

**ASEAN+3 Bond Market Forum(ABMF) - Fifth Meeting
Bali InterContinental Resort, Bali, Republic of Indonesia, 12 and 13 September 2011**

Meeting Minutes

I. Summary

1. The fifth ASEAN+3 (ASEAN, People's Republic of China, Japan, and Republic of Korea) Bond Market Forum (ABMF) meeting was held in Bali, Republic of Indonesia, on 12 and 13 September 2011. The meeting was co-organized by Bapepam-LK and Asian Development Bank (ADB).

2. The main objective of the meeting was to i) update members on the draft report of Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2), ii) review agendas and work plan for next ABMF (phase 2) discussion, and iii) share the information on relevant issues and topics.

3. As for SF1, Prof. Shigehito Inukai of Waseda University, ADB consultant, reported the progress of regulatory and market practice information collection for each market, including Singapore and Laos PDR. He also presented trial version of comparative analysis on key survey items (28 subjects and Islamic finance) across markets. He pointed out that almost all markets already have robust market infrastructure and key legal and operational concepts are in place. Areas of improvement will be identified and initial recommendations towards standardization will be included in the final report.

4. As for SF2, Dr. Tajii Inui of NTT Data, ADB consultant, presented overall structure of the report and sample analysis of flow chart. He explained that the final report will consist of three parts; bond markets and infrastructures in ASEAN+3 (Part 1), individual country reports (Part 2), and bond market infrastructure diagram and transaction flow charts (Part 3).

5. In relation to identifying the agenda of phase 2 ABMF study, several topics and issues have been discussed among the participants. Key findings of the discussion includes the following points:

- For the development of Regulation S-type offerings in Asia, cases of Malaysia, Thailand, and Japan have been shared. It is generally understood that common framework of cross border and offshore bond issuance, with more focus on the former during initial stage, could be developed in the region.
- Korea Financial Investment Association (KOFIA) presented the positive role of SROs in standard setting in the region and proposed to establish (Asian) SRO forum under ABMF. With general support on the role of SROs, some members viewed that the specific role of the Forum should be clearly defined and appropriately named.
- Details of Global Legal Entity Identifier (LEI) System have been presented by Asia Security Industry and Financial Market Association (ASIFMA). The participants acknowledged the importance of the initiative but raised questions on how it can be efficiently implemented in the Asia region and pointed out the need of closer consultation with regulatory authorities in the region.
- In respect of improving the data collection on bond markets and bond pricing, the experience of AsiaBondsOnline (ABO) of ADB, Thailand, Indonesia, Malaysia, and Korea have been shared and discussed. The participants acknowledged the importance of data collection and have shown interest in having further discussion on this issue under ABMF framework.
- European experience of harmonizing bond standards after Giovannini reports and the initiative of Target 2 securities (T2S) has been shared. European experience showed

that harmonization is a difficult task requiring long time of endeavors. Direct application of such experience to Asia would not be possible but extracting key implications would contribute to developing a customized Asian version of harmonization.

6. The participants reviewed the possible agenda of phase 2 study based on the presentation given by ADB secretariat and discussion during the information sharing sessions. The participants broadly agreed on the following:

- SF1 will discuss common bond issuance program in the region. Key activities will include conducting survey on market needs, developing key concept of the program, considering a pilot issue under the program. For efficient discussion on the related topics and issues, a forum composed of SROs and regulators in the region will be organized under the SF1.
- SF2 will continue information gathering on transaction flows by expanding the scope to include corporate bonds and corporate actions, provide fit and gap analysis, and propose a roadmap to standardize and harmonize cross border transaction flows. There was a discussion among members whether to include data collection as an agenda of SF1, or through separate sub forum, but it would be subject to further discussion among members.
- In addition to the key tasks described above, credit rating agency and other issued requested by ABMI TF3 could be discussed.

7. ADB Secretariat explained the work plan for the rest of this year and the phase 2 study that will start from 2012, as indicated in Table 1.

