Part 3

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Diagram of each Economy

1. Bond Market Infrastructure Diagram
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3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
ASEAN+3 Government Bond Market Diagram

NOTE:
- Direct inter-system connection
- Indirect connection: Trade data (bond settlement instructions) are entered to CSD by agent custodians.

* This diagram shows entities which are involved in major types of transactions.
** Retail bond market is not included in this diagram.
### ASEAN+3 Government Bond Market Diagram

<table>
<thead>
<tr>
<th>Trade</th>
<th>Clearing</th>
<th>Bond Settlement</th>
<th>Cash Settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN OTC EX</td>
<td>Y*</td>
<td>Central bank related CSD **</td>
<td>Central bank money</td>
</tr>
<tr>
<td>HK OTC</td>
<td>N</td>
<td>Central bank owned CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>ID OTC EX</td>
<td>Y*</td>
<td>Central bank owned CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>JP OTC</td>
<td>Y</td>
<td>Exchange related CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>KR OTC EX</td>
<td>Y*</td>
<td>Bureau of Treasury, Exchange related CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>MY OTC EX</td>
<td>Y*</td>
<td>Exchange related CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>PH OTC</td>
<td>N</td>
<td>Exchange related CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>SG OTC</td>
<td>N</td>
<td>Exchange related CSD</td>
<td>Central bank money</td>
</tr>
<tr>
<td>TH OTC</td>
<td>N</td>
<td>Exchange related CSD</td>
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</tr>
<tr>
<td>VN OTC</td>
<td>N</td>
<td>Commercial bank money</td>
<td>Central bank money</td>
</tr>
</tbody>
</table>

Note: EX (Exchange)

*: CCP exists an exchange function. But, transaction volume/value through exchange is small.

**: There is an exchange related CSD But, transaction volume/value through exchange is small.
ASEAN+3 Corporate Bond Market Diagram

NOTE:
- Exchange Market
- Exchange related
- Direct intersystem connection
- Central Bank
- Central Bank related
- Indirect connection. Trade data (bond settlement instructions) are entered to CSD by agent custodians.
- Government
- Government related
- Commercial Bank
- * This diagram shows entities which is involved in major types of transactions.
- ** Retail bond market is not included in this diagram.
### ASEAN+3 Corporate Bond Market Diagram

<table>
<thead>
<tr>
<th></th>
<th>CN</th>
<th>HK</th>
<th>ID</th>
<th>JP</th>
<th>KR</th>
<th>MY</th>
<th>PH</th>
<th>SG</th>
<th>TH</th>
<th>VN</th>
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<tr>
<td><strong>Trade</strong></td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
</tr>
<tr>
<td><strong>Clearing</strong></td>
<td>Y*</td>
<td>N</td>
<td>Y*</td>
<td>N</td>
<td>Y*</td>
<td>Y*</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td><strong>Cash Settlement</strong></td>
<td>Commercial and Central bank money</td>
<td>Central bank money</td>
<td>Commercial and Central bank money</td>
<td>Central bank money</td>
<td>Commercial and Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Commercial bank money</td>
<td></td>
</tr>
</tbody>
</table>

Note: EX (Exchange)

*: CCP exists an exchange function. But, transaction volume/value through exchange is negligibly small.
Brunei Darussalam (BN)

- Bond Market Infrastructure Diagram (Government Bond)
- Bond Transaction Flow for Domestic Trades (proposed by ADB)
- Profit & Redemption Payment Flow of Government Sukuk Al-Ijarah
1. Bond Market Infrastructure Diagram (Government Bond)
2. Bond Transaction Flow for Domestic Trades (proposed by ADB)
3. Profit & Redemption Payment Flow of Government Sukuk Al-Ijarah
BN01. Government Bond Market Infrastructure Diagram

OTC Market

- Trading
- Trade matching

CCP

- Settlement match.
- Bond settlement

AMBD

- Cash settlement
1. Bond Market Infrastructure Diagram (Government Bond)

2. Bond Transaction Flow for Domestic Trades (proposed by ADB)

3. Profit & Redemption Payment Flow of Government Sukuk Al-Ijarah
BN02. Government Bond Transaction Flow for Domestic Trades

1. Trade
2. Delivery of Physical Certificate
3. Registration
4. Cash Settlement
5. Delivery of Physical Certificate
OTC Market

1. Sell side and buy side trade via OTC market by telephone or by FAX in the form of physical certificate.
2. Sell side deliver physical certificate with evidence of trade to AMBD.
3. AMBD registers trade on book.
4. AMBD makes cash settlement from buy side to sell side.
5. Buy side brings back physical certificate from AMBD.
BN03. Profit Payment Flow of Government Sukuk Al-Ijarah

Bond Issuer Side

1. Notification of Profit Payment
   - MOF (Ministry of Finance)
     - Payment approval request
     - Payment approval received
   - AMBD as Paying Agent
     - Payment Instruction
   - Appointed Custodian as CSD

CSD

Appointed Settlement Bank

Bond Holder Side

1. Notification of Profit Payment
   - MOF's Account
     - 5. Profit Payment
     - Settlement Bank's Account
     - 6. Profit Payment
     - Bond Holder's Account
     - (No Tax for profit)

Tax Office

Sukuk Holder

Appointed Settlement Bank

Same Entity
1. Bond Market Infrastructure Diagram (Government Bond)

2. Bond Transaction Flow for Domestic Trades (proposed by ADB)

3. Profit & Redemption Payment Flow of Government Sukuk Al-Ijarah
Process of Profit Payment

1. The appointed custodian notifies Autoriti Monetari Brunei Darussalam (AMBD) of the profit payment.
2. AMBD, as a paying agent, requests for approval and payment from Ministry of Finance (MOF).
3. MOF approves payment.
4. AMBD notifies the appointed cash settlement bank of payment details.
5. Appointed cash settlement bank transfers cash from MOF’s account to settlement bank’s account.
6. Appointed cash settlement bank credits to sukuk holders’ accounts profit paid by MOF.
7. Appointed cash settlement bank notifies sukuk holder of profit payment.
BN04. Redemption Payment Flow of Government Sukuk Al-Ijarah, as shown on P13 of new one

Cash Flow

Information Flow

Bond Holder Side

Sukuk Holder

Appointed Custodian as CSD

Appointed Settlement Bank

Settlement Bank's Account

Bond Holder's Account

Settlement Bank's Account

Bond Issuer Side

MOF (Ministry of Finance)

AMBD as Paying Agent

Appointed Custodian as CSD

5. Profit Payment

6. Profit Payment

7. Delete Registration

4. Payment Instruction

3. Payment approval received

2. Payment approval request

1. Notification of Profit Payment

8. Profit Payment Confirmation

Profit Payment

Profit Payment

Tax Office

(No Tax for redemption)
BN04. Redemption Flow of Government Sukuk Al-Ijarah

Process of Redemption

1. The appointed custodian notifies Autoriti Monetari Brunei Darussalam (AMBD) of the redemption.
2. AMBD, as a paying agent, requests for approval and payment from Ministry of Finance (MOF).
3. MOF approves payment.
4. AMBD notifies the appointed cash settlement bank of payment details.
5. Appointed cash settlement bank transfers cash (principal and profit) from MOF’s account to settlement bank’s account.
6. Appointed cash settlement bank credits to sukuk holders’ accounts principal and profit paid by MOF.
7. Appointed Custodian as CSD deletes sukuk registration.
8. Appointed cash settlement bank notifies sukuk holder of profit payment.
People’s Republic of China (CN)

1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
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<thead>
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<th>Trading</th>
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<th>Exch. Market</th>
<th>CCP</th>
<th>CSDCC</th>
<th>Comm. banks</th>
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<td>Inter-bank Bond Market</td>
<td>SSE</td>
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<td>Settlement match.</td>
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<td>Bond settlement</td>
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<tr>
<td>Cash settlement</td>
<td>PBOC (CNAPS)</td>
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</tbody>
</table>


Note: Commercial Bank Counter Market is not shown here.

Note: Commercial Bank Counter Market is not shown here.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
### CN03. Government Bond Transaction Flow for Domestic Trades (OTC)

#### OTC Market

1. Sell side and buy side trade bond via China Foreign Exchange Trade System (CFETS). CFETS provides automatic trade matching function. But, most of the bonds are traded bilaterally in PRC OTC market by telephone or some other ways. The trade data are entered to CFETS for price transparency.

2. CFETS sends trade data to China Central Depository & Clearing Co., Ltd. (CCDC). About 5% of trade data are entered to CCDC directly from sell side and buy side (refer to 4. Settlement instruction).

3. CCDC sends trade data to sell side and buy side for verification.

4. When sell side and buy side received trade data from CCDC, sell side and buy side verify the data. If the data are correct, sell side and buy side send affirmative message to CCDC. The messages are regarded as “settlement instructions” to CCDC. About 5% of trades are directly entered to CCDC after traded in PRC OTC Market. In this case, one party (either sell side or buy side) needs to send settlement instruction into CCDC system. The settlement instruction needs to contain full message items necessary for the settlement. CCDC system will automatically asks the other party to confirm. If not, CCDC doesn’t process settlement. After matching the order (local matching), CCDC settles the trade in FOP or DVP as requested by customers.

5. CCDC matches settlement instructions from sell side and buy side and notifies matched result.

6. CCDC produces settlement contract.

7. On the settlement day, CCDC executes the settlement contract and notifies the status to the sell side and buy side.

8. CCDC blocks sell side’s bond to secure DVP transaction.

9. CCDC sends DVP fund settlement request to People’s Bank of China (PBOC).

10. PBOC executes fund settlement. Fund is transferred from buy side’s current account to sell side’s current account by High Value Payment System (HVPS) of CNAPS.

11. PBOC sends fund transfer notice to the sell side and buy side.

12. PBOC sends DVP fund settlement notice to CCDC.

13. CCDC executes bond delivery (release blocked bond).

14. CCDC sends settlement completion notice to the sell side and buy side.
CN04. Government Bond Transaction Flow for Domestic Trades (Exchange)

1. Trade Order
2. Trade Matching
3. Notice of Trade
4. Trade Data
5. Clearing
6. Notification of Trade To Be Settled
7. Settlement Data
8. Notification of Trade To Be Settled
9. Affirmation of Settlement
10. Settlement Data
11. Cash Settlement
12. Settlement Report (cash)
13. Bond Settlement
14. Settlement Report (Bonds & Cash)

Payment Banks

CSDCC

Multilateral Net Settlement System (MNS System)

SSE or SZSE

Buy Side

Sell Side

14. Settlement Report (Bonds & Cash)
13. Bond Settlement
12. Settlement Report (cash)
11. Cash Settlement
10. Settlement Data
9. Affirmation of Settlement
8. Notification of Trade To Be Settled
7. Settlement Data
6. Notification of Trade To Be Settled
5. Clearing
4. Trade Data
3. Notice of Trade
2. Trade Matching
1. Trade Order
Exchange Market

1. Sell side and buy side trade via Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE).
2. SSE/SZSE matches orders from sell side and buy side.
3. SSE/SZSE sends notice of trade to sell side and buy side.
4. SSE/SZSE sends trade data to China Central Depository & Clearing Co., Ltd. (CSDCC).
5. Clearing function in CSDCC executes clearing process.
6. Clearing function in CSDCC sends clearing result to sell side and buy side.
7. Clearing function in CSDCC sends settlement data to CSD function in CSDCC.
8. CSD function in CSDCC sends notice of trade to be settled to sell side and buy side.
9. Sell side and buy side send affirmation of settlement to CSDCC.
10. CSDCC sends settlement data to payment banks.
11. Payment banks perform cash settlement.
12. Payment banks send settlement reports to CSDCC, sell side and buy side.
13. CSD function in CSDCC executes bond settlement.
14. CSDCC sends settlement reports (bonds & cash) to sell side and buy side.
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
CN05. Corporate Bond Transaction Flow for Domestic Trades (OTC)

Sell Side

1. Trade
2. Trade Data
3. Trade Data
4. Settlement Instruction
5. Settlement Instruction Matching Notice
6. Settlement Contract Producing
7. Settlement Executing Status Notice
8. Sell Side’s Bond Locking
9. DVP Fund Settlement Request
10. Fund Transfer Processing
11. Fund Transfer Notice
12. DVP Fund Settlement Notice
13. Bond Delivery
14. Settlement Completion Notice

CFETS(AITS)

1. Trade
2. Trade Data

CCDC (CBGS) or SHCH

4. Settlement Instruction Receiving
5. Settlement Instruction Matching
6. Settlement Contract Producing
7. Contract Executing on Delivery Day

PBOC (CNAPS)

9. DVP Fund Settlement Request
10. Fund Transfer Processing

Buy Side

1. Trade
2. Trade Data
3. Trade Data
4. Settlement Instruction
5. Settlement Instruction Matching Notice
6. Settlement Contract Producing
7. Settlement Executing Status Notice
8. Sell Side’s Bond Locking
9. DVP Fund Settlement Request
10. Fund Transfer Processing
11. Fund Transfer Notice
12. DVP Fund Settlement Notice
13. Bond Delivery
14. Settlement Completion Notice
CN05. Corporate Bond Transaction Flow for Domestic Trades (OTC)

OTC Market

1. Sell side and buy side trade bond via China Foreign Exchange Trade System (CFETS). CFETS provides automatic trade matching function. But, most of the bonds are traded bilaterally in PRC OTC market by telephone or some other ways. The trade data are entered to CFETS for price transparency.
2. CFETS sends trade data to China Central Depository &Clearing Co., Ltd. (CCDC) or Shanghai Clearing House (SHCH). CFETS also sends trade data to sell side and buy side.
3. CCDC or SHCH sends trade data to sell side and buy side for verification.
4. When sell side and buy side receive trade data from CCDC or SHCH, sell side and buy side verify the data. If the data are correct, sell side and buy side send affirmative message to CCDC. The messages are regarded as “settlement instructions” to CCDC or SHCH. Some of trades are directly entered to CCDC after traded in PRC OTC Market. In this case, one party (either sell side or buy side) needs to send settlement instruction into CCDC system. The settlement instruction needs to contain full message items necessary for the settlement. CCDC system automatically asks the other party to confirm. If not, CCDC doesn’t process settlement. After matching the order (local matching), CCDC settles the trade in FOP or DVP as requested by customers.
5. CCDC or SHCH matches settlement instructions from sell side and buy side and notifies matched result.
6. CCDC or SHCH produces settlement contract.
7. On the settlement day, CCDC or SHCH executes the settlement contract and notifies the status to sell side and buy side.
8. CCDC or SHCH blocks sell side’s bond to secure DVP transaction.
9. CCDC or SHCH sends DVP fund settlement request to People’s Bank of China (PBOC).
10. PBOC executes fund settlement. Fund is transferred from buy side’s current account to sell side’s current account by High Value Payment System (HVPS) of CNAPS.
11. PBOC sends fund transfer notice to sell side and buy side.
12. PBOC sends DVP fund settlement notice to CCDC or SHCH.
13. CCDC or SHCH executes bond delivery (release blocked bond).
14. CCDC or SHCH sends settlement completion notice to sell side and buy side.
CN06. Corporate Bond Transaction Flow for Domestic Trades (OTC)

1. Trade
2. Trade Data
3. Novation
4. Netting
5. Notice Data of Netting
6. Affirmation
7. Data after netting by novation
7. Send Trade Data after netting
8. Transfer of sell side’s bonds to SHCH
9. Inform Completion of Transfer
10. Transfer of bonds from SHCH to buy side
11. Inform Completion of Transfer
12. Settlement Completion Notice

Sell Side

CFETS(AITS)

1. Trade
2. Trade Data

3. Novation
4. Netting

5. Notice Data of Netting
6. Affirmation
7. Data after netting by novation

8. Transfer of sell side’s bonds to SHCH
9. Inform Completion of Transfer
10. Transfer of bonds from SHCH to buy side
11. Inform Completion of Transfer
12. Settlement Completion Notice

PBOC (CNAPS)

8. Fund Transfer from Buy Side to SHCH
9. Inform Completion of Transfer
10. Fund Transfer from SHCH to Sell Side
12. Fund Transfer Notice

Buy Side
CN06. Corporate Bond Transaction Flow for Domestic Trades (OTC) SHCH

OTC Market

1. Sell side and buy side trade bond via China Foreign Exchange Trade System (CFETS). CFETS provides automatic trade matching function. But, most of the bonds are traded bilaterally in China OTC Market by telephone or some other ways. The trade data are entered to CFETS for price transparency.
2. CFETS sends trade data to Shanghai Clearing House (SHCH) as CCP & CSD. CFETES also sends trade data to sell side and buy side.
3. SHCH makes novation.
4. SHCH executes netting process.
5. SHCH notifies sell side and buy side of netting.
6. sell side and buy side affirms the netting.
7. SHCH sends data after netting to People’s Bank of China (PBOC).
8. SHCH transfers bonds from sell side account to SHCH while PBOC transfers money from buy side account to SHCH.
9. SHCH and PBOC inform completion of bond and money transfer each other.
10. SHCH transfers bonds from SHCH to buy side’s account while PBOC transfers money from SHCH to sell side’s account.
11. SHCH and PBOC inform completion of bond and money transfer each other.
12. SHCH notifies sell side and buy side of bond settlement completion while PBOC notifies sell side and buy side of cash settlement completion.
CN07. Corporate Bond Transaction Flow for Domestic Trades (Exchange)

1. Trade Order
2. Trade Matching
3. Notice of Trade
4. Trade Data
5. Clearing
6. Clearing Result
7. Settlement Data
8. Notification of Trade to be Settled
9. Affirmation of Settlement
10. Settlement Instruction
11. Cash Settlement
12. Settlement Report
13. Bond Settlement
14. Settlement Report (Bonds & Cash)

SSE or SZSE

CSDCC

Multilateral Net Settlement System (MNS System)

Payment Banks

Buy Side

Sell Side
CN07. Corporate Bond Transaction Flow for Domestic Trades (Exchange)

Exchange Market

1. Sell side and buy side trade via Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE).
2. SSE/SZSE collates orders from sell side and buy side.
3. SSE/SZSE sends notice of trade to sell side and buy side.
4. SSE/SZSE sends trade data to China Securities Depository & Clearing Co., Ltd. (CSDCC).
5. Clearing function in CSDCC executes clearing process.
6. Clearing function in CSDCC sends clearing result to sell side and buy side.
7. Clearing function in CSDCC sends settlement data to CSD function in CSDCC.
8. CSD function in CSDCC sends notice of trade to be settled to sell side and buy side.
9. The clearing participants (i.e., the buyer/seller) shall confirm to CSDCC which of the trades shall be settled.
10. CSDCC sends cash settlement instructions to payment banks.
11. Payment banks perform cash settlement.
12. Payment banks send settlement reports to CSDCC, sell side and buy side.
13. CSD function in CSDCC executes bond settlement.
14. CSDCC sends settlement report (bonds & cash) to sell side and buy side.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
CN08. Bond Transaction Flow for Foreign Investors OTC Market / RMB Banks

1. Trade Order
2. Trade Execution
3. Trade Confirmation
4. Trade Confirmation
5. Trade Confirmation
6. Advice of Settlement Details
7. Settlement Instruction
8. Remittance of Funds
9. Funding of PBOC Account
10. Confirmation of Debit/Credit
11. Confirmation of Settlement Details
12. Settlement Confirmation
13. Settlement Confirmation
14. Securities Statement
15. Cash Statement

CFETS

PBOC CNAPS

CCDC

Custodian

Correspondent

Bank

Broker

Settlement

Clearing & Matching

Cash

BOC HK, RMB Settlement Banks (HK, Macau)
<table>
<thead>
<tr>
<th>CN08. Bond Transaction Flow for Foreign Investors OTC Market / RMB Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade Date</strong></td>
</tr>
<tr>
<td>1. Eligible Institution/RMB Bank places order with Authorised Broker or Bank</td>
</tr>
<tr>
<td>2. Authorized Broker or Bank, executes trade on CFTES, or via phone, then captures trade details in CFETS</td>
</tr>
<tr>
<td>3. Authorized Broker or Bank receives trade confirmation from/via CFETS</td>
</tr>
<tr>
<td>4. Authorized Broker or Bank sends trade confirmation to Eligible Institution/RMB Bank</td>
</tr>
<tr>
<td>5. Authorized Broker or Bank sends trade confirmation to Settlement Agent</td>
</tr>
<tr>
<td>6. CCDC sends advice of settlement details to Settlement Agent</td>
</tr>
<tr>
<td>7. Eligible Institution/RMB Bank instructs Settlement Agent on settlement details</td>
</tr>
<tr>
<td>8. Eligible Institution/RMB Bank remits RMB amount to Settlement Agent</td>
</tr>
<tr>
<td>9. Settlement Agent funds own PBOC account, in preparation for settlement</td>
</tr>
<tr>
<td>10. Settlement Agent confirms/affirms settlement details via CCDC (front-end) system</td>
</tr>
<tr>
<td>11. Upon confirmations from both Settlement Agents, cash settlement is triggered by CCDC and PBOC will send a confirmation of debit or credit to the Settlement Agent</td>
</tr>
<tr>
<td>12. Upon confirmations from both Settlement Agents, securities settlement is effected and CCDC will send a securities settlement confirmation to the Settlement Agent</td>
</tr>
<tr>
<td>13. Settlement Agent sends settlement confirmation to Eligible Institution/RMB Bank</td>
</tr>
<tr>
<td>14. At end of day, Settlement Agent sends securities statement to Eligible Institution/RMB Bank</td>
</tr>
<tr>
<td>15. At end of day, Settlement Agent sends cash movement confirmation/cash statement to Eligible Institution/RMB Bank</td>
</tr>
</tbody>
</table>

**Settlement Date (T+1)**
### CN09. Bond Transaction Flow for Foreign Investors

**Exchange Market / QFII**

1. QFII Custodian sends cash projection report to Designated QFII Broker
2. QFII places order with Designated QFII Broker
3. Designated QFII Broker checks balance, executes trade on Shanghai Stock Exchange (SSE), or Shenzhen Stock Exchange (SZSE)
4. Designated QFII Broker receives trade confirmation
5. Designated QFII Broker sends trade confirmation to QFII, and to QFII Custodian
6. QFII Custodian downloads Report on Trade Obligations from CSDCC (Clearing function)
7. Only in the event of a discrepancy, QFII Custodian needs to contact CSDCC
8. CSDCC (Settlement function) sends confirmation of transfer of bonds to QFII Custodian (on T evening)
9. QFII Custodian sends status update or partial settlement confirmation to Global Custodian
10. QFII instructs Global Custodian on settlement details
11. Global Custodian instructs QFII Custodian on settlement details
12. QFII Custodian funds settlement clearing reserve account (CSDCC account at Payment Bank)
13. After cash settlement deadline (in effect completion of trade settlement), QFII Custodian sends settlement confirmation to Global Custodian
14. Global Custodian sends settlement confirmation to QFII
15. Payment Bank sends debit/credit information in form of cash statement to QFII Custodian
16. QFII Custodian sends securities statement to Global Custodian (end of day)
17. QFII Custodian sends cash movement confirmation/cash statement to Global Custodian (end of day)
18. Global Custodian sends cash movement confirmation/cash statement to QFII (end of day)
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
CN10. Interest Payment Flow of Government Bond OTC Market

Bond Issuer Side

MOF

CCDC as Paying Agent

Bond Holder Side

Bond Holder

CCDC as Custodian

PBOC

MOF’s Account

6. Cash Transfer

CCDC’s Account

9. Interest Payment

SB’s Account

10. Interest Payment

Cash Settlement Bank (SB)

