (TF3) as the key output of ABMF Phase 2.

Decision on AMBIF and its implementation. ABMF SF1 recommends that the ASEAN+3 policy bodies and regulatory authorities represented in ABMF to make a decision on AMBIF on the basis of the proposal contained in this report, or in an amended form still to be determined. ABMF SF1 would also like to recommend the implementation of AMBIF as defined in this report or as ultimately decided in the course of a subsequent ABMF Phase 3.

Recommended actions for regulators. ABMF SF1 would like to suggest that the policy bodies and regulatory authorities interested in participating in AMBIF should start discussions on its implementation based on the approaches, regulatory processes, and considerations detailed in this report, including

- identifying the appropriate market(s) or market segment(s) for AMBIF in their respective economies;
- reviewing key AMBIF Components to be supported and agreed upon among participating regulatory bodies for implementation of AMBIF, including AMBIF Investors, AMBIF Instruments, AMBIF Issuers, and Disclosure Documentation;
- reviewing the proposed implementation approach and processes of AMBIF; and
- driving or facilitating potential procedural changes in their respective markets or market segments, as needed for AMBIF implementation, in close cooperation with delegated authorities and market participants.

Recommendation of ABMF Phase 3 and timeframe. In order to bring to fruition the potential benefits inherent in the AMBIF proposal, SF1 recommends the continuation of its work in a Phase 3, which would focus on the implementation of AMBIF and supporting activities, including the active consideration of pilot issues. The timeframe for the implementation of AMBIF will depend on the consultation results among regulatory bodies and the readiness of individual markets, issuers, and investors. Although it would be difficult to set a specific date, SF1 hopes for a final agreement on AMBIF by the regulatory bodies to be achieved by the end of 2013 so that implementation could occur during the course of 2014, including the consideration of pilot issues.

Proposed Phase 3 activities and SF1 work plan. Through the remainder of Phase 2 and into the proposed Phase 3, SF1 will continue to work on refining AMBIF toward the goal of implementation. SF1 will provide additional materials, information, and analysis as needed for the discussions among the regulatory bodies, as well as knowledge support for the economies that may not be able to accommodate AMBIF at the initial stage. In addition, SF1 members and the ADB Secretariat will continue to collect feedback from market participants—potential issuers, investors, and intermediaries—on AMBIF and assess the feasibility of pilot issues. Other activities are expected to include consultations with SROs to streamline market practices that can support successful implementation.

In addition to continuous knowledge support activities for the individual needs of BCLMV countries (Brunei Darussalam, Cambodia, Lao People's Democratic Republic [Lao PDR], Myanmar, and Viet Nam), one key output of the proposed Phase 3 will be the updating of the *ASEAN+3 Bond Market Guide* since the fast-developing nature of ASEAN+3 bond markets has resulted in many changes to legal, regulatory, and other market aspects since the guide's initial publication in April 2012.

I. Background

Establishment of AMBIF. The ASEAN+3 Bond Market Forum (ABMF) was established in September 2010 and endorsed by the ASEAN+3 Finance Ministers' Meeting as a common platform to foster the standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region.¹¹ The ABMF consists of two forums: Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2). The principal objective of SF1 was to close the information gap in regulations and market practices, while SF2 has focused on enhancing regional straight-through-processing (STP) by standardizing transaction procedures.

Key output of ABMF Phase 1 (2010–11). In the course of the first phase of activities, SF1 members collected comprehensive information on market regulations and practices in ASEAN+3 economies and published the *ASEAN+3 Bond Market Guide* on 4 April 2012 as a key output of Phase 1.¹²

A key finding of Phase 1 was that while ASEAN+3 bond markets are heterogeneous in nature, a

number of sufficiently common elements across markets allows for the opportunity to pursue cross-border activities to connect domestic bond markets in the region. This is based on the fact that in almost all markets, key legal and operational frameworks are already in place.

Focus of ABMF Phase 2 (2012–13). Based on the key findings of Phase 1, it was concluded that ABMF SF1 Phase 2 would include research, discussions, and assessments of similarities and distinctions with respect to disclosure, documentation, issuers, professional investors, underwriters, and other intermediaries. This research helped identify how best to connect domestic bond markets in the region.

At the same time, SF1 members agreed to consider specific solutions that would help support the original ABMF mandate: to help retain and circulate ASEAN+3 savings within ASEAN+3. The most significant opportunity was seen in addressing the need for the additional supply of suitably attractive fixed-income instruments, so that the domestic markets could gain depth and breadth.

The most promising solution was seen in developing an intra-regionally standardized bond issuance framework, which would allow bond issuers in any participating economy (at any stage of development) to issue bonds in any participating location with one

¹¹ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea. The meeting has since been renamed the ASEAN+3 Finance Ministers and Central Governors' Meeting.

¹² The full report in PDF format is available at the ABMF Home Page and *AsianBondsOnline*.

set of standardized documentation and information disclosure requirements, subject to compliance with the legal and regulatory requirements of the economy in which the issuance takes place. This could serve to both connect domestic markets and support the retention of savings across the region.

This idea was noted by the ASEAN+3 Finance Ministers and referred to in their joint statement from the May 2012 meeting as the Common Bond Issuance Program. The program, which has since evolved into a framework to provide more flexibility and been re-named the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), is expected to facilitate intra-regional, cross-border bond issuance and investment, and to contribute to the regional channelling and circulating of regional resources.¹³

Purpose and structure of the report. The purpose of the SF1 Phase 2 report is to describe the AMBIF proposal in greater detail, including the definition of its components and the proposed approaches for its implementation, as well as the idea of pilot issues. The proposal in this report are targeted to obtain the consent of the policy bodies and regulatory authorities in participating markets, and as to create awareness of and interest in AMBIF among institutions in the private sector.

The report is divided into a number of chapters, each focusing on a particular aspect of the AMBIF proposal. Following an introduction, Chapter II highlights the basic approaches and principles applied throughout the AMBIF discussions. Chapter III revisits the development of the process of defining AMBIF, while Chapter IV contains the resulting key components of AMBIF. Chapter V describes the proposed AMBIF bond issuance regulatory process needed for its actual implementation. Chapter VI addresses market requirements and possible additional components to be included under AMBIF and other issues that could be considered at a later stage or through separate discussions by different stakeholders. Following the conclusion in Chapter VII, the next steps to be taken in the proposed AMBIF Phase 3 are the subject of Chapter VIII. A number of appendices round out the SF1 Phase 2 report by providing in-depth information on AMBIF-related topics.

¹³ The ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) was chosen as a name by members for several revisions. It was initially referred to as the Asian Multi-Currency Bond Issuance Program (AMBIP) as a regionally standardized bond issuance program. At a later stage, the members agreed to replace Asian with ASEAN+3 and Program with Framework. The later decision was taken to specify its purpose of defining a number of conditions under which such issuance would be possible. In contrast, a program typically represents a number of issuances of just one issuer.

II. Basic Approaches

This chapter explains the basic approaches and principles considered in the AMBIF discussions. Introducing AMBIF as a regionally standardized bond issuance framework necessarily implies that the participating economies should mutually agree on the key concept of AMBIF and underlying characteristics for its implementation.

At the same time, AMBF Phase 1 highlighted the different degrees of market development across ASEAN+3 economies, and their different legal and regulatory frameworks and market practices. The heterogeneous nature of the region prompted SF1 members to adopt a number of suitable approaches in the context of AMBIF discussions in order to allow the highest possible number of economies to participate in AMBIF, whether at the time of AMBIF's inception or at a later stage.

Step-by-step approach. It would not be practical to expect that every ASEAN+3 economy could participate in AMBIF from the outset, due to the stated differences in market development. With this in mind, a step-by-step approach was proposed in which a meaningful number of economies initiate AMBIF, with the region's other economies joining at a later date as they are ready. Those economies joining AMBIF at a later date would closely communicate with AMBIF-participating economies, and information sharing and knowledge

support would be provided to them to facilitate their eventual participation. Knowledge support is seen as important for regional development and could include support on specific topics or on convergence toward AMBIF features in general. Also, a number of AMBIF features are expected to be implemented incrementally according to the conditions and readiness of each individual economy. The adoption of AMBIF features is principally to be left to each market's policy bodies and regulatory authorities.

Mutual agreement on minimum standards or principles. Many ASEAN+3 economies do not yet have successful experiences with mutual recognition, and it would be quite a challenging task for the participating economies to mutually accept all provisions of a standardized bond issuance framework. In this respect, AMBIF will aim for economies to mutually agree on only the minimum standards that are essential for launching the framework, while accepting other related regulations as given. The approach to agree on minimum standards has formed the basis for the determination of the AMBIF Components required for implementation, which are detailed in Chapter IV. A review of related regulations or the inclusion of specific characteristics from such related regulations might be considered at a later stage of AMBIF. A number of specific characteristics for future consideration are detailed in Chapter VI.

No (major) changes to regulations. One of the most important approaches developed by SF1 is that the participation of ASEAN+3 economies in AMBIF would not require a corresponding change in their existing laws or regulations. No single, automatic approval of bond issuances is expected of regulators; instead, the recognition of each economy's regulatory process is observed. Depending on the policy implementation process in each economy, such changes could influence the AMBIF implementation timeframe. At the same time, SF1 did not want to prevent policy bodies or regulatory authorities in individual markets from making any beneficial or planned adjustments to their regulatory framework, if they so deem necessary.

Supplementing (rather than replacing) existing issuance methods. AMBIF as a concept has been designed to be impact neutral on existing bond issuance avenues in participating ASEAN+3 markets, and is not intended to replace or substitute current provisions. Policy bodies and regulatory authorities would not need to amend issuance methods already contained in their current regulations for professional markets or market segments, professional investors, and documentation. Rather, AMBIF could simply be added on top of such existing regulations, in effect introducing a supplementary bond issuance option in its own right.

Multilateral (or multiple bilateral) agreement with a regional perspective. AMBIF is a regional initiative under ASEAN+3. Hence, a multilateral, rather than a bilateral, agreement among participating economies would be preferred for its implementation. However, as a practical step toward a multilateral agreement, multiple bilateral agreements with a regional perspective should also be considered. Depending on the development of AMBIF and the possible market activities arising from it, SF1 recommends that ASEAN+3 regulatory bodies further discuss the issue of cross-border cooperation, in particular with regard to the regulatory process directly related to bond issuance.

Non-exclusion approach. While the proposed AMBIF Components represent the preferred definitions of AMBIF features, functions, and processes, SF1 is not pursuing the exclusion of any other possible features or processes that stakeholders may consider beneficial for AMBIF at any time after implementation. An example would be the preference for the issuance of bonds in LCY. However, should issuers and/or investors deem issuance in foreign currency (FCY) both desirable and practical, such issues could also be considered under AMBIF, subject to the agreement of the relevant regulatory authorities.

III. Developing the Concept of AMBIF

In its Phase 1 report, SF1 concluded that while ASEAN+3 economies were heterogeneous in nature, a sufficient number of common elements were evident in bond markets across the region. This led to the belief that connecting the markets on the basis of a common solution would be the best way to achieve ABMF's key mandate of retaining and recycling ASEAN+3 savings within the region.

Based on these key findings of Phase 1, SF1 members agreed to connect markets through an intra-regionally standardized bond issuance framework that would allow issuers in participating economies to issue bonds in any participating location with the use of standardized or simplified documentation and information disclosure requirements, subject to compliance with the existing domestic legal and regulatory requirements.

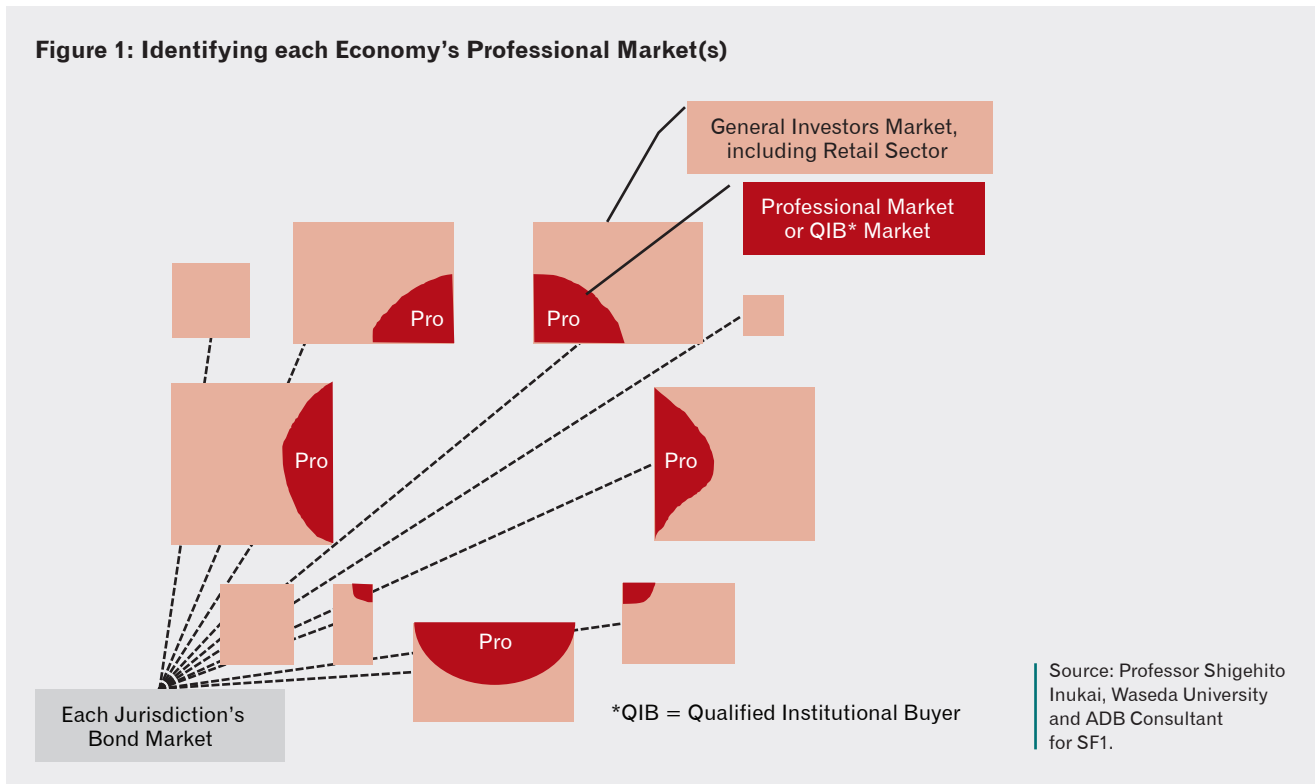
The need to define a framework, rather than a single solution for a common bond market, was determined by the many influencing factors evident in the regional markets through ABMF's Phase 1 efforts. This proposed bond issuance framework was named the ASEAN+3 Multi-Currency Bond Issuance Framework, or AMBIF, and the path to its configuration is detailed in this chapter.

Focus on Professional Markets

In developing AMBIF, SF1 members emphasized the consideration in each jurisdiction of professional market(s) or exempt market regime(s) that feature limited disclosure for professional investors or waive full disclosure requirements typically required for ordinary public offerings.¹⁴ The intention was to create an intra-regional professional bond market populated only by professional investors, issuers, and intermediaries in the belief that regulatory bodies' concerns over investor protection could be better mitigated in professional markets than in retail markets.

To achieve the goal of developing AMBIF, SF1 members conducted research on (i) approaches appropriate for AMBIF; (ii) the similarities and distinctions across the region in disclosure, documentation, issuers, professional investors, underwriters, and other intermediaries; and (iii) the various regulatory processes for issuances; all of which will form the basis

¹⁴ Limited disclosure refers to a certain level of disclosure information that can be accepted as the minimum required information by professional investors.

Figure 1: Identifying each Economy's Professional Market(s)

of identifying AMBIF Components and their implementation.¹⁵

To identify appropriate markets or market segments for AMBIF, various types and concepts of professional markets across the region were surveyed. In cases where private placement markets are positively recognized by regulatory bodies, these are included in the AMBIF discussion. At the same time, private placement markets, which are not based on specific legal provisions defining and governing such private placements, were excluded since regulatory authorities typically do not have the same level of comfort with them.

A key lesson learned from the Phase 2 market visits was that market drivers differed among bond markets in ASEAN+3 economies. For example, private placement concepts differed quite

substantially by market. Therefore, SF1 has been focusing on the similarities among existing market features. At the same time, SF1 has not sought to unify market features and terminology across economies.

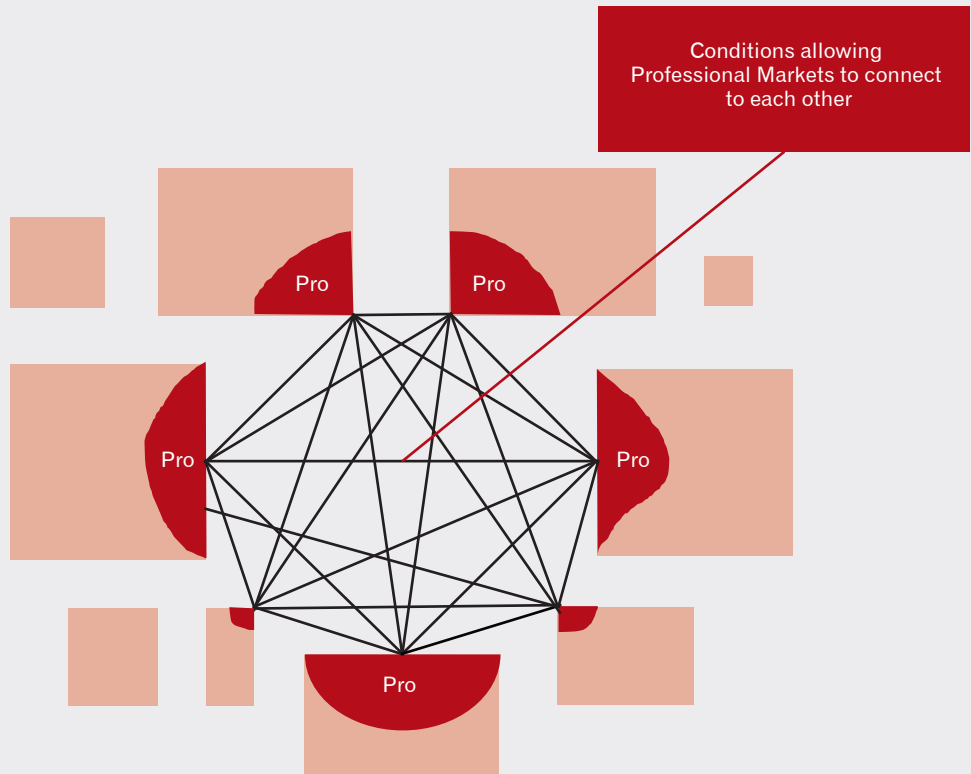
Connecting the Markets

Nevertheless, SF1 members came to the conclusion that the key to AMBIF's success lies in connecting the region's economies using markets or market segments similar enough so as to not pose a challenge to defining the characteristics of AMBIF as the common platform. The principle behind this conclusion is illustrated in **Figures 1, 2, and 3**. Each figure represents a step in the process toward the realization of AMBIF.

In the initial step illustrated in Figure 1, it is important to identify the professional markets or market segments that already exist in individual ASEAN+3 economies.

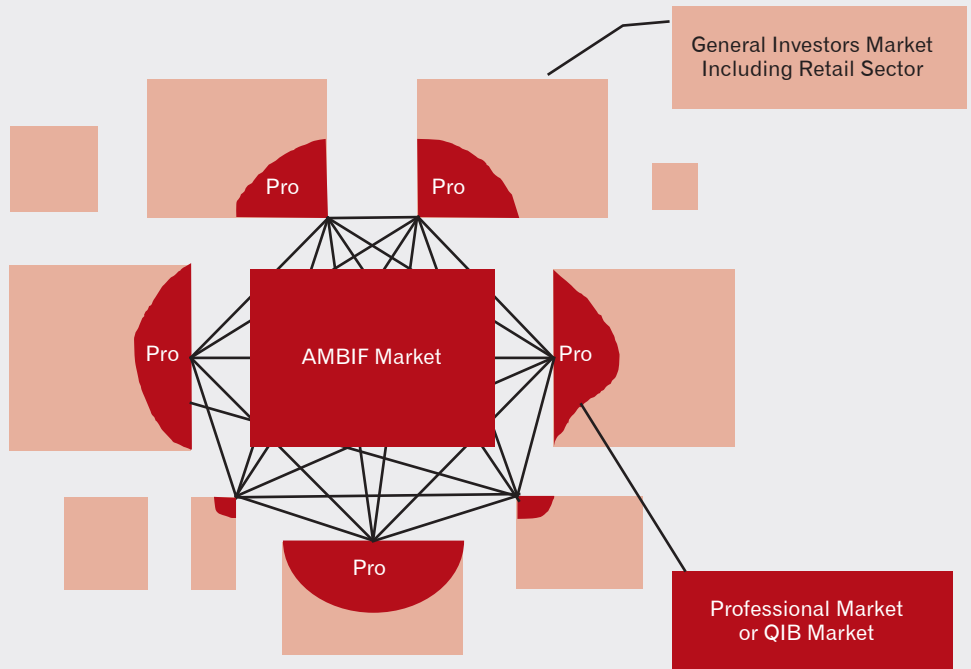
¹⁵ In the context of AMBIF, regulatory process refers to the process that would allow the issuance of bonds in a given market. Since such processes vary widely across jurisdictions, this term is meant to include (but is not limited to) clearance, approval, verification, registration, screening, evaluation, and mere submission or filing. In this context, the term does not relate to the acceptance of civil liabilities. It is not the intention of AMBIF to have regulatory authorities change current or adopt new regulations.