Table 1: Work Plan up to 2012

20 Sep 2011	Special session on ABMF in SIBOS in Toronto, Canada
10 Oct 2011	ASEAN+3 ABMI TF3 meeting in Seoul, Korea
1-2 Dec 2011	ASEAN+3 Deputies meeting in Sendai, Japan(Final report)
8-9 Dec 2011	6 th ABMF meeting in Beijing, PRC
8-9 Feb 2012	7 th ABMF meeting in Hong Kong, China
Mar 2012	ABMI TF3 meeting (First reporting of phase 2)
Apr or May 2012	8 th ABMF meeting
Jul-Aug 2012	Country visit for consultation and information collection
Sep 2012	9 th ABMF meeting
Oct 2012	ABMI TF3 meeting (Second reporting of phase 2)
Nov 2012	ASEAN+3 Deputies meeting in Sendai, Japan(Final report)
Dec 2012	10 th ABMF meeting

8. ADB secretariat, together with chairs of SF1 and SF2, will report the progress of phase 1 study and agenda and work plan of phase 2 study at the ASEAN+3 Asian Bond Market Initiative (ABMI) Task Force 3 (TF3) meeting in Seoul on 20 Oct 2011. ADB secretariat will also submit updated national members, national experts, and international experts list for phase 2 and seek approval by the TF3 members.

9. Mr. Tetsutaro Muraki, CEO of Tokyo AIM, took over the chairmanship of SF1 from Mr. Yutaka Ito, formerly of Tokyo AIM, who went back to Ministry of Finance, Japan.

10. Mr. Satoru Yamadera, who has lead the ADB Secretariat during the Group of Experts (GoE) and ABMF Phase 1, is returning to the Bank of Japan and handed over ADB Secretariat leadership to Mr. Seung Jae Lee. Members thanked Mr. Yamadera for his strong leadership and great efforts during the past 3 years.

11. The next 6th ABMF meeting will be held in Beijing, China on 8-9 December. ADB as the secretariat will send a formal invitation to the members and experts in early October. During the Beijing meeting, results of submission of the final report to ASEAN+3 Deputies meeting will be shared and the topics and issues of phase 2 study will be discussed in detail.

12. The 7th ABMF meeting will be held in Hong Kong, China, on 8-9 February 2012. On the side line of the meeting, there will be a public conference to disseminate the publication of the phase 1 study.

13. All presented materials including the updated version of SF1 and SF2 report have been made available at the Members Library section of the ABMF website (<http://asean3abmf.adb.org>)

II. Sub-Forum 1

Welcoming Remarks by Mr. Ngalim Sawega, Executive Secretary, Bapepam-LK

14. Mr. Sawega extended his warmest welcome to all participants of the forum. He remarked that the bond market was an important wheel in Indonesia's economy and noted that bond market has seen more diversified instruments in recent years. He highlighted the development in both bond and equity market together with recent sovereign rating upgrade from BB to BB+, with further positive outlook. He noted that the importance of ABMF has been well recognized by the ASEAN+3 Finance Ministers and stakeholders are already looking forward to the publication of the ABMF Report at the end of 2011. He also noted that the new phase of ABMF will be expected to eventually lead to a defined regional bond market. He also added the importance of special information sessions including that on LEI, which could help standardization, a goal that is supported by ABF and G20.

Part 1 – Discussion on the Draft market Guides: Reporting by the ADB Consultants

Opening remarks by SF1 Chairman, Mr. Tetsutaro Muraki, Tokyo AIM

15. Mr. Muraki welcomed the participants to the 5th ABMF meeting. He announced that he is taking over the position as chair from former Tokyo AIM colleague Mr. Yutaka Ito who has since returned to the Japanese Ministry of Finance, and gave a brief overview of his career to the participants.

Highlights of the SF1 Report by Prof. Shigehito Inukai, ADB consultant

16. **(Individual market guides)** With appreciation to the members for their continued support in the updates, Prof. Inukai presented the latest version of the market guides and explained the current progress for each individual market: Korean market guide now became the thickest and most comprehensive version with great contribution by KSD. Lao, PDR recently provided key contents, which could be published soon similar to others. Singapore market guide was missing in the handouts but it is available online at the ABMF website. In case of China, in addition to the single market guide, there is a need to consider how to best show the comprehensive information for what, in effect, are two distinct bond market segments. Viet Nam guide is now in good shape, and the Philippines version is getting there. Hong Kong and Thailand market guides are almost finalized. The Malaysia and Singapore guides were created by ADB staff based on available information and still have room for improvement. Across all markets, ADB consultants will contact members and experts in the

next few weeks to finalize the report. Prof. Inukai asked continued help from all participants to complete this significant task.

