

I. Background

Establishment of AMBIF. The ASEAN+3 Bond Market Forum (ABMF) was established in September 2010 and endorsed by the ASEAN+3 Finance Ministers' Meeting as a common platform to foster the standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region.¹¹ The ABMF consists of two forums: Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2). The principal objective of SF1 was to close the information gap in regulations and market practices, while SF2 has focused on enhancing regional straight-through-processing (STP) by standardizing transaction procedures.

Key output of ABMF Phase 1 (2010–11). In the course of the first phase of activities, SF1 members collected comprehensive information on market regulations and practices in ASEAN+3 economies and published the *ASEAN+3 Bond Market Guide* on 4 April 2012 as a key output of Phase 1.¹²

A key finding of Phase 1 was that while ASEAN+3 bond markets are heterogeneous in nature, a

number of sufficiently common elements across markets allows for the opportunity to pursue cross-border activities to connect domestic bond markets in the region. This is based on the fact that in almost all markets, key legal and operational frameworks are already in place.

Focus of ABMF Phase 2 (2012–13). Based on the key findings of Phase 1, it was concluded that ABMF SF1 Phase 2 would include research, discussions, and assessments of similarities and distinctions with respect to disclosure, documentation, issuers, professional investors, underwriters, and other intermediaries. This research helped identify how best to connect domestic bond markets in the region.

At the same time, SF1 members agreed to consider specific solutions that would help support the original ABMF mandate: to help retain and circulate ASEAN+3 savings within ASEAN+3. The most significant opportunity was seen in addressing the need for the additional supply of suitably attractive fixed-income instruments, so that the domestic markets could gain depth and breadth.

The most promising solution was seen in developing an intra-regionally standardized bond issuance framework, which would allow bond issuers in any participating economy (at any stage of development) to issue bonds in any participating location with one

¹¹ ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea. The meeting has since been renamed the ASEAN+3 Finance Ministers and Central Governors' Meeting.

¹² The full report in PDF format is available at the ABMF Home Page and *AsianBondsOnline*.

set of standardized documentation and information disclosure requirements, subject to compliance with the legal and regulatory requirements of the economy in which the issuance takes place. This could serve to both connect domestic markets and support the retention of savings across the region.

This idea was noted by the ASEAN+3 Finance Ministers and referred to in their joint statement from the May 2012 meeting as the Common Bond Issuance Program. The program, which has since evolved into a framework to provide more flexibility and been re-named the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), is expected to facilitate intra-regional, cross-border bond issuance and investment, and to contribute to the regional channelling and circulating of regional resources.¹³

Purpose and structure of the report. The purpose of the SF1 Phase 2 report is to describe the AMBIF proposal in greater detail, including the definition of its components and the proposed approaches for its implementation, as well as the idea of pilot issues. The proposal in this report are targeted to obtain the consent of the policy bodies and regulatory authorities in participating markets, and as to create awareness of and interest in AMBIF among institutions in the private sector.

The report is divided into a number of chapters, each focusing on a particular aspect of the AMBIF proposal. Following an introduction, Chapter II highlights the basic approaches and principles applied throughout the AMBIF discussions. Chapter III revisits the development of the process of defining AMBIF, while Chapter IV contains the resulting key components of AMBIF. Chapter V describes the proposed AMBIF bond issuance regulatory process needed for its actual implementation. Chapter VI addresses market requirements and possible additional components to be included under AMBIF and other issues that could be considered at a later stage or through separate discussions by different stakeholders. Following the conclusion in Chapter VII, the next steps to be taken in the proposed AMBIF Phase 3 are the subject of Chapter VIII. A number of appendices round out the SF1 Phase 2 report by providing in-depth information on AMBIF-related topics.

¹³ The ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) was chosen as a name by members for several revisions. It was initially referred to as the Asian Multi-Currency Bond Issuance Program (AMBIP) as a regionally standardized bond issuance program. At a later stage, the members agreed to replace Asian with ASEAN+3 and Program with Framework. The later decision was taken to specify its purpose of defining a number of conditions under which such issuance would be possible. In contrast, a program typically represents a number of issuances of just one issuer.