11. Interest Payment Confirmation

Same Entity

CCDC as CSD

Same Entity

Tax Office

Cash Flow

Information Flow

NO TAX FOR INTEREST

Payment instruction

2. Payment Request

3. Payment Instruction

7. Confirmation

8. Payment Instruction

4. Interest Payment Notification

5. Payment Instruction

1. Information Including Designated Bank a/c

10. Interest Payment
CN10. Interest Payment Flow of Government Bond OTC Market

Process of Interest Payment

1. Bond holders send information including designated bank account to China Central Depository & Clearing Co., Ltd. (CCDC).
2. CCDC requests interest payment of Ministry of Finance (MOF).
3. MOF instructs CCDC to pay interests.
4. CCDC as custodian notifies bond holders of interest payment.
5. MOF instructs People’s Bank of China (PBOC) to transfer cash for interest to CCDC’s account.
6. PBOC transfers cash from MOF’s account to CCDC’s account.
7. PBOC sends payment confirmation to CCDC.
8. CCDC instructs PBOC to transfer cash for interest to cash settlement banks’ accounts via CNAPS with detailed instructions to credit bond holders’ accounts with interest.
9. PBOC transfers cash from CCDC’s account to cash settlement banks’ accounts with detailed instructions.
10. Cash settlement banks credit bond holders’ accounts with interests.
11. Cash settlement banks notify bond holders of interest payment.
CN11. Interest Payment Flow of Government Bond Exchange Market

1. Information Including Designated Bank a/c

2. Information Including Designated Bank a/c

3. Payment Request

4. Payment Instruction

5. Interest Payment Notification

6. Payment Instruction

7. Cash Transfer

8. Confirmation

9. Confirmation

10. Payment Instruction

11. Interest Payment

12. Interest Payment

13. Interest Payment Confirmation

Cash Flow

Information Flow

MOF

CCDC as Paying Agent

CSDCC as CSD

CSD

Bond Holder

Bond Holder's Account

Cash Settlement Bank(SB)

CSDCC as Custodian

Commercial Bank

PBOC

MOF's Account

CCDC's Account

(No Tax for interest)

Tax Office
CN11. Interest Payment Flow of Government Bond Exchange Market

Process of Interest Payment

1. Bond holders send information including designated bank account to China Securities Depository and Clearing Corporation (CSDCC).
2. CSDCC sends information including designated bank account to China Central Depository & Clearing Co. Ltd. (CCDC) as paying agent.
3. CCDC requests interest payment of Ministry of Finance (MOF).
4. MOF instructs CCDC to pay interests.
5. CSDCC as custodian notifies bond holders of interest payment.
6. MOF instructs People’s Bank of China (PBOC) to transfer cash from MOF’s account to CCDC’s account.
7. PBOC transfers cash from MOF’s account to CCDC’s account.
8. PBOC sends payment confirmation to CCDC.
9. CCDC sends payment confirmation to CSDCC.
10. CCDC instructs a commercial bank to transfer cash from CCDC’s account to cash settlement banks’ account via CNAPS with detailed instructions to credit holders’ accounts with interest.
11. Commercial bank transfers cash from CCDC’s account CSDCC’s account with detailed instructions.
12. Cash Settlement banks credit bond holders’ accounts with interests.
13. Cash Settlement banks notify bond holders of interest payment.
Part 3: Bond Market Infrastructure Diagrams, Domestic

**CN12. Redemption Flow of Government Bond OTC Market**

1. Information Including Designated Bank a/c
2. Payment Request
3. Payment Instruction
4. Redemption Payment Notification
5. Payment Instruction
6. Cash Transfer
7. Confirmation
8. Payment Instruction
9. Redemption
10. Redemption Payment
11. Redemption Payment
12. Redemption Payment Confirmation

- **Bond Issuer Side**
  - MOF
  - CCDC as Paying Agent
- **Bond Holder Side**
  - Bond Holder
  - CCDC as Custodian

- **CSD**
- **Cash Settlement Bank (SB)**
- **PBOC**
- **Tax Office**

Cash Flow

Information Flow
Process of Redemption Payment

1. Bond holders send information including designated bank account to China Central Depository & Clearing Co., Ltd. (CCDC) as custodian.
2. CCDC requests redemption payment of Ministry of Finance (MOF).
3. MOF instructs CCDC to pay redemption.
4. CCDC as custodian notifies bond holders of redemption payment.
5. MOF instructs People’s Bank of China (PBOC) to transfer cash for redemption to CCDC’s account.
6. PBOC transfers cash from MOF’s account to CCDC’s account.
7. PBOC sends payment confirmation to CCDC.
8. CCDC instructs PBOC to transfer cash from CCDC’s account to cash settlement banks’ account via CNAPS with detailed instructions to credit holders’ accounts.
9. CCDC makes bond redemption.
10. PBOC transfers cash from CCDC’s account to cash settlement banks’ account with detailed instructions.
11. Cash settlement banks credit bond holders’ accounts with redemption.

**Bond Issuer Side**
- MOF
  - 3. Payment Request
  - 4. Payment Instruction
  - 6. Payment Instruction
  - 8. Confirmation
- CCDC as Paying Agent
  - 2. Information Including Designated Bank a/c
  - 9. Confirmation
  - 11. Payment Instruction

**CSD**
- CSDCC as CSD
  - 10. Redemption

**Bond Holder Side**
- Bond Holder
  - 1. Information Including Designated Bank a/c
  - 5. Redemption Payment Confirmation
  - 14. Redemption Payment Confirmation

**Information Flow**
- CSDCC as Custodian
  - Same Entity

**Cash Flow**
- PBOC
  - MOF’s Account
    - 7. Cash Transfer
- Commercial Bank
  - CCDC’s Account
    - 12. Redemption Payment
- Cash Settlement Bank(SB)
  - CSDCC’s Account
    - 13. Redemption Payment
  - Bond Holder’s Account
- Tax Office
  - (No Tax for Interest)
Process of Redemption Payment

1. Bond holders send information including designated bank account to China Securities Depository and Clearing Corporation (CSDCC).
2. CSDCC sends information including designated bank account to China Central Depository & Clearing Co., Ltd. (CCDC) as paying agent.
3. CCDC requests redemption payment of Ministry of Finance (MOF).
4. MOF instructs CCDC to pay redemption.
5. CSDCC as custodian notifies bond holders of redemption payment.
6. MOF instructs People’s Bank of China (PBOC) to transfer cash from MOF's account to CCDC's account.
7. PBOC transfers cash from MOF’s account to CCDC’s account.
8. PBOC sends payment confirmation to CCDC.
9. CCDC sends payment confirmation to CSDCC.
10. CSDCC makes bond redemption.
11. CCDC instructs a commercial bank to transfer cash from CCDC’s account to cash settlement banks’ accounts via CNAPS with detailed instructions to credit holders’ accounts with redemption.
12. Commercial bank transfers cash from CCDC’s account to cash CSDCC’s accounts with detailed instructions.
13. Commercial banks credit bond holders’ accounts with redemption.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
CN14. Interest Payment Flow of Corporate Bond OTC Market

1. Information Including Designated Bank a/c
2. Payment Request
3. Payment Instruction
4. Interest Payment Notification
5. Payment Instruction
6. Cash Transfer
7. Confirmation
8. Payment Instruction
9. Interest Payment
10. Interest Payment
11. Interest Payment Confirmation
12. Tax Payment

Bond Issuer Side

- Bond Issuer
- CCDC/SHCH as Paying Agent
- Issuer’s Designated Bank
  - Issuer’s Account
  - CCDC/SHCH’s Account

CSD

- CCDC/SHCH as CSD

Bond Holder Side

- Bond Holder
- CCDC/SHCH as Custodian
- Cash Settlement Bank (SB)
  - Bond Holder’s Account
- PBOC
  - CCDC/SHCH’s Account
  - SB’s Account
- Tax Office

Cash Flow
Information Flow
Bond holders send information including designated bank account to China Central Depository & Clearing Co., Ltd (CCDC) or Shanghai Clearing House (SHCH).

1. Bond issuer instructs CCDC or SHCH to pay interests.
2. CCDC or SHCH as custodian notifies bond holders of interest payment.
3. Bond issuer instructs its designated bank to transfer cash from issuer’s account to CCDC’s or SHCH’s account.
4. The designated bank transfers cash from issuer’s account to CCDC’s or SHCH’s account.
5. The designated bank sends payment confirmation to CCDC or SHCH.
6. CCDC or SHCH as paying agent requests interest payment of bond issuer.
7. The designated bank sends payment confirmation to CCDC or SHCH.
8. CCDC or SHCH as custodian notifies bond holders of interest payment.
9. CCDC or SHCH as paying agent requests interest payment of bond issuer.
10. The designated bank sends payment confirmation to CCDC or SHCH.
11. The designated bank transfers cash from CCDC’s or SHCH’s account.
12. Bond holders pay tax to tax office.
CN15. Interest Payment Flow of Corporate Bond Exchange Market

1. Information Including Designated Bank a/c
2. Payment Request
3. Payment Instruction
4. Interest Payment Notification
5. Payment Instruction
6. Cash Transfer
7. Confirmation
8. Payment Instruction
9. Interest Payment
10. Interest Payment Confirmation
11. Tax Payment

Cash Flow
Information Flow

Bond Issuer Side
- Bond Issuer
- CSDCC as Paying Agent

CSD
- CSDCC as CSD

Bond Holder Side
- Bond Holder
- CSDCC as Custodian

Issuer’s Designated Bank
- Issuer’s Account
- Issuer’s Designated Bank a/c

Cash Settlement Bank(SB)
- CSDCC’s Account
- CSDCC’s Account

Issuer’s Designated Bank
Cash Settlement Bank(SB)

Bond Holder’s Account

Tax Office
Process of Interest Payment

1. Bond holders send information including designated bank account to China Securities Depository and Clearing Corporation (CSDCC).
2. CSDCC as paying agent requests interest payment of bond issuer.
3. Bond issuer instructs CSDCC to pay interests.
4. CSDCC as custodian notifies bond holders of interest payment.
5. Bond issuer instructs its designated bank to transfer cash from issuer’s account to CSDCC’s account.
6. Designated bank transfers cash from issuer’s account to CSDCC’s account.
7. Designated bank sends payment confirmation to CSDCC.
8. CSDCC instructs cash settlement bank to transfer cash to bond holder’s account.
9. Cash settlement banks credit bond holders’ accounts with interest deducting tax if applicable.
10. Cash settlement banks notify bond holders of interest payment.
11. CSDCC pays tax to tax office.
CN16. Redemption Flow of Corporate Bond OTC Market

Bond Issuer Side

1. Information Including Designated Bank a/c

2. Payment Request

3. Payment Instruction

5. Payment Instruction

7. Confirmation

Issuer’s Designated Bank

Issuer’s Account

.6. Cash Transfer

CCDC/SHCH’s Account

PBOC

9. Redemption Payment

Cash Settlement Bank (SB)

SB’s Account

10. Redemption

CCDC/SHCH as CSD

12. Redemption Payment Confirmation

4. Redemption Payment Notification

8. Payment Instruction

13. Tax Payment

Bond Holder Side

1. Information Including Designated Bank a/c

2. Payment Request

3. Payment Instruction

5. Payment Instruction

7. Confirmation

Issuer’s Designated Bank

Issuer’s Account

.6. Cash Transfer

CCDC/SHCH’s Account

PBOC

9. Redemption Payment

Cash Settlement Bank (SB)

SB’s Account

10. Redemption

CCDC/SHCH as CSD

12. Redemption Payment Confirmation

4. Redemption Payment Notification

8. Payment Instruction

13. Tax Payment

Bond Holder

CCDC/SHCH as Custodian

Same Entity

CCDC/SHCH as Paying Agent

Same Entity

Cash Flow

Information Flow
Process of Redemption Payment

1. Bond holders send information including designated bank account to China Central Depository & Clearing Co., Ltd (CCDC) or Shanghai Clearing House (SHCH).
2. CCDC or SHCH requests redemption payment of bond issuer.
3. Bond issuer instructs CCDC or SHCH to pay redemption.
4. CCDC or SHCH as custodian notifies bond holders of redemption payment.
5. Bond issuer instructs it’s designated bank to transfer cash from issuer’s account to CCDC’s or SHCH’s account.
6. Designated bank transfers cash from issuer’s account to CCDC’s or SHCH’s account.
7. Designated bank sends payment confirmation to CCDC or SHCH.
8. CCDC or SHCH instructs People’s bank of China (PBOC) to transfer cash to cash settlement banks’ account via CNAPS.
9. PBOC transfers cash from CCDC’s or SHCH’s account to cash settlement banks’ account via CNAPS with instructions to credit holders’ accounts.
10. CCDC or SHCH as CSD makes bond redemption.
11. Cash settlement banks credit bond holders’ accounts with redemption.
13. Bond holders pay tax to tax office.
CN17. Redemption Flow of Corporate Bond Exchange Market

1. Information Including Designated Bank a/c
2. Payment Request
3. Payment Instruction
4. Redemption Payment Notification
5. Payment Instruction
6. Cash Transfer
7. Confirmation
8. Payment Instruction
9. Redemption Payment
10. Redemption
11. Redemption Payment Confirmation
12. Tax Payment

Bond Issuer

CSD

Bond Holder

CSDCC
as Paying Agent

CSDCC
as Custodian

Issuer’s Designated Bank

Cash Settlement Bank (SB)

Issuer’s Account

CSDCC’s Account

Bond Holder’s Account

Tax Office
Process of Redemption Payment

1. Bond holders send information including designated bank account to China Securities Depository and Clearing Corporation (CSDCC).
2. CSDCC as paying agent requests redemption payment of bond issuer.
3. Bond issuer instructs CSDCC to pay redemption.
4. CSDCC notifies bond holders of redemption payment.
5. Bond issuer instructs its designated bank to transfer cash from issuer’s account to CSDCC’s account.
6. Designated bank transfers cash from issuer’s account to CSDCC’s account.
7. Designated bank sends payment confirmation to CSDCC.
8. CSDCC instructs cash settlement banks to transfer cash to cash settlement banks’ account.
9. Cash settlement banks transfer cash from CSDCC’s account to cash settlement banks’ account with instructions to credit holders’ accounts.
10. CSDCC as CSD makes bond redemption.
12. CSDCC pays tax to tax office.
Hong Kong, China (HK)

1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
HK01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td>HKMA (CMU)</td>
</tr>
<tr>
<td>CCP</td>
<td></td>
</tr>
<tr>
<td>Settlement match.</td>
<td>HKMA (CMU)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>HKMA (CHATS)</td>
</tr>
</tbody>
</table>

HKMA – Hong Kong Monetary Authority
CMU – Central MoneyMarkets Unit
CHATS – Clearing House Automated Transfer System (HKD, USD, EUR and RMB)
**HK02. Corporate Bond Market Infrastructure Diagram**

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td>HKMA (CMU)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td>HKMA (CMU)</td>
</tr>
<tr>
<td>Cash settlement</td>
<td>HKMA (CHATS)</td>
</tr>
</tbody>
</table>

HKMA – Hong Kong Monetary Authority  
CMU – Central MoneyMarkets Unit  
CHATS – Clearing House Automated Transfer System (HKD, USD, EUR and RMB)

Note: There is no CCP for bonds in Hong Kong
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
HK03. Government Bond Transaction Flow for Domestic Trades

Sell Side

1. Trade

2. Settlement Instruction

3. Validation and Matching

4. Matching Result

5. Holding bond

6. Settlement data

7. Cash Settlement

HKMA

8. Settlement Report (Cash)

9. Bond Settlement

10. Settlement Confirmation

Buy Side

2. Settlement Instruction

4. Matching Result

10. Settlement Confirmation

8. Settlement Report (Cash)

10. Settlement Report (Cash)

HKMA (CMU)

7. Cash Settlement

CHATS

10. Settlement Report (Cash)
HK03. Government Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade over the counter.
2. Sell side and buy side send instructions to Central Moneymarkets Unit (CMU) via eCMT, SWIFT, Fax, AFT or by hand. When they use system, both sell side and buy side enters trade data. Participants need to send the message instructions before the cutoff time (4:00 p.m.) on settlement day.
3. CMU performs validation and matching.
4. CMU sends matching result to the sell side and buy side.
5. CMU holds the bond.
6. CMU sends settlement data to CHATS.
7. CHATS executes cash settlement. CHATS will auto-debit the buy sides’ RTGS account.
8. CHATS sends cash settlement report to CMU.
9. CMU executes bond settlement.
10. CHATS sends cash settlement report to the buy side and sell side respectively, while CMU sends securities settlement confirmation to the sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
HK04. Corporate Bond Transaction Flow for Domestic Trades

1. Trade
2. Settlement Instruction
3. Validation and Matching
4. Matching Result
5. Holding bond
6. Settlement data
7. Cash Settlement
8. Settlement Report (Cash)
9. Bond Settlement
10. Settlement Confirmation

HKMA (CMU)

Sell Side
Buy Side
HK04. Corporate Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade over the counter.
2. Sell side and buy side send instructions to Central Moneymarkets Unit (CMU) via eCMT, SWIFT, Fax, AFT or by hand. When they use system, both sell side and buy side enters trade data. Participants need to send the message instructions before the cutoff time (4:00 p.m.) on settlement day.
3. CMU performs validation and matching.
4. CMU sends matching result to the sell side and buy side.
5. CMU holds the bond.
6. CMU sends settlement data to CHATS.
7. CHATS executes cash settlement. CHATS will auto-debit the buy sides’ RTGS account.
8. CHATS sends cash settlement report to CMU.
9. CMU executes bond settlement.
10. CHATS sends cash settlement report to buy side and sell side respectively, while CMU sends securities settlement confirmation to the sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
HK 05. Bond Transaction Flow for Foreign Investors OTC Market / DVP

1. Trade Order
2. Trade Confirmation
3. Agreement on Trade & Confirmation
4. Trade Confirmation
5. Trade Confirmation
6. Settlement Instruction
7. Settlement Confirmation
8. Capture/UL of Transaction Details
9. Matching Confirmation
10. Matching Status Update
11. Securities Statement
12. Funding of HKMA Account
13. Confirmation of Debit/Credit
14. Settlement Confirmation
15. Settlemnt Confirmation
16. Settlement Confirmation
17. Funding of Trades
18. Cash Statement
19. Cash Statement
20. Cash Statement
### HK05. Bond Transaction Flow for Foreign Investors OTC Market / DVP

<table>
<thead>
<tr>
<th>Step</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Foreign Institutional Investor places order with International Broker</td>
</tr>
<tr>
<td>2.</td>
<td>International Broker places order with Domestic Broker/Bank</td>
</tr>
<tr>
<td>3.</td>
<td>Domestic Broker/Bank trades OTC with Counterparty (via phone or, e.g., Bloomberg)</td>
</tr>
<tr>
<td>4.</td>
<td>Domestic Broker/Bank sends trade confirmation to International Broker</td>
</tr>
<tr>
<td>5.</td>
<td>Foreign Institutional Investor receives trade confirmation</td>
</tr>
<tr>
<td>6.</td>
<td>Foreign Institutional Investor instructs Global Custodian, on securities settlement and cash funding details</td>
</tr>
<tr>
<td>7.</td>
<td>Global Custodian instructs Domestic Custodian on securities settlement</td>
</tr>
<tr>
<td>8.</td>
<td>Domestic Custodian captures (eCMT or upload) settlement instructions into CMU</td>
</tr>
<tr>
<td>9.</td>
<td>Domestic Custodian receives transaction matching confirmation from CMU, or status updates</td>
</tr>
<tr>
<td>10.</td>
<td>Domestic Custodian sends matching status update to Global Custodian, either as report or, typically, per individual transaction</td>
</tr>
<tr>
<td>11.</td>
<td>Global Custodian advises funding details to Domestic Custodian</td>
</tr>
<tr>
<td>12.</td>
<td>Domestic Custodian effects funding of HKMA account via CHATS</td>
</tr>
<tr>
<td>13.</td>
<td>Upon transfer of cash, HKMA sends cash settlement confirmation to Domestic Custodian</td>
</tr>
<tr>
<td>14.</td>
<td>Upon transfer of bonds, CMU sends bond settlement confirmation to Domestic Custodian</td>
</tr>
<tr>
<td>15.</td>
<td>Domestic Custodian sends settlement confirmation to Global Custodian</td>
</tr>
<tr>
<td>16.</td>
<td>Foreign Institutional Investor receives settlement confirmation from Global Custodian</td>
</tr>
<tr>
<td>17.</td>
<td>Global Custodian funds trades into Domestic Custodian HKD account, or into FCY nostro</td>
</tr>
<tr>
<td>18.</td>
<td>Domestic Custodian sends securities statement to Global Custodian (end of day)</td>
</tr>
<tr>
<td>19.</td>
<td>Domestic Custodian sends debit/credit confirmation as cash statement to Global Custodian (end of day)</td>
</tr>
<tr>
<td>20.</td>
<td>Global Custodian sends debit/credit confirmation in cash statement to Foreign Institutional Investor (end of day)</td>
</tr>
</tbody>
</table>
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
HK06. Interest Payment Flow of Government Bond OTC Market

1. Payment Request
2. Payment Instruction
3. Notification of Payment Details
4. Interest Payment
5. Interest Payment
6. Settlement Report
7. Interest Payment
8. Interest Payment Confirmation

Cash Flow
Information Flow

Bond Issuer Side
- Treasury Department
- HKMA as Paying Agent

CSD
- Same Entity (No Confirmation Necessary)
- CMU as CSD

Bond Holder Side
- Bond Holder
- Account Management Institutions (CMU member)

HKMA (CHATS)
- TD’s Account
- HKMA’s Account
- CMU member’s Account

CMU member
- Bond Holder’s Account

Same Entity
(No Tax Payment)

Tax Office
HK06. Interest Payment Flow of Government Bond

Process of Interest Payment

1. 3 days before the interest payment date, Hong Kong Monetary Authority (HKMA), as the payment agent, sends interest payment notification to Treasury Department.
2. Treasury Department instructs HKMA to pay interest.
3. HKMA sends Coupon/Dividend and Redemption Notification Report to CMU Members one business day before the payment date.
4. HKMA transfer cash for interest from Treasury Department’s account to its own account.
5. On interest payment date, HKMA pays interest proceeds to account management institutions (CMU Members) via CHATS.
6. Upon completion of payment, CMU sends settlement reports to account management institutions (CMU Members).
7. Account management institutions (CMU Members) subsequently pay the interest proceeds to the bond holders.
8. Account management institutions (CMU Members) notifies bond holders of interest payment.
HK07. Redemption Payment Flow of Government Bond OTC Market

1. Payment Request
2. Payment Instruction
3. Notification of Payment Details
4. Redemption Payment
5. Redemption Payment
6. Settlement Report
7. Redemption
8. Redemption Payment
9. Redemption Payment Confirmation

Bond Issuer Side

Treasury Department

HKMA as Paying Agent

Same Entity

CSD

CMU as CSD

Bond Holder Side

Bond Holder

Account Management Institutions (CMU member)

Same Entity

HKMA(CHATS)

Treasury’s Account

HKMA’s Account

CMU member’s Account

Bond Holder’s Account

Same Entity

Tax Office

Cash Flow

Information Flow
HK07. Redemption Payment Flow of Government Bond

Process of Redemption Payment

1. 3 days before the redemption payment date, Hong Kong Monetary Authority (HKMA), as payment agent, sends redemption payment notification to Treasury Department.
2. Treasury Department instructs HKMA to pay last interest and principal.
3. HKMA sends Coupon/Dividend and Redemption Notification Report to CMU Members one business day before the payment date.
4. HKMA transfers cash for interest and redemption payment from Treasury Department’s account to its own account.
5. On redemption payment date, HKMA pays last interest and principal proceeds to account management institutions (CMU Members) via CHATS.
6. Upon completion of payment, CMU sends settlement reports to account management institutions (CMU Members).
7. HKMA as CSD makes bond redemption.
8. Account management institutions (CMU Members) subsequently pay last interest and principal proceeds to bond holders.
9. Account management institutions (CMU Members) notifies bond holders of redemption payment.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
HK08. Interest Payment Flow of Corporate Bond