17. **(Comparative analysis)** Following the progress in each market guide, Prof. Inukai presented trial version of comparative analysis in table format, to show how the collected information could be used to assess bond market status. The comparative analysis will have 28 subjects, plus a separate chapter for Islamic Finance. Prof. Inukai hoped to complete the analysis about one month before the Beijing meeting in December. He will contact members to continue to improve the analysis, and encouraged members to let him know if details mentioned appeared not to be correct.

18. He highlighted key findings of the current analysis. SRO definitions may differ by market but that functions may still be comparable. OTC remains the main trading place for the bond markets but selected exchanges had begun to establish larger market segments. Trustee concepts are spreading and evolving, for example, the new Commercial Code in Korea (effective in 2012), is re-defining the role of trustee/bondholder representative. Documentation language is important to add more details, and some jurisdictions now added other languages, with Chinese now possible in the Hong Kong market.

19. Definition of professional investors is critically important in view of Phase 2 of ABMF. In case of China, it is not clear QIB (Qualified Institutional Buyer) are all 10,000+ participants of the Interbank Market professionals. Indonesia has no definition by law, but the concept existed. Japan improved with clear definitions in recent legislation to create PRO-Bond market. Malaysia does not have direct definitions, but the Capital Markets and Services Act 2007 (CSMA) contained relevant provisions. Thailand has specific definitions for 'institutional investors'.

20. In the GoE Report, China and Korea had been listed as not using the omnibus account and nominee concepts, but Korea had since introduced some conditions under which such concepts could be employed. On the form of bonds, markets have indeed come a long way.

21. On public offering, multiple approaches are observed: full disclosure with specific exemptions, or a clearly defined disclosure regime. Markets united in that public offerings meant specified disclosure to all potential investors, whereas private offerings limited disclosure to only a specific investor group. Private offer did not mean no disclosure or no underlying regulations. In the future, a specific offering within professional market(s) could cover elements of both public and private offering concepts. Hong Kong and Singapore were closer to the international markets and many of the ASEAN+3 markets have been developing.

22. In summary, Prof. Inukai opined that creating a market among ASEAN+3 countries may not be that difficult since the necessary underlying concepts were already in place; this may also negate the discussion on whether to pursue onshore or offshore access to such a market.

Part 2 – Reporting to ABMI TF3

23. Mr. Muraki moved to Part 2 of the agenda, with presentations from several members on their markets' approaches to 'Reg-S'-type offerings, a presentation on SRO followed by ADB Secretariat's proposed reporting to Task Force 3 and a members discussion.

Development of Reg S-type offerings in Asia

- Malaysia's case: Mr. Thomas Meow, CIMB Investment Bank

24. Mr. Meow appraised the audience of the progress made and specific developments since Malaysia first advocated a range of measures to keep Asian savings invested within the region. Mr. Meow clarified that the use of 'Reg-S' in CIMB material is targeted at regulators to allow ASEAN+3 issued local currency bonds to also be issued as foreign

currency bonds in other ASEAN+3 jurisdictions, and were not intended to project a full offshore market. Mr. Meow related that the Dagong rating agency in China was already looking at the concept of NICRA (New International Credit Rating Agency) and that a standardized term sheet for bond issues has made it on many organizations' agenda, which he sees as a first step towards mutual recognition of listing procedures. In contrast, he noted that both ABF1 and ABF2 continue to invest in G3 securities and expressed his wish to see some of these investments diverted into ASEAN+3 markets. As for the Malaysian market, the revised SC guidelines effective July 2011 now permit the issue of Asian currency bonds and the selling to onshore investors; these bonds are exempt from the domestic rating requirements and do not require a trust deed if issued as a private placement. Mr. Meow felt this to be a step in the right direction and well timed, given the increased investment into ASEAN+3 markets in recent times; at the same time, this development helped companies fulfill their funding requirements in an easier manner.