Figure 2: Identifying Professional Market Elements



Source: Professor Shigehito Inukai, Waseda University and ADB Consultant for SF1.

Figure 3: Combining Professional Market Elements to arrive at ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)



AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework, ASEAN = Association of Southeast Asian Nations.
 Source: Professor Shigehito Inukai, Waseda University and ADB Consultant for SF1.

Figure 2 illustrates the second step of the process, in which SF1 members set out to study and identify possible professional market elements that could enable connections to be made across the region's markets.

Figure 3 illustrates how a professional bond issuance framework can be created by combining the identified professional markets with the suitable professional market elements.

Defining the AMBIF Proposal

In the process of defining AMBIF, SF1 conducted a number of discussions among members and experts, and was informed by the detailed information obtained and lessons learned from the ABMF market visits in 2012. The intent was to find common denominators among the professional markets in individual ASEAN+3 economies.

Starting with research on professional investor concepts, SF1 members adjusted their focus to the existence of exempt regimes (typically referenced by using the term private placement) before concluding that no single such element would provide an easy and immediate link between markets due to the fact that professional market drivers differed across the region.

Instead, SF1 decided to aim for what was termed the most suitable professional market or market segment for each economy by linking these markets or market segments through the definition of a number of common elements of a professional market, resulting in the AMBIF Components explained in Chapter IV. This section details the evolution of the AMBIF proposal in identifying commonalities among professional markets in the region.

Professional Investor Concepts

With the aim of prescribing a professional bond market for ASEAN+3 as the proposed platform for AMBIF, SF1's initial focus was on the use of existing professional investor concepts in each market. The hope was that a common definition

Table 1. List of Professional Investor Concepts in ASEAN+3

Professional Investor Concept	ASEAN+3 Jurisdictions
Accredited Investors	Singapore, Thailand
Eligible investors	People's Republic of China
Institutional Investor	Singapore, Thailand
Professional Investor	Hong Kong, China; Rep. of Korea; Viet Nam
Qualified Buyer	Philippines
Qualified Individual Buyer	Philippines
Qualified Institutional Buyer	Rep. of Korea
Qualified Institutional Investor	Japan
Specified Investor	Japan (Tokyo PRO-BOND)
Sophisticated Investor	Malaysia

ASEAN = Association of Southeast Asian Nations.

Note: Hong Kong, China is considered a distinct bond market within the People's Republic of China.

Source: ADB Consultants for SF1, compiled from market visit information.

of professional investors and their attachment to a particular market or market segment would provide the most significant common denominator between individual markets.

However, the term professional investor turned out to be too much of a generalization. SF1 found that the ASEAN+3 markets were using no less than 10 definitions for professional investor concepts in either legislation or market practice, with there sometimes being more than one definition in use per market embedded in fundamental and/or securities market laws and regulations. **Table 1** gives an overview of the professional investor concepts that were identified.

In addition to the possibility of there being more than one term for professional investors in each market, it was found that the market term used may also differ from the legal term, possibly due to either the translation process or established market practice. The result is that the use of professional investor concepts was deemed not to be suitable for use as a common platform to link ASEAN+3 bond markets.

This was coupled with the realization that professional investor concepts nevertheless would need to be an integral part of AMBIF. Consequently, it was decided to break down the various concepts found in different markets into the underlying types of professional investors contained in each concept, in order to make the individual concepts more

comparable across markets. This resulted in the definition of AMBIF Investors.

Professional Markets (Exempt Regimes)

Once the use of professional investor concepts was deemed impractical, SF1 members turned their focus to the evidence of professional markets or market segments across ASEAN+3 economies. Professional markets are typically exemplified by the existence of an exempt regime.

An exempt regime refers to the exemption of market participants from the need for full compliance with market requirements for offers of securities to the general public; these standards cover eligible investor types and number of investors, specific instruments, documentation, and initial and continuous disclosure requirements.

The typical exempt regime may be a concept of limited (but defined) disclosure by issuers, on the assumption that market participants are professional institutions that are able to make their own decisions on the basis of available information. In many economies, private placement is an accepted market term for an exempt regime.

Cases where private placement markets are positively recognized by regulatory bodies were included in the AMBIF discussion. At the same time, private placement markets not based on specific legal provisions to define and govern private placements, were excluded considering that they typically do not provide the same level of comfort or recognition for regulatory authorities.

In addition, other possible types of an exempt regime may exist in a given market. **Table 2** lists some examples of the more common exempt regimes that are found in ASEAN+3 economies.

Market visits and discussions among members and experts concluded that some markets or market segments were defined by an exempt regime or private placement concept, while other markets had multiple types of exempt regimes. At the same time, some markets did not regulate private placement or other possible exempt regimes, and yet others did not feature enough of a distinction between full disclosure and exempt regimes. In addition, several markets showed no evidence of an exempt regime.

Since the existence of private placement markets or other exempt regimes may be regulated differently across ASEAN+3 markets, the use of exempt regimes does not lend itself for use as a common denominator for the connection of these markets. However, similar to professional investor concepts, SF1 recognized that exempt regimes would probably need to be part of the key characteristics of a solution to connect bond markets on a professional basis. This stage of discussions ultimately led to the definition and inclusion of AMBIF Markets as one of the AMBIF Components.

Most Suitable Professional Market (or Market Segment)

In the discussions on a common denominator as the basis for AMBIF, SF1 members eventually realized that the drivers effectively defining a market as professional differed significantly across the region's economic jurisdictions. While the emphasis

Table 2. Examples of Exempt Regimes in ASEAN+3

Types of Exempt Regime	ASEAN+3 Jurisdictions
Private Placement (specific provisions in law or regulations)	Thailand, Viet Nam
Professional Investors, incl. HNWI (using the concept applicable in a given market)	Malaysia, Singapore, Thailand
Short Term Instruments (e.g., as commercial paper)	Japan, Rep. of Korea
Small Number of Investors or Units of Securities (e.g. typically less than 50)	Japan, Rep. of Korea, Philippines, Thailand
Specific Instruments	Philippines

HNWIs = high net-worth individuals.

Source: ADB Consultants for SF1, based on market visit research.

is on professional investors in some markets, specific legislation exists for private placement or other exempt regimes in other markets. In fact, several jurisdictions featured more than one market or market segment with different drivers for the qualification as professional.

While market practice in an individual economy is the ultimate driver of what type of professional market or approach should be applied and most utilized, no single such regime or approach is sufficiently suitable to serve as a link to connect ASEAN+3 markets in the spirit of the proposed common bond issuance framework.

SF1 members concluded that it might be more practical to identify what was termed the most suitable professional market (or market segment) in each economy. This would require a breakdown of the respective characteristics that made a market (or market segment) professional and the definition of which of these individual features and functions were indeed intended to be included in an AMBIF proposal, such as eligible market participants and planned limitations or restrictions. Through discussions involving the ADB Secretariat and SF1 members and experts, these characteristics became the basis for the AMBIF Components defined in Chapter IV.

Significant Benefits from AMBIF

The key outcome of SF1 Phase 2 activities is the introduction of organized and well-documented Asian intra-regional bond markets with AMBIF as a conduit. AMBIF is intended to pave the way for the emergence of a wider market that includes a new issuance avenue for a new asset class (ASEAN+3 or AMBIF bonds) within a larger investor universe.

During the process of discussing and defining AMBIF Components, the ADB Secretariat and SF1 members and experts increasingly paid attention to the typical requirements mentioned by issuers and investors. The intention was for AMBIF to address such typical requirements to the extent possible while, at the same time, incorporating anticipated benefits for both issuers and investors, as well as for other market participants, which would make

the implementation of AMBIF more desirable. While the typical market and participant requirements are further explained in Chapter VI, the anticipated benefits are detailed below.

Anticipated Benefits for Investors

From an investor and market perspective, AMBIF is expected to create significant opportunities for additional LCY issuances as a distinct asset class. These issuances would broaden and deepen overall market offering opportunities, in the process creating the liquidity often cited as a key investor requirement. They would draw the attention of other potential issuers as well.

Investors would also clearly benefit from defined or standardized documentation and focused disclosure requirements, using the common approach across participating markets, which should make the assessment of issuers and individual issues easier. The availability of information on AMBIF Instruments and the transparent regulatory process leading to the issuance of these instruments addresses the persistent problem of information asymmetry that is much lamented by investors. In short, AMBIF would allow for attractive, regular LCY bond issuance a common ASEAN+3 approach.

Anticipated Benefits for Issuers

From an issuer perspective, the anticipated benefits inherent in AMBIF include a new, approved, and flexible avenue for LCY financing. This is complemented by the need for only limited and focused disclosure using a defined documentation approach and standardized underlying documents and practices.

One of the most significant anticipated benefits is the emphasis on an expedited regulatory process under AMBIF for multiple bond issuances by an issuer or a group of issuers across participating markets. At the same time, some of the envisaged benefits, such as improved time to market and

the inherent ability to tap multiple markets on the basis of a common approach across participating markets, thereby gaining access to a wider investor base, would be available to issuers immediately.

Finally, another positive impact of AMBIF would be more liquid and integrated secondary markets, and the anchoring of fair market price formation. In summary, potential issuers in ASEAN+3 markets could look forward to a more rapid issuance process for LCY bonds, with more reasonable issuance expenses.

IV. AMBIF Components Required for Implementation

Overview of AMBIF Components

Following the process described in Chapter III, AMBIF can be defined through a number of specific components (AMBIF Components) that each represent a key aspect of the AMBIF proposal.

SF1 is conscious of the heterogeneous nature of bond markets across ASEAN+3. Consequently, in the definition stage of AMBIF, it was necessary to touch on a number of bond market factors that might have a bearing on the implementation and ultimate success of AMBIF but may not be within the purview of ABMF Phase 2 considerations.

As a result, AMBIF Components have been distinguished between those that are seen as necessary at the initial stage of implementation, and additional components that can be considered at a later stage or by way of a separate discussion and decision-making process. **Figure 4** shows an overview of the AMBIF Components required at the time of implementation.

This chapter describes the AMBIF Components that are seen as being necessary at the inception

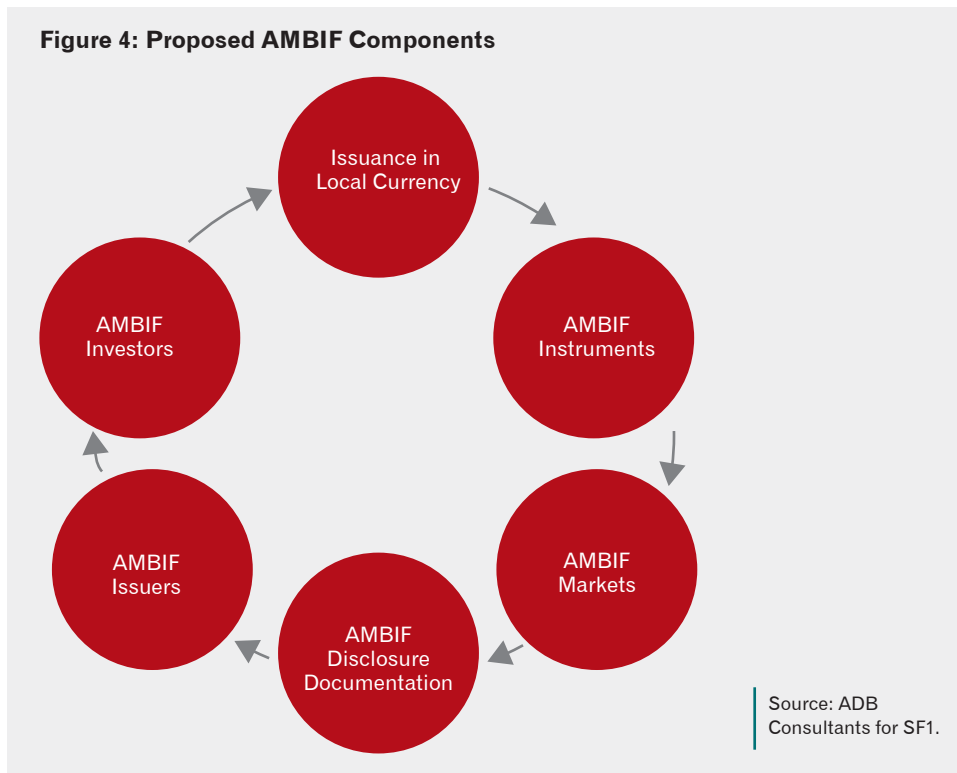
of AMBIF; that is, these components should be fully defined and agreed upon by stakeholders prior to AMBIF implementation. Other AMBIF Components may be added during the course of AMBIF implementation, whether as a result of experiences drawn from pilot issues or as a result of further discussions in ABMF Phase 3.

AMBIF Components that could be considered separately or at a later stage have been further detailed in Chapter VI. This is to show the awareness of SF1 of these topics and their influence on the region's bond markets at large, and to ensure that the discussions of these components continue both in ABMF and among the appropriate stakeholders in the domestic bond markets of ASEAN+3.

AMBIF Investors

AMBIF Investors are a critical component of AMBIF as proposed by ABMF. This section on AMBIF Investors is intended to describe the investor types, as opposed to individual investors or institutions, that are suitable for participating in AMBIF.

Figure 4: Proposed AMBIF Components



Focus on Professional Investors

Regulatory bodies and delegated authorities in ASEAN+3 economies have a mandate to understand, govern, and supervise securities markets, including bond markets. In particular, this mandate includes the protection of general, individual, and retail investors from making investment decisions on the basis of insufficient, misleading, or incorrect information.

In line with these efforts, the proposed AMBIF bond market is designed as a market for professional investors only, due to their ability to make their own informed investment decisions. It is envisaged that this will make AMBIF implementation easier for regulators to support and allow them to concentrate their efforts on protecting retail and non-professional investors.

No Unified Professional Investor Concept

The intention of the AMBIF Investors concept is not to unify the varying professional investor concepts, potentially eligible investors, or even specific

investors across ASEAN+3 markets. Instead, the significance of the AMBIF Investors concept is to normalize existing concepts for professional investors across the region's markets by identifying and describing those investor types that are thought to be suitable for AMBIF and are evident in all ASEAN+3 markets.

As previously mentioned in Chapter II, no (major) change of regulations is envisaged as a result of the adaption of the AMBIF Investors concept; every market would be able to maintain its own professional investor definitions and established terminology. At the same time, the implementation of AMBIF is not intended to prevent policy bodies and regulatory authorities from adjusting or revising professional investor provisions as a result of AMBIF-related discussions, if they were to deem it beneficial.

Methodology

To arrive at a suitable definition for AMBIF Investors, SF1 reviewed the existing laws, regulations, and guidelines issued by those ASEAN+3 markets with existing bond market segments for evidence

of professional investor concepts, regardless of the actual name of such a concept.

The terminology for professional investors was found to differ widely, with only some commonalities across markets. However, as described earlier, the intention is not to unify various professional investor concepts, only to compare the types of investors defined by each of them.

Where clear mention in the legislation is absent, AMBF reviewed evidence of actual market participation by specific investor types and logged those found in the market for the purpose of comparing professional investors.

The result of the research yielded a matrix of professional investors across ASEAN+3 markets (with existing bond market segments) as shown in **Table 3**, with the different investor types either mentioned in legislation or observed in markets.

SF1 then set out to normalize the collected information displayed above and concluded that a number of investor types were observed as sufficiently common across markets to nominate them as potential AMBIF Investors.

The investor types marked in orange in **Table 4** represent the most common investor types in ASEAN+3 markets. While some markets may not have a specific legal definition, this remains true based on actual investor participation in these markets. At the same time, the proposed AMBIF Investors are recognized as the primary participants in the bond markets, due in part to their function as intermediaries for other investors as well as being proprietary holders of large bond quantities for the purpose of prudential capital and minimum reserve requirements.

Proposed AMBIF Investors

As a result of the above findings, the following investor types are proposed as AMBIF Investors:

- banks
- broker–dealers or securities houses
- government entities
- insurance companies
- investment advisory businesses
- provident funds and pension funds

These institutions represent the most recognized professional investors, as evident in both legislation and through market presence. At the same time, AMBIF does not intend to prevent investments by high net-worth individuals (HNWIs), or any other investor type, unless the regulatory authorities deem otherwise.

All of the investor types proposed as AMBIF Investors are institutions defined by law and licensed or otherwise registered with regulators by law in their economy of domicile and, hence, are subject to governance and inspection based on securities market and/or prudential regulations. The recent crises in financial markets are driving legislative efforts to strengthen this aspect even further. In addition, many of the proposed investor types are also subject to oversight as well as professional conduct and best practice rules by an SRO, such as an exchange or a market association. Thus, these investor types are considered professional investors.

Banks buy, hold, and sell bonds for their clients and for their own proprietary trading activities. In most ASEAN+3 economies, banks are able to hold bonds of a certain quality as part of their minimum reserve requirements. This makes banks both a significant intermediary and a substantial investor in the region's bond markets. Banks are usually identified as bond market participants in banking regulations and/or in securities market-related laws, depending on the market.

Broker–dealers or securities houses—the term used may differ depending on individual market terminology—are key intermediaries for investors in securities markets, regardless of whether these investors are domiciled in the place of trade and settlement or overseas. In addition to legislation specific to a securities market and the applicable licensing provisions, broker–dealers and securities houses are also subject to governance and inspection by the exchanges of which they are trading members, as well as the applicable market associations and SROs.

The term government entities was adopted for the purpose of describing potential sovereign AMBIF Investors since the mention of central banks, specifically named financial infrastructure and capital market agencies, and other government-linked organizations acting as professional investors differs in the legislation of individual economies.

Table 3: Investor Types in ASEAN +3 Economies

Economy	Investor Term	As stated by	Investor Term in each Economy represents the following Types of Investors (expressed as Categories mentioned in laws, regulations or market practice)																										
			Banks	Broker-Dealers	Central Banks	Closed-Ended Funds	Corporates Corporations	Deposit Protection Agency	Derivatives Businesses	Development Funds	Exchanges	Foreign Institutional Investors	Finance Companies	Fund Managers	Government Funds	High Net-Worth Individuals	Individuals as Fund Managers	Insurance Companies	Institutional Investors	Mutual Funds	Others	Private Funds	Provident Funds	Statutory Companies and Boards	Subsidiaries of Inv. Types	Supra Fin. Institutions	Trust Companies	Trustee	
PRC	'IBBM Investors'	PBOC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Qualified Foreign Institutional Investor	CSRC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Hong Kong, China	Professional Investor	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Indonesia	'Offer to Prof. Investors'	HKEx	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Professional Investor	IFSA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Japan	Specified Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Rep. of Korea	Professional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Qualified Institutional Buyers	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Malaysia	Sophisticated Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Philippines	Qualified Investor, Qualified Buyer	Law, SEC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Singapore	Institutional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Sophisticated Investors	Listing Rules	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Thailand	Accredited Investors	SEC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Viet Nam	Professional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

IBBM = Inter-bank bond market, PBOC = People's Bank of China, CSRC = China Securities Regulatory Commission, HKEx = Hong Kong Exchange, IFSA = Indonesian Financial Services Authority, PRC = People's Republic of China, SEC = Securities and Exchange Commission (of the Philippines and Thailand, respectively)

- Notes:
- Indonesia ('Professional Investors'): While no such professional investor concept presently exists in regulations, the Indonesian regulator acknowledges that, under the current market practice, market participants have been using the term institutional investors to include banks, insurance companies, fund managers, mutual funds, and pension funds.
 - Singapore Sophisticated Investors: Corporations need a minimum of SGD 10 million in net total assets; individuals or persons require specific transaction size (min. SGD 200,000), or annual income (c-SGD 300,000) or total net assets in excess of SGD 2 million. For all intents and purposes, that makes eligible most investor types, as long as the above qualifications are met.
 - Hong Kong, China is considered a distinct bond market jurisdiction between the PRC.
- Source: ADB Consultants for ABMF SFI, in conjunction with ABMF members.

