IV. AMBIF Components Required for Implementation

Overview of AMBIF Components

Following the process described in Chapter III, AMBIF can be defined through a number of specific components (AMBIF Components) that each represent a key aspect of the AMBIF proposal.

SF1 is conscious of the heterogeneous nature of bond markets across ASEAN+3. Consequently, in the definition stage of AMBIF, it was necessary to touch on a number of bond market factors that might have a bearing on the implementation and ultimate success of AMBIF but may not be within the purview of ABMF Phase 2 considerations.

As a result, AMBIF Components have been distinguished between those that are seen as necessary at the initial stage of implementation, and additional components that can be considered at a later stage or by way of a separate discussion and decision-making process. Figure 4 shows an overview of the AMBIF Components required at the time of implementation.

This chapter describes the AMBIF Components that are seen as being necessary at the inception of AMBIF; that is, these components should be fully defined and agreed upon by stakeholders prior to AMBIF implementation. Other AMBIF Components may be added during the course of AMBIF implementation, whether as a result of experiences drawn from pilot issues or as a result of further discussions in ABMF Phase 3.

AMBIF Components that could be considered separately or at a later stage have been further detailed in Chapter VI. This is to show the awareness of SF1 of these topics and their influence on the region’s bond markets at large, and to ensure that the discussions of these components continue both in ABMF and among the appropriate stakeholders in the domestic bond markets of ASEAN+3.

AMBIF Investors

AMBIF Investors are a critical component of AMBIF as proposed by ABMF. This section on AMBIF Investors is intended to describe the investor types, as opposed to individual investors or institutions, that are suitable for participating in AMBIF.
Focus on Professional Investors

Regulatory bodies and delegated authorities in ASEAN+3 economies have a mandate to understand, govern, and supervise securities markets, including bond markets. In particular, this mandate includes the protection of general, individual, and retail investors from making investment decisions on the basis of insufficient, misleading, or incorrect information.

In line with these efforts, the proposed AMBIF bond market is designed as a market for professional investors only, due to their ability to make their own informed investment decisions. It is envisaged that this will make AMBIF implementation easier for regulators to support and allow them to concentrate their efforts on protecting retail and non-professional investors.

No Unified Professional Investor Concept

The intention of the AMBIF Investors concept is not to unify the varying professional investor concepts, potentially eligible investors, or even specific investors across ASEAN+3 markets. Instead, the significance of the AMBIF Investors concept is to normalize existing concepts for professional investors across the region’s markets by identifying and describing those investor types that are thought to be suitable for AMBIF and are evident in all ASEAN+3 markets.

As previously mentioned in Chapter II, no (major) change of regulations is envisaged as a result of the adaption of the AMBIF Investors concept; every market would be able to maintain its own professional investor definitions and established terminology. At the same time, the implementation of AMBIF is not intended to prevent policy bodies and regulatory authorities from adjusting or revising professional investor provisions as a result of AMBIF-related discussions, if they were to deem it beneficial.

Methodology

To arrive at a suitable definition for AMBIF Investors, SF1 reviewed the existing laws, regulations, and guidelines issued by those ASEAN+3 markets with existing bond market segments for evidence
of professional investor concepts, regardless of the actual name of such a concept.

The terminology for professional investors was found to differ widely, with only some commonalities across markets. However, as described earlier, the intention is not to unify various professional investor concepts, only to compare the types of investors defined by each of them.

Where clear mention in the legislation is absent, ABMF reviewed evidence of actual market participation by specific investor types and logged those found in the market for the purpose of comparing professional investors.

The result of the research yielded a matrix of professional investors across ASEAN+3 markets (with existing bond market segments) as shown in Table 3, with the different investor types either mentioned in legislation or observed in markets.

SF1 then set out to normalize the collected information displayed above and concluded that a number of investor types were observed as sufficiently common across markets to nominate them as potential AMBIF Investors.

The investor types marked in orange in Table 4 represent the most common investor types in ASEAN+3 markets. While some markets may not have a specific legal definition, this remains true based on actual investor participation in these markets. At the same time, the proposed AMBIF Investors are recognized as the primary participants in the bond markets, due in part to their function as intermediaries for other investors as well as being proprietary holders of large bond quantities for the purpose of prudential capital and minimum reserve requirements.