1. Payment Notification
2. Account Positions Report
3. Notification of Eligible Positions
4. Payment Instruction
5. Cash Transfer
6. Payment Instruction
7. Interest Payment
8. Interest Payment
9. Interest Payment Confirmation

Bond Issuer Side:
- Bond Issuer
- Paying Agent
- Issuer’s Account
- PA’s Account
- (No Tax Payment)
- Tax Office

CSD:
- HKMA (CMU) as CSD
- CMU member’s Account
- Bond Holder’s Account

Bond Holder Side:
- Bond Holder
- Account Management Institution (CMU Member)
- HKMA (CHATS)

Part 3: Bond Market Infrastructure Diagrams, Domestic...
Process of Interest Payment

1. Paying agent notifies bond issuer of interest payment.
2. 1 day before the interest payment date, CMU sends Account Positions Report to paying agent.
3. 1 day before the interest payment date, CMU sends notification of eligible positions to account management institutions (CMU Members).
4. On interest payment date, bond issuer instructs its paying agent to make interest payment.
5. Paying agent transfers cash from issuer’s account to its own account.
6. Paying agent instruct Hong Kong Monetary Authority (HKMA) to pay interest to CMU members via CHATS.
7. On interest payment date, the HKMA transfers the interest proceeds to the account management institutions (CMU Members) via CHATS.
8. CMU members subsequently pay the interest proceeds to the bond holders.
9. CMU members notifies bond holders of interest payment.
HK09. Redemption Payment Flow of Corporate Bond

**Bond Issuer Side**
- Bond Issuer
  - 1. Payment Notification
  - 4. Payment Instruction
- Paying Agent
  - 2. Account Positions Report
  - 6. Payment Instruction
- Same Entity
  - 5. Cash Transfer
  - (No Tax Payment)

**CSD**
- HKMA (CMU) as CSD
  - 3. Notification of Eligible Positions
  - 8. Redemption

**Bond Holder Side**
- Bond Holder
  - 10. Redemption Payment Confirmation
- Account Management Institution (CMU Member)
  - Same Entity
- CMU Member
  - 9. Redemption Payment
  - CMU member’s Account
  - Bond Holder’s Account

**Cash Flow**
- Payment Instruction

**Information Flow**
- Notification of Eligible Positions
- Payment Instruction
Process of Redemption Payment

1. Payment agent notifies bond issuer of redemption payment.
2. 1 day before the redemption payment date, CMU sends Account Positions Report to paying agent.
3. 1 day before the redemption payment date, CMU sends notification of eligible positions to account management institutions (CMU Members).
4. On redemption payment date, bond issuer instructs its paying agent to make redemption payment.
5. Paying agent transfers cash from issuer’s account to its own account.
6. Paying agent instructs Hong Kong Monetary Authority (HKMA) to pay last interest and principal to CMU members via CHATS.
7. On redemption payment date, HKMA transfers last interest and principal proceeds to account management institutions (CMU Members) via CHATS.
8. HKMA as CSD carries out redemption.
9. CMU members subsequently pay last interest and principal proceeds to bond holders.
10. CMU members notifies bond holders of redemption payment.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
### ID01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market (telephone)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td>IDX (CTP)</td>
</tr>
<tr>
<td>CCP</td>
<td></td>
</tr>
<tr>
<td>Settlement match.</td>
<td>BI (BI-SSSS)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>BI (BI-RTGS)</td>
</tr>
</tbody>
</table>

IDX – Indonesian Stock Exchange  
FITS - Fixed-Income Trading System  
CTP – Centralized Trading Platform  
KSEI – Indonesian Central Securities Depository  
KPEI – Indonesia Clearing and guarantee Corporation  
BI – Bank Indonesia  
e-BOCS – Electronic Bond Clearing System  
C-BEST – Central Depositary and Book Entry Settlement  
BI-SSSS – Bank Indonesia Scripless Securities Settlement System
**ID02. Corporate Bond Market Infrastructure Diagram**

**Trading**
- OTC Market (telephone)

**Trade matching**
- IDX (CTP)

**CCP**

**Settlement match.**
- KSEI (C-BEST)

**Bond settlement**

**Cash settlement**
- Payment Banks
  - BI (BI-RTGS)

IDX – Indonesian Stock Exchange
FITS - Fixed-Income Trading System
CTP – Centralized Trading Platform
KSEI – Indonesian Central Securities
KPEI – Indonesia Clearing and guarantee Corporation
BI – Bank Indonesia
e-BOCS – Electronic Bond Clearing System
C-BEST – Central Depository and Book Entry Settlement
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
ID03. Government Bond Transaction Flow for Domestic Trades

1. Trade (Telephone/ Bloomberg/ Reuters)

2. Pre-Settlement Matching (Telephone/ SWIFT)

3. OTC Trade Reporting Requirement

4. Code Numbering

5. Report Reference Code

6. DVP Instruction

7. Matching DVP

8. Matching Result

9. Earmark Bond

10. Payment Message

11. Cash Settlement

12. Cash Settlement Statement

13. Irrevocable Debit/ Credit

14. Bond Settlement

15. Settlement Statement

IDX (CTP)

BI (BI-SSSS)

BI (BI-RTGS)
ID03. Government Bond Transaction Flow for Domestic Trades

OTC Market (Direct Connection to BI-SSSS)

1. Sell side and buy side trade government bonds over-the-counter. Most of trades are done by telephones.
2. Both sell side and buy side send pre-settlement matching instructions over the SWIFT or pre-match the traded data for settlement over the telephone. Before the pre-settlement matching two components of bond taxes which are capital gain tax and interest (withholding) tax need to be calculated. Pre-settlement matching is performed via telephone or swift.
3. Sell side or buy side have to report trade data to Centralized Trading Platform (CTP) of Indonesia Stock Exchange (IDX) within 30 minutes of trade.
4. IDX puts the code on each trade.
5. Sell side and buy side receive report reference code from IDX.
6. Sell side and buy side key in the DVP and RVP instructions to BI-SSSS, respectively.
7. BI-SSSS performs the matching.
8. BI-SSSS reports the matching results to the sell side and buy side.
9. Bond is earmarked to secure the DVP.
10. Payment message for DVP is sent to Bank Indonesia Real Time Gross Settlement (BI-RTGS)
11. When the funds are available, the amount is debited from the buy side’s cash account and credited to the sell side’s cash account.
12. BI-RTGS sends the cash settlement statements to the sell side and buy side.
13. BI-RTGS notifies the irrevocable debit/credit status to BI-SSSS.
14. BI-SSSS completes bond settlement.
15. BI-SSSS reports the settlement status to both sell side and buy side.
1. Bond Transaction Flow for Domestic Trades (Government Bond)
2. Bond Transaction Flow for Domestic Trades (Corporate Bond)
3. Bond Transaction Flow for Foreign Investors
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
ID04. Corporate Bond Transaction Flow for Domestic Trades (OTC)

1. Trade (Telephone/ Bloomberg etc.)

2. Pre-Settlement Matching (C-BEST /Telephone etc.)

3. OTC Trade Reporting Requirement

4. Code Numbering

5. Report Reference Code

6. Cash Transfer Instruction to KSEI a/c

7. Buy side cash is transferred to KSEI a/c

8. Cash Payment Message

9. Credit buy side a/c

10. Bond Settlement Instruction

11. Settlement Matching

12. Matching Result

13. Check balance of buy side a/c(cash) and sell side a/c (bond)

14. Bond Settlement

15. Settlement Statement

16. Cash Withdrawal Instruction from KSEI a/c to sell side a/c

17. Cash Withdrawal

18. Sell side cash is transferred from KSEI a/c to sell side a/c

19. Cash a/c Information
ID04. Corporate Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade corporate bonds over-the-counter. Most of trades are done by telephones.
2. Sell side calculate preliminary value of capital gain and accrued interest during holding period of sell side bond holder. Then, the sell side informs such information with other trade data to buy side. Buy side calculate with holding tax on the accrued interest and capital gain. Then, buy side inform net payment value to sell side. Also, both sell side and buy side affirm trade data each other over the telephone (trade confirmation in fax or e-mail format).
3. Sell side or buy side have to report trade data to Centralized Trading Platform (CTP) of Indonesia Stock Exchange (IDX) within 30 minutes of trade during the reporting hours determined by the IDX.
4. IDX puts code on each trade in order to settlement.
5. Sell side and buy side receive report reference code from IDX, they also receive evidence of securities transaction and List of Report on Securities Transactions from IDX, which may be downloaded from the CTP.
6. In the case of settlement transaction done in DVP, buy side sends instruction to its bank regarding cash transfer from buy side’s cash account to KSEI cash account Accordingly, amount of remittance is no need to be equal to transaction value, however the total amount available in the buy side’s KSEI cash account must cover the transaction value, however the total amount available in the buy side’s KSEI cash account must cover the transaction value.
7. The relevant payment bank receives cash transfer from buy side’s cash account into KSEI cash account.
8. Payment banks send cash payment message to KSEI.
9. KSEI credits buy side account in C-BEST.
10. Sell side and buy side send bond settlement instructions to KSEI(C-BEST), respectively. The instruction must specify whether it is a DVP (Delivery Versus Payment) or a DFOP (Delivery Free of Payment) instruction.
OTC Market

11. KSEI performs settlement matching.
12. KSEI reports matching result to sell side and buy side, if both the bonds and the cash are available in the respective accounts.
13. For DVP instruction, KSEI checks balance of buy side cash account and sell side bond account.
14. KSEI performs bond settlement at the time designated by the buy side and the sell side subject to KSEI’s business hours.
15. KSEI sends settlement statement to sell side and buy side.
16. Sell side sends instruction to KSEI regarding cash withdrawal from sell side’s KSEI cash account to sell side cash account. Fund transfer from KSEI cash account can only be done by transferring the fund into an operational account opened by sell side at a payment bank. Amount of remittance is no need to be equal to transaction value.
17. KSEI sends cash withdrawal instruction to the relevant payment bank. Payment bank provides intraday facility for KSEI in case there is not sufficient cash balance in the relevant payment bank.
18. The relevant payment banks transfer cash from sell side’s KSEI cash account to sell side’s operational account in the relevant payment bank.
19. Payment banks send cash account information to sell side.
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
ID05. Bond Transaction Flow for Foreign Investors OTC Market / DVP

1. Trade Order
2. Trade Confirmation
3. Agreement on Trade & Confirmation
4. Trade Reporting
5. Trade Confirmation
6. Trade Confirmation
7. Settlement Instruction
8a. Settlement Instruction
8b. FX/Funding Instruction
9. Pre-Matching Status/Tax Info
10. Matching Status Confirmation
11. Pre-Matching Status/Tax Info
12. Request Amendment
13. Amended Instruction
14. Settlement Confirmation
15. Settlement Confirmation
16. FX Confirmation
17. Funding of BI Account
18. Capture/UL of Transaction Details
19. Retrieval of Matching Status
20. Confirmation of Debit/Credit
21. Settlement Confirmation
22. Settlement Confirmation
23. Funding of Trades
24. Funding of Trades
25. Securities Statement
26. Cash Statement
27. Cash Statement

Trading
Counter-party
ID05 (IBPA)
Domestic Broker
or Bank
International Broker
Domestic Custodian (Sub-Registry)
Global Custodian
As FX Bank
As Cash Correspondent
Cash Settlement
Matching & Settlement
Foreign Institutional Investor (direct or Investment Manager)
### ID05. Bond Transaction Flow for Foreign Investors OTC Market / DVP

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Foreign Institutional Investor places order with International Broker</td>
</tr>
<tr>
<td>2.</td>
<td>International Broker/Domestic Investor places order with Domestic Broker/Bank</td>
</tr>
<tr>
<td>3.</td>
<td>Domestic Broker/Bank and Counterparty agree on OTC trade (via e.g. phone or Bloomberg)</td>
</tr>
<tr>
<td>4.</td>
<td>Domestic Broker/Bank and Counterparty report trade to IDX (IBPA) for price discovery (within 30 mins of trade)</td>
</tr>
<tr>
<td>5.</td>
<td>Domestic Broker/Bank sends trade confirmation to International Broker</td>
</tr>
<tr>
<td>6.</td>
<td>Foreign Institutional Investor receives trade confirmation</td>
</tr>
<tr>
<td>7.</td>
<td>Foreign Institutional Investor instructs Global Custodian, on securities settlement and cash/funding details</td>
</tr>
<tr>
<td>8.</td>
<td>Global Custodian instructs Domestic Custodian/Sub-Registry on (a) securities settlement details, (b) FX request or funding details</td>
</tr>
<tr>
<td>9.</td>
<td>Domestic Custodian/Sub-Registry reports trade details to IDX (within 30 mins of receipt of instruction), and obtains CTP number.</td>
</tr>
<tr>
<td>10.</td>
<td>Domestic Custodian/Sub-Registry pre-matches with Counterparty (via phone or email), CGT calculated and agreed</td>
</tr>
<tr>
<td>11.</td>
<td>Domestic Custodian/Sub-Registry advises Global Custodian on required amendment of settlement amount for CGT</td>
</tr>
<tr>
<td>12.</td>
<td>Global Custodian requests Foreign Institutional Investor to amend settlement amount for CGT</td>
</tr>
<tr>
<td>13.</td>
<td>Foreign Institutional Investor sends amended settlement instruction to Global Custodian</td>
</tr>
<tr>
<td>14.</td>
<td>Global Custodian sends amended settlement instruction to Domestic Custodian/Sub-Registry</td>
</tr>
<tr>
<td>15.</td>
<td>Domestic Custodian/Sub-Registry and Counterparty pre-match again on amended settlement amount (via phone or email)</td>
</tr>
<tr>
<td>16.</td>
<td>Domestic Custodian/Sub-Registry confirms actual FX amount to Global Custodian</td>
</tr>
<tr>
<td>17.</td>
<td>Domestic Custodian/Sub-Registry funds its account at BI via RTGS</td>
</tr>
<tr>
<td>18.</td>
<td>Domestic Custodian/Sub-Registry enters or uploads trade details into BI-SSSS system</td>
</tr>
<tr>
<td>19.</td>
<td>Domestic Custodian/Sub-Registry retrieves BI-SSSS matching status</td>
</tr>
<tr>
<td>20.</td>
<td>Upon settling cash, BI-RTGS sends debit/credit confirmation to Domestic Custodian/Sub-Registry</td>
</tr>
<tr>
<td>21.</td>
<td>Upon settling securities, BI-SSSS sends settlement confirmation for securities to Domestic Custodian/Sub-Registry</td>
</tr>
<tr>
<td>22.</td>
<td>Domestic Custodian/Sub-Registry sends settlement confirmation to Global Custodian</td>
</tr>
<tr>
<td>23.</td>
<td>Global Custodian sends settlement confirmation to Foreign Institutional Investor</td>
</tr>
<tr>
<td>24.</td>
<td>Global Custodian funds account with Domestic Custodian/Sub-Registry</td>
</tr>
<tr>
<td>25.</td>
<td>Domestic Custodian/Sub-Registry sends statement of securities to Global Custodian (at end of day)</td>
</tr>
<tr>
<td>26.</td>
<td>Domestic Custodian/Sub-registry sends debit/credit information in cash statement (at end of day)</td>
</tr>
<tr>
<td>27.</td>
<td>Global Custodian sends debit/credit information in cash statement (at end of day) to Foreign Institutional Investor</td>
</tr>
</tbody>
</table>
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
ID06. Interest Payment Flow of Government Bond

**Bond Issuer Side**
- MOF
- BI
  - As Paying Agent

**CSD**
- BI-SSSS
  - Same Entity (No Confirmation Necessary)

**Bond Holder Side**
- Bond Holder
- BI-SSSS
  - Participants including Sub-registries

**Cash Flow**
1. Payment Information
2. Payment Instruction
3. Interest Payment
4. Interest Payment
5. Interest Payment
6. Interest Payment Notice
7. Tax Payment

**Information Flow**
- MOF's Account
- Participant/Sub Registry's Account
- Bond Holder's Account
- BI(BI-SOSA)
- BI(BI-RTGS)

**Participants including Sub-registries**
- Same Entity

**Tax Office**
- Same Entity

**Participants**
- BI(BI-SOSA)
- BI(BI-RTGS)
- Participant/Sub Registry's System
ID06. Interest Payment Flow of Government Bond

Process of Interest Payment

1. Bank Indonesia (BI) notifies Ministry of Finance (MOF) of payment information.
2. MOF instructs Bank Indonesia (BI) to pay interest.
3. BI transfers cash for interest payment from MOF’s account to BI’s own account.
4. BI makes interest payment to BI-SSSS participant including sub-registries.
5. BI-SSSS participants credit bond holders’ account with interest.
6. BI-SSSS participants notify bond holder of interest payment.
7. BI-SSSS participants pay income tax to tax office.

※ BI-SSSS : Bank Indonesia Scripless Securities Settlement System
ID07. Redemption Payment Flow of Government Bond

1. Payment Information
   - MOF
   - Bond Issuer Side

2. Payment Instruction
   - BI
   - As Paying Agent

3. Redemption
   - BI(BI-SOSA)
   - MOF’s Account

4. Redemption
   - BI(BI-RTGS)
   - BI’s Account

5. Redemption
   - Same Entity
   - (No Confirmation Necessary)

6. Redemption
   - Participant/Sub Registry’s Account

7. Redemption Payment Notice
   - BI-SSSS Participants including Sub-registries

8. Tax Payment
   - Tax Office

Cash Flow

Information Flow
ID07. Redemption Payment Flow of Government Bond

Process of Redemption Payment

1. BI notifies Ministry of Finance (MOF) of payment information.
2. MOF instructs Bank Indonesia (BI) to pay redemption.
3. BI transfers cash for redemption payment from MOF’s account to BI’s own account.
4. BI makes redemption payment to BI-SSSS participant including sub-registries.
5. BI makes bond redemption.
6. BI-SSSS participants credit bond holders’ account with redemption.
7. BI-SSSS participants notify bond holder of redemption payment.
8. BI-SSSS participants pay income tax and capital gain tax to tax office.

※ BI-SSSS : Bank Indonesia Scripless Securities Settlement System
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
ID08. Interest Payment Flow of Corporate Bond

**Bond Issuer Side**
- 1. Announcement
- 2. On RD+1, Member Entitlement
- 3. On RD+1, List of Bondholders
- 4. Tax Docs
- 5. DGT Forms*
- 6. On PD-1, Payment Instruction
- 7. Cash Transfer
- 8. Payment Confirmation
- 9. Interest Payment
- 10. Withdrawal Instruction
- 11. Cash withdrawal
- 12. Cash transfer
- 13. Interest Payment
- 14. Interest Payment Confirmation and DGT
- 15. Interest Payment Notice
- 16. Tax Payment
- 17. Tax Docs

**Bond Holder Side**
- 1. Announcement
- 2. On RD+1, Member Entitlement
- 3. On RD+1, List of Bondholders
- 4. Tax Docs
- 5. DGT Forms*
- 6. On PD-1, Payment Instruction
- 7. Cash Transfer
- 8. Payment Confirmation
- 9. Interest Payment
- 10. Withdrawal Instruction
- 11. Cash withdrawal
- 12. Cash transfer
- 13. Interest Payment
- 14. Interest Payment Confirmation and DGT
- 15. Interest Payment Notice
- 16. Tax Payment
- 17. Tax Docs

**KSEI as CSD**
- KSEI’s Account
- Bond Holder’s Account
- Custodian’s Account
- Custodian

**CSD**
- Tax Office
- Custodian
- Bond Holder

**Bond Issuer**
- Bond Issuer

---

*only if the foreign investors would like to enjoy the tax treaty benefits
DGT: Double Taxation Convention
ID08. Interest Payment Flow of Corporate Bond

Process of Interest Payment (1/2)

1. Upon receiving notice from the bond issuer on the proposed payment of interest, KSEI announces the proposed payment of interest to custodian banks.

2. On recording date, KSEI calculates interest amount on behalf of each bond holder, including tax obligation. On recording date +1, KSEI carries out member entitlement to custodians. Custodian informs the entitlement to the bond holder.

3. On recording date +1, KSEI sends list of bond holders and request for payment to bond issuer (at the latest 3 business days prior to payment date). On the other hand reminder of interest payment confirmation (gross amount) will be sent to the bond issuer 10 business day before payment.

4. Bond holders who want to enjoy tax treaty benefit send tax docs in Double Taxation Agreement in DGT forms to custodian banks for submission to KSEI.

5. Custodians send tax docs in DGT forms to KSEI.

6. Not latest than 1 business day prior to payment date (payment date -1), Bond issuer must instructs one of appointed KSEI’s payment banks transfer interest payment to KSEI’s account. Amount is gross before tax.

7. Payment bank transfers cash to KSEI’s account.

8. Payment bank sends confirmation of cash transfer to KSEI.

9. KSEI processes interest payment to bond holders account in C-BEST.

10. Custodians input cash withdrawal instruction to KSEI.

11. KSEI sends instruction to transfer interest payment (net of tax) from KSEI’s account to relevant custodian’s account.

12. Payment bank transfers cash from KSEI’s account to custodians’ accounts.
Process of Interest Payment (2/2)

13. Custodians credit to bondholder’s accounts with interest paid by KSEI's payment bank.
15. KSEI submits interest payment confirmation and DGT form to the bonds issuer.
16. KSEI as paying agent pays tax to tax office through payment bank.
17. Bond issuer reports and sends tax docs to tax office.
18. Tax office clarifies and proof tax payment to Bond issuer.

NOTE: Foreign investors who are not domiciled or who do not wish to enjoy treaty benefits, are not required to submit any tax document.
ID09. Redemption Payment Flow of Corporate Bond

**Bond Issuer Side**

1. Announcement
2. On RD+1, Member Entitlement
3. On RD+1 List of Bondholders
4. Tax docs*
5. DGT Forms*
6. On PD -1, Payment Instruction
7. Cash Transfer
8. Payment Confirmation
9. Redemption
10. Withdrawal Instruction
11. Cash withdrawal
12. Cash transfer
13. Redemption Payment
14. Redemption Payment Notice
15. Redemption payment confirmation and DGT Forms*
16. Tax Payment
17. Tax Docs
18. Proof of tax payment

**KSEI as CSD**

- KSEI's Account
- Bond Holder's Account

**CSD**

- KSEI's Payment Banks
  - Issuer's Account
  - KSEI's Account
  - Custodian's Account
  - Bond Holder's Account

**Bond Holder Side**

- Bond Holder
- Custodian
- Tax Office

**Cash Flow**

**Information Flow**

*only if the foreign investors would like to enjoy the tax treaty benefits
DGT: Double Taxation Convention
ID09. Redemption Payment Flow of Corporate Bond

Process of Redemption Payment

1. Upon receiving notice from the bond issuer on the proposed redemption payment, KSEI announces payment to custodian banks.
2. On recording date, KSEI calculates redemption amount on behalf of each bond holder, including tax obligation. On recording date + 1, KSEI carries out member entitlement to custodians. Custodian informs the entitlement to the bond holder.
3. On recording date + 1, KSEI sends list of bond holders and request for payment to the bond issuer (at the latest 3 business days prior to payment date). On the other hand, reminder of redemption payment confirmation (gross amount) is sent to the bond issuer 10 business day before.
4. Bond holders who want to enjoy tax treaty benefit send tax docs in Double Taxation Agreement in DGT forms to custodian banks for submission to KSEI.
5. Custodians send tax docs in DGT forms to KSEI.
6. Not latest than 1 business day prior to payment date (Payment date – 1), Bond issuer instructs one of appointed KSEI’s payment banks to transfer cash for redemption payment to KSEI’s account. Amount is gross before tax.
7. Payment bank transfers cash to KSEI’s account.
8. Payment bank sends confirmation of cash transfer to KSEI.
9. KSEI processes redemption in C-BEST.
11. KSEI sends instruction to transfer principal and last interest payment (net of tax) from KSEI’s account to relevant custodian’s account.
12. Payment bank transfers cash from KSEI’s account to custodians’ accounts
13. Custodians credit to bondholder’s accounts with redemption and last interest payment paid by KSEI’s payment bank.
14. Custodians notify bond holders of redemption and last interest payment.
15. KSEI submits redemption payment confirmation and DGT form to the bonds issuer.
16. KSEI as a paying agent pays tax to tax office through payment bank.
17. Bond issuer reports and sends tax documents to tax office.
18. Tax office clarifies and proofs tax payment to Bond Issuer.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
**JP01. Government Bond Market Infrastructure Diagram**

- **Trading**: Tokyo OTC market
- **Trade matching**: JASDEC (PSMS)
- **CCP**: JSCC
- **Settlement match.**: BOJ (BOJ-NET JGB Services)
- **Bond settlement**: BOJ (BOJ-NET Funds Transfer System)
- **Cash settlement**: BOJ (BOJ-NET Funds Transfer System)

**Key Abbreviations**
- BOJ: Bank of Japan
- JGB: Japanese Government Bond
- OTC: Over the Counter
- PSMS: Pre-Settlement Matching System
- TSE: Tokyo Stock Exchange

**Notes**
- JASDEC: Japan Securities Depository Center, Inc.
JP02. Corporate Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>Tokyo OTC market</th>
<th>TSE</th>
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</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td></td>
<td></td>
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<tr>
<td>CCP</td>
<td>JASDEC (PSMS)</td>
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<td></td>
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<tr>
<td>Settlement match.</td>
<td>JASDEC (PSMS)</td>
<td></td>
</tr>
<tr>
<td>Bond settlement</td>
<td>JASDEC</td>
<td></td>
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<tr>
<td></td>
<td>(Book-Entry Transfer System)</td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>BOJ (BOJ-NET Funds Transfer System)</td>
<td></td>
</tr>
</tbody>
</table>

BOJ: Bank of Japan
JASDEC: Japan Securities Depository Center, Inc.