- Thailand's case: Ms. Chansuda Raktabutr, SEC Thailand

25. Ms. Raktabutr detailed the possible issue of foreign currency bonds in Thailand. SEC Thailand had issued the relevant notification in 2010 which divided the application process into three sections, namely for the product approval, ability to sell the bonds, and for the intermediaries to be used; this was owing to differing levels of investor protection attached to each of the approval types. Some exceptions also apply, e.g. for government bond issues. Under the new regulations, specific offerings to non-retail investor carry less approval documentation, reporting and sales conduct requirements. Ms. Raktabutr detailed the definitions for institutional investors (II) and high net worth individuals (HNW); at present, HNW is measured by wealth but the SEC is studying to what extent investment experience and net asset value should be included as definition criteria. She then reviewed the criteria set out for applicants, including the need to appoint a bondholder representative (exemption for plain vanilla bonds to II and HNW) and specific requirements for public offerings. Foreign applicants are permitted to employ international accounting standards (e.g. IAS or US GAAP), home auditors and recognized ratings from other jurisdictions; documentation is accepted in English but the content must be certified under Thai law. According to Ms. Raktabutr, one issue by an Australian subsidiary of a Thai company, supported by a parental guarantee, has so far utilized the new issue standards.

- Japan's case: Mr. Tetsutaro Muraki, Tokyo AIM

26. Mr. Muraki presented newly formed Tokyo PRO-Bond as a new market framework, following two rounds of public consultation. PRO-Bond went to market in July 2011 and is looking forward to see its first issue in autumn of this year. Target issuers included non-Japanese sovereigns and corporates, including those who have been issuing or were considering issuing Samurai bonds. Other target issuers were Japanese corporates already utilizing the Euro MTN programme, and large Japanese companies who issue bonds globally. All of these potential issuers would have no problem providing the required documentation and would want to have a time window for issue that would fit their own needs. Ratings would be required. Mr. Muraki detailed the benefits as including a simple disclosure system, less burden on underwriters, the ability to submit documentation in English and/or in Euro-style formats, the ability of 'One-Day Seasoning' (= sell to specific investors), time to market and lower fees. He stressed the listing of bonds as a major factor for investors for whom it continued to be important to buy listed bonds as per prudential regulations in their home markets. However, Mr. Muraki expected OTC trading to prevail for the time being.

Q&A on presentations

27. A representative from Malaysia asked whether or how currencies would be internationalized if the selling of foreign currency denominated bonds would be permitted in other jurisdictions. Mr. Meow responded that the internationalization of currencies was not

the focus but instead the ability to attract more foreign or cross-border investors with long term investment perspective. Mr. Yamadera added that the pursued opportunity is to issue bonds in any currency in other jurisdictions, i.e. effectively offering bonds for sale to larger, cross-border investors. He felt that the challenges lie in taxation, rather than currency. He also stated that ABMF would like to propose solutions in regard of large capital inflows into the region and accompanying regulatory concern on them.

28. A member from Indonesia asked whether the Thai issue rules also include sovereign issuers, and Ms. Raktabutr responded that the regulations included provisions for sovereign or international agency issuers; for such issuers, no specific accounting standards were set but relevant macro-economic information would have to be lodged.

Presentation by KOFIA on self-regulation and rules – Mr. Sung-Hwan Yoon, KOFIA

29. Mr. Yoon explained that KOFIA is a non-profit, membership-based organization, empowered by legislation (FICSMA, 2009) to bring together the existing market associations under the umbrella of a combined SRO. Its main business activities are the governance of the OTC bond market and the representation of its members towards the competent authorities. KOFIA sets the listing criteria for the primary market, including the need to obtain ratings from 2 separate domestic rating agencies and the compliance with the industry standard trustee agreement. KOFIA also prescribes the roles of the lead manager, including the disclosure of underwriting records and conflict of interest considerations. A due diligence best practice guide will be issued soon and the issue process increasingly favours the book-building method. As part of its business conduct rules, KOFIA defined the bond quotation process, the 15-minute timeframe for reporting of bond trades and the disclosure of yield information. Mr. Yoon also mentioned that QIB discussions are under way following an announcement by the Financial Services Commission (FSC) in December 2010, and he felt that KOFIA's experience would be beneficial to organize a QIB-based professional bond market in Korea.

