

Recommendations and Next Steps

ABMF SF1 would like to submit this report to the Chairs of the Asian Bond Markets Initiative Task Force 3 as the key output of ABMF Phase 3. This chapter of the Phase 3 Report contains the recommendations derived from the work by ABMF SF1, including its members and experts, and the next steps that ABMF SF1 is hoping to pursue.

In the Phase 2 Report, ABMF SF1 proposed to agree on the AMBIF Core Components among stakeholders, and recommended the implementation of AMBIF with due consideration of pilot issues. Many of these objectives have been achieved: the AMBIF Elements as key features of AMBIF were agreed upon and presented in this Phase 3 Report, and the first pilot AMBIF bond issuance was under way at the time this report was being compiled. At the same time, the work of implementing AMBIF demands more progress. These are our recommendations and the proposal for next steps.

Expanding AMBIF Participating Markets

AMBIF began with the participation of six markets: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand. We must now increase the number of participating markets. The Republic of Korea is expected to join AMBIF before the end of 2015, and discussions with the relevant authorities in the People's Republic of China, Indonesia, and Viet Nam are continuing. The other markets in the region are expected to join when they are ready. ABMF should support them proactively to accelerate their participation in AMBIF as soon as possible.

Supporting the Development of Market Practices

AMBIF is still at a very early stage of development and a lot of fine-tuning may be necessary. The usability of the SSF and Implementation Guidelines needs to be assessed through pilot issuances, and market practices for AMBIF also need to be developed and evolve as AMBIF bond issuances increase. The present prescriptions of necessary market features for AMBIF and those of the regulatory processes detailed in the AMBIF Implementation Guidelines can also be expected to change in line with experiences and lessons learned from AMBIF implementation. Hopefully, ABMF will be an avenue not only to support the development of bond markets, but also to harmonize the markets in the region. The SSF and Implementation Guidelines are expected to shape the documentation and disclosure practices in the region. New products and issuances using the AMBIF template will drive familiarity among regulators, authorities, and market participants, and increase their willingness to further improve related processes and build capacity in support of a proven concept. AMBIF seeks to improve and streamline the regulatory processes and contribute to the ease of issuing under AMBIF, thereby leading to an increase in interest in domestic and intraregional cross-

border issuance and investment. Thanks to the positive reaction from ABMF members, we have already witnessed new business opportunities through AMBIF for specific offerings aimed at professional investors in the region. Such developments necessitate the continuous updating of the AMBIF Implementation Guidelines and SSF until a time when AMBIF and its practices are well established.

Creating a More Conducive Environment

As the number of AMBIF bond issuances increases and the related market practices manifest themselves, ABMF SF1 should discuss how to create a more conducive environment to support the recycling of funds in the region through AMBIF and its related features. Feedback from ABMF members and experts, as well as from potential issuers and investors, has indicated a number of areas in which benefits could be realized by exploring potential improvements. These include (i) more harmonized, or at least comparable, credit rating requirements and, in particular, the admission of regional credit rating agencies to more or all markets; (ii) the existence and interpretation of the provisions for an event of default, and a better understanding or highlighting of critical points relating to bankruptcy or insolvency in the context of bond or note issuance; (iii) the extension of documentation recommendations to include standard covenants and other clauses, similar to regional or global documentation standards in other business areas, such as repurchase (repo) or securities lending transactions; and, last but not least, (iv) tax regimes that support cross-border investments.

Some of the improvements may also come from the initiatives of ABMF Sub-Forum 2, which presently focuses on the standardization and efficiency of domestic and cross-border bond transactions. The Cross-border Settlement Infrastructure Forum is likely to help deliver tools and mechanisms to channel and process cross-border bond issuances and investments more smoothly.