**Proposed AMBIF Investors**

As a result of the above findings, the following investor types are proposed as AMBIF Investors:

- banks
- broker–dealers or securities houses
- government entities
- insurance companies
- investment advisory businesses
- provident funds and pension funds

These institutions represent the most recognized professional investors, as evident in both legislation and through market presence. At the same time, AMBIF does not intend to prevent investments by high net-worth individuals (HNWIs), or any other investor type, unless the regulatory authorities deem otherwise.

All of the investor types proposed as AMBIF Investors are institutions defined by law and licensed or otherwise registered with regulators by law in their economy of domicile and, hence, are subject to governance and inspection based on securities market and/or prudential regulations. The recent crises in financial markets are driving legislative efforts to strengthen this aspect even further. In addition, many of the proposed investor types are also subject to oversight as well as professional conduct and best practice rules by an SRO, such as an exchange or a market association. Thus, these investor types are considered professional investors.

Banks buy, hold, and sell bonds for their clients and for their own proprietary trading activities. In most ASEAN+3 economies, banks are able to hold bonds of a certain quality as part of their minimum reserve requirements. This makes banks both a significant intermediary and a substantial investor in the region’s bond markets. Banks are usually identified as bond market participants in banking regulations and/or in securities market-related laws, depending on the market.

Broker–dealers or securities houses—the term used may differ depending on individual market terminology—are key intermediaries for investors in securities markets, regardless of whether these investors are domiciled in the place of trade and settlement or overseas. In addition to legislation specific to a securities market and the applicable licensing provisions, broker–dealers and securities houses are also subject to governance and inspection by the exchanges of which they are trading members, as well as the applicable market associations and SROs.

The term government entities was adopted for the purpose of describing potential sovereign AMBIF Investors since the mention of central banks, specifically named financial infrastructure and capital market agencies, and other government-linked organizations acting as professional investors differs in the legislation of individual economies.
### Table 3: Investor Types in ASEAN+3 Economies

| Economy      | Investor Term                        | As stated by | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby | Asstatedby |
|--------------|--------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| PRC          | “IBBM Investors”                     | PBOC         | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Hong Kong, China | Professional Investor               | CSRC         | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Indonesia    | Professional Investor               | IFSIA        | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Japan        | Specified Investors                 | Law          | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Rep. of Korea | Professional Investors              | Law          | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Malaysia     | Sophisticated Investors             | Law          | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Philippines  | Qualified Investors, Qualified       | CSRC         | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Singapore    | Sophisticated Investors             | Listing Rules | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Thailand     | Accredited Investors                | SEC          | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |
| Viet Nam     | Professional Investors              | Law          | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  | ● ● ● ● ●  |

IBBM = Inter-bank bond market, PBOC = People’s Bank of China, CSRC = China Securities Regulatory Commission, HKEx = Hong Kong Exchange, IFSIA = Indonesian Financial Services Authority, PRC = People’s Republic of China, SEC = Securities and Exchange Commission (of the Philippines and Thailand, respectively).

Notes:
1. Indonesia “Professional Investors”: While no such professional investor concept presently exists in regulations, the Indonesian regulator acknowledges that, under the current market practice, market participants have been using the term institutional investors to include banks, insurance companies, fund managers, mutual funds, and pension funds.
2. Singapore Sophisticated Investors: Corporations need a minimum of SGD 10 million in net total assets; individuals or persons require specific transaction size (min. SGD 200,000), or annual income (> SGD 300,000) or total net assets in excess of SGD 2 million. For all intents and purposes, that makes eligible most investor types, as long as the above qualifications are met.
3. Hong Kong, China is considered a distinct bond market jurisdiction between the PRC. Source: ADB Consultants for ABMF SF1, in conjunction with ABMF members.
Table 4: Most Common Investor Types in ASEAN+3, Proposed as AMBIF Investors (marked in orange)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Professional Investor Term</th>
<th>As stated by</th>
<th>Investor Term in each Economy represents the following Types of Investors (expressed as Categories mentioned in laws, regulations or market practice)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>“IBBM Investors”</td>
<td>PBOC</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Qualified Foreign Institutional Investor</td>
<td>CSRC</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor) 1)</td>
<td>IFSA</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Korea</td>
<td>Professional Investors</td>
<td>Law</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sophisticated Investors</td>
<td>Law</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Investor, Qualified Buyer</td>
<td>Law, SEC</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td>Banks, Broker/Dealers, Mutual Funds, Provident Funds, Central Banks, Closed-end Funds, Corporations, Deposit Protection Agency, Derivatives, Exchanges, Companies, Individuals, Institutions, Investors, Managers, Funds, Individuals, Others, Private Funds, Statutory Companies, Boards, Subsidiaries of the Types, Trust Companies, Trustee</td>
</tr>
</tbody>
</table>