Table 4: Most Common Investor Types in ASEAN +3, Proposed as AMBIF Investors (marked in orange)

Economy	Professional Investor Term	As stated by	Banks	Broker/Dealers	Insurance Companies	Mutual Funds	Provident Funds	Government Funds	Central Banks	Closed-ended Funds	Corporates / Corporations	Deposit Protection Agency	Derivatives Businesses	Development Funds	Exchanges	Foreign Institutional Investors	Finance Companies	Fund Managers	High Net Worth Individuals	Individuals as Fund Managers	Supra Fin. Institutions	Institutional Investors	Other (to be specified)	Private Funds	Statutory Companies/Boards	Subsidiaries of Inv. Types	Trust Companies	Trustee
PR China	'IBBM Investors'	PBOC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Hong Kong	Qualified Foreign Institutional Investor	CSRC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Professional Investor	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	'Offer to Prof. Investors'	HKEx	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Indonesia	(Professional Investor 1)	IFSA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Japan	Specified Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Korea	Professional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Qualified Institutional Buyers	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Malaysia	Sophisticated Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Philippines	Qualified Investor, Qualified Buyer	Law, SEC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Singapore	Institutional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Sophisticated Investors 2)	Listing Rules	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Thailand	Accredited Investors	SEC	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Viet Nam	Professional Investors	Law	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

IBBM = Inter-bank bond market, PBOC = People's Bank of China, CSRC = China Securities Regulatory Commission, HKEx = Hong Kong Exchange, IFSA = Indonesian Financial Services Authority, PRC = People's Republic of China, SEC = Securities and Exchange Commission (of the Philippines and Thailand, respectively)

Notes:

- Indonesia ('Professional Investors'): While no such professional investor concept presently exists in regulations, the Indonesian regulator acknowledges that, under the current market practice, market participants have been using the term institutional investors to include banks, insurance companies, fund managers, mutual funds, and pension funds.
- Singapore Sophisticated Investors: Corporations need a minimum of SGD 10 million in net total assets; individuals or persons require specific transaction size (min. SGD 200,000), or annual income (> SGD 300,000) or total net assets in excess of SGD 2 million. For all intents and purposes, that makes eligible most investor types, as long as the above qualifications are met.
- Hong Kong, China is considered a distinct bond market jurisdiction between the PRC.

Source: ADB Consultants for ABMF SF1, in conjunction with ABMF members.

At the same time, some ASEAN+3 economies feature a substantial number of government-linked institutions as investors, including statutory boards and government-owned enterprises and agencies participating in securities markets, particularly in bond markets. These institutions typically buy and hold bonds to manage their surplus cash reserves. While acknowledging their principal independence, central banks, statutory boards, and development funds and agencies are subsumed under the single category of government entities.

Due to the nature of their business, insurance companies are oriented toward long-term and safer investments, typically government bonds and investment grade corporate bonds, including high quality domestic issues. Insurance companies are institutions licensed in their economy of domicile and, hence, are subject to stringent investment and reserve obligations, as well as governance and inspection based on prudential regulations.

The category of investment advisory businesses is used not to introduce a new term but instead to summarize the various entities conducting asset management activities, whether for themselves or their clients, that are reflected in the region's laws and regulations but are identified using different terminology in individual markets. This investor type includes asset or investment managers, investment advisors, and mutual funds or unit trusts (depending on underlying legislative definitions). Investment advisory businesses are subject to specific licensing requirements for the professional conduct of investment decisions across all ASEAN+3 jurisdictions. This qualifies them as professional investors and makes them suitable as AMBIF Investors.

Similar to mutual funds and unit trusts, provident and pension funds are large asset owners; however, provident and pension funds typically do not manage their own assets directly but instead direct mandates for the management of the assets to third parties, typically by asset class, regional, or market focus. Like insurance companies, the nature of provident and pension funds makes them substantial investors in mid- and long-term assets with proven returns. Provident and pension funds are typically established through legislation in their respective domicile and subject to direct oversight by the relevant regulatory authorities.

Additional AMBIF Investors

SF1 acknowledges that other professional investor types may be included as AMBIF Investors under the guidance of each individual market's policy bodies, regulatory authorities, and SROs.

SF1 research shows that a number of additional investor types could be considered for inclusion as AMBIF Investors. These potential investor types are represented across a number of markets, even if their explicit mention in the underlying legislation varies from market to market. For example, some markets give the status of professional investor to subsidiaries of other investor types, while other markets do not. However, from a practical perspective, some of these investor types have been receiving a lot of attention for their investment activities and have become significant bondholders.

Potential AMBIF Investors candidates would be corporates, subsidiaries of main investor types, and HNWIs. Some of these investor types may have been further qualified in individual jurisdictions, using a number of relevant criteria. To nominate these investor types as AMBIF Investors, normalization of these criteria would have to be considered.

In line with the basic approaches adopted by ABMF, the AMBIF Investors concept can be applied in a step-by-step approach. In a first step, only the most common investor types would be included as generally recognized AMBIF Investors. A second step would see likely candidate investor types added following due consideration and definition of common criteria. In a third step, additional investor types would be considered.

In any case, it is proposed that the regulatory authorities define and publish a list of the eligible AMBIF investor types in each jurisdiction, in relation to respective domestic professional investor concepts, for easy reference by potential AMBIF participants and other market entities.

Foreign Institutional Investors

Principally, any investor incorporated in a market other than a given domestic market could be considered a foreign investor. Since the focus of AMBIF is on professional investors only, non-

domestic investors are typically referred to in the securities industry as foreign institutional investors (FIIs). FIIs include professional investors from ASEAN+3 economies that are not domiciled in the market of trade and settlement.

A foundation in law and licensing or registration, as described in the earlier sections on the proposed AMBIF Investors, is common to domestic professional investors and FIIs alike. In their respective domiciles, those FIIs that constitute the major types of professional investors are generally subject to equivalent regulatory processes. For instance, banks, broker-dealers or securities houses, and insurance companies are undergoing similar licensing processes in their respective domiciles.

Institutions with a domicile in Financial Action Task Force (FATF) countries, namely those jurisdictions that have strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies and to which counter-measures apply, are not recommended for a participation in AMBIF.

FIIs, both from within ASEAN+3 economies and beyond, would be able to participate in AMBIF Markets under the following conditions: (i) they would either automatically be included as AMBIF Investors in those markets where FIIs are specifically defined as professional investors by law, or (ii) they could be included if the particular investor type they represent (e.g., a bank, broker-dealer, insurance company) falls under an investor type that is considered eligible under the stipulations for AMBIF Investors. Each individual market's regulatory bodies or delegated authorities are encouraged to define their own approach relative to FIIs, if they have not already done so through legislation, rules, or regulations.

LCY Issuance

The mandate for ABMF from the ASEAN+3 Finance Ministers was based on the need to improve domestic bond markets across ASEAN+3 economies. Hence, the focus in AMBIF will be on the issuance of LCY instruments in professional markets.

This would also mitigate—to some extent—the need to consider FX implications, such as exchange rates and the corresponding risks. However, based on the feedback of ABMF members and experts, and

given potential demand by issuers and investors in the region, AMBIF is not designed to prevent the issuance of AMBIF Instruments in other deliverable currencies (i.e., non-exclusion approach).

The ADB Secretariat has proposed that AMBIF feature a stepped approach to the issuance currency to accommodate individual economies' preferences: (i) issuance in the home currency (defined as issuance in the currency of the issuance location), followed by (ii) issuance in other ASEAN+3 currencies in AMBIF Markets to the extent that FX regulations in each market permit, and finally, (iii) the issuance of bonds in third currencies (defined as currencies from outside ASEAN+3) such as United States (US) dollars or euros. In order to allow for maximum flexibility given different stages of market development, these steps could be applied at different speed across the region.

AMBIF Instruments

The global financial crisis (GFC) has had a significant impact on the views regulators take on structured or complex financial products, including fixed-income instruments. As a result and owing to the concerns expressed by the regulatory bodies among ABMF members, it is recommended that AMBIF Instruments should be straight conventional, interest-bearing notes and bonds. At the same time, straight common Islamic fixed-income instruments (hereafter referred to as *Sukuk*, including *Sukuk Ijarah*) may be considered in those jurisdictions with an established Islamic finance market. Due consideration should be given to the potential differences in *Sukuk* between markets and for the necessary underlying transactions for such *Sukuk*. Based on member and industry feedback, these represent the most desired types of issuance in ASEAN+3 markets.

At the present time, AMBIF is not expected to support more complex fixed-income instruments, such as convertible bonds or instruments of a hedging or speculative nature. With individual ASEAN+3 bond markets at different stages of development, it is suggested that instrument tenures should relate to or be compatible with existing market benchmarks or yield curves.

AMBIF Issuers

The original mandate for ABMI included the need to apply lessons learned from the financial crises that have occurred in Asia and other parts of the world in recent years. Chief among them was to avoid a double mismatch of currencies and tenures in the region's bond markets, most of which reside in economies that do not yet have fully convertible currencies. One key underlying issue contributing to the impact of the 1997/98 Asian financial crisis was a reliance on bank financing only. AMBIF is intended to provide ASEAN+3 issuers with an alternative avenue to access funding in the region. At the same time, key among the objectives of ABMF is to find ways to help retain and circulate ASEAN+3 savings within the region.

Proposed AMBIF Issuers

AMBIF Issuers should include institutions from within ASEAN+3 to anchor AMBIF's focus in participating markets. These institutions include multi-national corporations or banks and other financial institutions domiciled in ASEAN+3, since many such institutions are already operating in multiple markets and have recurring funding needs in local currencies. At the same time, banks and financial institutions may also want to extend their funding base to other regional markets.

Large domestic companies that are well known in regional markets should also be included; their issuances under AMBIF may provide an opportunity to address a potential lack of international credit ratings by issuing in regional markets that are already familiar with these issuers. On the other hand, ASEAN+3 government agencies, which are here defined as corporates with a significant ownership stake held by a government, should be included as issuers, precisely because of their higher credit ratings earned by association.

Based on the above considerations, the region's governments should be included as possible AMBIF Issuers. This is based on the fact that government issues face similar challenges to corporate issues once they are intended to be sold cross-border, whether within ASEAN+3 or beyond. At the same time, this could create an opportunity to reduce the dependence of ASEAN+3 governments on issuances in the Eurobond market.

It is envisaged that supra-national institutions, such as ADB, will consider new issuances under AMBIF in support of regional efforts. While ABMF does not want to exclude any particular issuer from AMBIF, having other regional development banks as issuers may not be in the best interest of the underlying mandate since the use of proceeds would likely extend beyond ASEAN+3 economies.

Potential Issuer Candidates

ABMF SF1 also expects other suitable parties to be identified as potential AMBIF Issuers in the course of its work. The most natural issuer candidates appear to be operating in multiple markets and have a recurring requirement for working capital or other funding needs in local currencies across these markets.

Among the characteristics of AMBIF Issuers, primary consideration will be given to issuers with a direct need for LCY funding (e.g., to mitigate FX considerations). However, regional issuers may have a preference to issue in local currencies and swap proceeds into their home or required funding currency. This approach may also depend on the applicable FX regulations, which could make such swaps mandatory in some markets, or, in contrast, limit options where markets do not offer swap facilities.

From a practical perspective, issuers who already meet the required qualifications of AMBIF Markets—possibly as a result of earlier bond issuances—and those who already have an equity listing would also be good candidates.

Given the fact that investors require the financial status and available disclosure data of eligible issuers for their assessment and investment decision processes, the existence of an investor relations framework appears to be beneficial for issuers. This is because issuances under AMBIF would target professional investors, who might have specific, additional requests for data from an issuer, given that the basic premise of AMBIF is standardized but limited disclosure.

SF1 acknowledges that credit ratings are one of the key elements in the assessment of issuers and issues in the eyes of potential investors. In order not to make AMBIF too complex and to avoid triggering changes to existing rules and regulations, it is proposed that credit rating requirements in domestic corporate

bond markets be maintained in their present form. Issuers with lower credit ratings could be considered if investors have sufficient credit appetite and markets permit such investments. At the same time, the recent establishment of the Credit Guarantee and Investment Facility (CGIF) under the governance of ADB may represent an additional avenue.¹⁶

AMBIF Markets

Key among the mandates given to ABMI and ABMF by the ASEAN+3 Finance Ministers is the retention of ASEAN+3 savings within the region. In effect, this means that investors from the region are expected to find investment opportunities in the other ASEAN+3 markets. In order to facilitate the intended objectives, these markets would have to have certain qualities and features in line with the characteristics of AMBIF Markets.

AMBIF Markets refer to markets or market segments for professional investors identified by the respective regulatory authorities for the implementation of AMBIF. AMBIF Markets are one or more of the most suitable markets or segments in a given economy in ASEAN+3. These most suitable markets and segments have been identified by SF1 during market visits and in discussions with ABMF members, or have been nominated by ABMF national members. An overview of the most suitable markets and segments is provided in **Table 5**.

Ideally, AMBIF Markets are markets or market segments that already exist in ASEAN+3 jurisdictions, hence avoiding the need to specifically create a market or segment for AMBIF. Having said that, SF1 does not intend to prevent policy bodies, regulatory authorities, and/or market participants from defining, creating, or designating a market or market segment in accordance with the proposed features of an AMBIF Market.

AMBIF Markets typically require limited disclosure and may include private placement markets that are recognized by regulators across jurisdictions; that is, those markets requiring a minimum of disclosure information and ongoing disclosure after issuance, such as an ongoing update of financial statements and other important information. Unregulated private placement segments are those markets that do not have an underlying definition in laws or regulations and are not the target of AMBIF. The intention is for AMBIF to be designed to be flexible enough to allow for the widest possible participation of professional markets among ASEAN+3 economies. This is expected to also include professional markets that do not require a regulatory process or specific documentation for bond issuances, as long as investors are professional and all relevant and related laws and regulations are observed.

As previously mentioned, SF1 is aware of the regulatory bodies' key mandate to protect retail (general) investors. In support of this effort, AMBIF Markets are either populated by professional investors only or are markets where selling restrictions between professional investors and retail (general) investors are strictly prescribed.

AMBIF Disclosure Documentation

One key element of bond issuance, or any issuance of securities for that matter, is disclosure to professional investors including securities information (including tenure), corporate information, and other relevant information such as background on the guarantor or country of domicile of the issuer at the time of issuance. This information shall be adequately reflected in an Information Memorandum or Program Information. Other Documents: At the same time, the relationships among the working parties (e.g., issuer, underwriters, issuing and paying agents) involved in a bond issuance are governed by specific contracts and agreements, such as underwriting/subscription agreements, fiscal/paying agency agreements.

Adequate Selling and Transfer Restrictions

The restriction of selling to non-professional investors, based on the guidelines, rules, and regulations in

¹⁶ CGIF's role is to provide a guarantee to corporate bonds issued by creditworthy issuers in local currencies, with a focus on ASEAN+3 companies who are sound but somehow have not been able to issue bonds on their own. While certain eligibility criteria and a list of prohibitions exist, CGIF can work with any industry, using its own assessment processes. CGIF can provide a full guarantee but issuers may ask for only partial cover (e.g., to cover interest payments). Once an issuer has been accepted, the rating of the bond will be upgraded to CGIF's S&P rating of AA+ in most of the region, with the exception of Malaysia and Thailand (AAA).

Table 5: Proposed AMBIF Market or Market Segment Candidates

Economy	Type of Market	Candidate Market	Professional Market as a Result of	Participation of	Market Governed by	SRO	Accessible to Foreign Institutional Investors
People's Republic of China	Issuing and Secondary (Issuing and Secondary)	Inter-Bank Bond Market (QFII)	Access/ Participation (Regulation)	Institutional Investors (QFIIs, B/Ds)	PBOC (CSRC)	NAFMII (SSE)	via QFII Yes
Hong Kong, China	Issuing	HKEx	Market Practice	Professional Investors	SFC, HKEx	HKEx	Yes
	Issuing and Secondary	OTC	Market Practice	Professional Investors	SFC, HKMA	-	Yes
Indonesia	MTN Issuing	(Private Placement)	Market Practice	Market Participants	-	-	Yes
Japan	Issuing	Tokyo PRO-BOND (QIB Market)	Law (FIEA)	Specified Investors	FSA, TSE	TSE, JSDA	Yes
Republic of Korea	Domestic SME Issuers Issuances Issuing	(Private Placement)	Decree to FSCMA	Qualified Institutional Buyers	KOFIA (FSS)	KOFIA	Not at the moment Yes
	Issuing	(Private Placement)	Market Practice	Professional Investors	-	-	Yes
Malaysia	Issuing and Secondary	Excluded Offers (PDS: Private Debt Securities)	Law (CMSA) & "Guideline on PDS" of Jan 2014 by SC Malaysia	Sophisticated Investors	SC Malaysia	-	Yes
	Issuing	Exempt Regime (Listings only)	Membership	Institutional Investors	Bursa Malaysia	-	Yes
Philippines	Issuing and Secondary	Qualified Investor and Qualified Buyer Market	Participation	Qualified Investors and Qualified Buyers	SEC	PDEX	Yes
Singapore	Issuing and Secondary	OTC	Market Practice	Institutional Investors	SGX	-	Yes
Thailand	Issuing and Secondary	Private Placement under AI Regime / OTC	Thai SEC Regulation	Accredited Investors (AI, includes II and HNWI)	SEC	ThaiBMA	Yes
Viet Nam	Issuing and Secondary	(Private Placement)	Law	Professional Investors	SSC	(VBMA)	Yes

IBBM = Inter-bank Bond Market; PBOC = People's Bank of China; NAFMII = National Association of Financial Market Institutional Investors; QFII = Qualified Foreign Institutional Investor; B/Ds = Broker/Dealers; CSRC = China Securities Regulatory Commission; SSE = Shanghai Stock Exchange; HKEx = Hong Kong Exchange; SFC = Securities and Futures Commission; OTC = Over-the-Counter; HKMA = Hong Kong Monetary Authority; MTN = Medium Term Note; FIEA = Financial Instrument and Exchange Act; FSA = Japanese Financial Services Agency; TSE = Tokyo Stock Exchange; JSDA = Japan Securities Dealers Association; SME = Small and Medium Enterprises; QIB = Qualified Institutional Buyer; FSCMA = Financial Services and Capital Market Act; KOFIA = Korea Financial Investment Association; FSS = Financial Supervisory Services; CMSA = Capital Market and Securities Act; SC Malaysia = Securities Commission Malaysia; SEC = Securities and Exchange Commission (of the Philippines); PDEX = Philippine Dealing and Exchange; SGX = Singapore Exchange; II = Institutional Investors; HNWI = High Net Worth Individuals; ThaiBMA = Thai Bond Market Association; SSC = State Securities Commission; VBMA = Vietnam Bond Market Association.

Notes:

- The QIB Market in its current version would not - yet - be suitable as a candidate market but has certain features that could be expanded on at a later stage.
- Private placement is anchored in the Financial Services and Capital Market Act (FSCMA), and could principally be considered a candidate market (segment) in future; this would require the ongoing dialogue with the Korean regulatory authorities. At present, no filing or registration of limited disclosure/specific documentation with regulatory authorities or SROs is required, hence the concept of Substituted Compliance could not be employed since private placements are not under the purview of a regulatory authority in Korea.
- Under the Act, the private placement in Korea is the small number PP. So restrictions are imposed in terms of resale period and investor type. For the PP market in Korea to be a professional only market and be a candidate market, regulatory action is necessary.

Source: ADB Consultants for SF1, in conjunction with ABMF Members.

both home and host jurisdictions, shall be reflected accurately in the Information Memorandum or Program Information, underwriting/subscription agreement, and other necessary document categories. For the purpose of the AMBIF proposal, the terms documentation and documents may be used synonymously.

For the same reason, in the regulators' issuance approval process, home regulators are encouraged, if necessary, to make suitable concessions on transfer restrictions in the AMBIF primary market for non-resident professional investors and institutions from other participating economies.

Standard Elements of AMBIF Disclosure Documentation Framework

AMBIF Disclosure Documentation is intended to cover both the actual documents that are required for a bond issuance under AMBIF, and the possible approaches through which these documents could be defined, organized, and harmonized. The definition of AMBIF Disclosure Documentation does not include regulators' issuance approval documents. With benefits for all participants in mind, standard elements of AMBIF Disclosure Documentationshould be agreed upon individually, based on the guidelines, rules, and regulations in both home and host jurisdictions. At the same time, AMBIF Disclosure Documentation, being a recommended approach to disclosure of bond issuance under AMBIF, does not supersede prevailing regulations in either home or host jurisdictions with regard to, for example, minimum disclosure requirements and other such stipulations.

In principle, AMBIF Disclosure Documentation should be in English, where acceptable. SF1 recognizes that this may not be possible in some jurisdictions as it could contravene existing laws and regulations. In such cases, disclosure documentation in the local language should also be issued as required.

Two Standard Document Approaches (Reference)

As for the best approach toward a standardized or harmonized document, two particular practices for bond issuance definition in the securities industry have been identified and are being posited for

consideration to ABMF members and market participants.

Wrapping Method. The first practice for consideration is generally called the Wrapping Method but is also referred to as Addendum-Type (non-collective = single; non-continuous = one time). It focuses on core disclosure information that contains generic but standardized disclosure items as well as provisions on relationships between contract parties and their core services. This is complemented by country-specific wraps or addendums that contain, for example, legal, reporting, or process provisions.

A typical example is the documentation between regional intermediaries and their clients in which the core document includes legally necessary provisions on roles and responsibilities, and the core service provision. The wraps or addendum then provide country-, product-, or process-specific provisions, or their variations over time.

Medium-Term Note Program Method. The second practice for consideration, here referred to as the Medium-Term Note (MTN) Program Method, both collective and continuous, is based on a single disclosure document that contains all relevant provisions using common practices and principles from the industry. This document and its practice has been developed and optimized by industry participants through accumulated expertise over a period of time.

