

**1st ASEAN+3 Bond Market Forum (ABMF) Meeting
Mita Kaigisho, Tokyo, Japan, 28 September 2010**

Meeting Minutes

I. Summary

1. The First ASEAN+3 Bond Market Forum (ABMF) meeting was held in Tokyo, Japan on 28 September 2010, together with ASEAN+3 officials. After the introductory session, the Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2) were held. The main objective of the first meeting was to establish common understanding among the ABMF participants how the ABMF will function under the framework of Asian Bond Markets Initiative (ABMI) and what we will discuss under the Sub-Forums.
2. As for the SF1, Mr. Yutaka Ito, Senior Officer, Corporate Strategy Department & Listing Department of Tokyo Stock Exchange (TSE), was selected as the Chair; and Mr. Lee Kok Kwan, Deputy Chief Executive Officer and Group Treasurer of Commerce International Merchant Bankers (CIMB) Group, as the Vice Chair.
3. As for the SF2, we did not discuss the nomination of the Chair and Vice Chair at the meeting. However, Mr. Jong-Hyung Lee, Head of International Relations and Planning Team of Korea Securities Depository (KSD), kindly accepted to take the position of the Chair. Regarding the Vice Chair, Ms. Margaret Mutiara Tang, Director, Indonesian Central Securities Depository (KSEI), also kindly accepted to take the position. If the national members of Sub-Forum 2 have any objection, please inform the Secretariat by 15 October.
4. Given technicality involved in the future discussions, nomination of the national members and experts are still open. The Secretariat stressed importance of including key stake holders and experts into discussions.
5. To expedite information collection exercise and reduce burden of the members and experts, the members and experts are encouraged to provide existing information to ADB and ADB consultants as much as possible and as soon as possible (hopefully by the end of October).
6. The second ABMF meeting will be held in Manila, the Philippines, on 13–14 December 2010. ADB as the Secretariat will send a formal invitation to the ABMF members and experts. The third meeting will be held in mid-February 2011. The venue and date is not fixed yet, but the Secretariat will inform the members and experts as soon as decided. As for the fourth meeting and after, the Secretariat welcomes proposals to host the ABMF meetings.
7. To facilitate information sharing among the ABMF members and experts, the Secretariat will post presentations made at the first meetings and relevant information at the members-only section of the website (<http://asean3abmf.adb.org>). Once ready, the Secretariat will inform how to access the members-only section.

II. Introductory session

A. Opening Remarks

8. Mr. Kazushi Iwai, Director, Promotion of Regional Financial Cooperation, International Bureau, Ministry of Finance of Japan, welcomed all the participants to the first ABMF meeting and thanked the ASEAN+3 officials and the participants for their efforts and supports in making this meeting possible. He expressed his high hopes on the ABMF to produce tangible results through dialogues between the public and private sectors, bringing policy makers and market players together to create integrated bond markets.

B. ABMF: Its Function and Organisation

9. The Secretariat of the ABMF, Mr Satoru Yamadera, Economist, Office of Regional Economic Integration of ADB, provided current status of bond markets in the region and background information of ABMF as well as the expected role of ABMF and work plan under the ABMI. He referred to the two background documents; one is the *ABMI Group of Experts (GoE) report*, which was compiled under the Task Force 4 (TF4) of ABMI; and the other is the TA Report for *Harmonization of Bond Standards in ASEAN+3*, compiled under the Task Force 3 (TF3). The both documents are downloadable from the ABMF website.

10. He showed a rough work plan towards the end of 2011 by when the two Sub-Forums are expected to produce their final reports. The ABMF meetings are expected to be held quarterly; the first meeting was held in September in Tokyo; the second meeting will be in Manila, the Philippines, on 13-14 December 2010; the third meeting will be in mid-February 2011, after the Chinese New Year but before the next ABMI Task Force meeting; the fourth meeting will be in June or July 2011; the fifth meeting will be in September 2011; and the sixth meeting will be in December 2011 if necessary. The SF1 and SF2 meetings will normally be held back to back, and the members and experts may join the meeting of the other Sub-forum as observers.

11. He announced the launch of the ABMF website (<http://asean3abmf.adb.org>) to disseminate information to the public and to share information among the ABMF members and experts. The members and experts will be given ID and password to access the members-only section of the website. Once all the preparations are made, the Secretariat will inform the members and experts how to access the members-only section.

C. Introduction of members and experts

12. 32 persons are nominated as the SF1 national members and experts, and 23 persons are nominated as the SF 2 national members and experts. In addition, 8 persons are nominated as the international experts for SF2. With regard to institutions nominated, 13 institutions out of 26 institutions nominated for SF1 are from the private sector while 19 institutions out of 29 institutions nominated for SF2 are from the private sector.

13. Given technicality involved in the future discussions, nomination of the national members and experts are still open. The Secretariat stressed importance of including key stake holders and experts into discussions.

III. Sub-Forum 1

B. Selection of the Chair

14. Based on the consideration expressed by the TF3 Co-chairs to have a person from the Plus Three countries and the other from ASEAN countries for the chairman- and vice-chairmanship, Mr. Yutaka Ito, Senior Officer, Corporate Strategy Department & Listing Department of Tokyo Stock Exchange (TSE), was selected as the Chair; and Mr. Lee Kok Kwan, Deputy Chief Executive Officer and Group Treasurer of Commerce International Merchant Bankers (CIMB) Group, as the Vice Chair.