Notes:
1. Indonesia ‘Professional Investor’: While no such professional investor concept presently exists in regulations, the Indonesian regulator acknowledges that, under the current market practice, market participants have been using the term institutional investors to include banks, insurance companies, fund managers, mutual funds, and pension funds.
2. Singapore Sophisticated Investors: Corporations need a minimum of SGD 10 million in net total assets, individuals or pensioners require a specific transaction size (min. SGD 200,000), or annual income (> SGD 300,000) or total net assets in excess of SGD 2 million. For all intents and purposes, that makes eligible most investor types, as long as the above qualifications are met.
3. Hong Kong, China is considered a distinct bond market jurisdiction between the PRC.

Source: ADB Consultants for AMBIF SF1, in conjunction with AMBIF members.
At the same time, some ASEAN+3 economies feature a substantial number of government-linked institutions as investors, including statutory boards and government-owned enterprises and agencies participating in securities markets, particularly in bond markets. These institutions typically buy and hold bonds to manage their surplus cash reserves. While acknowledging their principal independence, central banks, statutory boards, and development funds and agencies are subsumed under the single category of government entities.

Due to the nature of their business, insurance companies are oriented toward long-term and safer investments, typically government bonds and investment grade corporate bonds, including high quality domestic issues. Insurance companies are institutions licensed in their economy of domicile and, hence, are subject to stringent investment and reserve obligations, as well as governance and inspection based on prudential regulations.

The category of investment advisory businesses is used not to introduce a new term but instead to summarize the various entities conducting asset management activities, whether for themselves or their clients, that are reflected in the region’s laws and regulations but are identified using different terminology in individual markets. This investor type includes asset or investment managers, investment advisors, and mutual funds or unit trusts (depending on underlying legislative definitions). Investment advisory businesses are subject to specific licensing requirements for the professional conduct of investment decisions across all ASEAN+3 jurisdictions. This qualifies them as professional investors and makes them suitable as AMBIF Investors.

Similar to mutual funds and unit trusts, provident and pension funds are large asset owners; however, provident and pension funds typically do not manage their own assets directly but instead direct mandates for the management of the assets to third parties, typically by asset class, regional, or market focus. Like insurance companies, the nature of provident and pension funds makes them substantial investors in mid- and long-term assets with proven returns. Provident and pension funds are typically established through legislation in their respective domicile and subject to direct oversight by the relevant regulatory authorities.

Additional AMBIF Investors

SF1 acknowledges that other professional investor types may be included as AMBIF Investors under the guidance of each individual market’s policy bodies, regulatory authorities, and SROs.

SF1 research shows that a number of additional investor types could be considered for inclusion as AMBIF Investors. These potential investor types are represented across a number of markets, even if their explicit mention in the underlying legislation varies from market to market. For example, some markets give the status of professional investor to subsidiaries of other investor types, while other markets do not. However, from a practical perspective, some of these investor types have been receiving a lot of attention for their investment activities and have become significant bondholders.

Potential AMBIF Investors candidates would be corporates, subsidiaries of main investor types, and HNWIs. Some of these investor types may have been further qualified in individual jurisdictions, using a number of relevant criteria. To nominate these investor types as AMBIF Investors, normalization of these criteria would have to be considered.

In line with the basic approaches adopted by ABMF, the AMBIF Investors concept can be applied in a step-by-step approach. In a first step, only the most common investor types would be included as generally recognized AMBIF Investors. A second step would see likely candidate investor types added following due consideration and definition of common criteria. In a third step, additional investor types would be considered.

In any case, it is proposed that the regulatory authorities define and publish a list of the eligible AMBIF investor types in each jurisdiction, in relation to respective domestic professional investor concepts, for easy reference by potential AMBIF participants and other market entities.