Both options can be employed either individually or in combination; participants may generally select a particular approach on the basis of their specific circumstances, individual preferences, and timeline considerations. Overall, the intention is to enable the creation of a collective domestic bond program under AMBIF instead of directly following the (offshore) Euro-MTN concept.

Necessary Disclosure Documents Framework

A practical approach to standardizing documents would be to break down the documents into the necessary agreements or contracts. Based on input from ABMF's leading legal experts, the following groupings would be appropriate:

Core disclosure items

- Information Memorandum or Program Information as the core document of disclosure related to issuer and securities information for AMBIF Investors;
- conditions of bonds or notes, representing the rights of holders and obligations of issuer and intermediaries.

Other documents

- underwriting/subscription (or purchase) agreement, or similar indispensable document between issuer and underwriters/subscribers; and
- relevant disclosure documents representing the obligations of the issuer and its agents and/or the rights of AMBIF Investors under the applicable law, including terms and conditions.

Any such documents should in principle be based on practices in AMBIF Markets since this would increase both the acceptance and adoption of AMBIF Disclosure Documentation by market participants in individual markets. Such market practice is also likely to reflect prevailing regulations in home or host jurisdictions specific to minimum disclosure requirements or other stipulations that go beyond the initial AMBIF Disclosure Documentation requirements as recommended by the AMBIF Documentation Recommendation Board (ADRB).

As for the contents of Information Memorandum or Program Information as the disclosure documents, discussions during the ABMF market visits indicated that most institutional investors prefer as much information as they can obtain, however, with a certain emphasis on key data in addition to the terms and conditions of the instruments, such as financial statements for a number of years, a description of the issuer, its business and outlook, information on the use of the proceeds from the bond issuance and by which entity of the issuer they may be used, as well as relevant covenants. Other information will depend on the participants and how much detail they are willing to accept and produce.

In order to focus on the intended streamlining of disclosure documentation requirements under AMBIF, ADRB was formed in July 2013 to make recommendations to ABMF related to AMBIF Markets and their relevant disclosure documentation practices from the viewpoint of market practitioners and researchers. Its aim is the compilation of the list

of necessary disclosure documents, with priority given as necessary; the structure of the Information Memorandum and those items to be disclosed for professional investors; and sample wording for major such disclosure items.

During Phase 2, ADRB put forward an initial recommendation for Core AMBIF Disclosure Items on the Information Memorandum (Program Information) in line with the structure or grouping of disclosure document elements mentioned above. This recommendation and the level of detail will be further refined during Phase 3.

The aim of SF1 is to study and work toward an agreement on these parts across all participating markets and to provide appropriate information to investors and make issuance in multiple markets easier and more efficient. In order to realize the approaches and groupings given above, additional research by SF1 and continued input and support from ADRB, as well as other securities market practitioners and legal experts within AMBIF and in ASEAN+3 economies, is required. One proposed approach would be to compile a regulatory mapping document across ASEAN+3 jurisdictions that would contain the equivalent or suitable approximation of the ADRB recommendations detailed above and in Appendix 3.

Table 6. Initial Recommendation for Core AMBIF Disclosure Items on Information Memorandum (Program Information)

Program Information
• Notes to Investors
● Securities Information
I. Terms and Conditions of Primary Sale or Distribution to AMBIF Investors
II. Other Matters
● Corporate Information
I. Outline of Company
II. Financial Information
● Information on Guarantor
● Events of Default
● Others
Notes on Preparation of AMBIF Disclosure

AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework.
Source: AMBIF Documentation Recommendation Board (See Appendix 3 for details).

V. The AMBIF Regulatory Process

AMBIF is designed as an intra-regionally standardized bond issuance framework that will allow bond issuers in any participating economy, whether they join the framework at its inception or a later date, to issue bonds in any other participating location with standardized or streamlined documentation and information disclosure requirements, subject to compliance with all domestic legal and regulatory requirements.

A prerequisite for the implementation of AMBIF is agreement among the policy bodies and regulatory authorities representing the individual jurisdictions on the concept and components of AMBIF in a manner acceptable to the authorities of all ASEAN+3 economies. The format for such an agreement has not yet been determined and is still being discussed among the policy bodies and regulatory authorities participating in ABMF.

Need for a Bottom-up Approach

ABMF acknowledges that, unlike Europe, Asia has no formal common institutions to lead efforts aimed at the harmonization of practices, whether in securities markets or the economy at large. The establishment of the ASEAN Economic Community (AEC) by 2015 is one step in this direction, though it is not directly employable by SF1 due to the larger domain of ASEAN+3. The lack of overarching institutions makes the use of a top-down approach—such as a strict definition of AMBIF requiring direct adoption in each member jurisdiction—inappropriate.

Instead, a bottom-up approach is seen as the most suitable for ASEAN+3 and the implementation of AMBIF. A bottom-up approach could draw out the agreement process since individual elements would need to be defined and agreed on separately, is seen as more practical in terms of actual implementation across ASEAN+3 economies, given their differing stages of bond market development. The intention would be to address the easier issues first, and then move on to more complex issues

in a step-by-step fashion in line with the basic approaches employed by ABMF. As a result, the scope and areas for standardization would remain limited but focused.

Review of Approaches for the Regulatory Process

SF1 members have over the course of ABMF Phase 2 reviewed and discussed a number of possible approaches to relevant agreements between the participating economies, trying to identify the most suitable regulatory process and taking into

consideration existing market-specific regulatory processes and the presence of multiple regulators.

It quickly became apparent that a single existing regulatory process could not be easily adopted by all participating economies since the regulatory processes presently employed among regulatory authorities in ASEAN+3 economies differ widely and make use of different terminology. **Table 7** gives a brief overview of the varying processes and terms used in the context of bond issuance.

The individual approaches range from regulatory processes that do not directly involve regulatory authorities, provided all prescribed activities and formats are complied with, and merely require

Table 7: Examples of Regulatory Processes relating to Bond Issuance across ASEAN+3 Jurisdictions

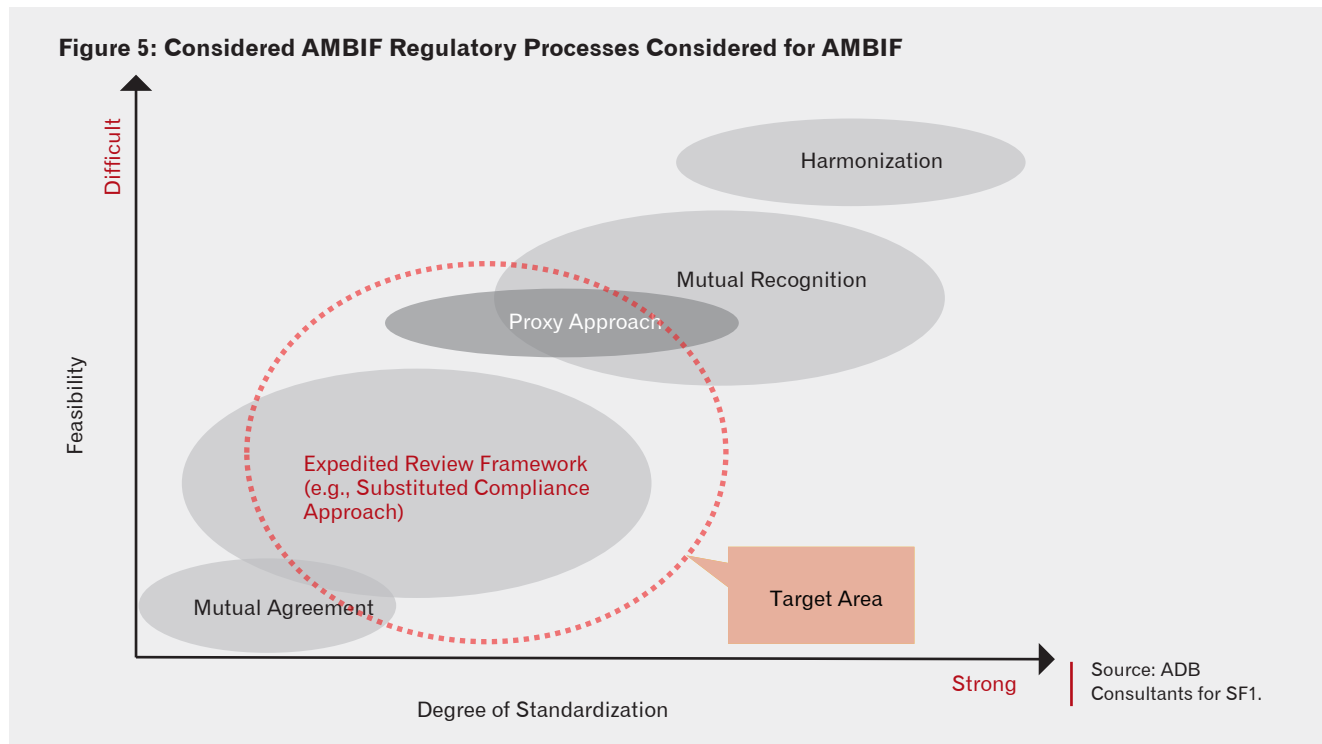
Economy	Market	Action	What	To	Purpose
People's Rep. of China	Inter-Bank Bond Market	Filing	Issue application	NAFMII	Registration
Hong Kong, China	HKEx	Submit	Listing application	HKEx	Listing
Indonesia	Private Placement (typically MTN)	Periodic Submission	Information on assets held in KSEI, including MTN	IFSA ^a	Record-keeping only
Japan	Public Offering Market	Register	Securities Registration Statement (SRS)	J-FSA	
	TOKYO PRO-BOND Market	Submit	Specified Securities Information	TSE	Listing
Republic of Korea	QIB Market	Register	Securities Information	KOFIA	Filing
Malaysia	Excluded Offers (BM (listings only))	Deposit	Information Memorandum	SC MY	Approval
Philippines	Public Offering Market	Submit	Securities Registration Statement (SRS)	SEC	Rendering effective
Singapore	Public Offering Market	Lodge	Prospectus	MAS	Approval
	SGX Listing Market	Submit	Listing Application – Offering Memorandum etc.	SGX	Listing
Thailand	Public Offering	Submit	Registration Statement – Full Form Application	MOF ^b SEC	- Approval - Filing
	Private Placement (AI)	Submit	Registration Statement – Short Form Application	MOF ^b SEC	- Approval - Filing

NAFMII = National Association of Financial Market Institutional Investors; HKEx = Hong Kong Exchange; MTN = Medium Term Note; IFSA = Indonesian Financial Services Authority; J-FSA = Japanese Financial Services Agency; QIB = Qualified Institutional Buyer; KOFIA = Korea Financial Investment Association; BM = Bursa Malaysia; SC MY = Securities Commission Malaysia; SEC = Securities and Exchange Commission (Philippines); MAS = Monetary Authority of Singapore; SGX = Singapore Exchange; MOF = Ministry of Finance (Thailand); AI = Accredited Investors.

^a MTN issues are reported by KSEI to IFSA as part of the periodic reporting to IFSA of assets held in KSEI. There is no reporting made by the MTN issuer to IFSA prior to or after the issuance of MTN.

^b THB bond only. In case of non-THB securities, SEC will be the single regulator.

Source: ADB Consultants for SF1.



a notification or simple filing of bond issuance information to the regulators or designated authorities, to those processes that are geared toward approval of bond issuance activities and are needed to fulfill the legislative mandate of the respective regulatory authority. Hence, SF1 realized that no single practiced regulatory process or approach in the context of bond issuance appears easily transferable to all other markets in the region. As a result, SF1 had to identify the use of other approaches that could yield a common protocol among participating markets.

Hence, SF1 turned to other accepted mechanisms of agreements between policy bodies and regulatory authorities, and which could be considered in the context of the implementation of AMBIF. **Figure 5** illustrates the possible options for regulatory processes tabled for consideration in Phase 2.

SF1 Initial Approaches: Mutual Recognition and Mutual Agreement

Chief among the possible approaches for an agreement between policy bodies and regulatory authorities are Mutual Recognition and Mutual Agreement. An assessment of their suitability and possible use in the context of AMBIF is presented below.

Mutual Recognition

Mutual Recognition, in effect, represents a broader concept that includes different instances for parties to mutually recognize another party's (potentially different) regulations or practices as acceptable in one's own jurisdiction. Mutual Recognition as employed between jurisdictions or governments can be fairly formal and elaborate in terms of legal significance and policy implementation up to, for example, the need to enter into a treaty. At the same time, between regulators, Mutual Recognition is

typically used for practices within the respective remit of the individual authorities. The actual implementation of Mutual Recognition in each instance may differ.

Although useful as an approach to realizing the concept of AMBIF, participating economies may not yet be comfortable with recognizing other economies' regulations as part of their own. In addition, Mutual Recognition has not been sufficiently tested in ASEAN+3 economies with respect to professional capital market regulatory processes. As a result, the use of Mutual Recognition does not appear to be suitable since SF1 would not want an unproven regulatory process to delay the implementation of AMBIF unnecessarily.

Mutual Agreement

In contrast, Mutual Agreement is achieved via the consent of a number of parties to a specific arrangement. However, ABMF discussions and expert contributions identified Mutual Agreement as potentially too limited for the purpose of the implementation of AMBIF. Mutual Agreement is not legally binding, and while it does not require regulatory changes, it may not be sufficient for AMBIF-related agreements between regulators. In addition, since the implementation of AMBIF requires the commitment of issuers, investors, intermediaries, and regulators to domestic bond markets, Mutual Agreement may not send a suitably strong signal to stakeholders. At the same time, Mutual Agreement could be considered by market participants during the actual implementation of AMBIF in a given market.

Proxy Approach

Since AMBIF is aiming to introduce a regionally standardized bond issuance framework, it requires a clearly defined and agreed-upon bond issuance regulatory process that factors in expected cooperation among the participating regulatory bodies.¹⁷ In the search for a more suitable approach in relation to AMBIF, SF1 members discussed in greater detail other approaches such as the

Proxy Approach and the Substituted Compliance Approach. These approaches are explained below in the context of AMBIF.

Proxy Approach. The term Proxy Approach was defined by the ADB Secretariat to propose a solution in which any regulatory authority would accept a regulatory process approved by another regulator as valid for issuing bonds in its own jurisdiction without requiring an additional regulatory process of its own. In effect, the Proxy Approach is a variant of Mutual Recognition, but it would follow a narrower interpretation for the purpose of its use under AMBIF. For instance, a regulatory process that satisfies the regulatory body in the issuer's location (Home Regulator)¹⁸ would be unreservedly accepted by the regulatory body in the issuance location (Host Regulator)¹⁹ as valid for issuing bonds in the host economy, and vice versa. Any regulator could, hence, become a proxy for the fulfillment of the regulatory process in all other jurisdictions. One of the most significant arguments in favor of a Proxy Approach would be for issuers to be eligible for direct issuance in all other markets upon the first (proxy) approval.

However, discussions with regulatory authorities highlighted the discomfort of some institutions with the Proxy Approach premise in which all jurisdictions' regulatory processes would be satisfied with any regulatory process from any other participating economy. Although SF1 members acknowledged the intention of streamlining the regulatory process, the Proxy Approach was deemed not suitable for immediate consideration in the context of AMBIF, given the differing stages of bond market development among ASEAN+3 countries and the need for some jurisdictions to comply with existing regulatory processes as stipulated in law or regulations. However, the Proxy Approach remains a possible objective for the regulatory process within AMBIF, once participating economies have gained some experience with regional cooperation. Thus, the Proxy Approach is described in more detail in Appendix 1 for future consideration.

¹⁷ Regulatory bodies, or regulators, refers to the regulatory authorities, listing or registration places, or other institutions that are directly involved in the bond issuance regulatory process specific to individual markets.

¹⁸ Home Regulator is the regulatory body at the domicile of the issuer.

¹⁹ Host Regulator refers to the regulatory body for bond issuance if the country is not the domicile of the issuer.

Expedited Review Framework (Substituted Compliance Approach)

Expedited Review Framework. In the process of evaluating the different approaches, SF1 began to emphasize those approaches that would support the specific needs of AMBIF. Regulatory authorities should be able to comply with the prescribed regulatory processes in their jurisdictions while enabling the proposed AMBIF regulatory process to generate tangible benefits for all AMBIF participants; the focus here was on a faster, more efficient process to reduce the regulatory burden and achieve better time to market. In ASEAN+3, the term Expedited Review Framework is the preferred wording for such an approach.

Substituted Compliance Approach. One example for an Expedited Review Framework is the Substituted Compliance Approach (SCA). SCA is a regulatory process first defined by Asian regulatory authorities in 2012 (see Appendix 2 for more detail). SCA suggests a process where one regulator incorporates the regulatory process of another regulator into its own decision-making process, in effect substituting the deciding regulator's process in part or as a whole, depending on the comfort level and practices of each participating regulatory authority. Since substituting the regulatory process as a whole would be the equivalent of the Proxy Approach, and ultimately Mutual Recognition, the use of SCA in the context of AMBIF was seen as offering a mechanism for the relevant authorities to cooperate to achieve an expedited regulatory process.

Applying SCA in the context of AMBIF, both the Home Regulator and the Host Regulator are assumed to cooperate in processing a bond issuance, by incorporating a (preliminary) review process of one regulator into the regulatory process of another regulator, with a view to complete the overall regulatory process in an expedited manner. This approach can ensure that each regulatory authority would be able to maintain its own statutory regulatory processes as necessary and achieve the intended benefits.

SCA would be particularly important at the initial stage of implementing AMBIF, while achieving the Proxy Approach could still represent the long-term vision for an approach to regulatory processes among ASEAN+3 economies. At the same time, SCA is still being discussed among the original regulatory participants and, as such, does not come with prescribed methods for actual cooperation among regulators. Such methods would still have to be defined by ABMF.

Mutual Cooperation among Regulators under SCA. Assuming SCA as the basic approach for a regulatory process required for implementing AMBIF, SF1 members further studied specific ways of how to effect such mutual cooperation among regulators for AMBIF bond issuance. Through discussion among members and consultation with regulatory authorities, the three options detailed in the next section were proposed for the implementation of the AMBIF regulatory process. However, nothing should prevent the use of pilot issues, or other implementation approaches, while these options are being further discussed and refined.

Application of AMBIF Regulatory Process

Option 1: Notice of AMBIF Bond Issuance by Regulators

In essence, an SCA for AMBIF would require both the Home Regulator and the Host Regulator to cooperate to achieve an expedited regulatory process for bond issuances across markets. For this purpose, it is proposed that the regulators issue a notice of an AMBIF bond issuance in their jurisdiction to the regulators in all other participating economies. By doing so, the information on such AMBIF bond issuance could be shared among the regulators and utilized for the purpose of an expedited regulatory process. This is perceived to be an appropriate and basic method for the implementation of AMBIF. It is also understood that some regulators could question the increasing regulatory burden and possibly dispute their legal responsibility under such notice. At the same time, SF1 discussions have identified the challenges for some regulators to issue notices in a language other than their own, both from a legal and practical perspective.

Option 2: Experienced Authority as Preliminary Reviewer

A number of markets within ASEAN+3 already have significant experience with the regulatory process for bond issues from both their domestic institutions and issuers from other jurisdictions. These markets also have well-established investor universes that can be efficiently utilized in seeking liquidity for the bonds issued under AMBIF. Given this, utilizing experienced authorities and regulators in established markets as preliminary reviewers of AMBIF bond issuances instead of the Home Regulator or the Host Regulator should be considered, while the final regulatory process would remain with the regulators of the respective issuance location. On the other hand, SF1 members saw this as a potentially additional step; if the Host Regulator was expected to have ultimate responsibility, the involvement of a third party may not cut down on the necessary regulatory activities.

Option 3: Posting Information on AMBIF Bond Issuance

Rather than requiring regulators to make a notice on AMBIF bond issuance to other regulators, SCA could also be implemented by requiring any regulator to post or publish their assessment and results of their AMBIF bond issuance regulatory process on their website. The objective of such postings is to share information on the bond issuance with other regulators and market participants, but it is not intended to satisfy legal or liability requirements. For additional bond issuance in another economy, the issuer or its agent would be required to submit the requisite AMBIF bond issuance information to the Host Regulator so that the Host Regulator could cross-check the submitted information with the information already posted by other regulators.

In the course of Phase 2 discussions, a variant of Option 3 was also considered and ABMF members decided to include in their considerations the possibility of establishing a common communications platform for bond issuance information from AMBIF Issuers. In addition, information on AMBIF could also be stored and collectively posted by participating regulators and, potentially, even other market participants. This information could then be shared among all stakeholders. This option has been labeled the AMBIF Information Platform.

AMBIF Information Platform

In the process of discussing the AMBIF Information Platform as a possible communications solution for regulatory authorities and (potentially) other AMBIF market participants, two particular applications of this concept emerged: the Individual AMBIF Information Platform (AMBIF IIP) and the Common AMBIF Information Platform (AMBIF CIP). The AMBIF IIP and the AMBIF CIP solutions are reviewed below in greater detail.

