

# AMBIF Elements in Japan

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 Japan.<sup>1</sup>

## Summary of AMBIF Elements in Japan

Bonds and notes issued domestically through the TOKYO PRO-BOND Market (TPBM) qualify as AMBIF bonds and notes since TPBM satisfies the eligibility requirements of the AMBIF Elements as stated below. Table 1 identifies the features and practices of the domestic bond market in Japan that directly correspond with or are equivalent to the AMBIF Elements.

## Description of AMBIF Elements and Equivalent Features in Japan

### Domestic Settlement

#### *AMBIF*

AMBIF is aimed at supporting the domestic bond markets in 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. Hence, domestic settlement needs to be a key feature of an AMBIF bond or note.

#### *In Japan*

JPY-denominated corporate bonds and notes issued in the domestic market are predominately cleared and settled at the Japan Securities Depository Center (JASDEC), regardless whether these bonds and notes are traded over-the-counter (OTC) or on an exchange.

### Harmonized Documents for Submission (Single Submission Form)

#### *AMBIF*

Based on the review of application forms for issuance approval, offering circulars, information memorandum, and program information formats in ASEAN+3, the essential core information was 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

<sup>1</sup> 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 Japan

AMBIF Elements	Brief Description	Equivalent in Japan
Domestic Settlement	Bonds and notes are settled at a national CSD in ASEAN+3 markets.	Settlement of corporate bonds and notes by Japan Securities Depository Center (JASDEC)
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.	FSA approval is not required for the issuance of bonds and notes to Professional Investors in Japan; TSE is receptive to exploring a single-submission-document process that adheres to TPBM's current professional bond listing requirements and processes. TSE is the TPBM listing authority.
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.	TPBM on TSE in cases of profile listing; in order to access a wide range of AMBIF investors in Japan, TPBM listing is required.  When the issuer provides ongoing disclosure, there is no need for additional disclosure. When the issuer has securities listed overseas, disclosure information for those listings may be used as is.
Currency	The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.	Japanese yen and any currency available, including US dollars and offshore Chinese renminbi
Scope of Issuers	Resident of ASEAN+3	No limitation on issuers
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations, or market practice, in each market in ASEAN+3	Professional Investors, including Qualified Institutional Investors, as defined in the Financial Instruments and Exchange Act (FIEA) and Cabinet Office Ordinance on Definitions under Article 2 of the FIEA

ADRB = AMBIF Documentation Recommendation Board; AMBIF = Asian Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; CSD = central securities depository; FSA = Financial Services Agency; TPBM = TOKYO PRO-BOND Market; TSE = Tokyo Stock Exchange.

Source: ABMF SF1.

or consent, or used in the context of the submission (e.g., as a checklist) in anticipation of AMBIF bond or note issuance.

#### *In Japan*

Financial Services Agency (FSA) approval is not required for the issuance of bonds and notes to Professional Investors in Japan; the Tokyo Stock Exchange (TSE) is the listing authority of TPBM and provides the TPBM-related rules and regulations, including governing disclosure document requirements. Disclosure requirements under the Financial Instruments and Exchange Act (FIEA), such as the Securities Registration Statement for public offering, do not apply to the securities listed on TPBM. Instead, disclosure requirements are stipulated in the rules and regulations of TSE, such as the Specified Securities Information (SSI) and Issuer Filing Information.

To be listed on TPBM for profiling purposes, TSE is receptive to exploring a single-submission-document process, as long as its application procedures and all listing

requirements are fulfilled. The SSF can be treated as the SSI by mentioning clearly on the SSF that it is the SSI. Then, the SSF can be applied for the listing process on TPBM. The use of English in documentation for TPBM is accepted in TSE rules.

### 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 facilitate 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 with 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 Japan*

TPBM on TSE is the single market in Japan for listed programs or listed bonds and notes aimed at Professional Investors, and acts as a Specified Financial Instruments Exchange Market pursuant to Article 2, Paragraph 32 of the FIEA.