Foreign Institutional Investors

Principally, any investor incorporated in a market other than a given domestic market could be considered a foreign investor. Since the focus of AMBIF is on professional investors only, non-
domestic investors are typically referred to in the securities industry as foreign institutional investors (FIIs). FIIs include professional investors from ASEAN+3 economies that are not domiciled in the market of trade and settlement.

A foundation in law and licensing or registration, as described in the earlier sections on the proposed AMBIF Investors, is common to domestic professional investors and FIIs alike. In their respective domiciles, those FIIs that constitute the major types of professional investors are generally subject to equivalent regulatory processes. For instance, banks, broker–dealers or securities houses, and insurance companies are undergoing similar licensing processes in their respective domiciles.

Institutions with a domicile in Financial Action Task Force (FATF) countries, namely those jurisdictions that have strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies and to which counter-measures apply, are not recommended for a participation in AMBIF.

FIIs, both from within ASEAN+3 economies and beyond, would be able to participate in AMBIF Markets under the following conditions: (i) they would either automatically be included as AMBIF Investors in those markets where FIIs are specifically defined as professional investors by law, or (ii) they could be included if the particular investor type they represent (e.g., a bank, broker–dealer, insurance company) falls under an investor type that is considered eligible under the stipulations for AMBIF Investors. Each individual market’s regulatory bodies or delegated authorities are encouraged to define their own approach relative to FIIs, if they have not already done so through legislation, rules, or regulations.

**LCY Issuance**

The mandate for ABMF from the ASEAN+3 Finance Ministers was based on the need to improve domestic bond markets across ASEAN+3 economies. Hence, the focus in AMBIF will be on the issuance of LCY instruments in professional markets.

This would also mitigate—to some extent—the need to consider FX implications, such as exchange rates and the corresponding risks. However, based on the feedback of ABMF members and experts, and given potential demand by issuers and investors in the region, AMBIF is not designed to prevent the issuance of AMBIF Instruments in other deliverable currencies (i.e., non-exclusion approach).

The ADB Secretariat has proposed that AMBIF feature a stepped approach to the issuance currency to accommodate individual economies’ preferences: (i) issuance in the home currency (defined as issuance in the currency of the issuance location), followed by (ii) issuance in other ASEAN+3 currencies in AMBIF Markets to the extent that FX regulations in each market permit, and finally, (iii) the issuance of bonds in third currencies (defined as currencies from outside ASEAN+3) such as United States (US) dollars or euros. In order to allow for maximum flexibility given different stages of market development, these steps could be applied at different speed across the region.

**AMBIF Instruments**

The global financial crisis (GFC) has had a significant impact on the views regulators take on structured or complex financial products, including fixed-income instruments. As a result and owing to the concerns expressed by the regulatory bodies among ABMF members, it is recommended that AMBIF Instruments should be straight conventional, interest-bearing notes and bonds. At the same time, straight common Islamic fixed-income instruments (hereafter referred to as **Sukuk**, including **Sukuk Ijarah**) may be considered in those jurisdictions with an established Islamic finance market. Due consideration should be given to the potential differences in **Sukuk** between markets and for the necessary underlying transactions for such **Sukuk**. Based on member and industry feedback, these represent the most desired types of issuance in ASEAN+3 markets.

At the present time, AMBIF is not expected to support more complex fixed-income instruments, such as convertible bonds or instruments of a hedging or speculative nature. With individual ASEAN+3 bond markets at different stages of development, it is suggested that instrument tenures should relate to or be compatible with existing market benchmarks or yield curves.
AMBIF Issuers

The original mandate for ABMI included the need to apply lessons learned from the financial crises that have occurred in Asia and other parts of the world in recent years. Chief among them was to avoid a double mismatch of currencies and tenures in the region’s bond markets, most of which reside in economies that do not yet have fully convertible currencies. One key underlying issue contributing to the impact of the 1997/98 Asian financial crisis was a reliance on bank financing only. AMBIF is intended to provide ASEAN+3 issuers with an alternative avenue to access funding in the region. At the same time, key among the objectives of ABMF is to find ways to help retain and circulate ASEAN+3 savings within the region.

Proposed AMBIF Issuers

AMBIF Issuers should include institutions from within ASEAN+3 to anchor AMBIF’s focus in participating markets. These institutions include multi-national corporations or banks and other financial institutions domiciled in ASEAN+3, since many such institutions are already operating in multiple markets and have recurring funding needs in local currencies. At the same time, banks and financial institutions may also want to extend their funding base to other regional markets.

