I

General Description of AMBIF

Introduction

The ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) is a policy initiative under the Asian Bond Markets Initiative (ABMI) to create a nexus among domestic professional bond markets in the region to help facilitate intraregional transactions through standardized bond and note issuance and investment processes.

ABMI aims to develop efficient and liquid bond markets in Asia, which would enable better utilization of Asian savings for Asian investments. ABMI can also contribute to the mitigation of currency and maturity mismatches in financing, thereby promoting financial stability by creating multiple channels of financing in the region.

ABMI and the ASEAN+3 Bond Market Forum (ABMF) will help to facilitate the process of recycling savings within the region in a practical and efficient manner. This is expected to contribute to the region's economic growth and stability, and facilitate intraregional bond and note issuance and investments by creating common market practices and utilizing a common document for submission, the Single Submission Form (SSF), with transparent issuance procedures as described in the AMBIF Implementation Guidelines for each participating market. The SSF is set to become a conduit for the future harmonization of the region's domestic bond markets by applying common practices and documentation and disclosure information for the benefit of all stakeholders.

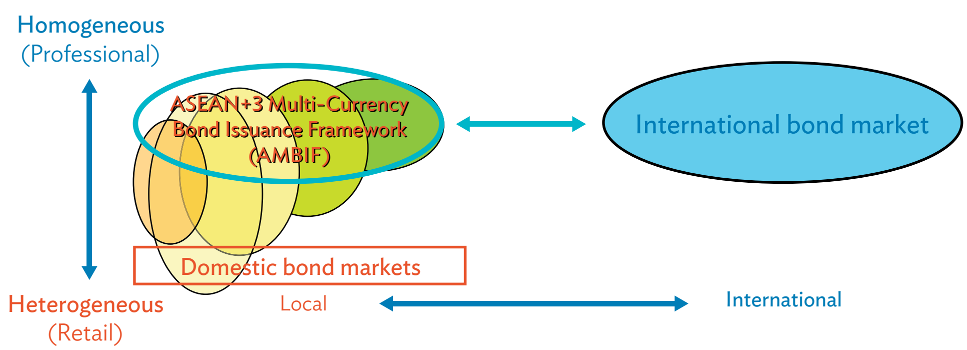
AMBIF is the result of the deliberations of ABMF Sub-Forum 1 (SF1) members and experts and the conduct of a series of market visits in the course of ABMF Phase 2 to determine the feasibility of finding or specifying the same or similar processes and practices that could become the basis for a common bond and note issuance approach, in line with the ABMI mandate. AMBIF was originally defined in the ABMF SF1 Phase 2 Report published by the Asian Development Bank in April 2014.

Main Features of AMBIF

AMBIF was proposed as a regionally standardized bond issuance framework. Due to differences across the region in the level of market development, legal and regulatory frameworks, and market practices, it was not practical for many ASEAN+3 economies to immediately consider the harmonization of various market rules and regulations. Hence, it was not realistic to prescribe a fully standardized bond issuance framework for all markets.

Therefore, AMBIF sought to find common ground among all ASEAN+3 markets. A number of common elements may allow the connecting of domestic bond markets across the region, in particular professional markets or market segments, since these are considered to be more comparable across the region due to their participating institutions. It was also recognized that the professional bond markets in the region have developed based on well-established common international practices; hence, AMBIF can use applicable international bond market practices as a reference. This would make AMBIF comparable to the international bond market to a certain degree and attract more participants to transact in ASEAN+3 domestic markets (Figure 1).

Figure 1: AMBIF as Comparable to the International Bond Market



Source: ABMF SF1.

