

Executive Summary

Introduction

The ASEAN+3 Bond Market Forum (ABMF)² was established in September 2010 under a mandate from the Asian Bond Markets Initiative (ABMI) Task Force 3, and endorsed by the ASEAN+3 Finance Ministers' Meeting³ as a common platform to foster the standardization of market practices and regulations in bond markets through dialogues between the private sector and ASEAN+3 officials.

This report represents the findings and conclusions of ABMF Sub-Forum 1 (SF1) during its Phase 3. The focus of the report is on the implementation of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) previously proposed in the ABMF SF1 Phase 2 Report, published in April 2014.

What Is AMBIF?

AMBIF is an ABMI policy initiative to create a nexus among domestic professional local currency bond markets in the region to help facilitate intraregional transactions through standardized bond and note issuance and investment processes. AMBIF facilitates intraregional bond and note issuance and investment by creating common market practices; utilizing a common document for submission, the Single Submission Form (SSF); and highlighting transparent issuance procedures as documented in the Implementation Guidelines for each participating market. This is possible because AMBIF seeks to find common ground by focusing on the professional markets in the region, which have been developed based on well-established international practices. AMBIF is expected to expand opportunities for issuers and investors: issuers can raise funds in local currencies in multiple locations in the region more easily, and investors can invest in local currency bonds more easily. As ASEAN+3 economies grow through active cross-border business links and economic integration, companies want to finance their operations with the same currency as their revenue streams. As ASEAN+3 economies accumulate more savings through economic growth, investors want to diversify investment opportunities to include the region's local currency assets. AMBIF is expected to support closer economic and financial linkages among ASEAN+3 economies, thus serving the objective of ABMI to effectively channel the region's abundant savings toward financing its increasing investment needs.

AMBIF Implementation

By utilizing the SSF, an issuer can apply for bond and note issuance(s), or offer(s) for sale of bonds and notes, in multiple jurisdictions as the SSF is already recognized by the market

² 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.

³ Presently, the ASEAN+3 Finance Ministers and Central Bank Governors' Meeting.

authorities participating in AMBIF. This reduces the costs of preparing individual submission documents as well as the preparation time needed in each market of interest. However, as the actual application and use of the SSF in the approval process is not harmonized, the AMBIF Implementation Guidelines need to be referenced to understand the regulatory process in each market. The SSF and AMBIF Implementation Guidelines can together reduce the uncertainty associated with bond and note issuance in unfamiliar markets, which would otherwise result in higher costs of documentation and disclosure when issuing bonds or notes in a new market.

Participating Markets

At this initial stage, the SSF, in conjunction with the AMBIF Implementation Guidelines, is expected to be accepted in six jurisdictions in ASEAN+3: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand. The region's other markets are expected to join as soon as they are ready.

AMBIF Elements

To be recognized as a bond or note issued under AMBIF (AMBIF Bond), the elements in the table below need to be satisfied.

Definition of AMBIF Elements

AMBIF Elements	Brief Description
Domestic Settlement	Bonds and notes are settled at a national CSD in ASEAN+3 markets.
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, need to be included.
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.
Currency	The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.
Scope of Issuers	Resident of ASEAN+3
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations, or market practice, in each ASEAN+3 market

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 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.
Source: ABMF SF1.

Additional AMBIF Features

Some specific features of bond and note issuance to professional investors in individual markets are conducive to the implementation of AMBIF. For example, the governing law

and jurisdiction for specific service provisions may be negotiated and agreed between the parties involved in the issuance. Another important feature is the language of documentation and disclosure items. It is envisaged that most ASEAN+3 markets participating in AMBIF will be able to accept the use of a common document in English, though some markets may require the submission of approval-related information in their prescribed format in the local language. These features are expected to evolve as AMBIF market practices.

Recommendations and Next Steps

The objectives of many of the Phase 2 Report recommendations have been achieved in the course of Phase 3: the AMBIF Elements as key features of AMBIF were agreed upon and the first pilot AMBIF bond issuance was underway at the time this report was being compiled. Yet, the implementation of AMBIF still needs to progress further. First, it is necessary to expand the number of AMBIF participating markets. Particularly, proactive support for those markets at a very early stage of development should be provided by ABMF. Second, ABMF should support the development of AMBIF market practices continuously. AMBIF is still at a very early stage of development, and market practices related to AMBIF need to evolve as AMBIF bond issuances increase. In this regard, a lot of fine-tuning may be necessary, and the continuous updating of the AMBIF Implementation Guidelines and SSF is expected. Lastly, it is important to create a more conducive market environment, including more harmonized credit rating requirements and the definition of a default event and standardized documentation in line with global practices. Hopefully, ABMF will continue to be an avenue for supporting the development of harmonized bond markets in the region.