Large domestic companies that are well known in regional markets should also be included; their issuances under AMBIF may provide an opportunity to address a potential lack of international credit ratings by issuing in regional markets that are already familiar with these issuers. On the other hand, ASEAN+3 government agencies, which are here defined as corporates with a significant ownership stake held by a government, should be included as issuers, precisely because of their higher credit ratings earned by association.

Based on the above considerations, the region’s governments should be included as possible AMBIF Issuers. This is based on the fact that government issuers face similar challenges to corporate issues once they are intended to be sold cross-border, whether within ASEAN+3 or beyond. At the same time, this could create an opportunity to reduce the dependence of ASEAN+3 governments on issuances in the Eurobond market.

It is envisaged that supra-national institutions, such as ADB, will consider new issuances under AMBIF in support of regional efforts. While ABMF does not want to exclude any particular issuer from AMBIF, having other regional development banks as issuers may not be in the best interest of the underlying mandate since the use of proceeds would likely extend beyond ASEAN+3 economies.

Potential Issuer Candidates

AMBF SF1 also expects other suitable parties to be identified as potential AMBIF Issuers in the course of its work. The most natural issuer candidates appear to be operating in multiple markets and have a recurring requirement for working capital or other funding needs in local currencies across these markets.

Among the characteristics of AMBIF Issuers, primary consideration will be given to issuers with a direct need for LCY funding (e.g., to mitigate FX considerations). However, regional issuers may have a preference to issue in local currencies and swap proceeds into their home or required funding currency. This approach may also depend on the applicable FX regulations, which could make such swaps mandatory in some markets, or, in contrast, limit options where markets do not offer swap facilities.

From a practical perspective, issuers who already meet the required qualifications of AMBIF Markets—possibly as a result of earlier bond issuances—and those who already have an equity listing would also be good candidates.

Given the fact that investors require the financial status and available disclosure data of eligible issuers for their assessment and investment decision processes, the existence of an investor relations framework appears to be beneficial for issuers. This is because issuances under AMBIF would target professional investors, who might have specific, additional requests for data from an issuer, given that the basic premise of AMBIF is standardized but limited disclosure.

SF1 acknowledges that credit ratings are one of the key elements in the assessment of issuers and issues in the eyes of potential investors. In order not to make AMBIF too complex and to avoid triggering changes to existing rules and regulations, it is proposed that credit rating requirements in domestic corporate
bond markets be maintained in their present form. Issuers with lower credit ratings could be considered if investors have sufficient credit appetite and markets permit such investments. At the same time, the recent establishment of the Credit Guarantee and Investment Facility (CGIF) under the governance of ADB may represent an additional avenue.\textsuperscript{16}

**AMBIF Markets**

Key among the mandates given to ABMI and ABMF by the ASEAN+3 Finance Ministers is the retention of ASEAN+3 savings within the region. In effect, this means that investors from the region are expected to find investment opportunities in the other ASEAN+3 markets. In order to facilitate the intended objectives, these markets would have to have certain qualities and features in line with the characteristics of AMBIF Markets.

AMBIF Markets refer to markets or market segments for professional investors identified by the respective regulatory authorities for the implementation of AMBIF. AMBIF Markets are one or more of the most suitable markets or segments in a given economy in ASEAN+3. These most suitable markets and segments have been identified by SF1 during market visits and in discussions with ABMF members, or have been nominated by ABMF national members. An overview of the most suitable markets and segments is provided in Table 5.

Ideally, AMBIF Markets are markets or market segments that already exist in ASEAN+3 jurisdictions, hence avoiding the need to specifically create a market or segment for AMBIF. Having said that, SF1 does not intend to prevent policy bodies, regulatory authorities, and/or market participants from defining, creating, or designating a market or market segment in accordance with the proposed features of an AMBIF Market.

AMBIF Markets typically require limited disclosure and may include private placement markets that are recognized by regulators across jurisdictions; that is, those markets requiring a minimum of disclosure information and ongoing disclosure after issuance, such as an ongoing update of financial statements and other important information. Unregulated private placement segments are those markets that do not have an underlying definition in laws or regulations and are not the target of AMBIF. The intention is for AMBIF to be designed to be flexible enough to allow for the widest possible participation of professional markets among ASEAN+3 economies. This is expected to also include professional markets that do not require a regulatory process or specific documentation for bond issuances, as long as investors are professional and all relevant and related laws and regulations are observed.