Individual AMBIF Information Platform (AMBIF IIP)

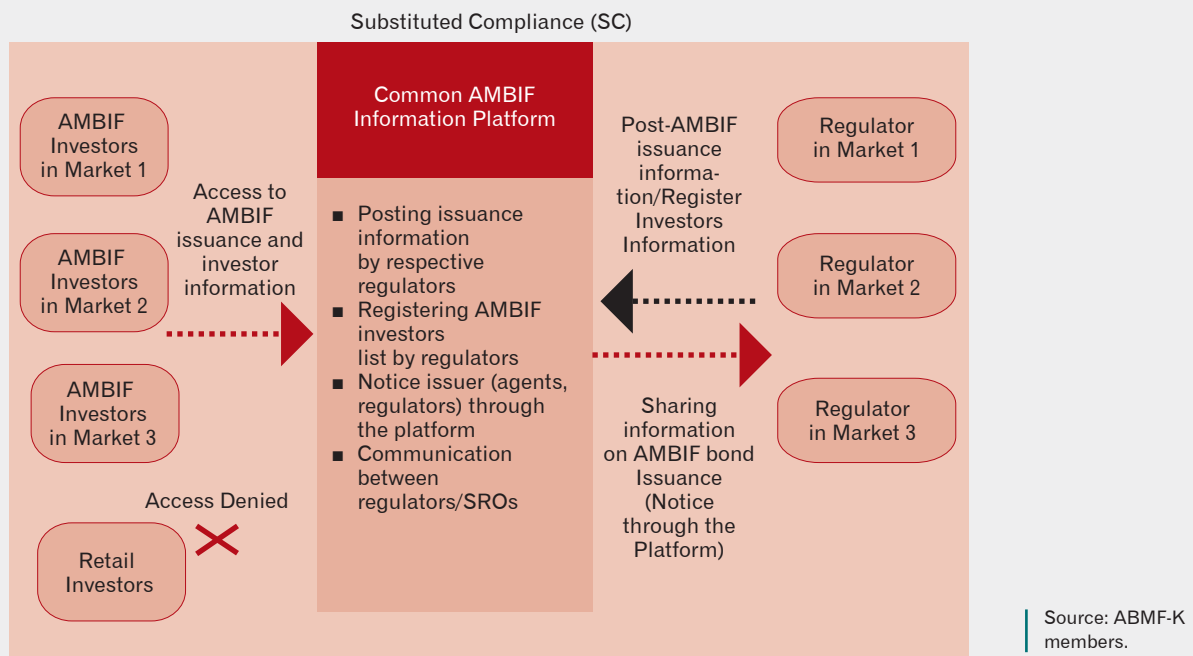
An AMBIF IIP solution envisages the posting of relevant AMBIF bond issuances and related information on any given regulatory authority's own website which, in effect, would become the AMBIF IIP. At this point in time, a number of countries already have such AMBIF IIPs, either in the form of regulator websites housing a market information platform or websites operated by SROs or market associations. Where common market trading platforms exist, these platforms either presently or in the future could fulfill the function of an AMBIF IIP. In addition, pricing agencies and credit rating agencies may have some of the desired information detailed on their respective websites.

Nevertheless, it is understood that these existing potential AMBIF IIPs may differ significantly in their purpose, role, and functions, not just in the amount and detail of (bond issuance) data they carry. Similarly, it is entirely possible that these AMBIF IIPs would not be able to be re-tasked for the purposes of AMBIF, or may need to be updated or significantly upgraded in order to support the implementation of AMBIF.

Common AMBIF Information Platform (AMBIF CIP)

In contrast, an AMBIF CIP solution would have to be created, as no common communications or information sharing tool presently exists. The only overarching electronic platforms in the context of the region's bond markets are bond trading systems that are purely commercially focused and cannot be re-tasked for the purposes of AMBIF.

Figure 6: Common AMBIF Information Platform



An AMBIF CIP could, however, be an efficient alternative to both the regulatory notice concept and the use of a number of AMBIF IIPs as a regional common platform to support the implementation of AMBIF for all participating ASEAN+3 countries, and even the dissemination of AMBIF-related information. The AMBIF CIP concept has comparative advantages in terms of information management and sharing, implementing SCA, and facilitating communications between and among regulators and AMBIF market participants. All efforts would be regional in nature and available in all markets.

AMBIF CIP is envisaged as an interoperable platform that enables the linking of each individual professional market in ASEAN+3 for the efficient implementation of AMBIF. Such a platform would allow participating regulators to post relevant AMBIF bond issuance information and even register a list of AMBIF Investors and other market details as shown in **Figure 6**. By extending access to AMBIF Investors and AMBIF Issuers, this investor and issuance information could be collected and shared more efficiently. At the same time, by not providing access to retail investors, the platform could also contribute to ring-fencing those investor

types from transactions in AMBIF Markets. The platform could also be utilized for communications between investors, regulators, and SROs to discuss and overcome the existing regulatory barriers and standardize market practices. Further discussions on this proposal are required.

Features of an AMBIF CIP could include common infrastructure for all information across AMBIF Markets that could be utilized as an information sharing system for AMBIF bonds and made available to all interested parties. An AMBIF CIP could collect and widely distribute AMBIF bond-related information. In effect, an AMBIF CIP could be the support system for SCA. AMBIF CIP could facilitate communications, regulatory processes, and mutual understanding among ASEAN+3 regulators. As a management system for AMBIF Markets, it could act as the information repository and manage all relevant data, including details such as the eligibility requirements for market participants. **Figure 6** gives a first impression of how an AMBIF CIP might function.

Next Steps

Due to the necessary focus on the definition of AMBIF and its components and processes, SF1 will conduct further discussions on informational platform concepts in the proposed Phase 3. Already being considered are the establishment of a voluntary working group to flesh out the details of possible AMBIF IP solutions and the study of the process flow of bond issuances where the capture in an AMBIF IIP is already evident, such as in markets like Indonesia, Japan, the Republic of Korea, Malaysia, and Thailand. A next step could then be to consider regularizing the process flow and the issuance document submission criteria to an AMBIF CIP in support of the implementation of AMBIF.

Approach for the Definition of a Professional Market

Most ASEAN+3 economies with established bond markets already feature a professional market or market segment that could be considered for participation in AMBIF. At the same time, SF1's mandate extends to the development of the domestic bond markets of all 14 jurisdictions in ASEAN+3. Hence, solutions proposed by SF1 should include mechanisms accessible for all participating economies.

In principle, participation in AMBIF requires the existence of a professional market or market segment in each participating jurisdiction since SF1 members concluded this would be the best possible manner in which to connect domestic bond markets across the region. At the same time, some jurisdictions have not yet officially defined such professional markets or market segments, although these economies show evidence of a professional market through market practice and the participation of investors, issuers, and intermediaries defined as professional in Chapter IV.

In support of the objective to find solutions for all participating economies, SF1 has developed a possible approach for the definition of a professional market in those economies where such a market or market segment is presently not officially defined. In fact, this approach is based on the same definitions of and justifications for individual AMBIF components.

The idea behind this approach is that while in some economies professional markets may not be officially defined in laws and regulations, many if not all of the necessary ingredients of professional markets, in fact, already be evident in these economies. The significant investors would be licensed entities—such as banks, broker-dealers, or insurance companies—and fulfill the qualification detailed under AMBIF Investors. Issuers already active in these economies would be domestic or regionally well-known companies or institutions that satisfy the details of the proposed AMBIF Issuers. Instruments issued in the existing marketplace would include straight bonds and (potentially) *Sukuk* in those economies with an established Islamic finance market, as have been identified through the discussion on AMBIF Instruments. In addition, by default, domestic issuances would be denominated in LCY, thereby fulfilling one basic requirement for AMBIF. Economies may even already permit the issuance of FCY instruments, which is an additional option under AMBIF. At the same time, professional market participants would have shaped issuance documentation and disclosure items as part of their continuous market interaction.

Key among the basic approaches observed by SF1 is the concept of not requiring (major) changes to existing legislation and/or regulations as a result of the implementation of AMBIF. The earlier reference in this report to no (major) changes is based on the realization that policy bodies and regulatory authorities may see the benefit of making some adjustments to their respective legal frameworks and/or regulatory environments as part of their ongoing governance and market development activities.

At the same time, policy bodies and regulatory authorities are already in a position to implement specific market initiatives, through the use of prescriptive guidelines, directives or notices, depending on the terminology and practices for each jurisdiction. It is proposed that ASEAN+3 economies in which no specific regulations exist consider using this established mechanism for the introduction or definition of a professional market or market segment.

In this specific case, the ADB Secretariat envisages the potential definition of a domestic professional marketplace by making reference to the existing professional qualifications of its participants, desired

instruments, and currencies and documentation as already established through market practice. Where suitable and applicable, similar existing licensing and governance principles could be extended to intermediaries, such as accounting and law firms. Hence, this concept has the potential to bring

together all of the proposed AMBIF components in a single guideline to be issued by the relevant policy body or regulatory authority to create a market or market segment that would be immediately compatible with AMBIF, thereby permitting the participation of any ASEAN+3 economy in AMBIF.

VI. Market Requirements and Components

Market Requirements

Since the inception of ABMF in 2010, market visits and investor roundtables have helped identify investors' most pertinent requirements for investing in regional bond markets. At the same time, through research and expert input, ABMF has taken note of some of the most significant requirements of issuers in fulfilling their funding needs. This chapter describes key requirements specific to investors and issuers.

To the extent that these requirements relate directly to the work of ABMF, they have been incorporated or considered in the definition of AMBIF and its components. Other requirements that do not directly touch on the work of ABMF, but have repeatedly been mentioned by investors, issuers, and other stakeholders, are also detailed in this chapter since they could emerge as challenges to the success of AMBIF and the development of ASEAN+3 domestic bond markets.

Investor Requirements

Number of markets. Over the past 3 years, investors have often mentioned the lack of a sufficient number of bond markets or bond market segments in ASEAN+3 economies. Asset managers are

interested in offering regional bond funds but find it difficult to identify and invest in a sufficient number of markets. One example given was that between five and seven markets would be required to allow suitable asset allocation and diversification. Instead, investors presently have only three or four of the region's markets on their investment radar, which is not sufficient to create bond funds with a regional focus. AMBIF is intended to create both more liquid bond markets and, possibly, a new asset class in the form of ASEAN+3 bonds or AMBIF bonds.

Liquidity. Among the most cited requirements, market liquidity was identified since it can lead to narrower bid-offer spreads, reduce trading costs, and help improve the rate of return. Liquidity also makes it easier to trade larger amounts. For mutual funds and other collective investment vehicles, liquidity is crucial since sudden redemptions from unit holders can lead to the need to sell fund assets to meet redemption obligations. This is a valid concern regardless of asset class and is not necessarily an indicator of so-called hot money. Here, the establishment of AMBIF is intended to aid in creating more liquidity in ASEAN+3 domestic bond markets.

Returns. Where investors are mostly mutual funds and asset managers, reasonable and stable returns are a key factor. Investors also expect higher income in most ASEAN+3 markets than in more established

markets. In addition, investors may also expect long-term currency appreciation in line with market and global macroeconomic developments. While AMBIF is not aimed directly at improving commercial considerations for investors, more stable and liquid bond markets in ASEAN+3 are expected to generate more interest and business opportunities for investors, issuers, and intermediaries alike.

Price quotes. In ASEAN+3 markets, bond trading prices often include accrued income, which is referred to as the dirty price. However, many investors have expressed their preference for price quotes without the accrued income components, or a clean price. The relationship of this requirement with the needs for the calculation of applicable taxes needs to be studied further.

Issuer Requirements

International profile. Across ASEAN+3, experts believe a large number of potential issuers are keen to tap the bond markets outside their home market but find that their lack of an international profile limits attention from potential investors. The key requirement is to expand the information available on the issuer, its business, and its issuances outside the domestic market to help find suitable potential investors.

Reduced yields. From a commercial perspective, one key requirement for issuers is to reduce the yield (from an issuer's perspective, it is to reduce the interest rate to be paid on the bond amount). A lower yield translates into lower servicing costs for the tenure of the bond but also is an indicator of a company's good business standing and, correspondingly, its credit rating.

Shorter time to market. From an issuer's perspective, funding for specific projects or activities is often needed at certain points in time in order to secure or complete said projects or activities. This means that the timeframe between the decision being made by the company's management to actual issuance would have to meet certain requirements. This period is usually described as the time to market.

Expanded issuance window. This requirement for an issuer is closely linked to time to market, but also represents a challenge in its own right. In a number of markets in ASEAN+3, the issuance window for bonds, or for all securities issued by an

individual company, may be limited by statutory or prudential reporting periods. During such periods, no issuance of securities is permitted since the reporting itself could contain material information that could influence the decision of investors with regard to the company's issuances. With a defined, streamlined, and ultimately shorter time to market for AMBIF issues, the general issuance window could be greatly improved, or existing issuance windows could be used more effectively.

Access to (larger) investor base. Among the key requirements of issuers is the ability to place bonds to a confirmed and preferably growing investor base. This is of particular importance if an issuer ventures into markets beyond its home market. Here, the access provided by underwriters and intermediaries, and also the general participation of investors, including FIIs, is of significant importance.

Fair pricing. Seen by issuers (as well as investors) as one inevitable feature of a market to attract a larger and regular investor base, fair pricing, meaning transparent price formation acceptable to most market participants, is one prerequisite for sufficient market liquidity. Liquidity is required before some investor types, such as mutual funds and asset managers, will commit to a particular market.

AMBIF Components: Challenges and Considerations

Challenges and considerations. In the course of its work, SF1 also identified a number of elements that are expected to have a bearing on the quality and success of AMBIF. While these elements may not have immediate relevance for the implementation of AMBIF, further consideration by policy bodies and regulatory authorities could lead to the inclusion of these elements as future components of AMBIF. In so far as these challenges or elements coincide with investor and issuer requirements, they have been combined under the relevant topics.

A number of potential challenges for the implementation of AMBIF have been identified and are briefly reviewed in **Table 8** for general reference, together with some mitigating arguments in relation to these challenges. Key among them would be the continuous disclosure of material information beyond initial documentation and information disclosure,

Table 8: Challenges for the Implementation of AMBIF

Lack of consistent financial reporting standards. One key challenge may be the lack of consistent financial reporting standards, and the underlying accounting treatment relative to financial reporting; this could affect the raising and compatibility of disclosure documentation of AMBIF, and the ability for investors to cover multiple standards across markets. However, the increasing adoption of International Financial Reporting Standards (IFRS) across ASEAN+3 markets may be a means to help narrow any major discrepancies in the near future.

Insufficient credit ratings. Feedback from market participants has fairly consistently been focused on the challenges of insufficient credit ratings, both domestic and international, for potential domestic or regional issuers, as well as on the need for a more transparent pricing or valuation of bonds across markets. On credit ratings, one key challenge seemed to be the focus on international rating requirements for issuances or listings where domestic ratings may actually suffice; at the same time, concerns are being expressed on lower ratings for ASEAN+3 issuers despite better fundamentals than international names.

Pricing. As for pricing, inefficiencies inherent to the trading practices in the largely OTC-type bond markets are being addressed by pricing agencies or SROs to improve timely trade reporting, valuation processes, and the making available of necessary underlying information.

FX and LCY Requirements and Taxation. Among feedback from market participants, the presence of specific FX and LCY requirements and the application of withholding tax on income from bonds have received the most mentions. Here, it is clearly understood that it is often not so much the presence of such requirements, but instead the actual application for the purpose of securities investments.

Availability of ISIN. The use of ISIN gets detailed mention in key observations and policy recommendations of the *SF2 Report Key Findings and Policy Recommendations for Enhancing STP in Bond Transaction Flows in the ASEAN+3 Economies*; however, one persistent concern relating to bond issuance remains the availability of ISIN prior to and upon actual issuance, to the chagrin of investors, traders and intermediaries alike; this may actually result in newly issued bonds not being attractive to potential investors, if such bonds cannot be appropriately logged in, and retrieved from, the relevant systems.

Source: ADB Consultants for SF1 and SF2.

and selling restrictions, which are among the most important principles of investor protection. Other elements include financial reporting standards and taxation, the due consideration of credit ratings and FX-related transactions, as well as language and legal considerations. Members also put forward the issue of enforcement across home and host markets from a medium- to long-term perspective.

Referral to regulators. Since a number of these subjects do not fall within the direct remit of its work, yet appear significant in their implications, ABMF prefers to refer these matters to the relevant policy bodies and regulatory authorities for further consideration.

Selling Restrictions on AMBIF Investors

Selling restrictions can be divided into two categories: (i) those aimed at preventing an offer for sale or a re-sale to retail investors, and (ii) those meant to govern the offering and transaction of bonds between professional investors across individual markets. The former has been identified

as an integral part of AMBIF Markets. At the same time, the second type of selling restrictions could be an important factor for the success of AMBIF and deserves closer inspection in this section.

As mentioned earlier in this report, one key aspect of the regulatory mandate in the region's markets is the protection of retail (general) and, in fact, all non-professional investors in each jurisdiction. Policy bodies and regulatory authorities exercise their mandate with a combination of legislation and rules for the securities market. Chief among these regulations is the prevention of the sale or offer of securities, including bonds, to investors that are considered not able to make complex investment decisions. Methods, qualifications, and conditions for these selling restrictions may vary from market to market, but all result in obligations by the market's professional participants to apply these rules. This principle is well understood and supported by professional market participants.

In contrast, many markets do not directly regulate interactions among these professional market participants. While professional investor concepts are defined in legislation or regulations in most jurisdictions, these regulations do not contain

specific limitations on their activities with professional counterparties. Instead, in addition to the licensing of professional institutions, the governance of market activities is often delegated to a suitable SRO, such as a market association, that governs its members with the help of a code of conduct that is expected to be observed in daily business. All these provisions work on the basis that professional participants are in a position to make their own decisions based on available information, conditions, and circumstances in the marketplace. This applies across all markets.

In order to fully support more vibrant and liquid domestic bond markets in ASEAN+3, supporting the offer for sale and resale of AMBIF issues to professional investors (AMBIF Investors) domiciled in all participating markets should be considered. As detailed in Chapter IV, AMBIF Investors are licensed in their respective country of domicile in an equivalent manner. This means that they are principally subject to the same requirements and codes of conduct in every market. This would make AMBIF Investors professional market participants in all markets. In principle, this would also apply where professional investors fulfill other market roles, such as intermediaries or underwriters.

It is proposed that policy bodies and regulatory authorities consider selling restrictions and/or transfer restrictions to be lowered or relaxed in cases where such restrictions refer only to professional market participants. The expectation is that the resulting increased participation of professional investors from all ASEAN+3 markets in bond issuance and secondary market activities could give a boost to cross-border transaction volumes as desired by ABMI.

Financial Reporting Standards

ABMF's mandate includes finding ways to strengthen ASEAN+3 domestic bond markets and help retain and circulate ASEAN+3 savings within the region. Key among the proposed measures is the ability to invest from one ASEAN+3 market into other ASEAN+3 markets. Investments are generally made on the basis of a number of quantitative and qualitative measures, including the financial performance and continuous disclosure record of an

issuer. This assessment by an investor often follows a specific and well-established in-house approach. If an investor was planning to invest in multiple countries, this approach may encounter challenges in its ability to assess investment targets in all these markets on an easily comparable basis. The reason for this could lie in different issuer and market practices, but is often due to differing financial reporting standards.

No standardization of financial reporting rules or regulations is required for AMBIF implementation. However, for the purpose of more harmonized disclosure data, it would be desirable to have in place comparable financial reporting treatment across participating economies, if only for the purpose of supporting domestic bond market issuance. This was one of the recurring themes found in feedback from investors during Phase 2 market visits in 2012.

From the outset, making use of the International Financial Reporting Standards (IFRS) appeared to be the most effective solution. IFRS is already evident in most ASEAN+3 economies in varying forms or adoptions. The key objective of IFRS is the collection and display of financial reporting data across markets in a compatible and comparable manner. With AMBIF eventually encompassing up to 14 bond markets, such compatibility of financial reporting data would be highly desirable for a more streamlined and efficient bond issuance framework and bring significant benefits for existing and potential new investors into the region and, by extension, for the issuers participating in AMBIF.

SF1's review showed that the adoption of IFRS varies significantly across ASEAN+3 economies, in terms of approaches and envisaged timeframes. At the same time, most markets have committed to the adoption of IFRS for general financial reporting purposes, not necessarily with specific relevance for the issuance of fixed-income instruments. For easy reference, Table 4.1 in Appendix 4 provides details of the status of adoption of IFRS in ASEAN+3 economies as of September 2013. Research on this subject shows that the overall adoption and implementation of IFRS in ASEAN+3 economies appears to have slowed down.

As a parallel development, ABMF has become aware that regional listing places, or places of issuance, have increasingly begun to accept the use of multiple financial reporting standards in the compilation of disclosure information, both upon

issuance and for continuous disclosure obligations. This appears to be a practical consideration, allowing for both issuer and investor preferences, while giving markets the opportunity to find the financial reporting standard most accepted by the largest number of participants.

Taking these developments into consideration, it remains ABMF's belief that the region's domestic bond markets would significantly benefit from a more unified (or comparable) treatment of financial reporting standards. Issuers would be able to present their disclosure information to multiple markets without loss of time to market and other resulting inefficiencies. Investors would be able to apply their proprietary or proven assessment methodologies to more markets, which could increase their interest and investment horizon. Such benefits appear to be very much in line with ABMF (and ABMI) objectives for the development of the region's bond markets.