OTC: Over the Counter
PSMS: Pre-Settlement Matching System
TSE: Tokyo Stock Exchange

Note 1: Non fixed income bonds such as convertible bonds are not included here.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
JP03. Government Bond Transaction Flow for Domestic Trades OTC Market (JGB) / DVP through Trade Matching (PSMS)

1. Trade
2. Trade report
3. Trade Matching
4. Notice Data of Trade Matching Status
5. Settlement Matching
6. JGB Transfer Instruction
7. Notice of Acceptance of JGB Transfer Instruction for DVP

BOJ (BOJ-NET)
8.1. DVP Request
8.2. Notice of Acceptance of DVP Request

RTGS
10. Bond Settlement
11. Notice of DVP Settlement

JASDEC (PSMS)
1. Trade
2. Trade report
3. Trade Matching
Standing Settlement Instruction
4. Notice Data of Trade Matching Status
5. Settlement Matching

Buy Side’s Agent for Securities
(Deliverer of JGB)
7. Notice of Acceptance of JGB Transfer Instruction for DVP

Buy Side’s Agent for Funds
(Sender of Funds)
11. Notice of Credit to Current Account for DVP

Buy Side’s Agent for Securities
(Receiver of JGB)
10. Notice of DVP Settlement

Buy Side’s Agent for Funds
(Sender of Funds)
7. Notice of JGB Transfer Instruction for DVP
8.2. Notice of DVP Request by Deliverer of JGB
9.1. DVP Request
9.2. Notice of Acceptance of DVP Request
11. Notice of DVP Settlement
OTC Market

1. Sell side and buy side trade government bond over-the-counter.
2. Both sell side and buy side send trade report to Japan Securities Depository Center, Inc.(JASDEC).
3. JASDEC performs trade matching.
4. JASDEC notifies both sell side and buy side of trade matching status.
5. JASDEC performs settlement matching with Standing Settlement Instruction(SSI) generated by Pre-Settlement Matching System(PSMS).
6. JASDEC sends JGB transfer instruction to Bank of Japan(BOJ).
7. BOJ notifies JASDEC, sell side and buy side of acceptance of instruction.
8-1. Sell side enters DVP request to BOJ.
8-2. BOJ notifies sell side and buy side of acceptance of instruction.
9-1. Buy side enters DVP request to BOJ.
9-2. BOJ notifies buy side of acceptance of instruction.
10. BOJ performs bond and cash settlement.
11. When DVP settlement completed, BOJ notifies sell side and buy side of bond and cash settlement.
JP04. Government Bond Transaction Flow for Domestic Trades OTC Market (JGB) / DVP (New BOJ-NET) through Trade Matching (PSMS) and JSCC

1. Trade
2. Trade report
3. Trade Matching
4. Notice Data of Trade Matching Status
5. Matched Trade Report
6. Approval of Obligation
7. Notice Data of Approval of Obligation
8. Novation
9. Notice Data of Novation
10. Netting
11. Notice Data of Netting
12. DVP Order

Source: Bank of Japan and JASDEC (modified by presenter)
JJP04. Government Bond Transaction Flow for Domestic Trades OTC Market (JGB) / DVP (New BOJ-NET) through Trade Matching (PSMS) and JSCC

Source: Bank of Japan (modified by presenter)
JP04. Government Transaction Flow for Domestic Trades OTC Market (JGB) / DVP (New BOJ-NET) through Trade Matching (PSMS) and JSCC

OTC Market

1. The seller and buyer trade government bond over-the-counter.
2. Both seller and buyer send Trade Report data into PSMS (Pre-Settlement Matching System).
3. PSMS performs trade matching.
4. PSMS sends the Notice Data of Trade Matching Status to both sides of trade.
5. PSMS transmits the message of Matched Trade Report data to JSCC.
6. JSCC makes approval of obligation.
7. JSCC sends the Notice Data of Approval of Obligation to the seller and buyer via PSMS.
8. JSCC performs the novation.
9. JSCC sends the Notice Data of Novation to the seller and buyer via PSMS.
10. JSCC performs the netting.
11. JSCC sends the Notice Data of Netting to the seller and buyer via PSMS.
12. JSCC compiles DVP order.
13. JSCC sends the JGB Transfer Instruction for DVP to BOJ-NET.
14. BOJ-NET sends the Notice of Acceptance of JGB Transfer Instruction for DVP to the seller, the buyer and JSCC.
15-1. The seller enters DVP Request to BOJ-NET.
15-2. The buyer enters DVP Request to BOJ-NET. (for cash)
16-1. BOJ-NET sends the Notice of Acceptance of DVP Request to seller and completes settlement.
16-2. BOJ-NET sends the Notice of Acceptance of DVP Request to buyer and completes settlement. (for cash)
17. When DVP settlement completed, BOJ-NET sends the Notice of credit to current account for DVP to the seller, buyer and JSCC.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
JP05. Corporate Bond Transaction Flow for Domestic Trades

Buy Side

1. Trade

2. Trade Report

3. Trade Matching

4. Notice of Matching Status

5. Settlement Matching

6. Notice of Matching Status

7. Holding Bonds

8. Fund Settlement Data for DVP

9. Payment Request (Cash)

10. Payment Instruction (Cash)

11. Cash Settlement

12. Notice of Receipt Completion (Cash)

13. Bond Settlement

14. Settlement Report (Bond)

14. Settlement Report (Cash)

Sell Side
OTC Market

1. Sell side and buy side trade corporate bonds over-the-counter.
2. Both sell side and buy side send trade report to Japan Securities Depository Center, Inc. (JASDEC).
3. JASDEC performs trade matching.
4. JASDEC notifies both sell side and buy side of trade matching status.
5. JASDEC performs settlement matching with Standing Settlement Instruction (SSI) generated by Pre-Settlement Matching System (PSMS).
6. JASDEC notifies sell side and buy side of settlement matching status.
7. JASDEC holds bonds with its book-entry transfer system.
8. JASDEC sends fund settlement data for DVP to Bank of Japan (BOJ).
9. BOJ sends payment request to buy side.
10. Buy side sends payment instruction to BOJ.
11. BOJ executes cash settlement.
12. BOJ notifies sell side, buy side and JASDEC of cash receipt completion.
13. JASDEC executes bond settlement.
14. JASDEC sends bond settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
JPO6. Bond Transaction Flow for Foreign Investors OTC Market (JGB) / DVP

1. Trade Order
2. Trade Order
3. Agreement on Trade & Confirmation
4. Trade Confirmation
5. Trade Confirmation
6. Settlement Instruction
7. Settlement Instruction
8. Settlement Instruction
9. Response on Matching Status
10. Transaction Status Update
11a. Notification of DVP Settlement and Acceptance
11b. Notification of DVP Settlement and Acceptance
12a. DVP Request
12b. DVP Request
13a. Settlement Confirmation
13b. Confirmation of Debit/Credit
14. Settlement Confirmation
15. Funding of Trades
16. Settlement Confirm
17. Securities Statement
18. Cash Statement
19. Cash Statement

Counter-party

PSMS (JASDEC)

BOJ-NET (JGB Services)

BOJ-NET (RTGS)

Trading & Matching

Clearing

Matching & Settlement
JP06. Bond Transaction Flow for Foreign Investors OTC Market (JGB) / DVP

1. Foreign Institutional Investor places order with International Broker
2. International Broker places order with Domestic Broker/Bank
3. Domestic Broker/Bank trades OTC with Counterparty (via phone or e.g. Bloomberg)
4. Domestic Broker/Bank send trade confirmation to International Broker
5. Foreign Institutional Investor receives trade confirmation
6. Foreign Institutional Investor instructs Global Custodian on securities settlement details
7. Global Custodian instructs Domestic Custodian on securities settlement details
8. Domestic Broker and domestic Custodian input trade details into PSMS
9. PSMS responds with matching status
10. Domestic Custodian reports transaction status update to Global Custodian

11. Domestic Custodian/Direct Participant receive Notification of DVP Settlement and Acceptance from BOJ-NET
12. Domestic Custodian/Direct Participant send DVP request to BOJ-NET
13. Domestic Custodian/Direct Participant as well as JSCC receive confirmation of DVP settlement
14. Domestic Custodian sends settlement confirmation to Global Custodian
15. Global Custodian funds account with Domestic Custodian, or into FCY nostro (before end of day)
16. Global Custodian sends settlement confirmation to Foreign Institutional Investor
17. Domestic Custodian sends securities statement to Global Custodian
18. Domestic Custodian sends cash credit/debit confirmation in cash statement to Global Custodian
19. Global Custodian sends credit/debit confirmation in cash statement to Foreign Institutional Investor
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
JP07. Interest Payment Flow of Government Bond

Cash Flow

Information Flow

Bond Issuer Side

MOF

1. Payment Request

2. Approval

BOJ as Paying Agent

 SAME ENTITY

BOJ (BOJ-NET)

5. Transfer Cash

6. Interest Payment

Account Management Institution

AMI (Account Management Institution)

9. Interest Payment Notice

8. Interest Payment

Bond Holder Side

BOJ as CSD

SAME ENTITY

CSD

3. Notification of Payment Details (Estimated)

4. Notification of Payment Details (Final)

7. Notification of Payment Details (Settled)

SAME ENTITY

Bond Holder

SAME ENTITY

Tax Office

5. Transfer Cash

6. Interest Payment

7. Notification of Payment Details (Settled)

8. Interest Payment

9. Interest Payment Notice

10. Tax Payment (Income Tax)

11. Tax Payment (Local Tax)
JP07. Interest Payment Flow of Government Bond

Process of Interest Payment

1. Bank of Japan (BOJ) as a paying agent sends request of interest payment to Ministry of Finance (MOF).
2. MOF approves request of interest payment from BOJ.
3. BOJ as a paying agent notifies estimated details of interest payment to account management institutions. Since BOJ also functions as CSD of government bond, no confirmation is necessary before this process.
4. BOJ as a paying agent notifies final details of interest payment to account management institutions.
5. BOJ as a paying agent transfers cash for interest payment from MOF’s account to BOJ’s account.
6. BOJ as a paying agent makes interest payments, deducting income tax if applicable, to account management institutions via BOJ-NET.
7. BOJ as a paying agent notifies details of a settled interest payment to account management institutions.
8. Account management institutions credit to bondholder’s accounts with interest paid by BOJ, deducting local tax if applicable.
9. Account management institutions notifies bondholders of interest payment.
10. BOJ as a paying agent pays income tax to tax office via BOJ’s account, if it’s applicable.
11. Account management institutions pay local tax to tax office if applicable.
**JP08. Redemption Payment Flow of Government Bond**

**Bond Issuer Side**
- MOF
  - 1. Payment Request
  - 2. Approval

**CSD**
- BOJ as CSD
  - 7. Redemption (DVP)

**Bond Holder Side**
- Bond Holder
  - 10. Redemption Payment Notice

**BOJ (BOJ-NET)**
- MOF’s Account
  - 5. Redemption Payment to BOJ’s Account
- BOJ’s Account
  - 6. Redemption Payment to AMI’s Account

**Account Management Institution**
- AMI’s Account
  - 9. Redemption Payment to Bond Holder’s Account

**Tax Office**
- 11. Tax Payment (Income Tax)
- 12. Tax Payment (Local Tax)
**Process of Redemption Payment**

1. Bank of Japan (BOJ) as a paying agent sends request of redemption and last interest payment to Ministry of Finance (MOF).
2. MOF approves request of redemption and last interest payment from BOJ.
3. BOJ as a paying agent notifies estimated details of redemption and last interest payment to account management institutions. Since BOJ also functions as CSD of government bond, no confirmation is necessary before this process.
4. BOJ as a paying agent notifies final details of redemption and last interest payment to account management institutions.
5. BOJ as a paying agent transfers cash for redemption payment from MOF’s account to BOJ’s account.
6. BOJ as a paying agent makes redemption and last interest payments, deducting income tax if applicable, to account management institutions via BOJ-NET.
7. BOJ as CSD makes bond redemption.
8. BOJ as a paying agent notifies details of a settled redemption and last interest payment to account management institutions.
9. Account management institutions credit to bondholder’s accounts with redemption and last interest paid by BOJ, deducting local tax if applicable.
10. Account management institutions notifies bond holders of redemption and last interest payment.
11. BOJ as a paying agent pays income tax to tax office via BOJ’s account, if it’s applicable.
12. Account management institutions pay local tax to tax office if applicable.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
JP09. Interest Payment Flow of Corporate Bond

1. Payment Request
2. Payment Instruction
3. Bond Holder’s Tax Status Data
4. Bond Holder’s Tax Status Data
5. Payment Request
6. Approval
7. Cash Transfer
8. Instruction for cash transfer
9. Interest Payment
10. Interest Payment
11. Interest Payment Notice
12. Tax Payment (Income Tax)
13. Tax Payment (Local Tax)

Cash Flow
Information Flow
JP09. Interest Payment Flow of Corporate Bond

Process of Interest Payment

1. Paying agent sends payment request of interest to bond issuer.
2. Bond issuer instructs paying agent to pay interest.
3. Bond holders send their tax status data to account management institutions (AMIs).
4. AMIs of bond holders send the tax status data of bondholders to Japan Securities Depository Center, Inc. (JASDEC).
5. JASDEC sends payment request of interest to paying agent.
6. Paying agent approves request from JASDEC.
7. Paying agent transfers cash for interest payment from issuer’s account to its own account.
8. Paying agent instructs BOJ to transfer cash to AMIs.
9. BOJ makes interest payments, deducting income tax if applicable, to account management institutions via BOJ-NET.
10. AMIs credit to bondholder’s accounts with interest paid by paying agent, deducting local tax if applicable.
11. AMIs notifies bond holders of interest payment.
12. Paying agent pays income tax to tax office via its own account, if tax is applicable.
13. Account management institutions pay local tax to tax office if applicable.
JP10. Redemption Payment Flow of Corporate Bond

1. Payment Request
2. Payment Instruction
3. Bond Holder’s Tax Status Data
4. Bond Holder’s Tax Status Data
5. Payment Request
6. Approval
7. Cash Transfer
8. Instruction for cash transfer
9. Redemption Payment
10. Redemption
11. Delete Bond Registration
12. Redemption Payment
13. Tax Payment (Income Tax)
14. Redemption Payment Notice
15. Tax Payment (Local Tax)

Cash Flow
Information Flow
1. Paying agent sends payment request of redemption to bond issuer.
2. Bond issuer instructs paying agent to pay redemption.
3. Bond holders send their tax status data to account management institutions (AMIs).
4. AMIs of bond holders send tax status data of bondholders to JASDEC.
5. JASDEC sends payment request of redemption to paying agent.
6. Paying agent approves request from JASDEC.
7. Paying agent transfer cash for redemption payment from issuer’s account to its own account.
8. Paying agent instructs BOJ to transfer cash, deducting income tax if applicable, to AMIs’ accounts.
9. BOJ makes redemption payments to AMIs via BOJ-NET.
10. JASDEC makes bond redemption.
11. Paying agent deletes bond registration.
12. AMIs credit to bondholder’s accounts with redemption paid by paying agent, deducting local tax if applicable.
13. Paying agent pays income tax to the tax office via its own account, if tax is applicable.
14. AMIs notifies bond holders of redemption payment.
15. Account management institutions pay local tax to tax office if applicable.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
KH01. Government Bond Market Infrastructure Diagram

OTC Market

Trading

Trade matching

CCP

Settlement match.

Bond settlement

Cash settlement

NBC

NBC (BES)

NBC: National Bank of Cambodia
BES: Book Entry System
KH02. Corporate Bond Market Infrastructure Diagram

Trading (Post) Trade match

CCP

Settlement match.

Bond settlement

Cash settlement

CSX: Cambodia Securities Exchange
NBC: National Bank of Cambodia
CSD: Cambodian Securities Depository
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Interest & Redemption Payment Flow (Government Bond)**

5. **Interest & Redemption Payment Flow (Corporate Bond)**
KH03. Government Bond Transaction Flow for Domestic Trades

1. Trade

2. Delivery of Transfer Form

3. Registration

4. Sale/Purchase Advice

5. Cash Settlement
1. Sell side and buy side trade via OTC market
2. NBC receives Transfer Form for Government Securities with signature of sell side and buy side.
3. NBC registers the trade information in Book Entry System (BES).
4. NBC sends Sale/Purchase advices to sell side and buy side.
5. NBC carries out cash settlement.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
KH04. Corporate Bond Transaction Flow for Domestic Trades

1. Trade Order
2. Matching
3. Trade confirmation
4. Taking Obligation (novation)
5. Netting
6. Netting Result
7. Holding Bonds
8. Settlement Data
9. Cash Settlement
10. Settlement Report
11. Bonds Settlement
12. Settlement Report (Bond & Cash)

Buy Side's Corresponding Bank

Sell Side Securities Company

CSX (CSD)

Sell Side's Corresponding Bank

Buy Side Securities Company
Exchange Market

1. Sell side and buy side enter trading order into the CSX trading system.
2. CSX performs matching.
3. CSX makes trade confirmation.
4. CSX takes obligation (novation) for CSX members.
5. CSX performs netting.
6. CSX sends detail of netting result to sell side and buy side via system.
7. CSX checks availability and holds securities.
8. CSX sends settlement data to NBC automatically via FTP.
9. NBC executes cash settlement.
10. NBC notices cash settlement confirmation to CSX.
11. NBC releases held securities and executes securities delivery.
12. CSX sends settlement report to sell side and buy side.
KH05. Interest Payment Flow of Government Bond

1. Debit Order of Treasury Account
2. Interest Payment
3. Interest Payment
4. Notification of Payment Detail
5. Interest Payment
6. Interest Payment Confirmation

MEF (Ministry of Economy and Finance)

NBC (GSMA)

Bond Issuer Side

CSD

Bond Holder Side

Commercial Bank (Subscriber)

Tax Office

Cash Flow

Information Flow
Process of Interest Payment

1. MEF provides order of debit to NBC in advance of interest payment date.
2. On payment date, NBC debits interest payment amount from Treasury Account following order of debit by MEF and credit it to its own account.
3. NBC transfers cash for interest payment to commercial bank’s account via NBC Clearing House.
4. NBC sends letter of notification for interest payment to subscriber.
5. Commercial bank credits interest amount to its client’s account in the case that bond is held by the client.
6. Commercial bank notifies bond holders of interest payment.
KH06. Redemption Flow of Government Bond

**Bond Issuer Side**

- **MEF** (Ministry of Economy and Finance)
  - 1. Debit Order of Treasury Account

**CSD**

- **NBC** (GSMA)
  - 4. Notification of Payment Detail
  - Same Entity

**Bond Holder Side**

- **Bond Holder**
  - 7. Redemption Confirmation

- **Commercial Bank** (Subscriber)
  - Same Entity

**Commercial Banks**

- NBC's Account
  - 3. Redemption Payment

**NBC**

- Treasury Account
  - 2. Redemption Payment

**Tax Office**
KH06. Redemption Payment Flow of Government Bond

Process of Redemption Payment

1. MEF provides order of debit to NBC in advance of redemption due date.
2. On due date, NBC debits redemption payment amount from Treasury Account following order of debit by MEF and credit it to its own account.
3. NBC transfers cash for redemption to commercial bank’s account via NBC Clearing House.
4. NBC sends letter of notification for redemption to subscriber.
5. NBC makes bond redemption.
6. Commercial bank credits redemption payment to its client’s account in the case that bond is held by the client.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
KR01. Government Bond Market Infrastructure Diagram

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<tbody>
<tr>
<td>Trade matching</td>
<td>KSD(KSD SAFE+)</td>
<td></td>
</tr>
<tr>
<td>CCP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement match.</td>
<td>BOK(BOK-Wire+) or Bank</td>
<td>BOK</td>
</tr>
<tr>
<td>Bond settlement</td>
<td>KSD (KSD SAFE+)</td>
<td></td>
</tr>
</tbody>
</table>

- OTC: Over the Counter
- KRX: Korea Exchange
- KSD: Korea Securities Depository
- KSD SAFE+: the name of KSD’s System (SAFE: Speedy, Accurate, Faithful, Efficient)

- BOK: Bank of Korea
- BOK Wire+: the name of BOK’s System
- Bank: Commercial Bank
<table>
<thead>
<tr>
<th>KR02. Corporate Bond Market Infrastructure Diagram</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading</strong></td>
</tr>
<tr>
<td><strong>Trade matching</strong></td>
</tr>
<tr>
<td>OTC market</td>
</tr>
<tr>
<td>KSD(KSD SAFE+)</td>
</tr>
<tr>
<td>KRX</td>
</tr>
<tr>
<td><strong>Settlement match.</strong></td>
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<tr>
<td>Bond settlement</td>
</tr>
<tr>
<td>KSD(KSD SAFE+)</td>
</tr>
<tr>
<td><strong>Cash settlement</strong></td>
</tr>
<tr>
<td>BOK(BOK Wire+)</td>
</tr>
<tr>
<td>Bank</td>
</tr>
</tbody>
</table>

- **OTC** : Over the Counter
- **KRX** : Korea Exchange
- **KSD** : Korea Securities Depository
- **KSD SAFE+** : the name of KSD’s System (SAFE: Speedy, Accurate, Faithful, Efficient)
- **BOK** : Bank of Korea
- **BOK Wire+** : the name of BOK’s System
- **Bank** : Commercial Bank
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
OTC Market

1. Sell side and buy side trade over the counter mostly with private messenger, and some transactions are done with FreeBond provided by KOFIA which is a supporting and confirmation system for bond trading.
2. Financial investment companies engaged in trading must report trading details to KOFIA within 15 minutes after trading execution. They also report trading details to FSS via Foreign Investment Management System (FIMS).
3. KOFIA discloses this information on its Bond-Trade Report & Information Service (B-Tris).
4. Sell side and buy side send trade data to Korea Securities Depository (KSD).
5. KSD collates trade data from the sell side and buy side.
6. KSD sends matching status advice to the sell side and buy side.
7. Sell side and buy side sends settlement instructions for DVP to KSD.
8. KSD holds bonds before cash settlement.
9. KSD sends settlement data to Bank of Korea (BOK).
10-1. The BOK sends payment request (cash) to the buy side.
10-2. The buy side sends the payment instruction for DVP to BOK.
11. BOK executes cash settlement.
12. BOK sends settlement report to sell side, the buy side and KSD.
13. KSD executes bond settlement.
14. KSD sends settlement report to sell side and buy side.