As previously mentioned, SF1 is aware of the regulatory bodies’ key mandate to protect retail (general) investors. In support of this effort, AMBIF Markets are either populated by professional investors only or are markets where selling restrictions between professional investors and retail (general) investors are strictly prescribed.

**AMBIF Disclosure Documentation**

One key element of bond issuance, or any issuance of securities for that matter, is disclosure to professional investors including securities information (including tenure), corporate information, and other relevant information such as background on the guarantor or country of domicile of the issuer at the time of issuance. This information shall be adequately reflected in an Information Memorandum or Program Information. Other Documents: At the same time, the relationships among the working parties (e.g., issuer, underwriters, issuing and paying agents) involved in a bond issuance are governed by specific contracts and agreements, such as underwriting/subscription agreements, fiscal/paying agency agreements.

**Adequate Selling and Transfer Restrictions**

The restriction of selling to non-professional investors, based on the guidelines, rules, and regulations in

\textsuperscript{16} CGIF’s role is to provide a guarantee to corporate bonds issued by creditworthy issuers in local currencies, with a focus on ASEAN+3 companies who are sound but somehow have not been able to issue bonds on their own. While certain eligibility criteria and a list of prohibitions exist, CGIF can work with any industry, using its own assessment processes. CGIF can provide a full guarantee but issuers may ask for only partial cover (e.g., to cover interest payments). Once an issuer has been accepted, the rating of the bond will be upgraded to CGIF’s S&P rating of AA+ in most of the region, with the exception of Malaysia and Thailand (AAA).
## Table 5: Proposed AMBIF Market or Market Segment Candidates

<table>
<thead>
<tr>
<th>Economy</th>
<th>Type of Market</th>
<th>Candidate Market</th>
<th>Professional Market as a Result of</th>
<th>Participation of</th>
<th>Market Governed by</th>
<th>SRO</th>
<th>Accessible to Foreign Institutional Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>Issuing and Secondary (Issuing and Secondary)</td>
<td>Inter-Bank Bond Market (QFII)</td>
<td>Access/Participation (Regulation)</td>
<td>Institutional Investors (QFIIs, B/Ds)</td>
<td>PBOC NAFMII (CSR) (SSE)</td>
<td>via QFII</td>
<td></td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>Issuing</td>
<td>HKEx Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKEx</td>
<td>HKEx</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Issuing and Secondary</td>
<td>OTC Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKMA</td>
<td>-</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>MTN Issuing</td>
<td>(Private Placement) Market Practice</td>
<td>Market Participants</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Issuing</td>
<td>Tokyo PRO-BOND (QIB Market) Decree to FSCMA</td>
<td>Specified Investors</td>
<td>FSA, TSE TSE, JSDA</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>Domestic SME Issuers</td>
<td>Issuing (Private Placement) Market Practice</td>
<td>Professional Investors</td>
<td>KOFIA (FSS) KOFIA</td>
<td>Not at the moment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Issuing and Secondary</td>
<td>Excluded Offers (PDS: Private Debt Securities) Law (CMSA) &amp; “Guideline on PDS” of Jan 2014 by SC Malaysia</td>
<td>Sophisticated Investors</td>
<td>SC Malaysia</td>
<td>-</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>Issuing and Secondary</td>
<td>Qualified Investor and Qualified Buyer Market Participation</td>
<td>Qualified Investors and Qualified Buyers</td>
<td>SEC PDEx</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>Issuing and Secondary</td>
<td>OTC Market Practice</td>
<td>Institutional Investors</td>
<td>SGX</td>
<td>-</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Issuing and Secondary</td>
<td>Private Placement under AI Regime / OTC Thai SEC Regulation</td>
<td>Accredited Investors (AI, includes II and HNWIs)</td>
<td>SEC ThaiBMA</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Issuing and Secondary</td>
<td>(Private Placement) Law</td>
<td>Professional Investors</td>
<td>SSC (VBMA)</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

