

II. Basic Approaches

This chapter explains the basic approaches and principles considered in the AMBIF discussions. Introducing AMBIF as a regionally standardized bond issuance framework necessarily implies that the participating economies should mutually agree on the key concept of AMBIF and underlying characteristics for its implementation.

At the same time, ABMF Phase 1 highlighted the different degrees of market development across ASEAN+3 economies, and their different legal and regulatory frameworks and market practices. The heterogeneous nature of the region prompted SF1 members to adopt a number of suitable approaches in the context of AMBIF discussions in order to allow the highest possible number of economies to participate in AMBIF, whether at the time of AMBIF's inception or at a later stage.

Step-by-step approach. It would not be practical to expect that every ASEAN+3 economy could participate in AMBIF from the outset, due to the stated differences in market development. With this in mind, a step-by-step approach was proposed in which a meaningful number of economies initiate AMBIF, with the region's other economies joining at a later date as they are ready. Those economies joining AMBIF at a later date would closely communicate with AMBIF-participating economies, and information sharing and knowledge

support would be provided to them to facilitate their eventual participation. Knowledge support is seen as important for regional development and could include support on specific topics or on convergence toward AMBIF features in general. Also, a number of AMBIF features are expected to be implemented incrementally according to the conditions and readiness of each individual economy. The adoption of AMBIF features is principally to be left to each market's policy bodies and regulatory authorities.

Mutual agreement on minimum standards or principles. Many ASEAN+3 economies do not yet have successful experiences with mutual recognition, and it would be quite a challenging task for the participating economies to mutually accept all provisions of a standardized bond issuance framework. In this respect, AMBIF will aim for economies to mutually agree on only the minimum standards that are essential for launching the framework, while accepting other related regulations as given. The approach to agree on minimum standards has formed the basis for the determination of the AMBIF Components required for implementation, which are detailed in Chapter IV. A review of related regulations or the inclusion of specific characteristics from such related regulations might be considered at a later stage of AMBIF. A number of specific characteristics for future consideration are detailed in Chapter VI.

No (major) changes to regulations. One of the most important approaches developed by SF1 is that the participation of ASEAN+3 economies in AMBIF would not require a corresponding change in their existing laws or regulations. No single, automatic approval of bond issuances is expected of regulators; instead, the recognition of each economy's regulatory process is observed. Depending on the policy implementation process in each economy, such changes could influence the AMBIF implementation timeframe. At the same time, SF1 did not want to 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.

Supplementing (rather than replacing) existing issuance methods. AMBIF as a concept has been designed to be impact neutral on existing bond issuance avenues in participating ASEAN+3 markets, and is not intended to replace or substitute current provisions. Policy bodies and regulatory authorities would not need to amend issuance methods already contained in their current regulations for professional markets or market segments, professional investors, and documentation. Rather, AMBIF could simply be added on top of such existing regulations, in effect introducing a supplementary bond issuance option in its own right.

Multilateral (or multiple bilateral) agreement with a regional perspective. AMBIF is a regional initiative under ASEAN+3. Hence, a multilateral, rather than a bilateral, agreement among participating economies would be preferred for its implementation. However, as a practical step toward a multilateral agreement, multiple bilateral agreements with a regional perspective should also be considered. Depending on the development of AMBIF and the possible market activities arising from it, SF1 recommends that ASEAN+3 regulatory bodies further discuss the issue of cross-border cooperation, in particular with regard to the regulatory process directly related to bond issuance.

Non-exclusion approach. While the proposed AMBIF Components represent the preferred definitions of AMBIF features, functions, and processes, SF1 is not pursuing the exclusion of any other possible features or processes that stakeholders may consider beneficial for AMBIF at any time after implementation. An example would be the preference for the issuance of bonds in LCY. However, should issuers and/or investors deem issuance in foreign currency (FCY) both desirable and practical, such issues could also be considered under AMBIF, subject to the agreement of the relevant regulatory authorities.