- **Sell Side**
  - 1. Trade Order
  - 2. Matching
  - 3. Trade Confirmation
  - 4. Taking Obligation (novation) (KRX-member)
  - 5. Netting
  - 6. Settlement Detail
  - 7. Settlement Instructions for DVP
  - 8. Holding Bonds
  - 12. Bond Settlement Through KRX a/c
  - 9. Settlement Data for DVP
  - 11. Settlement Report(cash)
  - 11. Settlement Report (Bond)
  - 13. Settlement Report (Bond)
  - 11. Settlement Report (Cash)

- **Buy Side**
  - 1. Trade Order
  - 6. Settlement Detail
  - 10. Cash Settlement Through KRX a/c
  - 11. Settlement Report (cash)
  - 11. Settlement Report (Bond)
  - 11. Settlement Report (Cash)
1. Sell side and buy side send trade order to Korea Exchange (KRX).
2. KRX performs matching.
3. KRX makes trade confirmation.
4. KRX takes obligation (novation) for KRX members.
5. KRX performs netting.
6. KRX sends settlement details to sell side and buy side.
7. KRX sends settlement instruction for DVP to Korea Security Depository (KSD).
8. KSD holds bonds before cash settlement.
9. KSD sends settlement data to Bank of Korea (BOK).
10. BOK executes cash settlement.
11. BOK sends settlement report (cash) to sell side, the buy side and KSD.
12. KSD executes bond settlement through KRX account.
13. KSD sends settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
KR05. Corporate Bond Transaction Flow for Domestic Trades (OTC)

1. Transferring order information

3. Execution/Rejection of order

5. Reporting Trade details

7. Trade Data

9. Matching Status Advice

10. Settlement Instructions for DVP (no needs for typical flow)

11. Holding Bonds

15. Bond Settlement

16. Settlement Report (Bond)

12. Settlement Data for DVP

14. Settlement Report (Cash)

13. Cash Settlement

BOK (BOK-Wire+)

KOFIA (FreeBond)

KSD (SAFE+)

FSS (FIMS)

Buy Side

Sell Side
KR05. Bond Transaction Flow for Domestic Trades

OTC Market

1. If the client is a foreign investor, the sell side and/or the buy side of securities companies transfer order information to Financial Supervisory Service (FSS) via Foreign Investment Management System (FIMS).
2. FSS acknowledges or rejects order.
3. If holdings is enough, FSS transfers order information to the sell side and/or the buy side of securities companies and Korea Exchange.
4. The sell and buy trade over the counter with a formalized bond trading system, whose name is FreeBond.
5. Both the sell and buy must report trading details to the KOFIA within 15 minutes after trading execution.
6. KOFIA discloses this information on its Bond-Trade Report and Information Service (B-TrIS).
7. The sell side and Buy side send trade data to KSD.
8. KSD collates trade data from the seller and buyer.
9. KSD sends matching status advise to the sell side and buy side.
10. The sell side and buy side send settlement instructions for DVP to KSD.
11. KSD holds bonds before cash settlement.
12. KSD sends settlement data to BOK.
13. BOK executes cash settlement.
14. BOK sends settlement report to the sell side, buy side and KSD.
15. KSD executes bond settlement.
16. KSD sends settlement report to the sell side and buy side.
KR06. Corporate Bond Transaction Flow for Domestic Trades (Exchange)

**Sell Side**

1. Trade Order
2. Matching
3. Trade confirmation
4. Taking Obligation (novation) (KRX-member)
5. Netting
6. Settlement Detail

**KRX (Exture)**

7. Settlement Instruction for DVP

**KSD (SAFE+)**

8. Holding Bonds
9. Bond Settlement Through KRX a/c

**Commercial Banks**

10. Settlement Report (Bond & Cash)

**Buy Side**

1. Trade Order
2. Matching
3. Trade confirmation
4. Taking Obligation (novation) (KRX-member)
5. Netting
6. Settlement Detail

7. Settlement Instruction for DVP

8. Holding Bonds
9. Bond Settlement Through KRX a/c

10. Settlement Report (Bond & Cash)
KR06. Corporate Bond Transaction Flow for Domestic Trades (Exchange)

**Exchange Market**

1. Sell side and buy side send trade order to Korea Exchange (KRX).
2. KRX performs matching.
3. KRX makes trade confirmation.
4. KRX takes obligation (novation) for KRX members.
5. KRX performs netting.
6. KRX sends settlement details to sell side and buy side
7. KRX sends settlement instruction for DVP to Korea Security Depository (KSD).
8. KSD holds bonds before cash settlement.
9. KSD executes bond & cash settlement for DVP through KRX account.
10. KSD sends settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
KR07. Bond Transaction Flow for Foreign Investors  OTC Market / DVP

Foreign Institutional Investor (direct or Investment Manager)

1 Trade Order
2 Trade Order
3 Agreement on Trade & Confirmation
4 Trade Reporting
5 Trade Confirmation
6 Sending of Trade Details
7 Trade Confirmation
8 Settlement Instruction
9 a Settlement Instruction
9 b FX/Funding Instruction
10 Transmission of Settlement Details
11 Affirmation of Settlement Details
12 Affirmation Status
13 Transaction Status Update
14 FX Confirmation
15 Funding of BoK Account
16 Confirmation of Debit/Credit
17 Settlement Confirmation
18 Settlement Confirmation
19 Funding of Trades
20 Settlement Confirm
21 Securities Statement
22 Cash Statement
23 Cash Statement

International Broker
Domestic Broker or Bank
Counterparty

Global Custodian
As Cash Correspondent

Domestic Custodian
As FX Bank
As Cash Correspondent

KOFIA
KSD
BOK
BOK-Wire
**KR07. Bond Transaction Flow for Foreign Investors  OTC Market / DVP**

<table>
<thead>
<tr>
<th>Settlement Date</th>
<th>Trade Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>T+1 (SD-1)</td>
<td></td>
</tr>
</tbody>
</table>

1. Foreign Institutional Investor places order with International Broker
2. International Broker places order with Domestic Broker/Bank
3. Domestic Broker/Bank trades OTC with Counterparty (via phone or e.g. Bloomberg)
4. Domestic Broker/Bank and Counterparty report trade to KOFIA within 15 minutes of trade
5. Domestic Broker/Bank send trade confirmation to International Broker
6. Domestic Broker/Bank sends trade details to KSD
7. Foreign Institutional Investor receives trade confirmation
8. Foreign Institutional Investor instructs Global Custodian on securities settlement details, and FX/funding
9. Global Custodian instructs Domestic Custodian on (a) securities settlement details, and (b) FX/funding requirements
10. KSD sends Preliminary Settlement Data to Domestic Custodian, via SAFE
11. Domestic Custodian affirms settlement details
12. KSD sends affirmation status to Domestic Broker/Bank
13. Domestic Custodian reports transaction status update to Global Custodian
14. Domestic Custodian sends FX confirmation to Global Custodian
15. Domestic Custodian funds BOK account
16. Upon transfer of cash, BOK sends settlement confirmation to Domestic Custodian
17. Upon transfer of securities, KSD sends settlement confirmation to Domestic Custodian
18. Domestic Custodian sends settlement confirmation to Global Custodian
19. Global Custodian funds account with Domestic Custodian, or into FCY nostro (before end of day)
20. Global Custodian sends settlement confirmation to Foreign Institutional Investor
21. Domestic Custodian sends securities statement to Global Custodian
22. Domestic Custodian sends cash credit/debit confirmation in cash statement to Global Custodian
23. Global Custodian sends credit/debit confirmation in cash statement to Foreign Institutional Investor
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
KR08. Interest Payment Flow of Government Bond

**Cash Flow**

**Information Flow**

**Bond Issuer Side**
- MOF
- Registrar (BOK)
  - (Entrust Interest Payment Business)

**CSD**
- KSD
  - Same Entity
    - (No Confirmation Necessary)

**Bond Holder Side**
- Bond Holder
- KSD’s Participant
  - 1. Interest Payment List Notification

**BOK (BOK-Wire+)**
- BOK Account
  - 3. Interest Payment

**KSD’s Account**
- 2. Input & Request the Interest via BOK Terminal
- 4. Payment Instruction

**Custodian’s Account**
- 5. Interest Payment (net)

**Bond Holder’s Account**
- 6. Interest Payment (net)

**Tax Office**
- 8. Tax Payment (for Residents)
- 9. Tax Payment (for Non-residents)
Process of Interest Payment

1. Korea Securities Depository (KSD) notifies KSD participants of interest payment list.
2. KSD inputs and request the interest via Bok terminal.
3. BOK makes interest payment to BOK account of KSD.
4. KSD withholds income tax on receiving interest and sends payment instruction to BOK.
5. BOK transfers interest from BOK account of KSD to KSD participant.
6. KSD participants make interest payments to bondholders.
7. KSD’s participants notify bond holders of interest payment.
8. KSD pays tax for residents to tax office.
9. KSD’s participants pay tax for non-residents to tax office.

**Bond Issuer Side**
- MOF
- Registrar (BOK)
- KSD

**CSD**
- Redemption Notice
- Redemption List Notification
- Same Entity
- (No Confirmation Necessary)

**Bond Holder Side**
- Bond Holder
- KSD’s Participant
- Custodian’s Account
- Bond Holder’s Account

**Information Flow**
- Cash Flow
- Information Flow

**Cash Flow**
- 1. Redemption List Notification
- 2. Input & Request Redemption via BOK Terminal
- 3. Redemption Payment
- 4. Payment Instruction
- 5. Redemption Payment (net)
- 6. Redemption Payment (net)
- 7. Redemption Notice
- 8. Redemption
- 9. Delete Bond Registration
- 10. Tax Payment (for Residents)
- 11. Tax Payment (for Non-residents)

**Bond Holder Account**
- Same Entity

**Custodian**
- Same Entity

**KSD**
- Same Entity
- Entrust Redemption Payment Business

**MOF**
- Entrust Redemption Payment Business

**Registrar (BOK)**
- Same Entity

**KSD’s Participant**
- Same Entity

**Custodian’s Account**
- Same Entity

**Tax Office**
KR09. Redemption Flow Government Bond

Process of Redemption

1. Korea Securities Depository(KSD) notifies KSD participants of redemption payment list.
2. KSD inputs and request the redemption via Bok terminal.
3. BOK makes redemption payment to BOK account of KSD.
4. KSD withholds income tax on receiving principal and sends payment instruction to BOK.
5. BOK transfers redemption payment from BOK account of KSD to KSD participant.
6. KSD participants make redemption payments to bondholders.
7. KSD’s participants notify bond holders of redemption payment.
8. KSD makes bond redemption.
9. BOK deletes the registration of redeemed bond.
10. KSD’ pays tax for residents to tax office.
11. KSD’s participants pay tax for non-residents to tax office.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
KR10. Interest Payment Flow of Corporate Bond

**Bond Issuer Side**

- **Bond Issuer**
  - 4. Fund payment (deposit interest)

**CSD**

- **KSD**
  - 2. Bondholders list
  - 3. Notification Via KFTC
  - 8. Payment Instruction

**Bond Holder Side**

- **Bond Holder**
  - 12. Interest Payment Notice

**Payment Bank**

- **Payment Bank's Account**
  - 5. Interest Payment
  - 6. Payment Instruction

**BOK(BOK-Wire+)**

- **KSD’s Bank**
  - 7. Interest Payment
  - 9. Interest Payment (net)

**KSD’s Participant**

- **KSD’s Account**
  - 10. Interest Payment Notification

**Issuer’s Account**

- **Payment Bank’s Account**
  - Same Entity

**BOK(Wire+)**

- **KSD’s Account**
  - Same Entity

**Custodian**

- **Custodian’s Account**
  - Same Entity

**Tax Office**

- **Bond Holder’s Account**
  - 11. Interest Payment
  - 13. Tax Payment (for residents)
  - 14. Tax Payment (for non-residents)
Process of Interest Payment

1. Korea Securities Depository (KSD)’s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s bank of bondholders-list.
3. KSD’s bank notifies issuer’s payment bank of interest payment via KOREA FINANCIAL TELECOMMUNICATIONS & CLEARINGS INSTITUTE (KFTC).
4. A bond issuer makes fund payment for interest to a payment bank.
5. Payment Bank executes interest payment from issuer’s account to it’s account.
6. Payment bank instructs BOK to pay interest from payment bank’s account to KSDs’ Bank’s account.
7. BOK executes interest payment from payment banks’ account to KSD’s account.
8. KSD instructs KSD’s bank to pay interest to custodians (KSD participants)’ account.
9. KSD’s bank executes interest payment from KSD’s account to custodians (KSD participants)’ account, deducting income tax if applicable.
10. KSD notifies it’s participants of interest payment.
11. Custodian (KSD’s participants) credit bond holders’ accounts with interest paid by issuer, deducting tax if applicable.
12. Custodian (KSD’s participants) notify bond holders of interest payment.
13. KSD’s bank pays tax for residents to tax office.
14. KSD’s participants pay tax for non-residents to tax office.
KR11. Redemption Payment Flow of Corporate Bond

Bond Issuer Side

1. Notification of Bond Holder's information
2. Bondholders' list
3. Notification Via KFTC
4. Fund payment (deposit principal)

Payment Bank

Same Entity

Bond Issuer

CSD

KSD

KSD's Bank

Payment Bank

Same Entity

Payment Bank's Account

BOK (BOK-Wire+)

KSD's Bank

Same Entity

KSD's Account

KSD

Redemption Payment

9. Redemption Payment (net)

Participant's Account

Custodian

Payment Bank's Account

12. Redemption Payment

Bond Holder's Account

Bond Holder

Same Entity

KSD's Participant

13. Redemption Payment Notice

Tax Office

14. Tax Payment (for residents)

15. Tax Payment (for non-residents)
Process of Redemption Payment

1. Korea Securities Depository (KSD)’s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s Bank of bondholders-list.
3. KSD’s bank notifies issuer’s payment bank of redemption payment via KOREA FINANCIAL TELECOMMUNICATIONS & CLEARINGS INSTITUTE (KFTC).
4. A bond issuer makes fund payment for redemption to a payment bank.
5. Payment Bank executes redemption payment from issuer’s account to it’s account.
6. Payment Bank instructs BOK to pay redemption from payment bank’s account to KSD’s account.
7. BOK executes redemption payment from payment banks’ account to KSD’s account.
8. KSD instructs KSD’s Bank to pay redemption to custodians (KSD participants)’ account.
9. KSD’s bank executes redemption payment from KSD’s account to custodians (KSD participants)’ account, deducting tax if applicable.
10. KSD makes bond redemption.
11. KSD notifies its participants of redemption payment.
12. Custodian (KSD’s participants) credit bond holders’ accounts with redemption paid by issuer, deducting tax if applicable.
13. Custodian (KSD’s participants) notify bond holders of redemption payment.
14. KSD’s Bank pays tax for residents to tax office.
15. KSD’s participants pay tax for non-residents to tax office.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
LA01. Government Bond Market Infrastructure Diagram

OTC Market

Trading

Trade matching

CCP

Settlement match.

Bond settlement

Cash settlement

BOL: Bank of Lao PDR

BOL
### LA02. Corporate Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th></th>
<th>LSX (Book Entry System)</th>
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</thead>
<tbody>
<tr>
<td><strong>Trading</strong></td>
<td></td>
</tr>
<tr>
<td>(Post) Trade match</td>
<td></td>
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<tr>
<td><strong>CCP</strong></td>
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<tr>
<td><strong>Settlement match.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Bond settlement</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Cash settlement</strong></td>
<td>BOL</td>
</tr>
</tbody>
</table>

**LSX**: Lao Securities Exchange  
**BOL**: Bank of Lao PDR
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Interest & Redemption Payment Flow (Government Bond)**

5. **Interest & Redemption Payment Flow (Corporate Bond)**
LA03. Government Bond Transaction Flow for Domestic Trades

1. Trade
2. Delivery of Physical Certificate
3. Registration
4. Cash Settlement
5. Delivery of Physical Certificate

Sell Side
Buy Side
LA03. Government Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade via OTC market by telephone or by FAX in the form of physical certificate.
2. Sell side deliver physical certificate with evidence of trade to BOL.
3. BOL registers trade on book.
4. BOL makes cash settlement from buy side to sell side.
5. Buy side brings back BOL physical certificate from BOL.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Interest & Redemption Payment Flow (Government Bond)

4. Bond Transaction Flow for Domestic Trades (Corporate Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
LA04. Corporate Bond Transaction Flow for Domestic Trades

**Sell Side**
- Securities Company
  - 1. Trade Order
  - 6. Netting Results

**LSX**
- 2. Matching
- 3. Trade confirmation
- 4. Taking Obligation (novation)
- 5. Netting

**Buy Side**
- Securities Company
  - 1. Trade Order
  - 6. Netting Results

**Sell Side’s Corresponding Bank**
- 12. Settlement Report (Bond & Cash)

**BOL**
- 9. Cash Settlement

**Buy Side’s Corresponding Bank**
- 12. Settlement Report (Bond & Cash)

**8. Settlement Data**
- 10. Settlement Report
LA04. Corporate Bond Transaction Flow for Domestic Trades

Exchange Market

1. Sell side and buy side send trade order to LSX.
2. LSX performs matching.
3. LSX makes trade confirmation.
4. LSX takes obligation (novation) for LSX members.
5. LSX performs netting.
6. LSX send details of netting results to sell side and buy side via system.
7. LSX checks availability and holds securities.
8. LSX sends settlement data to BOL automatically via FTP.
9. BOL executes cash settlement.
10. BOL notices cash settlement confirmation to LSX.
11. LSX releases held securities and executes securities delivery.
12. LSX sends settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)
LA05. Interest Payment Flow of Government Bond

**Bond Issuer Side**
- MOF (Ministry of Finance)
  - 5. Approval of Advance Interest Payment
  - 4. Report of Advance Interest Payment

**CSD**
- BOL
  - 2. Notification of Advance Interest Payment

**Bond Holder Side**
- Bond Holder
- Commercial Bank (original bond holder)

**Cash Flow**
- MOF’s Account → BOL’s Account
- BOL’s Account → Commercial Bank’s Account
- Commercial Bank’s Account → Bond Holder’s Account

**Information Flow**
- BOL → Commercial Banks
- Tax Office
05. Interest Payment Flow of Government Bond

Process of Interest Payment

1. Commercial banks, which are originally allocated T-bills, make interest payment in advance to bond holders deducting income tax if applicable on behalf of MOF on interest payment date.
2. The commercial banks report to BOL the advance interest payments they made on behalf of MOF.
3. BOL reimburses the advance payment to commercial banks on behalf of MOF.
4. BOL notifies MOF of the advance interest payment made by commercial banks on a quarterly basis through a report, and requests MOF to pay the amount.
5. MOF reconciles the payment details with BOL before making payments, and approve to pay the amount to BOL.
6. MOF pays the interest amount to BOL.
7. Commercial banks pays income tax to the tax office via its own account, if tax is applicable.
LA06. Redemption Payment Flow of Government Bond

Cash Flow

Information Flow

Bond Issuer Side

MOF (Ministry of Finance)

5. Approval of Advance Redemption Payment

4. Report of Advance Redemption Payment

BOL

2. Notification of Advance Redemption Payment

Same Entity

CSD

BOL

6. Redemption of Bonds

Same Entity

Bond Holder Side

Bond Holder

Commercial Bank (original bond holder)

Commercial Banks

1. Redemption Payment

MOF’s Account

7. Redemption Payment

BOL’s Account

3. Redemption Payment

Commercial Bank’s Account

Bond Holder’s Account

Tax Office
Process of Redemption Payment

1. Commercial banks, who are originally allocated T-bills, pay the amount for redemption and interest payment in advance to bond holders deducting income tax if applicable on behalf of MOF on the redemption date.
2. Commercial banks ask BOL to pay the amount for redemption.
3. BOL makes the payment to commercial banks on behalf of MOF.
4. BOL notifies MOF of the advance redemption made by commercial banks, and requests MOF to pay the amount.
5. MOF reconciles the payment details with BOL before making payments, and approve to pay the amount to BOL.
6. BOL performs redemption.
7. MOF makes reimbursement for the payment to BOL following the presentation of the letter.
8. Commercial banks pays income tax to the tax office via it's own account, if tax is applicable.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Interest & Redemption Payment Flow (Government Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Interest & Redemption Payment Flow (Government Bond)**
MM01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
</tr>
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<tbody>
<tr>
<td>Trade matching</td>
<td></td>
</tr>
<tr>
<td>CCP</td>
<td></td>
</tr>
<tr>
<td>Settlement match.</td>
<td>MEB, MSEC</td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>MEB, MSEC</td>
</tr>
</tbody>
</table>

MEB: Myanmar Economic Bank
MSEC: Myanmar Securities Exchange Centre
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Interest & Redemption Payment Flow (Government Bond)
MM02. Government Bond Transaction Flow for Domestic Trades

1. Bond Information
2. Finding a Buyer
3. Trade Data
4. Payment with Check (in the case Sales Agent is MSEC)
5. Transfer of Ownership
6. Endorsement on check from buy side (MSEC) or Cash Settlement (MEB)
7. Deliver of Physical Certificate
8. Report Ownership Change
9. Registration

Buy Side

Sell Side (Bank)
OTC Market

1. Sell side informs CBM and MSEC of bond information such as the face value, maturity date and numbers of bonds which they want to sell.
2. MSEC finds a buy side who accepts the price (quote driven trade) for trade.
3. MSEC reports to CBM about the sales of bond directly or via .MEB.
4. If buyer and seller agree the price, the seller brings physical certificate to MSEC or MEB with the signature on the back of bond certificate by authorized person to transfer the ownership. The buyer makes check when sales agent is MSEC.
5. Transfer of ownership is done by sales agent (MEB or MESEC).
6. MEB conducts account transfer or MSEC makes endorsement on check.
7. Bond certificate is delivered to buyer. Paid check is delivered to seller (only when sale agent is MSEC).
8. After bond trading, MSEC reports to CBM about the changing of bond ownership.
9. CBM makes registration.

Note: The flow in the previous page shows from trade to settlement between banks in OTC market. MSEC quotes bonds of sell side (bank) and sell them to buy side (bank) as sole intermediary (securities company) in OTC market. Regarding retail investors, MEB and MSEC are the intermediary between seller and buyer of T-bond.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Interest & Redemption Payment Flow (Government Bond)
MM03. Interest Payment Flow of Government Bond

**Bond Issuer Side**
- MOF (Ministry of Finance)
  - 1. Payment Request
  - 2. Approval
- CBM as PA
  - Same Entity

**CSD**
- CBM
  - 3. Interest Payment
    - Revenue Department Account
  - 4. Notification of Payment Detail
    - Same Entity

**Bond Holder Side**
- Investor
  - Delivery of coupon
- MEB and CSD Precipitants (banks)
  - MEB and CSD participants
  - 5. Interest Payment
    - Investor’s Account

---

No withholding tax
Tax Office
Process of Interest Payment

1. CBM send payment request to MOF.
2. MOF approves it.
3. CBM pays interests to banks (CSD participants including MEB) by debiting Revenue Department Account and crediting it to the banks’ account.
4. CBM sends letter of notification for interest payment to banks including MEB. (Banks bring coupons to CBM except for MEB.)
5. MEB transfers cash for interest payment to investor’s accounts upon receipt of coupons.