Taxation

Addressing taxation related matters is, naturally, beyond the remit of ABMF. At the same time, members and experts recognized in the course of their work the significance of taxation as a topic for the assessment of markets, instruments, and returns by market participants. Hence, taxation is included in this section for the benefit of stakeholders.

Taxation remains one of the most often cited topics for investors and by extension for issuers and even intermediaries as well. The topic of taxation in fact covers two particular subjects: (i) the existence of specific tax types levied on bond market participants; and (ii) the actual application of said taxes, in terms of calculation, payments, and the related documentation procedures.

From an issuer's perspective, taxation has more of an indirect impact on the issuance of securities. Issuers, their agents, and market intermediaries apply and withhold the applicable taxes depending on individual market regulations. But issuers are conscious of the tax rates and concessions applied in the markets since these rates and concessions may influence the interest and commitment of investors in a given market. Hence, issuers have an interest in a tax environment that is conducive to investment.

While the existence of taxes may be considered a cost of doing business by some market participants, others bemoan the influence on market returns and instrument yields. Tax treatment, particularly withholding tax, can have a specific impact on a market's efficiency and can result in higher costs for all participating institutions. This view had originally been identified in the ABMI Group of Experts Report on Market Barriers, published in April 2010.

In the context of AMBIF, consideration of the standardization of such tax treatment, such as the application of a withholding tax on a periodic basis, could lead to potential incentives for investors to choose AMBIF issues. ABMF members and market participants have in discussions touched on the chance to achieve equal trading practices of bonds across markets by regularizing the use of clean or dirty prices during trading, resulting in fair pricing practices for all participants across all markets. Tax treatment has a role to play in this context. Ultimately, to make AMBIF more competitive and successful, consideration could be given to the effective use of privileges such as potential concessions on withholding tax. An example would be a zero-rating of government bond interest for investors based in ASEAN+3 economies, which is already employed in a number of the region's economies.

PricewaterhouseCoopers (PwC) Singapore kindly offered to compile current withholding tax rates and applicable concession information for the reference of ABMF members and experts, policy bodies, regulatory authorities, and other stakeholders. The data on prevailing tax rates for ASEAN+3 government and corporate bonds, applicable concessions, and their conditions is provided as received from PwC Singapore in Appendix 5.

The table shows that tax rates differ across ASEAN+3 markets, as do concessions and their underlying conditions. However, some similarities are apparent. At this point in time, the tax rates and applicable concessions are provided as a matter of record only. ABMF does not intend to draw specific conclusions or recommendations from the available data as part of this report. At the same time, members and other stakeholders are encouraged to engage PwC Singapore with questions and requests for clarification.

Language and Legal Considerations

English language standard. SF1 recognizes that not all economies, regardless of whether their institutions may act as Home Regulator or Host Regulator, would be able to accept and process documentation or issue opinions and assessments in English, or engage in official communications in English with regulatory authorities and market participants. As a result, AMBIF has been designed in a more flexible manner to allow as many economies as possible to participate from the outset.

No unified terminology. While there is no intention to unify terminology across domestic markets, according to ABMF's non-exclusion approach, this context may help highlight the significance of terminology and naming conventions across languages, and the meaning of local language terms in English, in the context of working toward more standardized domestic bond market environments across the region.

Underlying law. At the same time, it is understood that the underlying law of an individual AMBIF issue will influence the language in which submissions and documentation need to be compiled. The underlying law is intended to protect investors in the home market by making disclosure in the national language mandatory, based on the general assumption that securities are publicly offered and sold to retail investors.

In effect, if investors in a particular market are targeted by an issuer, observing the language requirements of that market—as specified in the underlying law—would become a necessary part of doing business. In contrast, issuers who already produce issuance and continuous disclosure documentation may have interest in seeing that such documentation may be re-used for issuances in other markets, since this could save time and costs for the issuer and its agents. On a number of occasions, market participants stated that translation expenses are one of the larger overall issuance expenses.

In light of the focus on professional investors under AMBIF, it is suggested that policy bodies and regulatory authorities consider exempting AMBIF Investors from national language requirements if English is acceptable to them.

Flexibility in governing law. Issuers who issue regularly may have developed good relationships with potential investors from their home market. Now, in case such issuers seek to issue LCY bonds in another jurisdiction, the issuer would probably be keen to place the issued bonds with the established investor base. At the same time, the targeted investors may be only or mostly familiar, and more comfortable, with the laws and regulations of their own jurisdiction. To be able to place such issues with an established investor base, the issuer could seek to have the issue configured on the basis of the laws of its home market.

Necessary legal principles. In the context of attempting to standardize AMBIF Disclosure Documentation, the help of ABMF experts should be solicited to offer recommendations on (i) compliance with necessary legal principles and provisions, such as the governing law; (ii) investor recourse (civil liability of the issuer and agents) as provided in the governing law and related laws and regulations; and (iii) the expression of the necessary selling restrictions in disclosure documents, contracts, other alternatives. At the same time, general provisions stemming from anti-money laundering and fraud prevention considerations should also be reviewed for inclusion.

Minimum legal requirements. Among related legal considerations, it is the private sector's view that the underlying law is clear in principle for ASEAN+3 home and host markets, but still it is typically negotiated among deal participants or often reflects investor preference for international market standards or approaches. Drawing on this, ASEAN+3 governments may have the authority to ask all participants to comply with the respective AMBIF provisions. Here, each economy would have to specify which regulations and rules would need to be maintained under any circumstances.

Developing market practice. On the other hand, AMBIF issuers and investors may continue to have their own preference for the governing law of an AMBIF issue and, quite possibly, the development of AMBIF market practice may become a key factor in deciding this matter.

Credit Rating

SF1 acknowledges that credit ratings are one of the key elements in the assessment of issuers and issues in the eyes of potential investors. Professional investors have on many occasions referred to the lack of suitable credit ratings in ASEAN+3 markets as being problematic. While the financial status of a given issuer and the attractiveness of specific issues may speak for themselves, the requirements from investors for credit ratings are largely driven by their underlying prudential regulations or mandates. Banks and insurance companies may only count bonds of specific (rating) quality among their reserve requirements, and so would naturally focus on selecting portfolio assets accordingly. Likewise, most clients (institutional investors) of asset managers have internal guidelines on credit ratings that managers are expected to follow, regardless of the relative attractiveness of certain securities. This means that asset managers must either get clients to change their guidelines or markets must have more bonds with appropriate ratings.

In order not to make AMBIF too complex and to avoid triggering changes to existing rules and regulations, it is proposed that credit rating requirements be maintained in domestic markets as they are at present. However, SF1 members expect that foreseeable progress in the credit rating system in this region could be made in the near future through continued discussions among policy bodies and regulatory authorities together with credit rating agencies in the region.

Inherent in AMBIF is the ability for well-known issuers to issue bonds in domestic markets to investors with a corresponding investment horizon; this may alleviate the ratings concerns somewhat if issuers and investors know each other, and could potentially lead to more concessions on credit ratings. One possible example is the issuance of AMBIF bonds by ASEAN+3 governments. While sovereign ratings are well established and easily accessible in the public domain, individual issues may not need to carry a rating. This could aid the efforts of developing economies within ASEAN+3

to issue and list or register in any regional market. Already, such sovereign issues have been successfully placed and registered in Thailand, while other regional exchanges and registration places have prescribed such concessions in their listing and registration rules.

Other Considerations

LCY account balances. Other possible concessions could be considered on limitations for holdings of cash account balances in LCY, again for the purpose of investing in AMBIF Instruments only. Funding costs are an integral part of the assessment of costs for bond transactions in ASEAN+3 and any such concessions would have a positive impact and complement the attractiveness of AMBIF as an issuance framework.

FX transactions. Also for consideration are possible concessions for FX transactions, such as the need to observe a real-demand principle when buying LCY to fund securities investments. In order to allow maximum flexibility for any such concessions to be considered and applied, SF1 recommends that an AMBIF definition should not prevent the setting of bilateral concessions among participating markets. It also proposes consideration of the use of specific eligibility criteria to mitigate any potential chances of abuse of these privileges.

Impact on competitiveness. Authorities from a number of existing international bond markets have emphasized the importance of creating a more conducive environment for their participants, including the removal, easing, or streamlining of some of the taxation, FX, and reporting challenges described above. SF1 understands that such discussions may not be within the purview of the ABMF mandate, but believes these topics have a real and discernible influence on the attractiveness of domestic bond markets in the region and, hence, the future competitiveness of AMBIF. SF1 recommends that these discussions be conducted among the relevant stakeholders outside of ABMF, but with a view on the desired success of AMBIF as a regional initiative.

VII. Conclusion

Decision on AMBIF

SF1 recommends that the policy bodies and regulatory authorities that will be involved with the implementation of AMBIF continue with discussions on its implementation based on the proposed concept and components detailed in this report.

SF1 also recommends that the ASEAN+3 policy bodies and regulatory authorities represented in ABMF make a decision on AMBIF on the basis of the proposal contained in this report, or in an amended form still to be determined.

A decision can be detailed in the general concept of AMBIF as a regional bond issuance framework in support of domestic bond market development, the detailed components of AMBIF described herein, and the proposed approaches and solutions put forward for AMBIF implementation.

Recommendation for ABMF Phase 3

In order to bring to fruition the potential benefits inherent in the AMBIF proposal, SF1 recommends the continuation of its work in a Phase 3 that would focus on the implementation of AMBIF and supporting activities, including the consideration of pilot issues in and between participating economies. The SF1 activities proposed for a Phase 3 are detailed in Chapter VIII.

The timeframe for the implementation of AMBIF will depend on the consultation results among regulatory bodies and the readiness of individual markets, issuers, and investors. Although it would be difficult to set a specific date, SF1 hopes for a final agreement on the AMBIF Components by the regulatory bodies to be achieved by the end of 2013 so that implementation could be initiated during the course of 2014, including the consideration of pilot issues.

Stakeholder Participation

To successfully establish AMBIF, the active participation and support of stakeholders—representing the different decision-making entities and participants in fixed-income markets—is vital. Owing to the nature of individual institutions, these contributions would come in different forms as highlighted in this section.

The success of the selected professional markets under the AMBIF proposal in the region will rest on the region's policy bodies and regulatory authorities' involvement and commitment; the maturity of national securities legislation and laws to be applied to investor protection, selling and transfer restrictions, and fair price formation in the capital market; the code of conduct of market participants; and efforts toward the proper functioning of each domestic SRO.

Policy bodies and regulatory authorities. The policy bodies and regulatory authorities will decide on the appropriate markets (or market segments) and are expected to give additional feedback on the viability and qualities of the AMBIF Components and the proposed AMBIF Regulatory Process, given that these authorities are expected to agree on the necessary protocols proposed in this report. Key among the agreements would be the ability to utilize the proposed SCA, with a focus on an expedited regulatory process for the benefit of all participants.

Regulators are also encouraged to consider suitable concessions on selling and transfer restrictions in the primary market for institutions from other participating economies, the ability of foreign issuers to participate in a market if not already so permitted, and the possibility of issuance of bonds in one market's home currency in another host jurisdiction in the future. These considerations are further detailed in Chapter VIII.

Self-regulatory organizations. As delegated authorities, SROs are governing the daily activities and provide both a code of conduct and prescribed market practices in each jurisdiction; all relevant professional market participants are expected to be members of such SROs. Hence, it is important to have SROs participate in AMBIF implementation in both their market governance role, as well as their typical function as an industry association,

using this function to distribute information to the members and channel market feedback to ABMF.

During AMBIF implementation, policy bodies, regulatory authorities, and SROs should be driving potential procedural changes in their respective market, whether directly or by oversight of the respective delegated authorities and market participants. In particular, listing places, such as bond exchanges, and SROs are seen as playing a critical role in this aspect.

Potential issuers. The identification of potential issuers is crucial for the success of AMBIF. Candidates should be made aware of AMBIF as a concept and be invited to give feedback on its characteristics. These activities have already begun. SF1 intends to field a questionnaire by the end of 2013 to gather issuer opinions across certain jurisdictions on practical matters, including those related to documentation.

Potential investors. Likewise, potential investors should be made aware of AMBIF and given the opportunity to lodge feedback on AMBIF Components. In addition to holding an Investor Forum at the 13th ABMF Meeting in Tokyo in July 2013, SF1 will consider creating AMBIF marketing materials once details of the framework have been more firmly established. At the same time, members have used the opportunity of ABMF market visits to share with market participants the objectives, features, and potential benefits of AMBIF. Investors can, thus, organize their investment activities accordingly, including the opening of account relationships and the appointment of necessary intermediaries in domestic markets.

Intermediaries. SF1 also intends to reach out, via its members, to the industry's intermediaries since they may have to accommodate procedural changes as a result of AMBIF, such as establishing intra-regional or correspondent relationships if they are not already in place. In the meantime, the ABMF market visits were used to share with market intermediaries the objectives, features, and potential benefits of AMBIF. Clarifying their legal or regulatory status relative to AMBIF participation in domestic markets may be a task required of all issuers, investors, and intermediaries.

ADB Secretariat and ABMF SF1. ABMF as a member forum and the ADB Secretariat in its role as a coordinator will continue to focus on cooperation

with bond market participants including potential issuers, investors, and intermediaries to collect feedback on AMBIF Components and check the possibility of pilot issues or other mechanisms to implement and enhance AMBIF.

In addition, the ADB Secretariat will increase consultations and discussions with SROs, through the ASEAN+3 SRO Working Group, and with other groups working to support AMBIF, such as ADRB and the Information Platform group, to understand and possibly streamline market practices that can support successful AMBIF implementation.

After reaching a consensus on the AMBIF concept and a decision on the implementation approach and relevant agreements between participating economies, one of the key activities for the ADB Secretariat will be to provide continuous knowledge support to the economies that may not be able to participate in AMBIF during the initial stage. It remains the commitment of ABMF to enable all ASEAN+3 economies to consider joining AMBIF once these economies are sufficiently prepared.

SF1 Work Plan–Remainder of Phase 2

Key among the residual activities in the remainder of ABMF Phase 2 would be the finalization of this report to be published as the *ABMF SF1 Phase 2 Report* and targeted to be released by the end of December 2013. The expected activities include continuous regulatory engagement and receiving feedback from members and experts to improve the quality of the report. This will be followed by editing and layout work prior to publication.

SF1 will continue to work on refining the AMBIF Concept and Components toward actual implementation. With respect to the discussion among regulatory bodies, SF1 will provide additional materials, information, or analysis whenever requested by the regulatory bodies.

On the proviso that policy bodies and regulatory authorities will accept the AMBIF proposal put forward in this report, SF1 should begin to consider how potential investors and issuers should be made aware of AMBIF and given the opportunity to lodge feedback on AMBIF Components. Investors could, thus, organize their investment activities accordingly, including the opening of account relationships and the appointment of necessary intermediaries in domestic markets; issuers could begin to assess proposed AMBIF Markets for funding opportunities and issuing benefits. These activities could commence during the remainder of Phase 2, but would realistically commence in full in Phase 3.

VIII. Next Steps in ABMF Phase 3

This chapter details the potential and necessary steps for ABMF SF1 and its work items in the course of a future Phase 3. At present, an ABMF Phase 3 is under consideration among the relevant stakeholders, with a decision on the continuation of SF1 work on AMBIF expected by the end of 2013.

AMBIF Implementation

Key among the activities for a proposed Phase 3 of ABMF SF1 would be the actual implementation of AMBIF. SF1 foresees a range of necessary activities to be conducted on a step-by-step basis, with close cooperation among the stakeholders represented in ABMF.

Agreement on AMBIF Concept

As outlined in Chapter VII, a prerequisite for AMBIF Implementation would be an agreement among stakeholders, particularly the policy bodies and regulatory authorities in ABMF, on the principles and proposed features of AMBIF. Members would have to conclude that AMBIF should move forward in its proposed form, including the proposed AMBIF Components required at the initial stage, as well as the envisaged AMBIF Regulatory Process.

Key among the expected conclusions would be to identify the appropriate market segments for AMBIF in the respective economies and an agreement on the suitable approaches to the AMBIF Regulatory Process as outlined in Chapter V.

It is envisaged that such an agreement would be documented in an appropriate manner for it to be officially sanctioned. This could range from the official endorsement of a formal AMBIF proposal by each responsible stakeholder to any of the recognition mechanisms between stakeholders currently employed within ASEAN+3. The actual format of such an agreement has not yet been decided and is still being discussed among the regulatory participants in ABMF under the guidance of ABMI TF3.

In addition, members and stakeholders may decide to facilitate some changes to AMBIF based on final discussions in Phase 2. This is entirely desirable, since the intention of ABMF SF1 is to bring AMBIF to market in a form acceptable to all participating stakeholders.

Particular Considerations

It is recommended that in the process of agreeing to the AMBIF proposal the relevant policy bodies and regulatory authorities, and SROs and market

institutions give consideration to a number of particular issues. These considerations may well influence the choice and timing of the form of agreement ultimately decided upon.

Policy bodies and regulatory authorities should consider whether they are able and ready to relax or set aside existing transfer restrictions on non-domestic investors in primary markets. Concessions on such restrictions are regarded as likely having a positive influence on participation in an economy's primary market, and could be stipulated in a manner most agreeable to regulators, such as by investor type or investor domicile. Regulators could also consider what format such concessions would require (e.g., the issuance of a directive or notification to the market).

Another potentially beneficial consideration could be the concession for foreign issuers to participate in an economy's bond market, if not already permitted under existing regulations. Policy bodies and regulatory authorities could decide whether their home market would be ready for such a step that could eventually lead to a harmonization of practices among ASEAN+3 markets.

In the same spirit, one final subject could be included in the deliberations of the policy bodies and regulatory authorities on potential concessions. In discussions in SF1, the issuance of LCY bonds in other ASEAN+3 markets was raised but not discussed in detail. While this topic is clearly seen as a long-term discussion item, since it touches on many separate regulations and policy issues, participating economies could begin to consider this matter in the context of AMBIF implementation and its potential for strengthening regional bond market development.

Multilateral and Bilateral Agreements

Once a conclusion on the AMBIF proposal is reached, the next step requires the participating economies to decide on the form of agreement linking their respective markets. Here, stakeholders would have to conclude on whether a multilateral agreement would be possible and achievable to realize, or whether one or more bilateral agreements would be preferable to initiate the process.

For ease of implementation under a shorter timeframe, SF1 would like to ask stakeholders to consider starting the process with bilateral agreements, if a multilateral agreement cannot be achieved within a reasonable timeframe. One advantage would be that a number of potential country pairs could proceed in parallel if it becomes too difficult or time consuming to conclude a multilateral agreement at the initial stages. In keeping with the basic approaches to AMBIF, any bilateral agreement should include a regional aspect, meaning that such agreements could easily be broadened to include more than two markets, and more than one mode of connecting said markets. At the same time, this would also mean that bilateral agreement should not contain conditions that are in contrast to the AMBIF Components agreed upon among policy bodies and regulatory authorities.

Implementation in Individual Markets

Once AMBIF concepts and the best approach to an implementation are decided upon, the economies participating in the initial adoption would be required to embark on the implementation of AMBIF in their respective markets. A practical approach to AMBIF implementation would be the declaration of a pilot issue.

Among the points to be addressed by the policy bodies and regulatory bodies for the implementation of AMBIF would also be the need to facilitate potential procedural changes in their respective markets, as needed, together with delegated authorities and market participants.

Pilot Issues

With the AMBIF Concept and Components agreed upon, and an approach in place that member economies are ready to pursue, the use of pilot issues would be a practical and beneficial execution method. This would require interested parties from among issuers, investors, intermediaries and, most importantly, regulatory authorities from home and host markets to commit to being the first participants in an AMBIF issuance.

These pilot issues would provide an opportunity to work through existing and future challenges with the pilot participants by discussing and executing,

on a step-by-step basis, the necessary actions required for the issuance of AMBIF Instruments. This may not yield the ultimate anticipated benefits because every step may have to be carried out for the first time in a careful and potentially time-consuming manner.

However, the idea is for market participants, policy bodies, and regulatory authorities to familiarize themselves with the necessary activities and proposed regulatory processes. At the same time, many of the proposed actions under such AMBIF pilot issues would be very similar to the actions regularly carried out by all participants under existing bond issuance avenues. Hence, it is proposed that experienced market participants be considered as issuers and intermediaries for pilot issues, and that they target markets where regulatory authorities already have a certain comfort level with the expected activities.

While errors, delays, and corrections may potentially occur, as with any pilot activity, the resulting experience and comfort gained by all participants would greatly reward the efforts. While adherence to the participating markets' regulations and rules is required, stakeholders should kindly make allowances for the repetition or correction of individual activities that may inadvertently occur.

Adjustment of AMBIF Components and Processes

Realistically speaking, it should be expected that AMBIF pilot issues might generate discussion points for the further refinement of AMBIF. These points could relate to either individual AMBIF Components or the regulatory processes proposed, or both.

The experiences and lessons from pilot issues and the expressions of the comfort level of the participating institutions would be crucial input for ABMF member discussions in a proposed Phase 3, and are expected to guide the development and progress of AMBIF implementation accordingly. The proposed Phase 3 work plan would need to cater to such activities.