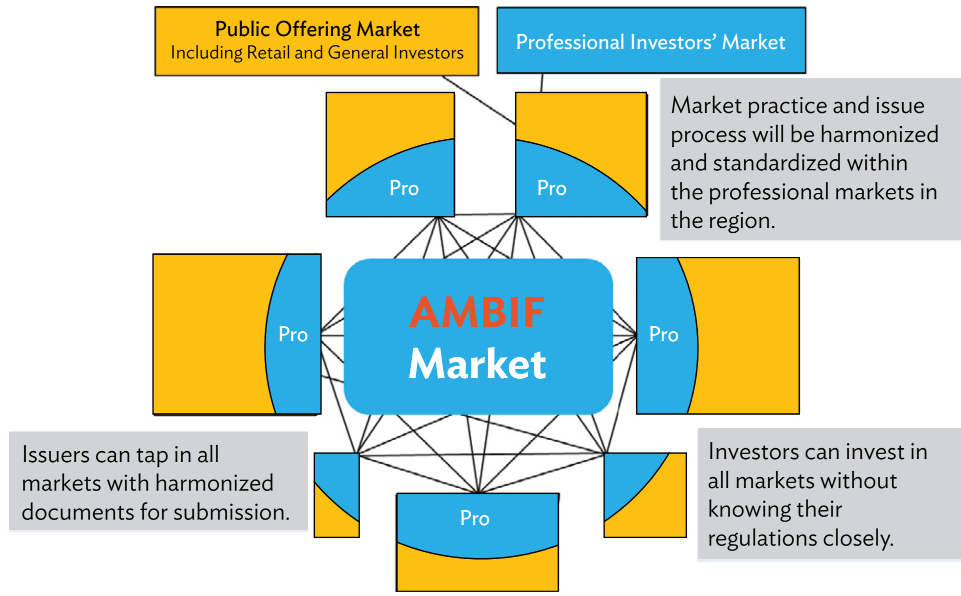
Taking this into consideration, AMBIF ultimately seeks to connect ASEAN+3 domestic bond markets at the level of their domestic professional market segments, creating a nexus for the development of ASEAN+3 bond markets. The ABMF SF1 Phase 2 report identified this as being possible because the principles behind the rules and regulations for professional markets are basically the same across the region (Figure 2).

The regional AMBIF market will comprise professional investor concepts (e.g., Qualified Buyers and Institutional Investors in several markets), professional market concepts (e.g., Private Placement to Accredited Investors in Thailand and the TOKYO PRO-BOND Market in Japan), and exempt market concepts (e.g., Exempt Transactions in the Philippines) that, in their individual configurations, share common professional market features and practices. These common factors will be further enhanced by a harmonized approach for the submission of documentation into a market's regulatory processes, the SSF. (For more details on the SSF, refer to the Appendix 1.)

In defining specific requirements for AMBIF as a concept and the SSF as a conduit, ABMF sought to have the participating economies agree on the minimum common requirements essential for issuing a bond or note aimed at professional investors, while accepting other existing local rules and regulations in each market.

AMBIF is carefully positioned not to require any changes in current regulations in the participating economies. At the same time, nothing should prevent policy bodies or regulatory authorities in individual markets from making any beneficial or planned adjustments to their regulatory framework, if they so deem necessary. ABMF SF1 proposed this non-exclusion approach as part of its basic methodology in Phase 2.

Figure 2: AMBIF as a Regional Nexus



Source: ABMF SF1.

During the process of refinement of the AMBIF Elements and the initial efforts for implementation of AMBIF, no fewer than four of the participating economies changed or were in the process of changing their regulatory processes or relevant market features at their own initiative, resulting in streamlined or improved processes and practices for the benefit of market stakeholders.

How AMBIF Benefits Markets

AMBIF can bring significant benefits to issuers and investors, particularly to issuers who would like to raise funds in multiple locations in the region and to investors lacking a deep understanding of each market who would like to invest in the region but want more transparency. Basically, AMBIF expands opportunities for issuers and investors wishing to finance their operations and invest actively in the region, respectively.

AMBIF represents an additional avenue to issue bonds and notes in domestic bond markets; this avenue does not require new market features or new skills for participants but instead draws on existing features and the combined expertise of participants from both international and domestic bond markets. In turn, AMBIF offers the recognition of the SSF by the relevant authorities, and the single submission of common documentation and disclosure items across all participating markets, which should result in cost and time efficiencies, and the ability to reuse documentation and disclosure elements from the international bond market in tapping domestic bond markets. In short, AMBIF draws on existing and well-established features to deliver benefits that were not readily available in and across markets previously.