Note: There is no withholding tax for government bonds.
MM04. Redemption Payment Flow of Government Bond

1. Payment Request
2. Approval
3. Redemption Payment
4. Notification of Payment Detail
5. Redemption

Cash Flow
Information Flow

Bond Holder Side
Investor
Delivery of certificates
MEB and CSD Precipitants (banks)
Same Entity
Investor’s Account

MOF (Ministry of Finance)
CBM
Revenue Department Account

To be confirmed

Bond Issuer Side
CBM as PA
MEB and CSD participants
Tax Office
MM04. Redemption Payment Flow of Government Bond

Process of Interest Payment

1. CBM send payment request to MOF.
2. MOF approves it.
3. CBM pays interests to banks (CSD participants including MEB) by debiting Revenue Department Account and crediting it to the banks’ account. CBM makes redemption.
4. CBM sends letter of notification for redemption payment to banks including MEB. (Banks bring certificates to CBM except for MEB.)
5. MEB transfers cash for redemption payment to investor’s accounts upon receipt of certificates.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
MY01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
<th>BMS (BTS)</th>
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</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement match</td>
<td>BNM (RENTAS-SSTS)</td>
<td>BMD (CDS)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>BNM (RENTAS-IFTS)</td>
<td></td>
</tr>
</tbody>
</table>

ETP – Electronic Trading Platform  BNM - Bank Negara Malaysia
RENTAS – Real-time Electronic Transfer of Funds and Securities
BMS – Bursa Malaysia Securities  BTS – Bursa Trade System
BMSC – Bursa Malaysia Securities Clearing  BCS – Bursa Clearing & Settlement System
SSTS – Scripless Securities Trading System  BMD – Bursa Malaysia Depository
CDS – Central Depository System  IFTS – Interbank Funds Transfer System
MY02. Corporate Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
<th>BMS (BTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td>Bursa Malaysia (ETP)</td>
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<tr>
<td>CCP</td>
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</tr>
<tr>
<td>Settlement match.</td>
<td>BNM (RENTAS-SSTS)</td>
<td></td>
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<tr>
<td>Bond settlement</td>
<td></td>
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</tr>
<tr>
<td>Cash settlement</td>
<td>BNM (RENTAS-IFTS)</td>
<td></td>
</tr>
</tbody>
</table>

ETP – Electronic Trading Platform  BNM - Bank Negara Malaysia  
RENTAS – Real-time Electronic Transfer of Funds and Securities  
BMS – Bursa Malaysia Securities  BTS – Bursa Trade System  
BMSC – Bursa Malaysia Securities Clearing  BCS – Bursa Clearing & Settlement System  
SSTS – Scripless Securities Trading System  BMD – Bursa Malaysia Depository  
CDS – Central Depository System  IFTS – Interbank Funds Transfer System
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
MY03. Government Bond Transaction Flow for Domestic Trades (OTC)

1. Trade (direct dealing or via Money Brokers)
2. Trade Reporting
3. Initiate Unconfirmed Settlement Advice
4. Confirmation
5. Acknowledgement
6. Bond Settlement
7. Cash Settlement
8. Settlement Completion Advice (Bond & Cash)

Sell Side

Buy Side

Diagram:
- ETP
- RENTAS
- RENTAS-SSTS
- RENTAS-IFTS
- DVP

Flow:
1. Trade
2. Trade Reporting
3. Initiate Unconfirmed Settlement Advice
4. Confirmation
5. Acknowledgement
6. Bond Settlement
7. Cash Settlement
8. Settlement Completion Advice (Bond & Cash)
OTC Market

1. Sell side and buy side trade over the counter by telephone (direct dealing or through Money Broker). 95% of bond trades are dealt in OTC market. Commercial banks and Islamic banks can trade bonds.
2. All trades are recorded in Electronic Trading Platform (ETP).
3. Sell side (or buy side) inputs trade data into RENTAS as initiate unconfirmed settlement advice.
4. Buy side (or sell side) confirms an unconfirmed settlement advice using by confirmation menu of RENTAS.
5. Sell side and buy side access report menu of RENTAS and confirms that confirmation of local matching is performed.
6. On settlement date, bond and cash are settled on DVP basis.
MY04. Bond Transaction Flow for Foreign Investors  OTC Market / DVP

1. Trade Order
2. Trade Order
3. Agreement on Trade & Confirmation
4. Trade Confirmation
5. Trade Confirmation
6. Trade Confirmation
7. Settlement Instruction
8a. Settlement Instruction
8b. FX/Funding Instruction
9. Pre-matching
10. Pre-Matching Status
11. FX Confirmation
12. Capture of Transaction Details & Acknowledgement of Receipt (OR)
13. Advice of unconfirmed Trade & Confirmation of Trade in SSTS
14. Funding of BNM Account
15. Settlement Confirmation
16. Confirmation of Debit/Credit
17. Settlement Confirmation
18. Funding of Trades
19. Settlement Confirmation
20. Securities Statement
21. Cash Statement
22. Cash Statement

International Broker
Domestic Broker or Bank
Counterparty

Foreign Institutional Investor (direct or Investment Manager)

Global Custodian
Domestic Custodian (Authorised Depository Institution, ADI)

As Cash Correspondent
As FX Bank
As Cash Correspondent

ETP (Bursa Malaysia)

BNM (MyClear) RENTAS SSTS

BNM RENTAS-IFTS

Clearing & Settlement
Matching & Settlement
Trading

Cross-Border
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
MY05. Bond Transaction Flow for Foreign Investors  OTC Market / DVP

1. Foreign Institutional Investor places order with International Broker
2. International Broker/Domestic Investor places order with Domestic Broker/Bank
3. Domestic Broker/Bank and Counterparty agree on OTC trade (via e.g. phone or Bloomberg)
4. Domestic Broker/Bank sends trade confirmation to International Broker
5. Foreign Institutional Investor receives trade confirmation
6. Domestic Broker/Bank and Counterparty capture trade in ETP, by end of trading day
7. Foreign Institutional Investor instructs Global Custodian, on securities settlement and cash/funding details
8. Global Custodian instructs Domestic Custodian/ADI on (a) securities settlement details, (b) FX request or funding
details (since 3rd Party FX possible)
9. Domestic Custodian/ADI and Counterparty pre-match settlement details, via phone
10. Domestic Custodian/ADI sends pre-matching result information (e.g. missing instructions) to Global Custodian
11. Domestic Custodian/ADI provides confirmation of FX booked (in case of earlier FX request)
12. Domestic Custodian/ADI captures settlement details into SSTS and receives SSTS acknowledgment of receipt of
data (selling side), OR receives alleged trade notice (advice of unconfirmed trade) from SSTS and confirms
settlement details in SSTS (buying side)
13. Domestic Custodian/ADI retrieves settlement matching status
14. Domestic Custodian/ADI effects funding of its account at Bank Negara Malaysia (BNM) via RENTAS (IFTS) if
necessary
15. Upon settling securities, SSTS sends settlement confirmation for securities to Domestic Custodian/ADI
16. Upon settling cash, RENTAS sends debit/credit confirmation to Domestic Custodian/ADI
17. Domestic Custodian/ADI sends settlement confirmation to Global Custodian
18. Global Custodian funds account with Domestic Custodian/ADI (before end of day)
19. Global Custodian sends settlement confirmation to Foreign Institutional Investor
20. Domestic Custodian/ADI sends statement of securities to Global Custodian (at end of day)
21. Domestic Custodian/Sub-registry sends debit/credit information in cash statement (at end of day)
22. Global Custodian sends sends debit/credit information in cash statement to FII (at end of day)
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
**MY06. Bond Transaction Flow for Foreign Investors OTC Market / DVP**

**Bond Issuer Side**
- MOF
- Payment Instruction
- BNM (RENTAS-IIFTS)
- BNM as Paying Agent

**Information Flow**
- Payment Instruction
- BNM (RENTAS-IIFTS)
- BNM as Paying Agent
- Same Entity

**Cash Flow**
- MOF
- Payment Instruction
- BNM (RENTAS-SSTS) as CSD
- Tax Office

**Bond Holder Side**
- Bond Holder
- MOF
- BNM (RENTAS-SSTS) as CSD
- Authorized Depository Institution (ADI)
- ADI
- ADI’s Account
- Tax Office

**Processes**
- 1. Debit Notification
- 2. Payment Instruction
- 3. Payment Instruction
- 4. Interest Payment Notice
- 5. Interest Payment Notice
- 6. Interest Payment Notice

**Notes**
- (No Tax Data Necessary)
- Same Entity
- (No Tax for Interest)
Process of Interest Payment

1. On interest payment day, RENTAS sends Debit Notifications to Facility Agents (FAs) on the actual amount of interest proceeds to be paid to Paying Agent.
2. MOF instructs FAs to make redemption payment.
3. FAs send payment instruction to Paying Agent.
4. BNM executes interest payment from MOF’s account to Authorized Depository Institutions (ADIs)’ accounts.
5. ADIs credit to bond holder’s accounts with interest paid by MOF.
6. ADIs notify bond holders of interest payment.
MY07. Redemption Payment Flow of Government Bond

Cash Flow

Information Flow

Bond Issuer Side

MOF

Facility Agent

BNM (RENTAS-SSTS)

CSD

BNM as Paying Agent

Bond Holder Side

Bond Holder

Authorized Depository Institution (ADI)

BNM (RENTAS-IFTS)

MOF’s Account

6. Redemption Payment

ADi’s Account

4. Redemption Payment

5. Redemption

3. Payment Instruction

2. Payment Instruction

1. Debit Notification

(No Tax for Interest)

(No Tax Data Necessary)

(No Tax Data Necessary)

Same Entity

(No Tax for Interest)

Same Entity

(No Tax for Interest)

Tax Office
Process of Redemption Payment

1. On redemption payment day, RENTAS sends Debit Notifications to Facility Agents (FAs) on the actual amount of proceeds to be paid to Paying Agent.
2. MOF instructs FAs to make redemption payment.
3. FAs send payment instruction to Paying Agent.
4. BNM executes redemption payment from MOF’s account to Authorized Depository Institutions (ADIs)’ accounts.
5. BNM as CSD makes bond redemption.
6. ADIs credit to bondholder’s accounts with last interest and principal paid by MOF.
7. ADIs notify bond holders of redemption payment.

Note: It is supposed that redemption always involves last interest payment.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
MY08. Interest Payment Flow of Corporate Bond

1. Payment Request
2. Payment Instruction

Bond Issuer Side

Bond Issuer

Paying Agent

BNM (RENTAS-SSTS) as CSD

CSD

(No Tax Data Necessary)

Bond Holder Side

Bond Holder

Authorized Depository Institution (ADI)

(No Tax Data Necessary)

Paying Agent

Issuer’s Account

3. Interest Payment

PA’s Account

BNM (RENTAS-IFTS)

5. Interest Payment

ADI’s Account

4. Payment Instruction

Same Entity

4. Payment Instruction

Same Entity

6. Interest Payment

Bond Holder’s Account

(No Tax for Interest)

(No Tax for Interest)

Tax Office
MY08. Interest Payment Flow of Corporate Bond

Process of Interest Payment

1. Paying agent requests interest payment to bond issuer.
2. Bond issuer instructs paying agent to make interest payment.
3. Paying agent transfers interest from issuer’s account to it’s account.
4. Paying agent instructs Bank Negara Malaysia (BNM) to transfer cash from it’s account to Authorized Depository Institutions (ADIs)’ accounts via RENTAS-IFTS.
5. BNM transfers cash from paying agent’s account to Authorized Depository Institutions (ADIs)’ accounts.
6. ADIs credit to bondholder’s accounts with interest paid by bond issuer.
7. ADIs notify bond holders of interest payment.
Process of Redemption Payment

1. Paying agent requests redemption payment to bond issuer.
2. Bond issuer instructs paying agent to make redemption payment.
3. Paying agent transfers last interest and principal from issuer’s account to it’s account.
4. Paying agent instructs Bank Negara Malaysia (BNM) to transfer cash from its account to Authorized Depository Institutions (ADIs)’ accounts via RENTAS-IFTS.
5. BNM transfers cash from paying agent’s account to Authorized Depository Institutions (ADIs)’ accounts.
6. BNM as CSD makes bond redemption.
7. ADIs credit to bondholder’s accounts with last interest and principal paid by bond issuer.
8. ADIs notify bond holders of redemption payment.

Note: It is supposed that redemption always involves last interest payment.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
PH01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC market</th>
<th>Ex. mrkt</th>
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<tbody>
<tr>
<td>Trade matching</td>
<td>PDEEx (Fixed Income Trading System)</td>
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<tr>
<td>CCP</td>
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<tr>
<td>Settlement match.</td>
<td>PDEEx (eDvP)</td>
<td>PDEEx (Ross STP Facility)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td>PDTC</td>
<td>Bureau of Treasury (BTr-RoSS)</td>
</tr>
<tr>
<td>Cash settlement</td>
<td>Settle.banks</td>
<td>BSP (PhilPaSS)</td>
</tr>
</tbody>
</table>

PDEEx – Philippine Dealing & Exchange  
eDvP – Expanded Delivery vs. Payment System  
PDTC – Philippine Depository & Trust Corporation  
RoSS – Registry of Scripless Securities  
BSP - Bangko Sentral ng Pilipinas  
PhilPaSS – Philippine Payments and Settlement System  
Cash settlement by settlement banks is for government and corporate bonds.
**PH02. Corporate Bond Market Infrastructure Diagram**

<table>
<thead>
<tr>
<th>Trading</th>
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</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td>OTC (quote-driven)</td>
<td>Exchange (order-driven)</td>
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<td></td>
<td>PDEEx (Fixed Income Trading System)</td>
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<td>CCP</td>
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<tr>
<td>Settlement match.</td>
<td>PDEEx (Clearing system)</td>
<td></td>
</tr>
<tr>
<td>Bond settlement</td>
<td>PDTC Depository</td>
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</tr>
<tr>
<td>Cash settlement</td>
<td>BSP (PhilPaSS)</td>
<td>Settle. banks</td>
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PDEEx – Philippine Dealing & Exchange  
eDvP – Expanded Delivery vs. Payment System  
PDTC – Philippine Depository & Trust Corporation  
RoSS – Registry of Scripless Securities  
BSP - Bangko Sentral ng Pilipinas  
PhilPaSS – Philippine Payments and Settlement System  
Cash settlement by settlement banks is for government and corporate bonds.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

1. Interest & Redemption Payment Flow (Corporate Bond)
**Diagram: Government Bond Transaction Flow for Domestic Trades GSEDs Market / DVP**

1. Negotiation (OTC)
2. Trade Order
3. Matching
4. Matching Result
5. Trade Data
6. Settlement Detail
7. Authorization of Settlement Instruction for DVP
8. Settlement Status
9. Holding Bonds
10. Settlement Data
11. Cash Settlement
12. Settlement Report (Cash)
13. Bond Settlement
14. Settlement Status
15. Monitor Settlement Status

**Sell Side**

**Buy Side**

*BSP (PhilPaSS)*

*GSED: Government Securities Eligible Dealer*
Exchange Market-GSEDs

1. In OTC market, the sell side and buy side negotiate before they input the trade data to PDEEx. This process is omitted in the Exchange Market.
2. Sell side and buy side trade via PDEEx(FI Trading System).
3. PDEEx(FI Trading System) matches order or records negotiated deals between sell side and buy side.
4. PDEEx(FI Trading System) sends matching result to the sell side and buy side.
5. PDEEx(FI Trading System) sends trade data to PDEEx(PDEEx-RoSS STP Facility).
6. PDEEx(PDEEx-RoSS STP Facility) sends settlement detail to the sell side and buy side.
7. Sell side and buy side authorize the settlement instruction for DVP.
8. PDEEx(PDEEx-RoSS STP Facility) sends settlement data to Bureau of Treasury Registry of Scripless Securities(BTr-RoSS).
9. BTr-RoSS holds bonds before cash settlement.
10. BTr-RoSS sends settlement data to Bangko Sentral ng Pilipinas (BSP).
11. BSP executes cash settlement.
12. BSP sends cash settlement report to sell side, buy side and BTr-RoSS.
13. BTr-Ross executes bond settlement.
14. BTr-Ross sends bond settlement status to PDEEx-RoSS STP Facility.
15. Sell side and buy side can monitor settlement status via PDEEx-RoSS STP Facility.
PH04. Government Bond Transaction Flow for Domestic Trades non-GSEDs Market / DVP

*GSED: Government Securities Eligible Dealer
Exchange Market-Non GSEDs

1. In OTC market, sell side and buy side negotiate before they input the trade data to PDEx. This process is omitted in the Exchange Market.
2. Sell side and buy side trade via PDEx (FI Trading System).
3. PDEx (FI Trading System) collates orders from sell side and buy side.
4. PDEx (FI Trading System) sends matching results to sell side and buy side.
5. PDEx (FI Trading System) sends trade data to PDEx (eDVP System).
6. PDEx (eDVP System) sends settlement details to sell side and buy side.
7. Sell side and buy side authorize settlement instruction for DVP.
9. PDEx (eDVP System) sends earmarked instruction to Philippine Depository & Trust Corp (PDTC).
10. PDEx (eDVP System) sends cash settlement instruction to BSP.
11. PDTC holds bonds before cash settlement. PDTC acts as sub-registry.
12. BSP executes cash settlement.
13. BSP sends cash settlement report to sell side, buy side, and PDEx(eDVP System).
14. PDEx (eDVP System) sends settlement instruction to PDTC.
15. PDTC executes bond settlement.
16. PDTC sends settlement status to PDEx (eDVP System).
17. PDEx (eDVP System) sends bond settlement status to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
PH05 Corporate Bond Transaction Flow for Domestic Trades

1. Negotiation (OTC)

2. Trade Order

3. Matching

4. Matching Results

5. Trade Data

6. Settlement Detail

7. Authorization of Settlement Instructions for DVP

17. Bond Settlement Status

8. Check cash balance

9. Earmarked Instruction

10. Cash Settlement Instruction

11. Earmarked Bonds

12. Cash Settlement

13. Cash Settlement Report

14. Settlement instruction

15. Bond Settlement

16. Settlement Status

12. Cash Settlement Report

15. Settlement Report (Bond)

13. Cash Settlement Report

15. Bond Settlement Status

17. Bond Settlement Status

2. Trade Order

1. Negotiation (OTC)

3. Matching

4. Matching Results

5. Trade Data

6. Settlement Detail

7. Authorization of Settlement Instructions for DVP

17. Bond Settlement Status

8. Check cash balance

9. Earmarked Instruction

10. Cash Settlement Instruction

11. Earmarked Bonds

12. Cash Settlement

13. Cash Settlement Report

14. Settlement instruction

15. Bond Settlement

16. Settlement Status

12. Cash Settlement Report

15. Settlement Report (Bond)

13. Cash Settlement Report

15. Bond Settlement Status

17. Bond Settlement Status
PH05. Corporate Bond Transaction Flow for Domestic Trades

Exchange Market

1. In OTC market, sell side and buy side negotiate before they input the trade data to PDEX. This process is omitted in the Exchange Market.
2. Sell side and buy side trade via PDEX (FI Trading System).
3. PDEX (FI Trading System) collates orders from sell side and buy side.
4. PDEX (FI Trading System) sends matching results to sell side and buy side.
5. PDEX (FI Trading System) sends trade data to PDEX (eDVP System).
6. PDEX (eDVP System) sends settlement details to sell side and buy side.
7. Sell side and buy side authorize settlement instruction for DVP.
8. Check cash balance of buy side in PhilPass
9. PDEX (eDVP System) sends earmarked instruction to Philippine Depository & Trust Corp (PDTC).
10. PDEX (eDVP System) sends cash settlement instruction to BSP.
11. PDTC holds bonds before cash settlement. PDTC acts as sub-registry.
12. BSP executes cash settlement.
13. BSP sends cash settlement report to sell side, buy side, and PDEX (eDVP System).
14. PDEX (eDVP System) sends settlement instruction to PDTC.
15. PDTC executes bond settlement.
16. PDTC sends settlement status to PDEX (eDVP System).
17. PDEX (eDVP System) sends bond settlement status to sell side and buy side.
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
ASEAN+3 Information on Transaction Flows and Settlement Infrastructures | Part 3: Bond Market Infrastructure Diagrams, Domestic...
### PH06. OTC Bond Transaction Flow for Foreign Investors OTC Market / DVP

#### Trade Date

1. Foreign Institutional Investor places order with International Broker
2. International Broker places order with Domestic Broker/GSED
3. Domestic Broker or Dealer trades OTC with Counterparty
4. Domestic Broker or Dealer captures trade in PDEEx system, for price discovery, within 10 mins
5. International Broker receives trade confirmation
6. Foreign Institutional Investor receives trade confirmation

7. Foreign Institutional Investor instructs Global Custodian, on securities settlement and FX/cash funding details
8. Global Custodian instructs Domestic Custodian on securities settlement details
9. Domestic Custodian conducts phone pre-matching with Counterparty or custodian of counterparty

#### Settlement Date

10. Domestic Custodian enters settlement data into RoSS (typically via 3rd Party front-end)
11. Domestic Custodian retrieves transaction matching status
12. Domestic Custodian reports matching status update to Global Custodian
13. Global Custodian sends FX instruction for projected funding requirements
14. Domestic Custodian sends FX confirmation
15. Domestic Custodian funds BSP accounts, via PhilPASS (RTGS) if necessary
16. Upon transfer of cash (after prompting from RoSS), PhilPaSS sends cash settlement confirmation to Domestic Custodian
17. Upon confirmation of cash settlement, RoSS effects bond settlement, sends confirmation to Domestic Custodian
18. Domestic Custodian sends settlement confirmation to Global Custodian
19. Global Custodian funds account with Domestic Custodian in PHP, or into FCY nostro (before end of day)
20. Global Custodian sends settlement confirmation to Foreign Institutional Investor
21. Domestic Custodian issues BSRD (Bangko Sentral Registration Document), for capital repatriate and/or remittance of interest payment
22. Domestic Custodian sends securities statement to Global Custodian
23. Domestic Custodian sends debit/credit confirmations, in form of cash statement, to Global Custodian
24. Global Custodian sends cash statement to Foreign Institutional Investor
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
**PH07 Interest Payment Flow of Government Bond**

1. **Payment Instruction**
   - **BTr**: Bureau of the Treasury
   - **BSP**: Banko Sentral ng Philippines

2. **Interest Payment**
   - **BTr's**: Bureau of the Treasury's
   - **RDDA**: Regular Demand Deposit Account
   - **ROSS participant/Settlement Bank**: ROSS participant or Settlement Bank

3. **Interest Payment**
   - **ROSS participant/ Settlement Bank**: ROSS participant or Settlement Bank
   - **ROSS Participants' CSA/Bond Holders' a/c**: ROSA participants' Cash Settlement Account/Bond Holders' account

4. **Interest Payment Notice** (only PDTC and custodians)
   - **ROSS Participants**: (QI, Retail, PDTC and Custodian)

5. **Tax Payment** (book-entry through journal entry)
   - **Voucher**: by government revenue internal accounting system
   - **Tax Office**: Government tax office

---

**Abbreviations**

- **BTr**: Bureau of the Treasury
- **BSP**: Banko Sentral ng Philippines
- **RDDA**: Regular Demand Deposit Account
- **CSA**: Cash Settlement Account
**Process of Interest Payment**

1. BTr instructs BSP to make interest payment
2. BSP executes interest payment from BTr’s RDDA (Regular Demand Deposit Account) to ROSS Participants’ or their settlement banks’ RDDA, deducting tax if applicable.
3. Settlement Banks credit CSA (Cash Settlement Account) of ROSS participants which do not have RDDA in BSP. ROSS participants which hold RDDA in BSP credit interest payment to bond holders’ accounts.
4. Custodians (which are ROSS participants with RDDA in BSP) notify bond holders of interest payment
5. BTrs Pays WHT to the tax office. (Custodians have two types of account Taxable and Tax-exempt) 100% for Taxable and 0% for Tax-exempt.