C. Outline of SF1 Study and Work plan

15. Prof. Shigehito Inukai, ADB consultant, and Professor of Law, Waseda University, outlined objective of SF1, issues and vision behind the work, possible scope of the work, and work plan.

16. SF1 will collect relevant regulatory information, market practices, and market structures. The scope of the study will be much wider than the GoE report as the report does not include regulations related to investors and issuers.

17. The ADB consultant will circulate a template of the data collection exercise which contains questionnaires in November. The scope of data collection must be agreed among

the national members and experts before collecting the information. To facilitate the work by the national members and experts, the consultant will provide examples of information sets to be collected from the member countries.

18. To avoid duplication of works done for the existing studies, the members and experts are encouraged to share information with ADB and ADB consultants as much as possible and as early as possible (hopefully by the end of October). If there is a market guide available, the members and experts are requested to provide. This would reduce burden of the members and experts after starting information collection work. In addition, it is desirable if ASEAN can share information on existing studies for ASEAN Economic Community 2015, which may contain comparative studies among the member states.

D. Q & A

19. A member from Indonesia questioned on the cut-off time of the data collection because they are in the process of regulation review. ADB and the consultants replied that the information collected and posted as the result of the outputs by SF1 should continuously be revised and updated. This may create additional burden to the members, thus, linked to information source was also suggested. ADB replied that how to disseminate information to the public is equally important as collecting the information, therefore, it will be discussed among the members and experts at latter stage.

20. A member from Korea highlighted important relationship between banking system and bond market development. ADB and consultant agreed on the importance, however, also replied that SF1 needs to balance the scope of the study and time to produce expected outcome because the time is relatively limited. This issue will be discussed among the members and experts at the second meeting.

E. Presentation by Mr. Lee Kwan

21. To kick off the comments from the members and experts, Mr. Lee K Kwan, as the Vice Chair of SF1, made a presentation on regional bond market developments. He provided his views focusing on the issues of low intra-regional investments; international rating, particularly sovereign rating which does not reflect market perception and hinders intra-regional investments; and necessity of professional regional market with common standards and minimum regulations. He also proposed establishment of a regional investment fund to expedite understanding of market regulations and practices in the region.

F. Comments from the members and experts

22. The members and experts agreed on the importance of SF1 work and shared the views expressed in the presentations. In addition, some members and experts expressed high expectation and benefits from the public/private sector partnership. The other comments are as follows:

- The information collection exercise needs to consider national differences.
- Islamic financial aspect needs to be included.
- The scope of the study should include retail business and regulations on retail investors.
- Engagement between the private sector and regulator is important, and ABMF should be taken as endorsement for such engagement in each domestic market. It is advisable to have a forum at the national level similar to ABMF.
- Although there are barriers in the markets, the current market environment is very positive and investors' sentiments towards Asian local currency bonds are very strong. However, the Forum must discuss how ASEAN+3 markets can continuously be attractive to the investors.

IV. Sub-Forum 2

A. Selection of the Chair

23. As some national members were not nominated yet, the selection of the Chair and Vice Chair was postponed. After the meeting, Mr. Jong-Hyung Lee, Head of International Relations and Planning Team of Korea Securities Depository (KSD), kindly accepted to take the position of the Chair. Regarding the Vice Chair, Ms. Margaret Mutiara Tang, Director, Indonesian Central Securities Depository (KSEI), also kindly accepted to take the position. If the national members of Sub-Forum 2 have any objection, please inform the Secretariat by 15 October.

B. Outline of SF2 Study and Work plan

24. Mr. Taiji Inui, ADB consultant and IT Specialist of NTT Data, outlined objective of SF2, issues and vision behind the work, possible scope of the work, and work plan.

25. SF2 will focus more on transaction procedures and try to identify transaction flows in each market as well as of cross-border. SF2 will start the work from collecting diagram or flow chart of transaction channels for each market as well as of cross-border. The national members and experts are expected to provide information on each market, and international experts are expected to provide their cross-border transaction channels.

26. A template of business flow charts for the survey will be distributed to the SF2 members and experts with questionnaires in November.

27. To make the survey efficiently, the members and experts are encouraged to share information on transaction procedures in each market as well as of cross-border with ADB and ADB consultants as much as possible and as early as possible (hopefully by the end of October). This would reduce burden of the members and experts after starting information collection work.

C. Questions and comments from the members and experts

28. The members and experts agreed on the importance of SF2 work and shared the views expressed in the presentation. Following the presentation by the ADB consultant, the members and experts asked questions and provided comments. Major ones are as follows:

- The region should start thinking its own standards which are compatible to international standards.
- International Organization for standardization, ISO, is open to regional discussions. The ISO will listen to proposals made by the regional forums. As there was no such forum in Asia, the establishment of ABMF is desirable progress.
- The international experts who are the members of Securities Market Practice Group (SMPG) are expected to liaise with SMPG. They may report the discussion under SF2 to the SMPG.
- The discussion under the Forum should yield best practices in the region to be followed.
- How to incorporate national languages into international messaging character sets needs to be considered.
- Establishing common understanding how to collect transaction information is an important starting point.
- Code scheme including ISIN (International Securities Identification Number) and account codes needs to be surveyed.
- We should avoid duplication of the work between Sub-Forum 1 and 2.