

AMBIF Elements in Hong Kong, China

This chapter describes the key features of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), also known as AMBIF Elements, and puts into perspective the equivalent features of the domestic professional bond market in Hong Kong, China.¹

Summary of AMBIF Elements

The bond market in Hong Kong, China is largely international in nature. While the HKD-denominated bond market is relatively small, many bonds and notes are issued internationally in Hong Kong, China.

Table 1 identifies the features and practices of the domestic bond market in Hong Kong, China that directly correspond with or are equivalent to the AMBIF Elements.

Description of AMBIF Elements and Equivalent Features in Hong Kong, China

Domestic Settlement

AMBIF

AMBIF is aimed at supporting the domestic bond markets of ASEAN+3. To be recognized as a domestic bond or note, an AMBIF bond or note needs to be settled at the designated central securities depository (CSD). Hence, domestic settlement needs to be a key feature of an AMBIF bond or note.

In Hong Kong, China

All domestic corporate bonds and notes traded over-the-counter (OTC) in the Hong Kong, China market are identified by the International Securities Identification Number (ISIN) prefix HK, and are admitted to and settled in the Central Moneymarkets Unit (CMU), a unit of the Hong Kong Monetary Authority (HKMA), regardless of the denomination. CMU connects directly to the domestic Clearing House Automated Transfer System (CHATS) high-value payment systems, which can accommodate the settlement of bonds and notes denominated in local currencies (Hong Kong dollars and offshore Chinese renminbi) and in foreign currencies (e.g., US dollars).

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

Table 1: AMBIF Elements and Equivalents in Hong Kong, China

AMBIF Element	Description	Equivalent in Hong Kong, China
Domestic Settlement	Bonds and notes are settled at a national CSD in ASEAN+3 markets.	Settlement of domestic bonds and notes in CMU at HKMA (ISIN prefix HK for bonds and notes depot in HKMA CMU)
Harmonized Documents for Submission (Single Submission Form)	A common approach is of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information along with ADRB recommendation needs to be included.	As long as laws are observed and it is in compliance with HKEx Listing Rules, the Single Submission Form is expected to be accepted.
Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)	Information on bonds, notes, and issuers needs to be disclosed continuously in ASEAN+3 markets. Registration or a listing authority function is required to ensure continuous and quality disclosure.	Profile listing on HKEx Professional Bonds market
Currency	The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.	CMU supports multi-currency bond and note issuance including, but not limited, to Hong Kong dollars, offshore Chinese renminbi, and United States dollars.
Scope of Issuers	Resident of ASEAN+3	Domestic and foreign issuers, no formal distinction by issuer type.
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations, or market practice, in each ASEAN+3 market	Professional investors, as defined under the SFO

ADRB = AMBIF Documentation Recommendation Board, ASEAN+3 Multi-Currency Bond Issuance Framework, ASEAN = Association of Southeast Asian Nations, CMU = Central Moneymarkets Unit, CSD = central securities depository, HKMA = Hong Kong Monetary Authority, HKEx = Hong Kong Exchanges and Clearing Limited, ISIN = International Securities Identification Number, SFO = Securities and Futures Ordinance.

Source: ABMF SF1.

Harmonized Documents for Submission (Single Submission Form)

AMBIF

Based on the review of application forms for issuance approval, offering circulars, information memorandums, and program information formats in ASEAN+3, the core information was found to be similar or comparable across markets. Hence, the Single Submission Form (SSF) that can be applied to all of the relevant regulatory processes for bond and note issuance across markets was proposed. The information contained in the SSF can be submitted to all relevant regulatory authorities and market institutions for relevant approvals or consent, or used in the context of the submission (e.g., as a checklist) in anticipation of an AMBIF bond or note issuance.

In Hong Kong, China

Where bonds and notes are offered only to professional investors through private placements, no approval for bond and note issuance is required from the Securities and Futures Commission (SFC) or HKMA. Thus, contracting parties—such as issuers, underwriters, and investors—are free to set and agree on documentation and disclosure requirements among themselves.

To be listed on Hong Kong Exchanges and Clearing Limited (HKEx) for visibility or profiling purposes, HKEx is in favor of using harmonized documents, as long as its application procedures and all listing requirements are fulfilled.

English is one of the official languages of Hong Kong, China; hence, the SSF can be utilized, particularly in the context of a profile listing since no issuance approval is required.

Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)

AMBIF

Information on issuers, bonds, and notes needs to be disclosed continuously in ASEAN+3 markets. A registration or listing authority function to facilitate continuous disclosure is required. This can ensure the quality of disclosure and help create a well-organized market for AMBIF issuances with transparency and a quality of information that differentiates AMBIF issuances from ordinary private placements for which information is often neither available nor guaranteed. Owing to this important feature, an AMBIF secondary market is expected to emerge as the number of issuances increases.

A profile listing is a listing without trading on an exchange. The objective of the listing is to make bonds and notes visible and more information available to investors via a recognized listing place, particularly those investors with more restrictive mandates, such as mutual and pension funds. A profile listing at a designated listing place can ensure the flow of continuous disclosure information and possibly even reference pricing in some markets.