Note: Followings are some note on tax in Philippines.
ROSS
0% or 20%
Except multi currency RTB ($or Euro)
0%(TEI: Tax exempt entity), 10%(FCDU: foreign currency deductable unit), and 20%(QII).

Tax tracking system PDEx system attached to ROSS
BTr is now enhancing Tax Tracking System to cover all coupon bearing domestic government bond (planning to start operation by 2013 January).

QI; qualified investors) : Banks, insurance companies, trust companies, investment companies, social securities institutions (pension funds), international banks, foreign and local government,
PH08 Redemption Payment Flow of Government Bond

Bond Issuer Side

1. Payment Instruction

2. Redemption and last Interest Payment through RDDA (net)

3. Red. & Int. Payment Notice (only PDTC and custodians)

4. BTr’s

ROSS participant/Settlement Bank

5. Tax Payment (book-entry through journal entry Voucher: by government revenue internal accounting system)

Tax Office

BTr: Bureau of the Treasury

BSP: Banko Sentral ng Philippines

ROSS: Regular Demand Deposit Account

CSA: Cash Settlement Account

Cash Flow

Information Flow

Bond Holder Side

1. Payment Instruction

2. Redemption

3. Red. & Int. Payment Notice (only PDTC and custodians)

4. BTr’s

ROSS: Regular Demand Deposit Account

CSA: Cash Settlement Account

Bond Holder

ROSS Participants (QI, Retail, PDTC and Custodian)
Process of Redemption Payment

1. BTr instructs BSP to make redemption payment.
2. BSP executes redemption payment with last interest payment to ROSS participants’ RDDA (Regular Demand Deposit Account) or Settlement Banks’ RDDA if ROSS participants do not have RDDA. Regarding last interest payment, tax is deducted, if applicable. Bond is deleted from BTr ROSS system (Redemption).
3. Settlement Banks credit CSA (Cash Settlement Account) of ROSS participants which do not have RDDA in BSP. ROSS participants which hold RDDA in BSP credit principal and interest (net) payment to bond holders’ accounts.
4. Custodians (which are ROSS participants with RDDA in BSP) notify bond holders of redemption with interest payment.
5. BTs Pays WHT of last interest to the tax office. (Custodians have two types of account Taxable and Tax-exempt) 100% for Taxable and 0% for Tax-exempt.

Note: Last interest is paid with redemption.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
PH09 Redemption Payment Flow of Corporate Bond

1. Advise of Redemption Payment and Withholding Tax Amount

2. Payment Instruction

3. Cash Transfer

4. Tax Payment

5. Payment Instruction

6. Delete Bond Registration

7. Redemption & Interest Payment (net)

8. Redemption Payment Notice (to be confirmed)

PDTC: Philippine Depository & Trust Corp.

PhilPaSS: Philippine Payments & Settlement System
Process of Redemption Payment

1. Philippine Depository & Trust Corp (PDTC) advises issuer of redemption payment and last interest payment. Regarding last interest payment, information on withholding tax amount based on list of bond holders is notified.

2. Bond issuer instructs it’s Paying Agency (Issuer’s Bank) to make redemption and last interest payment.

3. Issuer’s bank transfers cash for redemption payment and net amount of last interest payment to PDTC’s account. Regarding last interest payment, WHT is deducted before payment if applicable.

4. Issuer pays tax to tax office if applicable.

5. PDTC instructs BSP to transfer cash from it’s RDDA to PDTC participants RDDA or Settlement Bank’s RDDA if PDTC participant does not have RDDA in BSP via Philippine Payments & Settlement System (PhilPaSS). At the same time, PDTC makes bond redemption.

6. Custodians (PDTC participants which hold RDDA in BSP) credit bond holder’s accounts with last interest and principal.

7. Custodians notify bond holders of redemption payment.
PH10 Redemption Payment Flow of Corporate Bond

**Bond Issuer Side**

1. Advise of Redemption Payment and Withholding Tax Amount
   
2. Payment Instruction

**Bond Issuer**

3. Cash Transfer

**Issuer’s Bank**

4. Tax Payment

**Issuer’s Bank**

5. Payment Instruction

**PDTC**

6. Delete Bond Registration

**PDTC’s Account**

7. Redemption & Interest Payment (net)

**PDTC participant/Settlement Bank**

8. Interest Payment Notice

**PDTC participant/Settlement Bank**

9. Redemption Payment Notice

**PDTC Participants (QI, Retail, and Custodian)**

8. Interest Payment Notice

**PDTC Participants’ CSA/Bond Holders’ a/c**

Same Entity

**Bond Holder Side**

8. Interest Payment Notice

**Bond Holder**

9. Redemption Payment Notice

**Same Entity**

**PDTC : Philippine Depository & Trust Corp.**

**PhilPaSS : Philippine Payments & Settlement System**
Process of Redemption Payment

1. Philippine Depository & Trust Corp (PDTC), in its capacity as a registry, advises issuer of redemption payment and last interest payment. Regarding last interest payment, information on withholding tax amount based on list of bond holders is notified.
2. Bond issuer instructs its Paying Agency (Issuer’s Bank) to make redemption and last interest payment.
3. Issuer’s bank transfers cash for redemption payment and net amount of last interest payment to PDTC’s account. Regarding last interest payment, WHT is deducted before payment if applicable.
4. Issuer pays tax to tax office if applicable.
5. PDTC (or the Issuer’s paying bank) instructs BSP to pay redemption and last interest from PDTC’s (or Issuer paying bank’s) account to bondholder’s RDDA or the RDDA of the Settlement Banks designated by bondholders.
6. BSP executes redemption/interest payment and, where applicable, the designated Settlement Bank credits the accounts of the bondholders upon checking that its BSP RDDA has been credited.
7. Custodians holding RDDA in BSP receives redemption/interest payment into their RDDA accounts and make corresponding credits to accounts of their client-bond holders.
8. PDTC, as registry, notifies all registered bondholders of the redemption/interest payment, including custodians.
9. Custodians also notify its client-bond holders of redemption/interest payment.
10. PDTC system marks the bond as matured.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
SGX – Singapore Exchange Ltd.,
CDP – Central Depository (Pte.) Ltd.,
MAS – Monetary Authority of Singapore
DCSS – Debt Securities Clearing and Settlement System
MEPS+ – MAS Electronic Payment System
### SG02. Corporate Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>Interdealer Market (OTC)</th>
<th>SGX-ST (exchange)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade matching</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCP</td>
<td></td>
<td>CDP (Clearing House)</td>
</tr>
<tr>
<td>Settlement match.</td>
<td>CDP (Settlement) - PSMS (DCSS)</td>
<td>CDP (Settlement) – PSMS (DVPT/FOPT)</td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
<td>CDP (Depository)</td>
</tr>
<tr>
<td>Cash settlement</td>
<td></td>
<td>MAS (MEPS+ RTGS)</td>
</tr>
</tbody>
</table>

**Abbreviations:**
- SGX – Singapore Exchange Ltd.
- CDP – Central Depository (Pte.) Ltd.
- MAS - Monetary Authority of Singapore
- DCSS – Debt Securities Clearing and Settlement System
- MEPS+ – MAS Electronic Payment System
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
SG03. Government Bond Transaction Flow for Domestic Trades

1. Trade
2. Trade Matching
3. Delivery Instruction
4. Receipt Instruction
5. Matching
6. Notice of Settlement Matching Status
7. DVP Order
8. Holding Bonds
9. Settlement Data for DVP
10. Cash Settlement
11. Settlement Report (Cash)
12. Bond Settlement
13. Settlement Report (Bond)

 MAS

(MEPS Plus SGS)

(MEPS Plus RTGS)

Buy Side

Sell Side
SG03. Government Bond Transaction Flow for Domestic Trades

OTC Market

1. Singapore government securities (SGS) is traded on over-the-counter basis.
2. Trades are matched among sell side and buy side.
3. Sell side sends the agreed trade instruction to MEPS+ SGS.
4. Buy side sends the agreed trade instruction to MEPS+ SGS.
5. MEPS+ SGS performs bond matching.
6. MEPS+ SGS sends the notice of bond matching status to sell side and buy side.
7. MEPS + SGS creates the DVP order.
8. When sell side’s SGS account has sufficient SGS, the SGS are earmarked for transfer to buy side.
9. Settlement data for DVP is sent to MEPS+ RTGS.
10. When funds are available, amount is debited from buy side’s RTGS account and credited to sell side’s RTGS account.
11. MEPS+ RTGS simultaneously MEPS+ SGS to transfer securities and reports cash settlement status to both sides of trade.
12. MEPS +SGS transfer bonds to buy side’s account.
13. MEPS +SGS reports settlement status to both sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
SG04. Corporate Bond Transaction Flow for Domestic Trades

1. OTC Trade

2. Settlement Instruction

3. Match Settlement Instruction

4. Earmark Bonds

5. Status

6. Money Settlement Instruction

7. Cash Settlement

8. Cash Settlement Confirmation

9. Transfer Bond

10. Settlement Confirmation

CDP

PSMS (Pre-settlement Matching System)

MAS (MEPS Plus)

Settlement Bank

Selling Client

Buying Client

Delivering Depository Agent

Receiving Depository Agent

Settlement Bank

1. OTC Trade

2. Settlement Instruction

3. Match Settlement Instruction

4. Earmark Bonds

5. Status

6. Money Settlement Instruction

7. Cash Settlement

8. Cash Settlement Confirmation

9. Transfer Bond

10. Settlement Confirmation

Settlement Bank

Selling Client

Buying Client

Delivering Depository Agent

Receiving Depository Agent

Settlement Bank
OTC Market

1. Sell side and buy side trade corporate bond over-the-counter.
2. Both sell side and buy side send settlement instructions into PSMS (Pre-Settlement Matching System).
3. PSMS matches settlement instructions and sends settlement instruction to Debt Securities Clearing and Settlement System (DCSS).
4. CDP (DCSS) holds bonds on book entry system. CDP (Depository) earmarks the bonds in sell side’s account for delivery.
5. PSMS sends settlement instructions status back to depository agents of both sides of trade.
7. Cash settlement takes place in RTGS system in MEPS.
8. MAS send confirmation of cash settlement to CDP (DCSS) and both sides of settlement banks.
9. Bond transfer effected in DCSS.
10. DCSS sends bond settlement confirmation to depository agents of both sides of trade.

Assumption: This applies to SGD-denominated bonds which are safe-keep in CDP (Depository). Payment takes place in central bank SGD accounts (known as MEPS) on RTGS mode.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
SG05 Bond Transaction Flow for Foreign Investors OTC Market / DVP

1 Trade Order
2 Trade Order
3 Agreement on Trade & Confirmation
4 Trade Confirmation
5 Trade Confirmation
6 Settlement Instruction
7 Settlement Instruction
8 Pre-matching
9 Transaction Status Update
10 Capture of Settlement Details
11 Settlement Status Update
12 Funding of MAS Account
13 Confirmation of Debit/Credit
14 Settlement Confirmation
15 Settlement Confirmation
16 Funding of Trades
17 Settlement Confirm
18 Securities Statement
19 Cash Statement
20 Cash Statement

International Broker
Domestic Broker or Bank
Counterparty
Global Custodian
Domestic Custodian
MAS (MEPS+RTGS)
MAS (MEPS+SGS)
Cash Correspondent
As Cash Correspondent
As Cash Correspondent
As FX Bank
Funding of Trades
Funding of MAS Account

Trading
Clearing
Matching & Settlement
Cash Settlement
Cross-Border

Foreign Institutional Investor (direct or Investment Manager)
SG05. OTC Bond Transaction Flow for Foreign Investors OTC Market / DVP

1. Foreign Institutional Investor places order with International Broker
2. International Broker places order with Domestic Broker or Bank
3. Domestic Broker/Bank trades OTC with Counterparty (via phone, Bloomberg)
4. Domestic Broker/Bank sends trade confirmation to International Broker
5. Foreign Institutional Investor receives trade confirmation
6. Foreign Institutional Investor instructs Global Custodian on securities settlement details and funding details
7. Global Custodian instructs Domestic Custodian on securities settlement details
8. Domestic Custodian and Counterparty pre-match settlement details, via phone
9. Domestic Custodian provides result of pre-matching to Global Custodian
10. Domestic Custodian transmits settlement details to MEPS+ SGS.
11. Domestic Custodian monitors settlement status updates (online)
12. Domestic Custodian funds MAS account via MEPS+ RTGS.
13. Upon transfer of cash, debit/credit confirmation from MEPS+ RTGS.
14. Upon transfer of securities, settlement confirmation from MAS, via MEPS+
15. Upon transfer of securities, settlement confirmation from MEPS+ SGS.
16. Global Custodian funds SGD account with Domestic Custodian, or FCY nostro (before end of day)
17. Global Custodian sends settlement confirmation to Foreign Institutional Investor
18. Domestic Custodian sends securities statement to Global Investor
19. Domestic Custodian sends debit/credit confirmations as cash statement to Global Custodian
20. Global Custodian sends cash statement to Foreign Institutional Investor
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
SG06. Interest Payment Flow of Government Bond

1. Payment Request
2. Fund Request
3. Tax Status Data
4. Notification of Payment Details
5. Interest Payment
6. Notification of Payment Details
7. Tax Payment (Income Tax)
8. Interest Payment
9. Interest Payment Notice
10. Tax Payment (Local Tax)

Cash Flow
Information Flow

MOF
CSD
Bond Holder
Custodian
MAS
Bond Issuer Side
CSD
Bond Holder Side

Same Entity
(No confirmation necessary)
Process of Interest Payment

1. Monetary Authority of Singapore (MAS) as payment agent requests Ministry of Finance (MOF) for interest payment.
2. MOF approves request of interest payment from MAS.
3. Custodians send tax status data to MAS.
4. MAS notifies custodians of payment details.
5. MAS as payment agent executes interest payment from MOF’s account to custodians’ account via MEPS+, deducting tax if applicable.
6. MAS notifies custodians of payment details again.
7. MAS as paying agent pays income tax to tax office if applicable.
8. Custodians credit bond holders’ accounts with interest paid by MOF.
9. Custodians notify bond holders of interest payment.
10. Custodians pay local tax to tax office if applicable.

Note: No difference between non-residents and domestic investors except account is tagged as “non-resident” for withholding tax purposes.

For SGS coupon payments within MEPS+ SGS, MEPS+ SGS automatically calculates the coupon payment at the beginning of the ex-date according to the coupon rate and coupon frequency of the securities and the members’ holdings. The ex-date period, coupon payment date, coupon payment rate and coupon payment frequency are specified for each SGS issue in MEPS+ SGS at the start and MEPS+ SGS will derive the rest of the coupon payment schedule accordingly.

On the coupon payment date, MEPS+ SGS automatically pays the calculated coupon amounts to the holder (as at ex-date) of the SGS by debiting the MAS’ MEPS+ RTGS account and credited the custodian’s MEPS+ RTGS account. For all outstanding (as at ex-date) interbank repo transactions in MEPS+ SGS, the reverse interest amounts will also be automatically debited from the original receiving member’s account (i.e., the receiving member for the opening leg of the transaction) and credited to the original delivering member’s account.
SG07. Redemption Payment Flow of Government Bond

Process of Redemption Payment

1. MAS (Monetary Authority of Singapore) as payment agent requests Ministry of Finance (MOF) for redemption payment.
2. MOF approves request of redemption payment from MAS.
3. Custodians send tax status data to MAS.
4. MAS notifies custodians of payment details.
5. MAS as payment agent executes redemption payment from MOF’s account to custodians’ account via MEPS+, deducting tax if applicable.
6. MAS notifies custodians of payment details again.
7. MAS as CSD makes bond redemption.
8. MAS as a paying agent pays income tax to tax office if applicable.
9. Custodians credit bond-holders’ bank accounts with last interest and principal paid by MAS, deducting local tax if applicable.
11. Custodians pay local tax to tax office if applicable.

Note: Redemption always involves last interest payment.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
SG08. Interest Payment Flow of Corporate Bond

1. Payment Request

2. Fund Request

3. Interest Payment

4. Bondholders’ Tax Status

5. Payment Request

6. Payment Request

7. Interest Payment

8. Payment Request

9. Interest Payment

10. Interest Payment

11. Interest Payment Notice

12. Tax Payment (Income Tax)

13. Tax Payment (Local Tax)

CSD

Bond Issuer Side

Bond Issuer

Bond Holders Side

Custodian

Paying Agent

CDP

Information Flow

Cash Flow

Same Entity

Tax Office
SG08. Interest Payment Flow of Corporate Bond

Process of Interest Payment

1. Paying agent sends payment request of interest to bond issuer.
2. Bond issuer sends fund request to the paying agent.
3. Paying agent transfers cash from issuer’s account to own account.
4. Custodians of bond holders send tax status to CDP.
5. CDP sends payment request to paying agent.
6. Paying agent instructs MAS to money transfer requested from CDP.
7. MAS executes interest payment from paying agent’s account to CDP’s account via MEPS+, deducting income tax if applicable.
8. CDP instructs MAS to payment request.
9. MAS executes interest payment from CDP’s account to custodians account via MEPS+.
10. Custodians credit bond holders’ accounts with interest payments, deducting local tax if applicable.
11. Custodians notify bond holders of interest payment.
12. Paying agent pays income tax to tax office.
13. Custodians pay local tax to tax office.

Note: No difference between non-residents and domestic investors except that account is tagged as “non-resident” for withholding tax purposes.

Assumption: CDP is the central depository for the corporate bond (Issuer CSD). Bond holders manage their bonds through custodians.
SG09. Redemption Payment Flow of Corporate Bond

1. Payment Request
2. Fund Request
3. Redemption Payment
4. Bondholders’ Tax Status
5. Payment Request
6. Payment Request
7. Redemption Payment
8. Payment Request
9. Redemption Payment
10. Redemption
11. Delete Bond Registration
12. Notice of Redemption
13. Redemption Payment
14. Redemption Payment Notice
15. Tax Payment (Income Tax)
16. Tax Payment (Local Tax)

Cash Flow
Information Flow

Bond Issuer Side
Bond Holder Side

CSD

Paying Agent

Custodian

Issuer’s Account
PA’s Account
CDP’s Account
Custodian’s Account
Bond Holder’s Account

Same Entity

MAS(MEPS+)

Tax Office
SG09. Redemption Payment Flow of Corporate Bond

Process of Redemption Payment

1. Paying agent sends payment request of redemption to the bond issuer.
2. Bond issuer sends fund request to the paying agent.
3. Paying agent transfers cash from issuer’s account to own account.
4. Custodians of bond holders send tax status to CDP.
5. CDP sends payment request to paying agent.
6. Paying agent instructs MAS to money transfer requested from CDP.
7. MAS executes redemption payment from paying agent’s account to CDP’s account via MEPS+, deducting income tax if applicable.
8. CDP instructs MAS to payment request.
9. MAS executes redemption payment from CDP’s account to custodians account via MEPS+.
10. CDP makes bond redemption.
11. Paying agent deletes bond registration.
13. Custodians credit bond holders’ accounts with last interest and principal, deducting local tax if applicable.
15. Paying agent pays income tax to tax office.
16. Custodians pay local tax to tax office.

Note: No difference between non-residents and domestic investors except that account is tagged as “non-resident” for withholding tax purposes.

Assumption: CDP is the central depository for the corporate bond (Issuer CSD). Bond holders manage their bonds through custodians.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
### TH01. Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
<th>SET (BEX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade match.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCP</td>
<td></td>
<td>TCH PTI (MNS)</td>
</tr>
<tr>
<td>Settlement match.</td>
<td>TSD (PTI)</td>
<td></td>
</tr>
<tr>
<td>Bond settlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash settlement</td>
<td>BOT (BAHTNET)</td>
<td></td>
</tr>
</tbody>
</table>

**Abbreviations:**
- BEX – The Bond Electronic Exchange (The Stock Exchange of Thailand)
- SET – Stock Exchange of Thailand
- BOT – Bank of Thailand
- PTI – Post Trade Integration (The Stock Exchange of Thailand)
- TSD – Thailand Securities Depository (The Stock Exchange of Thailand)
- TCH – Thailand Clearing House (The Stock Exchange of Thailand)
- BAHTNET – The Bank of Thailand Automated High-value Transfer Network
- MNS – Multilateral Netting System
TH02. Corporate Bond Market Infrastructure Diagram

Trading
Trade match.

Settlement match.
Bond settlement

Cash settlement

OTC Market

SET (BEX)

TCH
PTI (MNS)

TSD (PTI)

BOT (BAHTNET)

BEX – The Bond Electronic Exchange (The Stock Exchange of Thailand)
SET – Stock Exchange of Thailand
BOT – Bank of Thailand
PTI – Post Trade Integration (The Stock Exchange of Thailand)
TSD – Thailand Securities Depository (The Stock Exchange of Thailand)
TCH – Thailand Clearing House (The Stock Exchange of Thailand)
BAHTNET – The Bank of Thailand Automated High-value Transfer Network
MNS – Multilateral Netting System
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
TH03. Government Bond Transaction Flow for Domestic Trades

1. Trade

2. Trade Data

3. Matching

4. Matching Results

5. Holding Bonds

6. Settlement Details

7. Cash Settlement

8. Payment Response Message

9. Bonds Settlement

10. Settlement Report (Bond)

TSD

PTI

TSD

Sell Side

Buy Side

Sell Side’s Bank

Buy Side’s Bank

8. Confirmation of Credit (Cash)

7. Cash Settlement

8. Confirmation of Debit (Cash)
TH03. Government Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade via OTC market.
2. Sell side and buy side send transaction details to TSD via PTI System.
3. TSD matches trade data from sell side and buy side.
4. TSD sends matching results to sell side and buy side via PTI System.
5. TSD checks availability and blocks securities in members’ account.
6. TSD sends cash settlement details to BOT.
7. BOT executes cash settlement.
8. BOT sends cash settlement confirmation to sell side, buy side and TSD.
9. TSD releases blocked securities and executes securities delivery.
10. TSD sends settlement reports to sell side, buy side via PTI System.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
TH04. Corporate Bond Transaction Flow for Domestic Trades

1. Trade
2. Trade Data
3. Matching
4. Matching Results
5. Holding Bonds
6. Settlement Details
7. Cash Settlement
8. Confirmation of Credit (Cash)
9. Bonds Settlement
10. Settlement Report (Bond)
8. Confirmation of Debit (Cash)

Buy Side

Sell Side

Buy Side's Bank

Sell Side's Bank
TH04. Corporate Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade via OTC market.
2. Sell side and buy side send transaction details to TSD via PTI System.
3. TSD matches trade data from sell side and buy side.
4. TSD sends matching results to sell side and buy side via PTI System.
5. TSD checks availability and blocks securities in members’ account.
6. TSD sends cash settlement details to BOT.
7. BOT executes cash settlement.
8. BOT sends cash settlement confirmation to sell side, buy side and TSD.
9. TSD releases blocked securities and executes securities delivery.
10. TSD sends settlement reports to sell side, buy side via PTI System.
TH05. Bond Transaction Flow for Foreign Investors OTC Market / DVP
**TH05. OTC Bond Transaction Flow for Foreign Investors OTC Market / DVP**

<table>
<thead>
<tr>
<th>Trade Date</th>
<th>T+1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Foreign Institutional Investor places order with International Broker</td>
</tr>
<tr>
<td>2.</td>
<td>International Broker places order with Domestic Broker/Bank</td>
</tr>
<tr>
<td>3.</td>
<td>Domestic Broker/Bank trades OTC with Counterparty (via phone or Bloomberg)</td>
</tr>
<tr>
<td>4.</td>
<td>Domestic Broker/Bank and Counterparty report trade to Thai BMA within 30 minutes of trade (web input or, e.g., via Bloomberg)</td>
</tr>
<tr>
<td>5.</td>
<td>Domestic Broker/Bank send trade confirmation to International Broker</td>
</tr>
<tr>
<td>6.</td>
<td>Foreign Institutional Investor receives trade confirmation</td>
</tr>
<tr>
<td>7.</td>
<td>Foreign Institutional Investor instructs Global Custodian on securities settlement and cash/funding details</td>
</tr>
<tr>
<td>8.</td>
<td>Global Custodian instructs Domestic Custodian on (a) securities settlement details, (b) FX request or funding details (since 3rd Party FX possible)</td>
</tr>
<tr>
<td>9.</td>
<td>Domestic Custodian pre-matches with Counterparty, typically via phone</td>
</tr>
<tr>
<td>10.</td>
<td>Domestic Custodian sends pre-matching results to Global Custodian</td>
</tr>
<tr>
<td>11.</td>
<td>Domestic Custodian sends FX confirmation to Global Custodian</td>
</tr>
<tr>
<td>12.</td>
<td>Domestic Custodian captures settlement details in PTI</td>
</tr>
<tr>
<td>13.</td>
<td>Domestic Custodian retrieves matching results, via TSD terminal</td>
</tr>
<tr>
<td>14.</td>
<td>Domestic Custodian sends funding report to Global Custodian</td>
</tr>
<tr>
<td>15.</td>
<td>Global Custodian sends, if so required, request to use THB balance to Foreign Institutional Investor</td>
</tr>
<tr>
<td>16.</td>
<td>Foreign Institutional Investor sends, if so required, FX instruction (or additional securities purchase trade) to Global Custodian</td>
</tr>
<tr>
<td>17.</td>
<td>Global Custodian, if so required, sends FX instruction to Domestic Custodian, as FX bank</td>
</tr>
<tr>
<td>18.</td>
<td>Domestic Custodian, as FX bank, confirms FX deal</td>
</tr>
<tr>
<td>19.</td>
<td>Domestic Custodian sends clearing account at Bank of Thailand</td>
</tr>
<tr>
<td>20.</td>
<td>Upon cash settlement transfer, BAHTNET II sends credit/debit confirmation to Domestic Custodian (as BAHTNET II participant)</td>
</tr>
<tr>
<td>21.</td>
<td>Upon cash settlement confirmation, TSD transfers securities and sends settlement confirmation to Domestic Custodian</td>
</tr>
<tr>
<td>22.</td>
<td>Domestic Custodian sends settlement confirmation to Global Custodian</td>
</tr>
<tr>
<td>23.</td>
<td>Domestic Custodian reports clients’ NRBS account balances to Bank of Thailand (prior to end of day)</td>
</tr>
<tr>
<td>24.</td>
<td>Global Custodian funds account with Domestic Custodian directly, or into FCY nostro account (by end of day)</td>
</tr>
<tr>
<td>25.</td>
<td>Global Custodian sends settlement confirmation to Foreign Institutional Investor</td>
</tr>
<tr>
<td>26.</td>
<td>Domestic Custodian sends statement of securities to Global Custodian (end of day)</td>
</tr>
<tr>
<td>27.</td>
<td>Domestic Custodian sends cash credit/debit information in cash statement to Global Custodian (end of day)</td>
</tr>
<tr>
<td>28.</td>
<td>Global Custodian sends cash credit/debit information to FII in cash statement (end of day)</td>
</tr>
</tbody>
</table>
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
TH06. Interest Payment Flow of Government Bond

1. Book Closure
2. Request for Interest Payment
3. Payment Instruction
4. Interest Payment
5. Interest Payment Notice
6. Payment Notice
7. Submit Withholding Tax
**Process of Interest Payment**

1. Bank of Thailand (BOT) as a registrar and paying agent closes the record book for interest payment by gathering bond holders’ names from the TSD in case of scripless securities. The book closure period varies between 10-30 days. (In case of scrip securities, no need to gather information from TSD, because BOT owns bond holder’s names.)

