

Policy Recommendations

ABMF SF2 has been promoting adoption of international standards related to bond market infrastructures in the region, which has been supported by the Asian Bond Markets Initiative Task Force 3. ABMF SF2 members and experts are grateful for understanding and support by the authorities. The following policy recommendations are in line with Asian Bond Markets Initiative objectives.

Harmonization of Message Flow

DVP Model 1 of the Bank for International Settlements (BIS) definition shall be adopted for bond settlement in ASEAN+3, when the market infrastructures in each economy, such as CSD and RTGS systems, undergo reconstruction. A bond shall be blocked (earmarked) first. After the transfer of funds, which means after completing cash settlement, the blocked bond shall be released to effect (complete) DVP settlement, considering that bonds are less liquid than cash.

Adoption of International Standards

International standards shall be adopted when the market infrastructures, such as CSD and RTGS systems, undergo reconstruction and/or total refurbishment. The following are examples of the international standards to be adopted:

- message standard: ISO 20022,
- financial institution identifier: ISO 9362 (BICFI),
- securities numbering: ISO 6166 (ISIN),
- country code: ISO 3166-1, and
- currency code: ISO 4217.

Standardization of Message Items

Essential and minimum message items to effect DVP settlement shall be standardized based on ISO 20022. The following messages and their items are proposed on a preliminary basis for further discussion:

- bond settlement instruction: sese.023,
- matched results: sese.024,
- bond settlement confirmation: sese.025,
- cash settlement information and instruction: pacs.009, and
- cash settlement confirmation: camt.054.

Facilitating Standard Evaluation Groups

It is advised that each economy that does not have an ISO 20022 T68 national mirror committee consider establishing the committee by joining TC68 as a participating member when the economy is ready to contribute to the decision-making processes related to ISO 20022. Establishing SSEG and PSEG in the region will also be discussed.

Establishing an NNA

ABMF SF2 has been promoting ISIN as the standard securities numbering in ASEAN+3 economies. Also, considering the importance of the standardization of securities numbering for cross-border STP, ABMF SF2 advises that those economies that do not yet have an NNA establish one once the economy reaches the stage of issuing a significant amount of bonds.

Repo

ABMF SF2 recommends adopting a repurchase agreement (sell and buy-back type repo), which is a standard repo transaction in line with the GMRA. It is also recommended that transaction flows related to collateral and repo services be surveyed.