IBBM = Inter-bank Bond Market; PBOC = People’s Bank of China; NAFMII = National Association of Financial Market Institutional Investors; QFII = Qualified Foreign Institutional Investor; B/Ds = Broker/Dealers; CSRC = China Securities Regulatory Commission; SSE = Shanghai Stock Exchange; HKEx = Hong Kong Exchange; SFC = Securities and Futures Commission; OTC = Over-the-Counter; HKMA = Hong Kong Monetary Authority; MTN = Medium Term Note; FIEA = Financial Instrument and Exchange Act; FSA = Japanese Financial Services Agency; TSE = Tokyo Stock Exchange; JSDA = Japan Securities Dealers Association; SME = Small and Medium Enterprises; QIB = Qualified Institutional Buyer; FSCMA = Financial Services and Capital Market Act; KOFIA = Korea Financial Investment Association; FSS = Financial Supervisory Services; CMSA = Capital Market and Securities Act; SC Malaysia = Securities Commission Malaysia; SEC = Securities and Exchange Commission (of the Philippines); PDEx = Philippine Dealing and Exchange; SGX = Singapore Exchange; II = Institutional Investors; HNWIs = High Net Worth Individuals; ThaiBMA = Thai Bond Market Association; SSC = State Securities Commission; VBMA = Vietnam Bond Market Association.

Notes:
1. The QIB Market in its current version would not - yet - be suitable as a candidate market but has certain features that could be expanded on at a later stage.
2. Private placement is anchored in the Financial Services and Capital Market Act (FSCMA), and could principally be considered a candidate market (segment) in future; this would require the ongoing dialogue with the Korean regulatory authorities. At present, no filing or registration of limited disclosure/specific documentation with regulatory authorities or SROs is required, hence the concept of Substituted Compliance could not be employed since private placements are not under the purview of a regulatory authority in Korea.
3. Under the Act, the private placement in Korea is the small number PP So restrictions are imposed in terms of resale period and investor type. For the PP market in Korea to be a professional only market and be a candidate market, regulatory action is necessary.

Source: ADB Consultants for SF1, in conjunction with ABMF Members.
both home and host jurisdictions, shall be reflected accurately in the Information Memorandum or Program Information, underwriting/subscription agreement, and other necessary document categories. For the purpose of the AMBIF proposal, the terms documentation and documents may be used synonymously.

For the same reason, in the regulators’ issuance approval process, home regulators are encouraged, if necessary, to make suitable concessions on transfer restrictions in the AMBIF primary market for non-resident professional investors and institutions from other participating economies.

**Standard Elements of AMBIF Disclosure Documentation Framework**

AMBIF Disclosure Documentation is intended to cover both the actual documents that are required for a bond issuance under AMBIF, and the possible approaches through which these documents could be defined, organized, and harmonized. The definition of AMBIF Disclosure Documentation does not include regulators’ issuance approval documents. With benefits for all participants in mind, standard elements of AMBIF Disclosure Documentation should be agreed upon individually, based on the guidelines, rules, and regulations in both home and host jurisdictions. At the same time, AMBIF Disclosure Documentation, being a recommended approach to disclosure of bond issuance under AMBIF, does not supersede prevailing regulations in either home or host jurisdictions with regard to, for example, minimum disclosure requirements and other such stipulations.

In principle, AMBIF Disclosure Documentation should be in English, where acceptable. SF1 recognizes that this may not be possible in some jurisdictions as it could contravene existing laws and regulations. In such cases, disclosure documentation in the local language should also be issued as required.

**Two Standard Document Approaches (Reference)**

As for the best approach toward a standardized or harmonized document, two particular practices for bond issuance definition in the securities industry have been identified and are being posited for consideration to ABMF members and market participants.

**Wrapping Method.** The first practice for consideration is generally called the Wrapping Method but is also referred to as Addendum-Type (non-collective = single; non-continuous = one time). It focuses on core disclosure information that contains generic but standardized disclosure items as well as provisions on relationships between contract parties and their core services. This is complemented by country-specific wraps or addendums that contain, for example, legal, reporting, or process provisions.

A typical example is the documentation between regional intermediaries and their clients in which the core document includes legally necessary provisions on roles and responsibilities, and the core service provision. The wraps or addendum then provide country-, product-, or process-specific provisions, or their variations over time.