2. BOT submits letter requesting for interest payment to MOF 45-60 days prior to payment date.

3. On the payment date, MOF instructs BOT to make interest payment within 10.00 a.m.

4. BOT executes interest payment from MOF’s account to account management institutions’ account via BAHTNET on the payment date, deducting tax if applicable.

5. Account management institutions credit bondholders’ accounts with interest paid by MOF.

6. Account management institutions notify bond holders of interest payment.

7. BOT submits withholding tax to the Revenue Department (on a monthly basis).

<In Case of Retail Bond Holder>

- Prior to interest payment from BOT (No.4), BOT sends data and report of bond holders’ names, bank account numbers to which interest will be sent, and interest amount to banks where retail bond holders have accounts with. This is done in 3 working days prior to the payment date to prepare for payment through in-house direct credit system of each bank.

- Instead of process No.4, BOT transfers fund to banks for crediting to retail bond holders’ accounts on the payment date.
TH07. Redemption Payment Flow of Government Bond

1. Book Closure
2. Information about Redemption
3. Return Bond Certificate
4. Request for Principal Payment
5. Payment Instruction
6. Redemption Payment
7. Redemption
8. Delete registration
9. Redemption Payment Notice
10. Redemption Payment Notice
11. Submit Withholding Tax

Cash Flow
Information Flow

MOF
BOT as Paying Agent
MOF’s Account
Account Management Institution’s Account
Account Management Institution
Bond Holder’s Account
Tax Office
Process of Redemption Payment 1/2

1. Bank of Thailand (BOT) as a registrar and paying agent closes the record book for principal payment by gathering bond holders’ names from the TSD. The book closure period is 1 working day for short-term securities, and 10-30 days for long-term securities. (In case of scrip securities, no need to gather information from TSD, because BOT owns bond holder’s names.)

2. BOT sends principal redemption forms to inform the bond holders about redemption and return bond certificates.

3. Bond holders return bond certificates to BOT.

4. BOT submits letter requesting for principal payment to MOF 45-60 days prior to payment date.

5. On the payment date, MOF instructs BOT to make redemption payment within 10.00 a.m.

6. BOT executes redemption payment from MOF’s account to account management institutions’ account via BAHTNET on the payment date, deducting tax if applicable.

7. TSD makes bond redemption.

8. BOT deletes bond registration.

9. Account management institutions credit bondholders’ accounts with last interest and principal.

10. Account management institutions notify bond holders of redemption payment.

11. BOT submits withholding tax to the Revenue Department (on a monthly basis).
<In Case of Retail Bond Holder>

- Prior to redemption payment from BOT(No.6), BOT sends data and report of bond holders’ names, bank account numbers to which interest will be sent, and interest amount to banks where retail bond holders have accounts with. This is done in 3 working days prior to the payment date to prepare for payment through in-house direct credit system of each bank.

- Instead of process No.4, BOT transfers fund to banks for crediting to retail bond holders’ accounts on the payment date.
1. **Bond Market Infrastructure Diagram**

2. **Bond Transaction Flow for Domestic Trades (Government Bond)**

3. **Bond Transaction Flow for Domestic Trades (Corporate Bond)**

4. **Bond Transaction Flow for Foreign Investors**

5. **Interest & Redemption Payment Flow (Government Bond)**

6. **Interest & Redemption Payment Flow (Corporate Bond)**
TH08. Interest Payment Flow of Corporate Bond

1. Book Closure
2. Request for Interest Payment
3. Payment Instruction
4. Interest Payment
5. Interest Payment
6. Interest Payment
7. Interest Payment Notice
8. Submit Withholding Tax

Cash Flow
Information Flow
TH08. Interest Payment Flow of Corporate Bond

Process of Interest Payment

1. Bank of Thailand (BOT) as a registrar and paying agent closes the record book for interest payment by gathering bond holders’ names from the TSD in case of scripless securities. The book closure period varies between 10-30 days. (In case of scrip securities, no need to gather information from TSD, because BOT owns bond holder’s names.)

2. Paying agent submits letter requesting for interest payment to issuer 45-60 days prior to payment date.

3. On the payment date, bond issuer instructs BOT to make interest payment within 10.00 a.m.

4. Paying agent transfers cash from issuer’s account to own account.

5. BOT executes interest payment from issuer’s account to account management institutions’ account via BAHTNET on the payment date, deducting tax if applicable.

6. Account management institutions credit bondholders’ accounts with interest paid by issuer.

7. Account management institutions notify bond holders of interest payment.

8. BOT submits withholding tax to the Revenue Department (on a monthly basis).

<In Case of Retail Bond Holder>

- Prior to interest payment from BOT (No.4), BOT sends data and report of bond holders’ names, bank account numbers to which interest will be sent, and interest amount to banks where retail bond holders have accounts with. This is done in 3 working days prior to the payment date to prepare for payment through in-house direct credit system of each bank.
- Instead of process No.4, BOT transfers fund to banks for crediting to retail bond holders’ accounts on the payment date.
TH09. Redemption Payment Flow of Corporate Bond

1. Book Closure
2. Information about Redemption
3. Return Bond Certificate
4. Request for Principal Payment
5. Payment Instruction
6. Redemption Payment
7. Redemption Payment
8. Redemption
9. Delete registration
10. Redemption Payment
11. Redemption Payment Notice
12. Submit Withholding Tax

Cash Flow
Information Flow

Bond Issuer Side
- Bond Issuer
- Paying Agent
- Same Entity

CSD
- TSD
- 8. Redemption
- 2. Information about Redemption
- 3. Return Bond Certificate

Bond Holder Side
- Bond Holder
- Account Management Institution
- Same Entity

Paying Agent
- Issuer’s Account
- Same Entity

BOT
- PA’s Account
- Account Management Institution’s Account

Account Management Institution
- Bond Holder’s Account

Tax Office
TH09. Redemption Payment Flow of Government Bond

Process of Redemption Payment 1/2

1. Bank of Thailand (BOT) as a registrar and paying agent closes the record book for principal payment by gathering bond holders’ names from the TSD. The book closure period is 1 working day for short-term securities, and 10-30 days for long-term securities. (In case of scrip securities, no need to gather information from TSD, because BOT owns bond holder’s names.)

2. Paying agent sends principal redemption forms to inform bond holders about redemption and return bond certificates.

3. Bond holders return bond certificates to BOT.

4. BOT submits letter requesting for principal payment to bond issuer 45-60 days prior to payment date.

5. On the payment date, bond issuer instructs BOT to make redemption payment within 10.00 a.m.

6. Paying agent transfers cash from issuer’s account to own account.

7. BOT executes redemption payment from issuer’s account to account management institutions’ account via BAHTNET on the payment date, deducting tax if applicable.

8. TSD makes bond redemption. (to be confirmed)

9. BOT deletes bond registration. (to be confirmed)

10. Account management institutions credit bondholders’ accounts with last interest and principal.

11. Account management institutions notify bond holders of redemption payment.

12. BOT submits withholding tax to the Revenue Department (on a monthly basis). (to be confirmed)
Process of Redemption Payment  2/2

<In Case of Retail Bond Holder>

- Prior to redemption payment from BOT(No.6), BOT sends data and report of bond holders’ names, bank account numbers to which interest will be sent, and interest amount to banks where retail bond holders have accounts with. This is done in 3 working days prior to the payment date to prepare for payment through in-house direct credit system of each bank.

- Instead of process No.4, BOT transfers fund to banks for crediting to retail bond holders’ accounts on the payment date.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
VN01. Government Bond Market Infrastructure Diagram

HNX (Specialized Government Bond Market)

Trade matching

CCP

Settlement match.

Bond settlement

Cash settlement

HNX – The Hanoi Stock Exchange
VSD – Vietnam Securities Depository
BIDV – Bank for Investment and Development of Vietnam
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
VN03. Government Bond Transaction Flow for Domestic Trades

1. Trade Order
2. Matching
3. Matching Results
4. Trade Data
5. Blocking bonds
6. Notice of transaction results
7. Members confirm transaction results (and trading amendment documents if any)
8. Notice of cash/bond multilateral netting and payment or Notice of trade by trade payment of securities/cash with USD bonds
9. Summary notice of cash multilateral netting and payment or Summary notice of trade by trade payment of cash with USD bonds
10. Transfer of Funds
11. Notice of list of members who are in default of cash (if any)
12. Bond Settlement
12. Cash Settlement

Note: This Business Process Flow simplifies the flowchart of the previous page.
VN03. Government Bond Transaction Flow for Domestic Trades

Exchange Market (for listed bonds)

1. Sell side and buy side trade at The Hanoi Stock Exchange (HNX) or Ho Chi Minh Stock Exchange (HOSE).
2. HNX/HOSE matches trade.
3. HNX/HOSE sends matching result to sell side and buy side.
4. HNX/HOSE sends trade data to VSD.
5. VSD holds bonds from sell side’s account.
6. VSD notifies transaction result to sell side and buy side.
7. Sell side and buy side confirm transaction results (and trading amendment documents if any).
8. VSD notifies sell side and buy side of cash/bond multilateral netting and payment or trade by trade payment of securities/cash with USD bonds.
9. Buy side transfers cash to BIDV.
10. VSD notifies the summary of cash multilateral netting and payment or trade by trade payment of cash with USD bonds.
11. BIDV executes cash settlement.
12. BIDV notifies of the list of members who are in default of cash if any.
13. VSD executes bond settlement.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
VN04. Corporate Bond Transaction Flow for Domestic Trades

1. Trade Order
2. Matching
3. Matching Results
4. Trade Data
5. Blocking bonds
6. Notice of transaction results
7. Members confirm transaction results (and trading amendment documents if any)
8. Notice of cash/bond multilateral netting and payment/or Notice of trade by trade payment of securities/cash with USD bonds
9. Summary notice of cash multilateral netting and payment/ or Summary notice of trade by trade payment of cash with USD bonds
10. Transfer of Funds
11. Cash Settlement
12. Notice of list of members who are in default of cash (if any)
13. Bond Settlement

Sell Side

Buy Side
VN04. Corporate Bond Transaction Flow for Domestic Trades

Exchange Market (for listed bonds)

1. Sell side and buy side trade at The Hanoi Stock Exchange (HNX) or Ho Chi Minh Stock Exchange (HOSE).
2. HNX/HOSE matches trade.
3. HNX/HOSE sends matching result to sell side and buy side.
4. HNX/HOSE sends trade data to VSD.
5. VSD holds bonds from sell side’s account.
6. VSD notifies transaction result to sell side and buy side.
7. Sell side and buy side confirm transaction results (and trading amendment documents if any).
8. VSD notifies sell side and buy side of cash/bond multilateral netting and payment or trade by trade payment of securities/cash with USD bonds.
9. VSD notifies the summary of cash multilateral netting and payment or trade by trade payment of cash with USD bonds.
10. Buy side transfers cash to BIDV.
11. BIDV executes cash settlement.
12. BIDV notifies of the list of members who are in default of cash if any.
13. VSD executes bond settlement.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
1. Foreign Institutional Investor sends FX/funding instruction to Global Custodian (for planned bond trades)
2. Global Custodian sends FX/funding instruction to Domestic Custodian (to ensure timely availability of VND)
3. Foreign Institutional Investor places order with International Broker
4. International Broker places order, typically with Domestic Bank
5. Domestic Broker/Bank trade OTC with Counterparty (via phone), both parties sign trade agreement (contract)
6. Domestic Broker/Bank sends trade confirmation to International Broker, and to Domestic Custodian
7. International Broker sends trade confirmation to Foreign Institutional Investor
8. Domestic Bank sends trade confirmation to Domestic Custodian
9. Foreign Institutional Investor sends securities settlement instruction to Global Custodian
10. Global Custodian instructs Domestic Custodian on securities settlement details
11. Domestic Broker relays trade details to Domestic Broker (as HNX member) for trade capture
12. Domestic Broker checks available funds/bonds with Domestic Custodian
13. Domestic Broker captures trade details on HNX, typically via eBond front-end system
14. VSD provides Settlement Report to Domestic Custodian (at end of ‘Trade Date’)
15. Only in the event of a discrepancy, does Domestic Custodian need to contact VSD (hence dashed arrow)
16. Domestic Custodian provides settlement/matching status to Global Custodian
17. Domestic Custodian sends FX confirmation to Global Custodian
18. Global Custodian sends FX confirmation to Investor
19. Domestic Custodian effects funding of BIDV account
20. After settlement deadline, Domestic Custodian retrieves settlement confirmation from VSD (hardcopy, or online)
21. After settlement deadline, Domestic Custodian retrieves cash debit/credit confirmations from BIDV (hardcopy)
22. Domestic Custodian sends settlement confirmation to Global Custodian
23. Global Custodian effects funding of account with Domestic Custodian, or into FCY nostro account (before end of day)
24. Global Custodian sends settlement confirmation to Foreign Institutional Investor
25. Domestic Custodian sends securities statement to Global Custodian
26. Domestic Custodian sends debit/credit information in cash statement to Global Custodian
27. Global Custodian sends cash statement to Foreign Institutional Investor
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Bond Transaction Flow for Foreign Investors

5. Interest & Redemption Payment Flow (Government Bond)

6. Interest & Redemption Payment Flow (Corporate Bond)
VN06. Interest Payment Flow of Government Bond

1. Notification of Record Date
2. Notification of Bondholders-list
3. Confirmation of Payment Details
4. Payment Instruction & Bondholders-list
5. Confirmation of Payment Details
6. Instruction of Cash Transfer
7. Cash Transfer
8. Payment Instruction
9. Interest Payment
10. Interest Payment
11. Interest Payment Notice

Cash Flow
Information Flow

Bond Issuer Side
- State Treasury Ministry of Finance
  - VSD as Paying Agent

CSD
- VSD as CSD
- Same Entity

Bond Holder Side
- Bond Holder
  - VSD's Member
  - Same Entity

Settlement Bank
- MOF's Account

BIDV
- VSD's Account

Custodian
- VSD Member's Account

Tax Office
VN06. Interest Payment Flow of Government Bond OTC Market

Process of Interest Payment

1. Vietnam Securities Depository (VSD) as a paying agent notifies the record date to State Treasury - Ministry of Finance (issuers), VSD’s members and other related organizations.
2. VSD makes and sends its members bondholders-list receiving bond interest payment.
3. Members send VSD the confirmation of the bondholders list.
4. VSD sends issuers payment request and comprehensive bondholders list.
5. VSD sends its members confirmation of interest distribution to investors named in the bondholders list.
6. Issuers instruct settlement bank to transfer cash for interest from issuers’ account to VSD’s account.
7. Settlement bank transfers cash as requested.
8. VSD instructs BIDV to transfer cash for interest from VSD’s account to related VSD members’ account.
9. BIDV transfers cash as requested.
10. VSD members credit bondholders’ account with interest.
11. VSD members notify bond holders of interest payment.
VN07. Redemption Payment Flow of Government Bond

**Bond Issuer Side**
- State Treasury Ministry of Finance
- VSD as Paying Agent
  - 1. Notification of Record Date
  - 2. Notification of Bondholders-list
  - 4. Payment Instruction & Bondholders-list
  - 6. Instruction of Cash Transfer
  - 8. Payment Instruction

**CSD**
- VSD as CSD
  - 10. Redemption
    - 1. Notification of Record Date
    - 2. Notification of Bondholders-list
    - 5. Confirmation of Payment Details

**Bond Holder Side**
- Bond Holder
  - 12. Redemption Payment Notice
  - Tax Office
  - VSD’s Member
    - 11. Redemption Payment
      - Same Entity

**Settlement Bank**
- MOF’s Account
  - 7. Cash Transfer

**BIDV**
- VSD’s Account
  - 9. Redemption Payment
  - VSD Member’s Account
  - Same Entity

**Custodian**
- VSD’s Account
  - 11. Redemption Payment
    - Bond Holder’s Account
Process of Redemption Payment

1. Vietnam Securities Depository (VSD) as a paying agent notifies the record date to State Treasury - Ministry of Finance (issuers), VSD’s members and other related organizations.
2. VSD makes and sends it’s members bondholders-list receiving bond redemption payment.
3. Members send VSD confirmation of bondholders list.
4. VSD sends issuers payment request and comprehensive bondholders list.
5. VSD sends it’s members confirmation of interest and principal distribution to investors named in bondholders list.
6. Issuers instruct settlement bank to transfer cash for redemption from issuers’ account to VSD’s account.
7. Settlement bank transfers cash as requested.
8. VSD instructs BIDV to transfer cash for redemption from VSD’s account to related VSD members’ account.
9. BIDV transfers cash as requested.
10. VSD makes bond redemption.
11. VSD members credit bond holders’ accounts with last interest and principal, deducting income tax if applicable.
12. VSD members notify bond holders of redemption payment.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Bond Transaction Flow for Foreign Investors
5. Interest & Redemption Payment Flow (Government Bond)
6. Interest & Redemption Payment Flow (Corporate Bond)
VN08. Interest Payment Flow of Corporate Bond

**Bond Issuer Side**

1. Notification of Corporate Action
2. Notification of Record Date
3. Record Date Notice
4. Notification of Bondholders-list
5. Confirmation of Bondholders-list
6. Bondholders-list
7. Confirmation of Bondholders-list

**VSD as CSD**

8. Confirmation of Payment Details
9. Instruction of Cash Transfer
10. Cash Transfer
11. Payment Instruction
12. Interest Payment
13. Interest Payment
14. Interest Payment Notice
15. Tax Payment

**Bond Holder Side**

16. Tax Office

**Cash Flow**

**Information Flow**
Process of Interest Payment

1. Issuers sends the adequate and legal dossier notifying corporate action to Vietnam Securities Depository (VSD).
2. VSD as a paying agent notifies record date to VSD’s members and other related organizations.
3. VSD’s members notify record date to bond holders.
4. VSD makes and sends it’s members bondholders-list receiving bond interest payment.
5. Members send VSD confirmation of bondholders-list.
6. VSD sends issuers comprehensive bondholders list.
7. Bond issuer sends confirmation of bondholders-list.
8. VSD sends it’s members confirmation of interest distribution to investors named in bondholders list.
9. Issuers instruct settlement bank to transfer cash for interest from issuers’ account to VSD’s account in BIDV.
10. Settlement bank transfers cash as requested.
11. VSD instructs BIDV to transfer cash for interest from VSD’s account to related members’ account.
12. BIDV transfers cash as requested.
13. Members credit bondholders’ account with interest.
14. Members notify bond holders of interest payment.
15. Bond issuers pay income tax to tax office if applicable.
VN09. Redemption Payment Flow of Corporate Bond

1. Notification of Corporate Action
2. Notification of Record Date
3. Record Date Notice
4. Notification of Bondholders-list
5. Confirmation of Bondholders-list
6. Bondholders-list
7. Confirmation of Bondholders-list
8. Confirmation of Payment Details
9. Instruction of Cash Transfer
10. Cash Transfer
11. Payment Instruction
12. Redemption Payment Notice
13. Redemption
14. Redemption Payment
15. Redemption Payment Notice
16. Tax Payment

Cash Flow
Information Flow

Bond Issuer Side
Bond Holder Side
CSD
VSD as Paying Agent
Settlement Bank
Issuer’s Account
BIDV
VSD’s Account
VSD’s Member’s Account
VSD’s Member
Custodian
Bond Holder’s Account
Tax Office

Same Entity
Process of Redemption Payment

1. Issuers sends the adequate and legal dossier notifying corporate action to Vietnam Securities Depository (VSD).
2. VSD as a paying agent notifies record date to VSD’s members and other related organizations.
3. VSD’s members notifies record date to bond holders.
4. VSD makes and sends it’s members bondholders-list.
5. Members send VSD confirmation of bondholders-list.
6. VSD sends issuers comprehensive bondholders list.
7. Bond issuer sends confirmation of bondholders-list.
8. VSD sends it’s members confirmation of redemption payment to investors named in bondholders list.
9. Issuers instruct settlement bank to transfer cash for redemption payment from issuers’ account to VSD’s account in BIDV.
10. Settlement bank transfers cash as requested.
11. VSD instructs BIDV to transfer cash for redemption payment from VSD’s account to related members’ account.
12. BIDV transfers cash as requested.
13. VSD as CSD makes bond redemption.
14. Members credit bondholders’ account with redemption.
15. Members notify bond holders of redemption payment.
16. Issuers pay income tax to tax office if applicable.