30. On the issue of an Asian SRO, Mr. Yoon argued the need to establish a separate SRO sub-forum under ABMF to further study and discuss the topic. He believed that the ICMA (International Capital Markets Association), as the SRO for the Euro market, may be a viable model for consideration and laid out its functions, and envisaged the presence of an Asian SRO as generally beneficial for the implementation and governance of those markets. He advocated to enlist the support from the ASEAN+3 governments to launch an SRO forum with regional representation, with domestic SROs or like organizations as founding parties with the objective to start establishing regional standards and market practices.

Presentation on draft reporting to ABMI TF3 by Mr. Satoru Yamadera, ADB Secretariat

31. Mr. Yamadera argued that ABMF must produce good market guides to start addressing the information asymmetry evident in many places, with the intention to attract more attention from investors outside and in the region. In future, an ASEAN+3 market place may be closer to the Eurobond version; however, it was important to understand that EU rules may not directly apply to Asia – hence, it may be necessary to establish an Asian version of such marketplace. Thus, the key objectives for ABMF Phase 2 are to tackle cross-border or offshore initiatives, with both target areas overlapping. Two standard approaches came to mind: a bottom-up approach as in ASEAN and a top-down approach driven by private sector. The preferred approach might be to focus on private placements across jurisdictions. The key outcome would be an organized, well-documented common regional private placement market – this is where the SRO concept would come in as part of discussions on effective governance. Offshore remains a consideration but attracts its own set of regulatory concerns. Hence, the focus should clearly be on domestic and cross-border efforts, with the target to arrive at a common framework. He mentioned that with qualified issuers and investors potentially limited, it could be possible to establish common rules with

reasonable efforts, possibly leading to a common regional MTN programme. He encouraged members to help propose a suitable name for such programme/market. He also stressed the importance of understanding the viewpoints of the regulatory authorities as well. He mentioned that Asia can learn from ICMA and SROs in the region should cooperate in their efforts. It would be desirable to also bring investment banks and law firms into the fold. He encouraged members to reach out to investment banks in their respective markets, since it would be important to gauge the actual demand and supply situation along the way.

32. On ABMF itself, he expected the current National Members and experts to return, especially since a number of SROs and key regulators were already participating. The focus of ABMF Phase 2 will be on concrete outcomes, including the pilot issue. It is expected to take 1~2 years, hence the proposed mandate for ABMF Phase 2 study is assumed until 2013.

Q&A and Member Discussion

33. Prof. Inukai reminded the audience that terminology was critically important, and asked that members do not take the 'Reg-S' concept from the US as a given standard; ABMF was not so much about implementing a 'Reg-S' approach in Asia, but rather tasks itself with focusing on finding an Asian concept that would work for all members.

Mr. Muraki added that Tokyo AIM was intending to set-up a study group in Japan, with the aim to generate a template for a possible regional documentation approach in support for the leadership of ADB/ABMF.

34. A member from Indonesia enquired on details for ABMF Phase 2, in particular to conduct a study to determine market needs. Mr. Yamadera responded that, e.g., Japanese issuers and investors had strong interest in regional markets, and some are already issuing in regional markets. With these experiences, ABMF would also want to draw in key regional fund managers and other stakeholders. Mr. Schmidt, ADB consultant, added that statements from large, Asia-based fund managers obtained during market visits indicated that there are not (yet) enough ASEAN+3 markets ready to be included in, e.g., regional bond funds. He felt that such key statements are an excellent opportunity to follow up with the fund managers on what would make markets qualify from their perspective, then tackle issues mentioned.

35. Mr. Loong from CIMB, Co-Chair of SF1, suggested to consider data mining from existing sources: where the investment flows come from and go specifically. According to his information, the benefiting markets appear to be mostly China, Indonesia, Korea and Malaysia, with more investment coming from the US and Europe than from regional investors; the target would be to improve this element. He stressed that demand existed and it should be a clear objective to better direct those cross-border flows. He also signalled support for a regional SRO and advocated to include into its Key Performance Indicators (KPIs) to find ways to further improve cross-border investments into ASEAN+3.