Issuers need to list a note issuance program and/or bonds and notes on TPBM in order to issue bonds and notes through TPBM. To apply for a new listing, the SSF (as the SSI) and other prescribed information, including written assurance for listing, are to be submitted to TSE. There is no need to submit any documents to regulators such as a local finance bureau or the FSA. In principle, information on listed bonds and notes, and information on their issuers shall be disclosed pursuant to TSE's Listing Regulations and Enforcement Rules for TPBM. At the time of a new listing (time of issuance) of a corporate bond or other instrument, applicants (issuers) need to provide the SSI.

Efforts have been made to reduce the cost and time required to prepare additional documentation at TPBM. Overseas issuers can use English disclosure information documents submitted to the authorities or exchanges in the economies where their bonds and notes are already listed, or the company is registered.

Bonds and notes listed on TPBM or issued based on the program information submitted to TSE are included within the Japan Securities Dealers Association's (JSDA) Reference Statistical Prices (Yields) for OTC Transactions.

### 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 Japan*

TPBM on TSE does not have any limitations on the choice of currencies. Domestic bonds and notes in the Japanese market are typically issued in yen. In addition to settlement for bonds and notes issued in yen, JASDEC is able to transfer (on a free-of-payment basis) foreign-currency-denominated bonds and notes issued by governments or companies, such as those denominated in US dollars or other currencies.

### 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 Japan*

The regulations and practices on TPBM do not distinguish between resident and nonresident issuers. The scope of issuers on TPBM include

1. foreign corporations,
2. foreign financial institutions,
3. sovereign and government-sponsored issuers,
4. Japanese corporations, and
5. Japanese public entities (e.g., local governments).

All issuers may utilize note issuance programs as a form of bond or note issuance.

### 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 Japan*

Japan features one of the most comprehensive definitions of professional investors in ASEAN+3, which includes institutional and high net worth investors with specific qualifying criteria, and also foreign institutional investors.



In Japan, the definition of Professional Investor is stipulated in Article 2, Paragraph 31 of the FIEA and in the Cabinet Office Ordinance related to the definition stipulated in Article 2 of the FIEA. The term “Professional Investor” as used in the FIEA comprises (i) Qualified Institutional Investors; (ii) the state (the Government of Japan); (iii) the Bank of Japan; and (iv) Investor Protection Funds prescribed by Article 79-21 and other juridical persons

specified by Article 23 of the Cabinet Office Ordinance related to the definition stipulated in Article 2 of the FIEA.

Professional Investors include pension funds, life insurance companies and other accredited institutional investors, listed companies, joint-stock corporations with at least JPY500 million in capital, government agencies, the Bank of Japan, and other approved corporations and local governments, together with approved individuals with net financial assets of at least JPY300 million and at least 1 year of trading experience. (Here, approved means that the entity must first seek and obtain approval from a securities company.)

In effect, only (i) Professional Investors and (ii) nonresident (foreign) investors are able to participate in TPBM.

**Table 2: Classification of Investors in Japan**

Professional Investor	1. Cannot request nonprofessional treatment a. Qualified Institutional Investor b. Government of Japan c. Bank of Japan	Always treated as a professional investor
	2. Can request nonprofessional treatment (designated companies and organizations) a. local governments b. public companies c. joint-stock companies whose capital is reasonably believed to be JPY 500 million or more d. foreign corporations (foreign juridical persons) others	Option to be nonprofessional <sup>a</sup> 
General Investor	3. Can request professional treatment (designated individuals) a. individuals (i) with trading experience of 1 year or more, and (ii) whose net assets and invested assets are reasonably believed to each be worth JPY300 million or more b. others	 Option to be professional <sup>a</sup>
	Cannot request professional treatment (individuals other than those included in 3.)	Always treated as a general investor

<sup>a</sup> Opt-in-opt-out treatment

Source: Financial Services Agency, ABMF SF1.

As shown in Table 2, a change of status from that of a professional investor to a general investor, or vice versa, is carried out within the relationship with each securities company by the investor making a request to such a securities company. In consequence, a securities company may from time to time assure itself of the status of the investor based on the investor's intentions.

Resident Professional Investors in Japan can invest in overseas bonds and notes without any legislative restrictions.