AMBIF Disclosure Documentation

Chapter IV contains a number of recommendations for the potential set of disclosure required for the issuance of bonds under AMBIF. These recommendations are based on the compilation of typical bond issuance documents surveyed by ADRB, which was formed in 2013 by market practitioners to complement the efforts of ABMF SF1, with a particular focus on defining the proposed AMBIF Disclosure Documentation.

Update of ASEAN+3 Bond Market Guide

The discussions among ABMF members and experts, as well as the Phase 2 market visit meetings, have resulted in the understanding that many changes have occurred in the regulatory landscape of ASEAN+3 bond markets since the publication of the *ASEAN+3 Bond Market Guide* by ABMF SF1 in April 2012.

Part of the original ABMF SF1 mandate in Phase 1 was to address the persistent information asymmetry with regard to ASEAN+3 bond markets. This objective remains a focus of SF1. Hence, it is proposed to set aside sufficient time in the course of a proposed Phase 3 for activities to update the *ASEAN+3 Bond Market Guide*. In addition to the update of the original *ASEAN+3 Bond Market Guide*, which contained information on 11 economies, ABMF is planning to add new bond market guides for Brunei Darussalam, Cambodia, and Myanmar, which would provide a complete set of guides for all jurisdictions in ASEAN+3.

Proposed Update Process

The compilation of the *ASEAN+3 Bond Market Guide* was a very successful exercise in cooperation between members and experts from both the private and public sectors. Consequently, a large body of work has been created. Since much of the original information—such as legal frameworks, market structures, and institutions—remains valid, the focus will be on adequately reflecting recent bond market developments.

With kind support from ABMF member SWIFT, an updated template has been developed that members are encouraged to use when submitting information on specific developments or changes in their markets. Necessary changes to the guide will be made by SWIFT on the basis of these submissions and then sent for review by the ABMF members, in order to confirm their accuracy.

Once the activities of Phase 2 have come to a conclusion, members and experts will be requested to begin reviewing the original *ASEAN+3 Bond Market Guide* and provide market updates and necessary revisions, preferably by the end of December 2013. This will enable the task of updating the guide to start immediately upon the commencement of the proposed ABMF Phase 3. A publication of the updated *ASEAN+3 Bond Market Guide* is envisaged in the early part of Phase 3, depending on the actual start of Phase 3 activities and the volume of change requests to be processed.

BCLMV Knowledge Support

Knowledge support for the markets of Brunei Darussalam, Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (collectively known as BCLMV) was one of the central activities under ABMF Phase 2. The ADB Secretariat and interested members and experts conducted a number of market visits and knowledge support seminars, in line with the particular needs and expectations of individual markets. It is recommended that knowledge support activities be continued in Phase 3 to build on the foundation laid in Phase 2.

At the same time, the continuation of BCLMV knowledge support in the proposed ABMF Phase 3 will depend on participating markets' specific requests for further support activities, and the amount of time to be set aside by AMBIF for such activities.

In any case, SF1 proposes for the ADB Secretariat and ABMF members from BCLMV economies to compile individual bond market guides based on available information on existing practices and future market developments as part of the proposed ABMF Phase 3 output.

Increasing Convergence of SF1 Activities

One of the most significant findings by the ADB Secretariat in writing this report and outlining potential activities for a proposed ABMF Phase 3 is the realization that the proposed activities are increasingly converging toward the development of domestic bond markets in the region. While some ASEAN+3 economies may choose not to participate in AMBIF at its inception, due to their level of market development, these markets will nevertheless remain party to the ongoing discussions in SF1. It remains the commitment of ABMF that all markets will continue to receive the support necessary in making decisions on ABMF proposals. This will undoubtedly lead to improvements in individual bond market environments, regardless of whether an economy participates in AMBIF from the beginning, at a later stage, or not at all.

The same is valid with regard to BCLMV knowledge support activities. With two successful rounds of general and topical support activities completed, ABMF can now focus on the individual needs of each economy. This support for BCLMV economies could ultimately translate into the eventual joining of the AMBIF framework at a later stage, if an economy so decides, while presently focusing on the immediate needs and development of each market. In this context, the creation of additional bond market guides for the BCLMV economies will help address information asymmetry and improve perceptions about these markets while presenting these markets to new groups of issuers, investors, and intermediaries.

The continuous efforts to standardize and streamline bond issuance documentation and the expected lessons and experiences from pilot issues across AMBIF Markets will benefit all economies and allow a further refinement of the support for domestic bond markets. Such advances in regional bond markets would then be communicated to the investor and issuer universes through the bond market guides that, in turn, could lead to more feedback from market participants and stakeholders on how to further improve the markets. This feedback loop will be an important step on the path to developing ASEAN+3 domestic bond markets in line with the mandate bestowed by ABMI and the ASEAN+3 Finance Ministers.

Appendixes

Appendix 1: Proxy Approach

Reference is made to this appendix in Chapter V.

Proxy Approach or Proxy Regulatory Process Concept as a Common Goal

From the perspective of AMBIF as a framework that benefits domestic bond markets, the concept of a Proxy Regulatory Process makes sense. Proxy Regulatory Process stands for the ability to have any one regulator or delegated authority (e.g., a listing place or SRO) within the participating markets to establish the regulatory process of a bond issuance for all participating markets.

Such a concept does not currently exist in ASEAN+3, although it would realize significant time and, ultimately, cost savings. However, a Proxy Regulatory Process would mean that regulators or delegated authorities would have to bring regulators or delegated authorities in another market into their own regulatory and decision-making processes.

Through significant discussions in ABMF, members recognized that this is not an easy suggestion, but would nevertheless like to position this concept as a common goal. Ultimately, one regulatory process of issuing AMBIF Instruments by AMBIF Issuers in one of the AMBIF Markets should be considered valid; hence, resulting in a Proxy Regulatory Process for all AMBIF Markets, that will move toward a single regulatory process over time.

While such a Proxy Regulatory Process is the ultimate goal, an intermediate approach is required for the implementation of AMBIF. SF1 recognizes that only some regulatory authorities, which may be defined as “light touch” regimes, would be able to accommodate a concept similar to a Proxy Regulatory Process at this point in time.

Most of the region’s regulatory authorities will need to comply with their own economies’ respective statutory requirements (e.g., demands for physical signature or filing), or establish a basis for future civil liabilities and the need for issuer representation in their jurisdictions.

Adjusted Proxy Approach may be referred to as the Expedited Regulatory Process

As a result, ABMF SF1 decided to introduce an adjusted proxy approach based on the most suitable, available public policy processes across the region’s various jurisdictions. For the purposes of AMBIF, it may be referred to as the Expedited Regulatory Process.

With this Expedited Regulatory Process, savings on regulatory processing time and, hence, offering costs should be realized in participating markets at the inception of AMBIF.

Appendix 2: Substituted Compliance

Reference is made to this appendix in Chapter V. The Expedited Review Framework preferred by ABMF SF1 includes an example that has already been implemented in the financial industry in Asia, known as Substituted Compliance, which is detailed below for reference.

Substituted Compliance

The term Substituted Compliance has appeared as recently as December 2012 in the Joint Press Statement of Leaders on Operating Principles and Areas of Exploration in the Regulation of the Cross-Border OTC Derivatives Market.²¹ Here, Leaders refers to the heads of regulatory authorities charged with the supervision of OTC derivatives. Participating from ASEAN+3 were Hong Kong, China's Securities and Futures Authority (SFA); the Financial Services Authority (FSA) of Japan; and the Monetary Authority of Singapore (MAS).

Substituted Compliance refers to the acceptance among regulatory authorities of incorporating the regulatory process of a regulator from another market for actions in one's own market.

While specific to OTC derivatives in this case, the Substituted Compliance concept is seen as potentially applicable guidance for the purpose of the AMBIF Regulatory Process, due to its key areas of understanding among the regulatory authorities.

In the referenced joint statement, the participating authorities committed to reduce regulatory uncertainty and provide markets with sufficient clarity on laws and regulations by avoiding, to the extent possible, the application of inconsistent or conflicting rules, and minimizing duplicative rules.

Regulators agreed that a complete harmonization would be difficult as it would require overcoming individual jurisdictions' differences in law, policy,

markets and implementation timing, and take into account the unique nature of the individual jurisdictions' legislative and regulatory processes.

It was clear to the participants that national authorities have the ultimate responsibility to protect against all sources of risk in their markets, and that the statutory and regulatory requirements of each jurisdiction are core components of each market. SF1 has come to a similar understanding while discussing AMBIF and its proposed processes.

Among the authorities participating in the joint statement, there is a principal agreement to attempt to ensure that relevant supervisory authorities should enter into supervisory cooperation arrangements with relevant supervisory authorities in other markets—by using the model supervisory cooperation arrangement adopted by the International Organization of Securities Commissions (IOSCO) as a guide—and to enter into bilateral enforcement cooperation arrangements based on either the IOSCO Multilateral Memorandum of Understanding (MMOU) or by entering directly into an IOSCO MMOU.

A quote from the joint statement reads: "The regulators recognize that entering into, and abiding by, supervisory and enforcement cooperation arrangements should facilitate effective coordination in implementing recognition, substituted compliance, and registration categories and exemptions approaches." This is where the term Substituted Compliance has been borrowed from for the purposes of explaining the concept for the AMBIF Regulatory Process.

Once one of the authorities decides on a certain treatment of a product (e.g., OTC derivatives), each of the other regulators would, in turn, consider the same treatment while taking into account the characteristics of each domestic market in accordance with the applicable determination processes in the respective legal regime. These are agreements that are seen as being either necessary or complementary to the planning and implementation of AMBIF.

²¹ Full statement available at <http://www.cftc.gov/PressRoom/PressReleases/pr6439-12>

Appendix 3: AMBIF Documentation Recommendation Board (ADRB) on AMBIF Disclosure Items on Information Memorandum and Program Information

Initial Recommendation for Core AMBIF Disclosure Items on Information Memorandum and Program Information

Program Information
• Notes to Investors (1-6)
• Securities Information <ul style="list-style-type: none"> I. Terms and Conditions of Primary Sale or Distribution to AMBIF Investors II. Other Matters
• Corporate Information <ul style="list-style-type: none"> I. Outline of Company II. Financial Information
• Information on Guarantor
• Events of Default
• Others
Notes on Preparation of AMBIF Disclosure

Regulator(s) and/or the designated authority in each jurisdiction should, in advance, consider whether to include the following points in the Program Information:

- Minimum disclosure in some markets may differ from (or be more than) the following initial ADRB recommendation.
- The law can or cannot accept exclusion of responsibility or liability from issuers or its officers.
- Disclosure information as specified by regulator(s) and/or the designated authority should be submitted in physical form and/or by electronic means, as may be required by applicable regulations of the relevant jurisdiction, meaning that such information may not be provided only

by way of referring to a particular filing place or website.

Program Information (*1)

- Type of Information: Program Information
- Date of Announcement (DD/MM/YY):
- Issuer Name:
- Name and Title of Representative / CEO / CFO:
- Address of Head Office:
- Contact Person in the listing / registration / filing place:
- Telephone:
- Type of Securities:
- Scheduled Issuance Period: (*2)
- Maximum Outstanding Issuance Amount: (*3)
- Address of Website for Announcement:
- Listing / Registration / Filing Place(s):
- Governing law(s):
- Others:
- Notes to Investors:

1. AMBIF Market is a market for AMBIF Investors. Bonds listed on / registered with / filed with the [AMBIF Section of each designated AMBIF bonds listing / registration / filing place in ASEAN+3] ("Listing / Registration / Filing Place" and "Listed Registered Bonds") may involve high investment risk. AMBIF Investors should be aware of the listing registration eligibility and timely disclosure requirements that apply to issuers of Listed/Registered Bonds on the Listing Registration Place such as (Brunei Darussalam, _____; Cambodia, _____; the People's Republic of China, _____; Hong Kong, China, The Hong Kong Stock Exchange; Indonesia, Indonesia Stock Exchange; Japan, Tokyo Pro-Bond Market AMBIF Section; the Republic of Korea, _____; Lao PDR, _____; Malaysia, Bursa Malaysia Berhad; Myanmar, _____; the Philippines, Philippine Dealing and Exchange Corp.; Singapore, Singapore Exchange Limited; Thailand/Thai Bond Market Association; and Viet Nam, Hanoi Stock Exchange) and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective AMBIF Investors should make investment decisions after having carefully considered the contents of this Program Information.

2. Where this Program Information contains (i) any false statement on important matters, or (ii) lacks information on: (a) important matters that should be stated therein or (b) a material fact that is necessary to make the information not misleading, a person who, at the time of providing this Program Information, is an officer (meaning an officer stipulated in [in case of (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: for Tokyo Pro-bond listed bonds, Article 21, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (the "Act") (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikei-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these, the Republic of Korea, _____; Lao PDR, _____; Malaysia, _____; Myanmar, _____; the Philippines, _____; Singapore, _____; Thailand, _____; and Viet Nam, _____)] of the Issuer that provided the Program Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provisions of [in case of (Brunei Darussalam, _____; Cambodia, _____; the People's Republic of China, _____ Hong Kong, China, _____; Indonesia, _____; Japan, Tokyo Pro-bond listed bonds; Article 21, Paragraph 1, Item 1 of the Act applied mutatis mutandis in Article 27-33 of the Act and Article 22 of the Act applied mutatis mutandis in Article 27-34 of the Act; the Republic of Korea, _____; Lao PDR, _____; Malaysia, _____; Myanmar, _____; the Philippines, _____; Singapore, Part VII, Subdivision 3, Article 137G onward of the Securities and Futures Act (SFA), Chapter 289 of the Laws of Singapore; Thailand, Securities and Exchange Act B.E. 2535 (SEC Act), and Viet Nam, _____)].

However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information. Notwithstanding the above, the statutory liability of the issuer or an officer of

the issuer may not be excluded in, for example, Thailand or any other jurisdictions where the issuer or its officers shall be liable for the accuracy and completeness of disclosure documents under every circumstance without any exemption. (Note: This kind of specific issuer's liability in the related jurisdictions should be stated clearly.)

3. The regulatory framework for an AMBIF Market may potentially differ from the regulatory framework applicable to other (exchange) markets in ASEAN+3. At the same time, disclosure requirements for an AMBIF Market may be augmented by prevailing regulations, such as in the form of minimum disclosure requirements. AMBIF Investors should be aware of the rules and regulations of the AMBIF Market, which are expected to be available on, e.g., a market specific website, such as the proposed Information Platform.
4. Any Listing / Registration / Filing Place does not express opinions or issue guarantee or assurance regarding the content of the Program Information (including but not limited to, to the effect that the Program Information does not (i) include any false statement or (ii) fail to state: (a) important matters that should be stated therein or (b) a material fact that is necessary to make the information not misleading) and shall not be liable for any damage or loss arising from or in connection with the false statement or lack of information in the Program Information.

(Note: In case the above statement may not be acceptable in any jurisdiction; some may require reference to, for example, gross negligence, and those specific descriptions should be listed here one by one.)

5. Where this Program Information (in case for (Brunei Darussalam, _____; Cambodia, _____; the People's Republic of China, _____; Hong Kong, China; _____, Indonesia; _____, Japan: Tokyo Pro-Bond Market AMBIF Section; excluding Program Information concerning securities enumerated in each item of Article 3 of the Act, Republic of Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____) comes to include information regarding matters listed in this Form pursuant to [(Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong,

China;_____, Indonesia;_____, Japan: Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities(hereinafter referred to as the "Special Regulations") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc.), Republic of Korea;_____, Lao PDR;_____, Malaysia;_____, Myanmar;_____, Philippines;_____, Singapore;_____, Thailand;_____, Viet Nam;_____)], the Program Information shall constitute (Brunei Darussalam;____, Cambodia;____, PRC;____, Hong Kong, China;____, Indonesia;____, Japan: Specified Securities Information [stipulated in Article 27-31, Paragraph 1 of the Act], Republic of Korea;____, Lao PDR;____, Malaysia;____, Myanmar;____, Philippines;____, Singapore;____, Thailand; Short Registration Statement [pursuant to minimum disclosure requirement stated in Section 69-70 of the SEC Act], Viet Nam;_____).

6. The following information shall be given if the Listing / Registration / Filing Place is

Brunei Darussalam: _____
Cambodia: _____
People's Republic of China: _____
Hong Kong, China: _____
Indonesia: _____
Japan: Status of Submission of Annual Securities Reports or Issuer Filing Information: (*J-1) _____
Republic of Korea: _____
Lao PDR: _____
Malaysia: _____
Myanmar: _____
Philippines: _____
Singapore: _____
Thailand: _____
Viet Nam: _____.

Securities Information (*4)

I. TERMS AND CONDITIONS OF PRIMARY SALE OR DISTRIBUTION TO AMBIF INVESTORS

I-1 Corporate Bonds to be Newly Issued

- (1) Conditions of Bonds
- (2) Credit ratings for the Bonds

The Issuer will / will not obtain ratings with respect to the Bonds to be listed on XXX from ("Rating Agency")

I-2 Underwriting of Corporate Bonds and Entrustment of Bond Administration (*4)

- (1) Lead underwriter/arranger
- (2) Appointment of Trustees or equivalent or Fiscal Agent

I-3 Use of Proceeds from sale of Securities

- (1) Amount of Proceeds from sale of Securities
- (2) Use of Proceeds and Timing of Disbursement

I-4 Issuing Place(s)

[Brunei Darussalam; Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; Japan: Tokyo Pro-Bond Market; the Republic of Korea; Lao PDR; Malaysia; Myanmar; the Philippines; Singapore; Thailand; and Viet Nam.]

I-5 Governing Law

I-6 Others

- (1) Taxation
 - Prospective purchasers of the bonds are advised to consult their own tax advisors
 - Taxation in ASEAN+3
 - Taxation in other relevant countries or economies
- (2) Foreign exchange
- (3) Risk factors
 - General risk factors
 - Risk factors relating to the bonds
- (4) Selling restrictions
 - Bond shall not be distributed to non-AMBIF Investors in ASEAN+3 including Issuer's Home and Host Countries

II. OTHER MATTERS

(1) Credit ratings for the Program

- As of the date of filing of this document, in respect of the Program under which the Bonds are to be issued by the Issuer, a rating of [] from ("Rating Agency") has been assigned. [Description on rating methods follows, if applied]

(2).....

Corporate Information (*5)

I. OUTLINE OF COMPANY

Documents Incorporated by Reference, or Documents for Reference but not incorporated in this documents, or Actual documents where incorporation by reference is not permitted by law
 I-1 Trends of Key Management Indicators, etc.
 I-2 Contents of Business
 I-3 Status of Affiliates

II. FINANCIAL INFORMATION

Consolidated Financial Statements, etc.

- (1) Consolidated Financial Statements (*J-1)
 - (i) Consolidated Balance Sheet
 - (ii) Consolidated Income Statement and Consolidated Comprehensive Income Statement, or Statement of Consolidated Income and Comprehensive Income
 - (iii) Consolidated Statement of Changes in Shareholders' Equity
 - (iv) Consolidated Cash Flow Statement
 - (v) Consolidated Ancillary Statement
 - (vi) Independent Auditor's Report
- (2) (Description of Major Assets and Liabilities)
- (3) Other Matters
 - Subsequent events
 - Litigations

Information on Guarantor

Events of Default

Others

The following information shall be given if the Listing / Registration / Filing Place is

Brunei Darussalam: _____

Cambodia: _____

PRC: _____

Hong Kong, China: _____

Indonesia:- _____

Japan: MATTERS RELATED TO OTHER SECURITIES ISSUED BY THE ISSUER (*J-2) _____

Republic of Korea: _____

Lao PDR: _____

Malaysia: _____

Myanmar: _____

Philippines: _____

Singapore: _____

Thailand: _____

Viet Nam: _____.

NOTES ON PREPARATION OF AMBIF DISCLOSURE

(*1) General Matters

This Form can be used either as disclosure for the bonds issued under the Program or for discrete AMBIF bond issuance.

These matters present general standards for matters to be described and notes on preparation. If there are unavoidable circumstances which result in difficulty to comply with the standards, it is permissible to provide description in accordance with the legal systems, accounting / financial reporting standards (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: limited to the accounting standards stipulated in Rule 209, Paragraph 5 of the Special Regulations, Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____), and business practices of the Home Country on an as-needed basis and to the extent that AMBIF Investors are not misled.

Matters that are not included in these notes on preparation shall be described in accordance with the notes on preparation for (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: Form 8 of Tokyo Pro-bond, Republic of Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____). When the Program Information is described in Home language (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: Japanese, the Program Information shall be described in accordance with the matters to be described and these notes on preparation, Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____).

The matters described in the Program Information in accordance with this Form and the matters described in the (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: Securities Information (Supplementary) in accordance with Form 8 will comprise the contents of Specified

Securities Information stipulated in Article 27-31, Paragraph 1 of the Act., Republic of Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____).

(*2) Scheduled Issuance Period

The Scheduled Issuance Period shall be [number of] year(s).