**Medium-Term Note Program Method.** The second practice for consideration, here referred to as the Medium-Term Note (MTN) Program Method, both collective and continuous, is based on a single disclosure document that contains all relevant provisions using common practices and principles from the industry. This document and its practice has been developed and optimized by industry participants through accumulated expertise over a period of time.

Both options can be employed either individually or in combination; participants may generally select a particular approach on the basis of their specific circumstances, individual preferences, and timeline considerations. Overall, the intention is to enable the creation of a collective domestic bond program under AMBIF instead of directly following the (offshore) Euro–MTN concept.

**Necessary Disclosure Documents Framework**

A practical approach to standardizing documents would be to break down the documents into the necessary agreements or contracts. Based on input from ABMF’s leading legal experts, the following groupings would be appropriate:
Core disclosure items
- Information Memorandum or Program Information as the core document of disclosure related to issuer and securities information for AMBIF Investors;
- conditions of bonds or notes, representing the rights of holders and obligations of issuer and intermediaries.

Other documents
- underwriting/subscription (or purchase) agreement, or similar indispensable document between issuer and underwriters/subscribers; and
- relevant disclosure documents representing the obligations of the issuer and its agents and/or the rights of AMBIF Investors under the applicable law, including terms and conditions.

Any such documents should in principle be based on practices in AMBIF Markets since this would increase both the acceptance and adoption of AMBIF Disclosure Documentation by market participants in individual markets. Such market practice is also likely to reflect prevailing regulations in home or host jurisdictions specific to minimum disclosure requirements or other stipulations that go beyond the initial AMBIF Disclosure Documentation requirements as recommended by the AMBIF Documentation Recommendation Board (ADRB).

As for the contents of Information Memorandum or Program Information as the disclosure documents, discussions during the ABMF market visits indicated that most institutional investors prefer as much information as they can obtain, however, with a certain emphasis on key data in addition to the terms and conditions of the instruments, such as financial statements for a number of years, a description of the issuer, its business and outlook, information on the use of the proceeds from the bond issuance and by which entity of the issuer they may be used, as well as relevant covenants. Other information will depend on the participants and how much detail they are willing to accept and produce.

In order to focus on the intended streamlining of disclosure documentation requirements under AMBIF, ADRB was formed in July 2013 to make recommendations to ABMF related to AMBIF Markets and their relevant disclosure documentation practices from the viewpoint of market practitioners and researchers. Its aim is the compilation of the list of necessary disclosure documents, with priority given as necessary; the structure of the Information Memorandum and those items to be disclosed for professional investors; and sample wording for major such disclosure items.

During Phase 2, ADRB put forward an initial recommendation for Core AMBIF Disclosure Items on the Information Memorandum (Program Information) in line with the structure or grouping of disclosure document elements mentioned above. This recommendation and the level of detail will be further refined during Phase 3.

The aim of SF1 is to study and work toward an agreement on these parts across all participating markets and to provide appropriate information to investors and make issuance in multiple markets easier and more efficient. In order to realize the approaches and groupings given above, additional research by SF1 and continued input and support from ADRB, as well as other securities market practitioners and legal experts within AMBIF and in ASEAN+3 economies, is required. One proposed approach would be to compile a regulatory mapping document across ASEAN+3 jurisdictions that would contain the equivalent or suitable approximation of the ADRB recommendations detailed above and in Appendix 3.

Table 6. Initial Recommendation for Core AMBIF Disclosure Items on Information Memorandum (Program Information)

<table>
<thead>
<tr>
<th>Program Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Notes to Investors</td>
</tr>
<tr>
<td>• Securities Information</td>
</tr>
<tr>
<td>I. Terms and Conditions of Primary Sale or Distribution to AMBIF Investors</td>
</tr>
<tr>
<td>II. Other Matters</td>
</tr>
<tr>
<td>• Corporate Information</td>
</tr>
<tr>
<td>I. Outline of Company</td>
</tr>
<tr>
<td>II. Financial Information</td>
</tr>
<tr>
<td>• Information on Guarantor</td>
</tr>
<tr>
<td>• Events of Default</td>
</tr>
<tr>
<td>• Others</td>
</tr>
<tr>
<td>Notes on Preparation of AMBIF Disclosure</td>
</tr>
</tbody>
</table>

AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework. Source: AMBIF Documentation Recommendation Board (See Appendix 3 for details).