In Hong Kong, China

HKEx Listing Rules provide a listing facility for bonds and notes aimed exclusively at professional investors. This facility is officially known as Debt Issues to Professional Investors Only, and typically is referred to as Professional Bonds. Professional Bonds are still traded OTC but are listed for profiling only, typically in order to reach a specific investor universe or address the need for a listing in potential investors' mandated prudential regulations.

While the listing for profiling on HKEx is available for both domestic and international bonds and notes issued in Hong Kong, China, and HKEx Listing Rules do not prescribe a particular clearing house or place of settlement, the inclusion for settlement in CMU is required to mark a bond or note as domestic. Hence, for all intents and purposes, the availability of CMU settlement, in conjunction with the listing for profiling on HKEx, satisfies the AMBIF Element of Registration or Profile Listing.

At the same time, a listing for profiling of AMBIF bonds and notes on HKEx may not preclude a simultaneous listing for profiling for the benefit of (certain) professional investors in another jurisdiction in ASEAN+3.

Currency

AMBIF

In the context of AMBIF, the denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market. But this does not exclude the possibility of issuing in other currencies if market practice regularly supports these other currencies and the relevant domestic currency or cash clearing capabilities exist. At this stage, US dollars, Japanese yen, and offshore Chinese renminbi are the currencies other than domestic currencies in which bonds and notes tend to be issued in ASEAN+3 markets.

In Hong Kong, China

In addition to Hong Kong dollars, bonds and notes denominated in other currencies, including but not limited to US dollars and offshore Chinese renminbi, are regularly issued and settled at CMU.

Scope of Issuers

AMBIF

As AMBIF is aimed at supporting the development of domestic bond markets in the region and promoting the intraregional recycling of funds, an issuer needs to be a resident of an ASEAN+3 market.

In Hong Kong, China

There is no distinction between domestic and foreign issuers or particular corporate issuer types in the Hong Kong, China bond market.

Scope of Investors

AMBIF

Professional investors are defined in accordance with regulations and/or market practice in each market in ASEAN+3. Some jurisdictions have a clear definition of professional investors, while other jurisdictions may need to establish the concept through agreements.

Professional investors are institutions defined by law and licensed or otherwise registered with regulators by law in their economy of domicile and, hence, are subject to governance and inspection based on securities market and/or prudential regulations. In addition, most of them are also subject to oversight as well as professional conduct and best practice rules by a self-regulatory organization, such as an exchange or a market association.

In Hong Kong, China

The Securities and Futures Ordinance (SFO), Chapter 571 of the Laws of Hong Kong, defines the concept of professional investors in Hong Kong, China; in its provisions, the SFO distinguishes between Institutional Investors and Non-Institutional Investors, as shown in the definitions below. In market practice, the term “professional investors” is used since the concept is not limited to institutions or legal entities:

The SFO defines Institutional Investors as

1. regulated securities firms, any person carrying on the business of the provision of investment services regulated under the Laws of Hong Kong or the laws of any place outside Hong Kong, China;
2. regulated banks, any bank regulated under the Laws of Hong Kong or the laws of any place outside Hong Kong, China;
3. regulated insurers, any insurer regulated under the Laws of Hong Kong or the laws of any place outside Hong Kong, China;
4. investment funds, any collective investment scheme authorized by the SFC or similarly constituted under the laws of any place outside Hong Kong, China, and, if regulated under the laws of such place, permitted to be operated under the laws of such place, or any person by whom any such scheme is operated; and
5. sovereign bodies, any government (other than a municipal authority) or any institution, which performs the functions of a central bank, or any multilateral agency.

The SFO defines Non-Institutional Investors as persons who, as a result of their financial position, qualify as professional investors, including

1. High Net Worth Individuals, any individual (either alone or with any of his or her associates on a joint account) who has a portfolio of not less than HKD8 million (or its equivalent in any foreign currency);
2. corporate professional investors, any corporation or partnership with either a portfolio of not less than HKD8 million (or its equivalent in any foreign currency) or total assets of not less than HKD40 million (or its equivalent in any foreign currency); and
3. trusts, any trust corporation entrusted under the trust or trusts of which it acts as a trustee with total assets of not less than HKD40 million (or its equivalent in any foreign currency).

The provisions of the above regulations specifically include foreign investors and foreign institutional investors.

In its dealings for the Professional Bonds market, HKEx uses the collective term “professional investors,” which includes both Institutional Investors and High Net Worth Individuals as defined in the SFO.

With regard to CMU practices, issuers shall ensure that their bond or note issuance meets all regulatory requirements, including compliance with the SFO and the definitions for Institutional Investors contained therein, before lodging the bond or note with CMU.

Institutional Investors based in Hong Kong, China may invest in overseas markets without limitation (other than certain types of investment in the Peoples’ Republic of China), unless these institutions’ own mandates, investment guidelines, or specific prudential regulations prescribe particular restrictions.