(*3) Maximum Outstanding Issuance Amount

The Maximum Outstanding Issuance Amount shall mean the total issuance value of securities or total sale value of securities in solicitation for purchase/sale from AMBIF investors. under the Program (in cases where the Program is renewed, including the total issuance value or total sale value of securities regarding the Program Information before the renewal.). Renewal of a Program refers to cases where an issuer who has conducted a Program listing submits new Program Information for which the Scheduled Issuance Period starts on the day immediately following the last day of the Scheduled Issuance Period stated in the previous Program Information without changing the type of securities to be issued.

(*4) Securities Information 1-2 (1)

All or part of the matters to be described may be omitted except for the name of the Lead underwriter / arranger, which will underwrite the securities. In cases where the Lead underwriter / arranger, who concludes an underwriting agreement with the Issuer, is yet to be decided, the name of the Lead underwriter / arranger, which is scheduled to conclude a underwriting agreement with the Issuer, shall be given.

(*5) Corporate Information

An issuer can chose one of the four methods of describing as set forth below:

- i. Fully describe corporate information
- ii. Specify the documents and places where AMBIF Investors are able to access the documents and make them as Documents Incorporated by Reference
- iii. Not make such documents as Documents Incorporated by Reference, provided the Issuer discloses English Information in the Home Country.
- iv. Combination of above i), ii) and iii)

(*6) Special rules in the case of a Multi-Issuer Program

In case where more than one issuer jointly submits Program Information pursuant to the (Brunei Darussalam; _____, Cambodia; _____, PRC; _____, Hong Kong, China; _____, Indonesia; _____, Japan: provisions of Rule 206, Paragraph 5 of the Special Regulations, Republic of Korea; _____, Lao PDR; _____, Malaysia; _____, Myanmar; _____, Philippines; _____, Singapore; _____, Thailand; _____, Viet Nam; _____), matters to be described in "Issuer Name", "Name and Title of Representative", "Address of Head Office", "Telephone", and "Contact Person" shall include description on each of the multiple issuers.

Description in "Maximum Outstanding Issuance Amount" shall be the total of the maximum outstanding issuance amounts of such multiple issuers for the planned Issuance Period.

"Consolidated Financial Statements, etc." of each of such multiple issuers shall be described at the end of "Corporate Information, II. Financial Information."

(*7) Others

The following information shall be given if the Listing / Registration / Filing Place is

Brunei Darussalam: _____

Cambodia: _____

PRC: _____

Hong Kong, China: _____

Indonesia: _____

Japan: _____

(*J-1) Status of Submission of English Annual Reports or Issuer Filing Information

In case Issuer has continuously disclosed English Annual Reports which contain consolidated financial statements with independent auditor's reports, the Issuer may state such fact and how AMBIF Investors can access such Annual Reports, e.g. in the form of a web address. In this case Consolidated Financial Statements may be omitted.

(*J-2) Matters related to Other Securities

In case where Issuer submits the Program Information regarding securities enumerated in each item of (Brunei Darussalam;____, Cambodia;____, PRC;____, Hong Kong, China;____, Indonesia;____, Japan: Article 3 of the FIEA, Republic of Korea;____, Lao PDR;____, Malaysia;____, Myanmar;____, Philippines;____, Singapore;____, Thailand;____, Viet Nam;____) descriptions in Matters related to Other Securities of this Form may be omitted.]

Republic of Korea: _____
 Lao PDR: _____
 Malaysia: _____
 Myanmar: _____
 Philippines: _____
 Singapore: _____
 Thailand: _____
 Viet Nam: _____.

Note: ADRB would like to highlight that this documentation recommendation is as of December 2013 and is expected to constantly evolve in the near future on the basis of input from market experts and the experiences from anticipated pilot issues.

Appendix 4: Financial Reporting Standards

Table 4.1: Status of IFRS Adoption across ASEAN+3 Economies

Market	Type of IFRS Adoption	Additional Comments
People's Republic of China (PRC)	PRC has adopted national accounting standards that are substantially converged with IFRS.	The Chinese Accounting Standards for Business Enterprises (ASBEs) issued in February 2006 were substantially converged with IFRS, which was recognized in the Joint Statement of CASC Secretary-General and IASB Chairman signed in November 2005. Based on the Roadmap for Continuing Convergence of Chinese Accounting Standards for Business Enterprises with International Financial Reporting Standards released by the Ministry of Finance in April 2010, the ASBEs will be revised and improved in accordance with the revision and improvement of IFRS, in order to continue convergence of the ASBEs with IFRS.
Hong Kong, China	Hong Kong Financial Reporting Standards (HKFRS) have been fully converged with IFRS for annual reporting periods commencing from 1 January 2005.	HKFRS contain wording identical to the equivalent IFRS except that the transitional provisions in a few standards that were converged initially with effect from 1 January 2005 were changed to provide the transition from the requirements in the previous HK GAAP. Since 1 January 2005, all HKFRS issued have the same IFRS effective dates and transitional provisions.
Indonesia	IFRS can be considered partially converged with Indonesian GAAP.	<p>Indonesia's stated policy is to maintain its national GAAP and converge it gradually with IFRS as much as possible. Indonesia does not have a plan or timetable for full adoption of IFRS.</p> <p>The general approach taken by Indonesia with regard to the IFRS convergence process is to gradually converge the local standards with IFRS, starting with minimizing the significant differences between the two. As of 1 January 2012, the local standards applied in Indonesia (called Indonesian Financial Accounting Standards) are based on IFRS that were effective at 1 January 2009 with some modifications. The next step would be to continue with the convergence process, in particular:</p> <ul style="list-style-type: none"> ● consideration of recent amendments; ● analysis of the relatively new standards, such as IFRS 9 to 13 and consider whether to adopt them; and ● analysis of recent IFRS exposure drafts. <p>Indonesia intends to analyze the readiness of industry and other constituents in implementing the first wave of standards resulting from the convergence process before developing the next wave of new standards. Indonesia aims to provide a sufficient transitional period of three to four years for new standards while minimizing any gaps between the effective dates of new IFRS and new Indonesian standards.</p> <p>(Indonesia partially adopt IFRS, evidence: Rule number VIII.G.7 regarding Presentation And Disclosure Of Issuer Or Public Company Financial Statement, applied on Financial Report ended on or after 31 December 2012.)</p>

Continued on next page

Table 4.1 continued

Market	Type of IFRS Adoption	Additional Comments
Japan	Voluntary application of IFRS for consolidated financial statements by companies that meet certain criteria has been permitted since March 2010.	<p>As of the end of May 2013, 20 companies are using IFRS or publicly announced their decision to use IFRS voluntarily, out of approximately 3,600 companies listed on the stock exchanges in Japan.</p> <p>Companies may voluntarily use IFRS if they meet all of the criteria 1 through 4 outlined below:</p> <ol style="list-style-type: none"> 1. Shares issued by the company shall be listed on a securities exchange in Japan. 2. The company shall disclose in its Annual Securities Reports information regarding specific efforts to ensure appropriateness of its consolidated financial statements. 3. The company shall allocate executives or employees with ample knowledge about Designated IFRS [defined below] and has in place a structure that enables it to properly prepare consolidated financial statements in accordance with Designated IFRS; and, 4. The company, its parent, a related company, or the parent of the related company shall either: <ol style="list-style-type: none"> (i) disclose under laws and regulations of a foreign jurisdiction periodically as required thereby, documents on its business conditions prepared in accordance with IFRS; or (ii) disclose under rules set by a foreign security exchange markets periodically as required thereby, documents on its business conditions prepared in accordance with IFRS; or (iii) own a foreign subsidiary whose capital is equal to or exceeds the equivalent of two billion Japanese yen. <p>(Source: Revised Cabinet Office Ordinances issued by the FSA on 11 December 2009.)</p> <p>'Designated IFRS' are IFRS that have been endorsed by the Commissioner of the Financial Services Agency. To date, all IFRS have been so designated prior to their effective dates.</p> <p>Reconciliations between the consolidated financial statements prepared in accordance with Designated IFRS and Japanese GAAP are not required. However, companies that apply Designated IFRS are required to disclose Japanese GAAP financial information corresponding to the current and previous year only in the first year of IFRS application. In addition, disclosure is required of the major differences between IFRS and Japan GAAP for the current and previous year; this requirement is not only in the first year of IFRS application.</p>
Republic of Korea	The Republic of Korea has already adopted IFRS for all listed companies and some unlisted companies.	<ol style="list-style-type: none"> 1. All listed companies on the Korea Exchange are required to apply IFRSs. This includes companies that intend to have their stock listed during the year or next year.

Continued on next page

Table 4.1 continued

Market	Type of IFRS Adoption	Additional Comments
		2. IFRS are required for financial institutions whether or not their securities are publicly traded (including banks, insurance companies, financial holding companies, credit card companies, investment traders, investment brokers, collective investment business entities, and trust business entities) and state-owned companies. However, application of IFRS to mutual savings banks has been deferred until annual periods beginning on or after 1 January 2016.
		3. All other unlisted companies are permitted to apply IFRS at their choice. If they do use IFRS, there is no requirement to reconcile to Korean GAAP.
		4. The IFRSs that the Republic of Korea has adopted are referred to as IFRS since there is no carve-out or modifications.
		Unlisted companies may opt to apply IFRS.
Malaysia	Malaysia has already adopted IFRS for all or some companies.	In August 2008, the MASB announced its plan to converge with IFRS in 2012. See: http://www.masb.org.my/index.php?option=com_content&view=article&id=1239:malaysias-convergence-with-ifrs-in-2012&catid=24:press-release-2008&Itemid=37
		In November 2011, the MASB issued the MFRS Framework which is Malaysian Financial Reporting Standards (MFRS) that are word-for-word in agreement with all IFRS in effect as of 1 January 2012. Moreover, MASB's plan is to maintain the identity of MFRS and IFRS going forward by adopting all new or amended IFRS.
		Financial statements that have been prepared in accordance with the MFRS are required to include an explicit and unreserved statement of compliance with IFRS. For the press announcement on the MFRS Framework, please see:
		http://www.masb.org.my/index.php?option=com_content&view=article&id=1659:masb-issues-internationally-compliant-accounting-framework-and-new-frss-19-november-2011&catid=66:press-release-2011&Itemid=37
Philippines	Philippine Institute of Certified Public Accountants on Philippines Financial Report Standards (PFRS)	PFRS are currently fully converged with IFRS except for the deferral of IFRIC 15 Agreements for the Construction of Real Estate..
Singapore	Singapore has adopted most, but not all, IFRSs and has made several modifications to the IFRSs that it has adopted. The standards are known as Singapore Financial Reporting Standards (SFRS).	Singapore started the process of aligning SFRS closely with IFRS in 2002. The ASC has also adopted a plan for full convergence of SFRS with IFRS. However, the timeline for this full convergence has not yet been announced.

Continued on next page

Table 4.1 continued

Market	Type of IFRS Adoption	Additional Comments
Thailand	Thai Financial Reporting Standards (TFRS) are substantially converged with IFRS.	<ul style="list-style-type: none"> – Thai Financial Reporting Standards (TFRS) are based on IFRS that were effective at 1 January 2009 except agriculture, insurance contract and financial instruments. Federation of Accounting Professions is in process to converge TFRS with IFRS that were effective at 1 January 2012 and TFRS will be applied in 2014-2016. – TFRS are required for public interest entities and permitted for non-public interest entities.
Viet Nam	Viet Nam currently uses Vietnamese accounting standards (VAS).	<p>Vietnamese accounting standards (VAS) diverge in important respects from IAS in particular by the use of cost, as opposed to fair value, accounting methodologies. These accounting standards (VAS) apply to all companies, including listed and unlisted public companies. For listed companies or companies that offer to foreign investors who desire to use IFRS, Viet Nam requires the disclosure of both accounting methods (VAS and IFRS) and reconciliation between them.</p> <p>Viet Nam has been proposing a roadmap and timeline for convergence to international accounting standards for the set of companies determined to be appropriate in coming years then gradually applying to the whole economy.</p>

Sources: IFRS Foundation and IASB; for the Philippines: Website of Philippine Institute of Certified Public Accountants on Philippines Financial Report Standards (PFRS); for Thailand: TH-SEC, Viet Nam: FSAP-IMF.

Appendix 5: Taxation

Table 5.1: Withholding Tax Rates on Interest from Fixed-Income Securities and Applicable Concessions in ASEAN+3 Economies

Market	Type of Bonds	Withholding Tax on Interest from Fixed Income Securities	
		Withholding Tax Rate (%)	Remarks
People's Republic of China (PRC)	Government	Exempt	Interest income from PRC government bonds issued by the Chinese Ministry of Finance is specifically exempt from the PRC income tax. However, the tax exemption would not be granted automatically. It is necessary to apply for the corporate income tax exemption for the interest income with the responsible tax bureaus.
	Corporate	10	The PRC income tax law imposes 10% withholding tax (WHT) on interest income received by non-Chinese-resident foreign investors without a Chinese permanent establishment from debt securities listed on Chinese securities exchange.
Hong Kong, China	Government	N.A.	Hong Kong, China does not impose WHT on interest payments to non-residents.
	Corporate	N.A.	
Indonesia	Government	20	The normal WHT rate on bond interest paid to non-residents is 20%. For investors domiciled in countries that have tax treaty agreements with Indonesia, tax treaty benefits may apply. Lower WHT on interest is due for (corporate and government) bonds purchased by Mutual Funds, i.e. 5% from 2014 until 2020 and 10% starting from 2021 onwards. In addition, WHT on interest is due on capital gain from the difference between the selling price and the acquisition price of the bonds. This WHT is due on a per transaction basis (i.e. on settlement date or on maturity date).
	Corporate	20	
Japan	Government	0 / (15)	The WHT rate on bond interest paid to non-residents is generally 15%. However, interest on a Japanese government bond, which adopts the book-entry system, is exempted from Japanese WHT under certain conditions (*1/2).
	Corporate	0 / (15)	The WHT rate on bond interest paid to non-residents is generally 15%. However, corporate bonds which adopts the book-entry system, is exempted from Japanese WHT under certain conditions (*1). Also, interest on bonds issued outside of Japan on which the coupon is paid outside of Japan, is exempted from Japanese WHT under certain conditions (*2).
Republic of Korea	Government	0 / 15.4	Interest payments on government bonds is subject to 15.4% WHT. The WHT on interest may be exempt if the bond is issued outside of the Republic of Korea to foreign investors without permanent establishment in the Republic of Korea.
	Corporate	0 / 15.4	Interest payments on corporate bonds is subject to 15.4% WHT. The WHT on interest may be exempt if the bond is issued outside of the Republic of Korea to foreign investors without permanent establishment in the Republic of Korea.
Malaysia	Government	Exempt	Interest is normally subject to WHT of 15%. However, WHT exemption applies if the interest is paid to a foreign investor on the following bonds: (i) securities issued by the Government; (ii) Islamic securities or debentures issued in Malaysian ringgit, other than convertible loan stock, approved by the Securities Commission; or (iii) foreign currency (non-convertible) Islamic bonds approved by the Securities Commission.
	Corporate	0 / 15	
Philippines	Government	30	Generally, interest income derived by a non-resident foreign corporation (NRFC) from government debt securities or corporate bonds is subject to final WHT (FWT) rate of 30%. However, interest income derived by NRFC from foreign loans is subject to 20% FWT.
	Corporate	30	

Continued on next page

Table 5.1 continued

Market	Type of Bonds	Withholding Tax on Interest from Fixed Income Securities	
		Withholding Tax Rate (%)	Remarks
Singapore	Government	Exempt	Exempt from tax for Singapore government securities issued during the period 28 February 1998 to 31 December 2018.
	Corporate	Exempt / 15	Exempt from tax for qualifying debt securities; otherwise 15% assuming the interest is not derived from trade or business in Singapore and not effectively connected with a Singapore permanent establishment of the non-resident bondholder.
Thailand	Government	Exempt / 15	The WHT exemption applies on interest earned by non-resident corporate entities from bonds issued by the Government or from financial institutions organized under a specific law of Thailand for the purpose of lending money to promote agriculture, commerce, or industry. Interest from bonds issued by Government enterprises will be exempt from Thailand WHT if it relates to interest from bonds issued prior to and acquired by the holder before 13 October 2010. Otherwise, WHT of 15% will apply.
	Corporate	15	
Viet Nam	Government	5	Interest payment to non-residents (for both government and corporate bonds) is subject to 5% corporate income tax rate (from 01 March 2012) and exempt from value added tax. Exceptions (i.e. exempt from WHT) are given to some exempted Government bonds (e.g. bonds issued for education and health care projects) which will be specified at the time of issuance.
	Corporate	5	

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Notes:

1. The conditions for bonds which adopt the book-entry system are (i) interest payments, principal repayments, and all redemption premiums must be transacted through the book-entry system applicable to book-entry bonds; and (ii) the application form must be submitted by the bond holder via the book-entry system to the relevant financial custodial agent prior to each payment of interest under the bonds.
2. The conditions for bonds issued outside of Japan that adopt the non-Japanese book-entry system are (i) bonds must be issued outside of Japan to a non-resident investor; (ii) interest payments, principal repayments, and redemption premiums must be paid to the bond holder by an offshore payment agent; and (iii) the application form must be submitted by the bond holder to the paying agent prior to each payment of interest under the bonds.
3. The above comments pertain to corporate tax rates applicable to interest for government and corporate bonds for the respective countries. These withholding tax rates may be reduced or eliminated under double tax agreements. Please note, however, that there could be local administrative requirements to fulfill before the lower treaty WHT rate may be available.

Source: PwC Singapore (reviewed by ADB consultants).

Appendix 6: ABMF SF1 Members and Observers in Phase 2

Table 6.1: ABMF SF1 Members

Economy	Membership Category	Organization
Brunei Darussalam	NM	Autoriti Monetari Brunei Darussalam
Cambodia	NM	National Bank of Cambodia
	NM	SEC Cambodia
People's Republic of China	NM	China Security Regulatory Commission
	NM	Hong Kong Monetary Authority
	NM	National Association of Financial Market Institutional Investors (NAFMII)
	NE	China Securities Depository and Clearing Corporation Limited Shanghai
	NE	China Central Depository and Clearing Co. Ltd.
Indonesia	NM	Ministry of Finance, Indonesia
	NM	Financial Services Authority (OJK)
	NE	Indonesian Central Securities Depository
	NE	Indonesia Stock Exchange
	NE	Indonesia Clearing and Guarantee Corporation
Japan	NM	Tokyo Stock Exchange
	NM	Japan Securities Dealers Association
	NM	Sumitomo Mitsui Banking Corporation
	NE	Nomura Securities Co. Ltd.
	NE	Daiwa Securities Co. Ltd.
Republic of Korea	NM	Korea Financial Investment Association (KOFIA)
	NM	Korea Capital Market Institute (KCMI)
	NE	Bank of Korea
	NE	Korea Exchange (KRX)
Lao PDR	NM	Ministry of Finance
	NM	Securities and Exchange Commission Office, Bank of the Lao PDR
Malaysia	NM	Financial Market Association of Malaysia
	NM	Malaysian Investment Banking Association
	NM	CIMB Investment Bank Berhad
Myanmar	NM	Central Bank of Myanmar
Philippines	NM	Bureau of Treasury
	NE	Securities and Exchange Commission
Singapore	NM	Singapore Exchange (SGX)
Thailand	NM	Securities and Exchange Commission
	NM	Thai Bond Market Association (Thai BMA)
Viet Nam	NM	Hanoi Stock Exchange (HNX)
	NM	Vietnam Bond Market Association (VBMA)
International Experts		Mori Hamada & Matsumoto
		Barclays Securities Japan Limited

NE = national expert, NM = national member.

Table 6.2: ABMF SF1 Observers

Economy	Organization
Hong Kong, China	Asia Securities Industry and Financial Markets Association (ASIFMA)
Japan	Financial Services Agency (FSA)
	Ministry of Finance, Japan
Republic of Korea	Chung-Ang University
	Jeonju University
Philippines	Credit Guarantee and Investment Facility (CGIF)
Thailand	Fiscal Policy Office, Ministry of Finance
	Public Debt Management Office, Ministry of Finance (PDMO)

SF1 Report: Proposal on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)

The purpose of this report is to describe the AMBIF proposal in greater detail, including the definition of its components and the proposed approaches for its implementation, as well as the idea of pilot issues. The proposal in this report are targeted to obtain the consent of the policy bodies and regulatory authorities in participating markets, and as to create awareness of and interest in AMBIF among institutions in the private sector. The report is divided into a number of chapters, each focusing on a particular aspect of the AMBIF proposal. Following an introduction, Chapter II highlights the basic approaches and principles applied throughout the AMBIF discussions. Chapter III revisits the development of the process of defining AMBIF, while Chapter IV contains the resulting key components of AMBIF. Chapter V describes the proposed AMBIF bond issuance regulatory process needed for its actual implementation. Chapter VI addresses market requirements and possible additional components to be included under AMBIF and other issues that could be considered at a later stage or through separate discussions by different stakeholders. Following the conclusion in Chapter VII, the next steps to be taken in the proposed ABMF Phase 3 are the subject of Chapter VIII.

The report is the product of the collaborative efforts of the National Members and Experts and International Experts of the ABMF in cooperation with the Asian Development Bank's Office of Regional Economic Integration.