The establishment and implementation of AMBIF also coincides with a number of trends highlighted in discussions with potential issuers and aims to deliver specific benefits to this target group. Issuers in ASEAN+3 economies share a growing interest in obtaining funding for their existing commercial operations in their respective local currency in order to meet outgoing payments in a local currency while mitigating potential foreign exchange and regulatory risks that come with financing in a foreign currency. A diversification of funding through bank loans or lines of credit in favor of debt instrument issuance was also often cited in discussions. These issuers typically operate in a number of ASEAN+3 markets and are often keen to tap multiple markets under a common issuance program. Before AMBIF, an individual approach and individual submissions were required for each market. Under AMBIF, such issuance programs have become distinctly possible and practical.

It has been the experience of ABMF SF1 that the creation of AMBIF has stimulated discussion on further harmonization of the regulatory processes in domestic bond markets in ASEAN+3. It is the hope of the industry for mechanisms to be explored that can deliver further benefits to market participants while keeping pace with general regulatory developments and the comfort level of each market's authorities and institutions to streamline such regulatory processes in anticipation of greater returns. The creation of AMBIF has also made stakeholders receptive to other regional initiatives, such as the ASEAN Financial Integration Framework and cross-border linkages among central securities depositories and central banks in the region.

Participating Markets

To participate in AMBIF, a market needs to have a regulatory framework that satisfies the requirements defined as AMBIF Elements, which are explained in more detail in Chapter II. In short, the market authorities must recognize or accept the SSF within its regulatory process, which also normally requires acceptance or existence of the additional market features conducive to AMBIF as detailed in Chapter III.

At this initial stage, the SSF (in conjunction with the AMBIF Implementation Guideline) is expected to be accepted in six jurisdictions in ASEAN+3: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand. The Republic of Korea is expected to join AMBIF as soon as regulatory changes are in place. SF1 is also communicating with the authorities in the People's Republic of China, Indonesia, and Viet Nam on establishing an enabling environment that would allow these markets to participate in AMBIF at the earliest opportunity. The remaining ASEAN+3 markets are expected to join AMBIF when they are ready.

Table 1 gives an overview of the participating markets and some of their relevant features. The individual features displayed in the table, including the purpose of a feature being connected to AMBIF and the various instances of each feature across the participating markets, are explained in Chapter III.

Table 1: Participating AMBIF Markets with Relevant Features

	Place of Issuance	Language for Common Document for Submission	Law Related to Settlement	Governing Law for T&C (e.g., Bankruptcy and Dispute Resolution)	Possible Issuance Currencies
	ICSD	English	English	English	USD*, JPY*, CNY*
AMBIF Markets	Hong Kong, China	English	Hong Kong	Hong Kong, English, or agreed	HKD, CNH, USD*, JPY*, others
AMBIF Markets	Japan	English	Japanese	Japanese	JPY, USD*, others
AMBIF Markets	Malaysia	English	Malaysian	Malaysian, English, or agreed	MRY, USD*, CNH*
AMBIF Markets	Philippines	English	Philippine	Philippine, English, United States, or agreed	PHP, USD*
AMBIF Markets	Singapore	English	Singapore	Singapore, English, or agreed	SGD, USD*, JPY*, CNH*, others
AMBIF Markets	Thailand	English	Thai	Thai or agreed	THB, USD*, CNH*
	Republic of Korea	English	Korean	Korean	KRW, USD*
	People's Republic of China	Chinese	Chinese	Chinese	CNY
	Indonesia	Indonesian and English	Indonesian	Indonesian	IDR

* Considered foreign currencies in these markets.
AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework, CNH = offshore Chinese renminbi, CNY = Chinese renminbi, HKD = Hong Kong dollar, ICSD = international central securities depository, IDR = Indonesian rupiah, JPY = Japanese yen, KRW = Korean won, MYR = Malaysian ringgit, PHP = Philippine peso, SGD = Singapore dollar, THB = Thai baht, T&C = terms and conditions, USD = US dollar.
Source: ABMF SF1.