36. A member from Thailand commented on the regional SRO that it will need to have its roles clearly defined. Currently, some SROs in the region covered both standards and enforcement, some only set standards. She felt that standard setting was good if that is what ABMF was looking for; however, the question came to mind whether the regional body would actually be an SRO. Mr. Yamadera responded that the focus was clearly on setting standards and that the terminology of 'SRO' could be replaced with others, such as 'regional countries forum', to ringfence the enforcement issue. Mr. Loong added that regulators may not automatically support a 'self-regulation' approach and members should be mindful of the same, to avoid a potential strong policy response.

Part 3 – Information Session: How to improve market monitoring and information supply chain in the region

37. Mr. Muraki invited a number of speakers to share with members and participants their experiences and detail subjects relevant for ABMF's work.

Global Legal Entity Identifier (LEI) System: possible impact on regulation and the markets in Asia – Presentation by Mr. Nicholas de Boursac, ASIFMA, and Timothy Woodward, JP Morgan Chase

38. Mr. de Boursac clarified that ASIFMA (Asia) and SIFMA (US) are independent organizations that represented a separate membership in their respective regions. ASIFMA is focused on bond markets, with an emphasis on China, India and Korea. As an aggregator of opinion, it hoped to complement discussions between regulators and market participants. He explained that ASIFMA has recently formed an LEI committee, based in Hong Kong. Following the Global Financial Crisis, the Dodd-Frank Act in the US stipulated a concept that would allow determining exposure across all group entities of a trading counterparty. While driven by the need to better understand exposures for OTC derivatives, the resulting LEI concept was now on the agenda of government-level discussions across all financial markets and segments

39. Mr. Woodward then introduced some of the salient points of LEI: the most significant challenge encountered was to identify cross-border exposures. The LEI concept is based on seven key principles: global coordination, non-profit governance, clearly defined responsibilities, a neutral LEI, a limited list of data elements, a pragmatic and reiterative solution, and the data to be freely available. LEI would be allocated to institutions only, although they may be extended beyond trading parties. Intention is to use LEI globally, across industries and market segments. It will include standalone ISO 17442 ('Legal Entity Identifier', effective 1Q2012) and consider a 50% ownership cut-off. The LEI itself will contain 18 alphanumeric characters, plus 2 check digits. Mr. Woodward detailed that the LEI database will contain name, legal form and address of the institutions, among other data, and that a self-registration process is envisaged, with an annual certification of an LEI's validity. Owing to the challenge to keep data maintained, a 3rd party registration via service providers will also be offered, including the right to contest. He elaborated on the governance and business models and highlighted that no Big Bang approach, i.e. no one-time cut-over to LEI.

40. Mr. de Boursac elaborated on the benefits to regulators and the industry at large: LEI would help fill data gaps, facilitate crisis management and aggregate industry data more efficiently. As such, initiators hoped for the broadest possible implementation of LEI, in line with its perceived 'Global Public Good Infrastructure' designation. He mentioned that GFMA represented 150 major market participants, mostly regulators and industry associations, but not nearly enough participants from Asia. He referred to the LEI section under www.sifma.org for more and detailed information and highlighted the selected solution providers, namely ANNA, DTCC and SWIFT, working on the basis of ISO standards. He listed next steps and sought ASEAN+3 participation in helping to identify whom to communicate with at the various stakeholders across the region.

Member discussion and Q&A

41. Mr. Yamadera questioned that how LEI could be applicable to all financial transaction. LEI as an initiative from US, is expected to be implemented regardless of concerns in other regions. Hence, it is important to consider and understand the impact on the institutions in ASEAN+3 region. With data held in the US, under US jurisdiction, issues relating to data protection and privacy should be anticipated. Plus, the fact that fees are payable should instill into members the need to contribute before the development to complete.

42. Mr. de Boursac clarified that the data is expected to be held in multiple countries, probably across 3 data centers. He emphasized that the US must implement LEI since such solution was mandated by law, but stressed that LEI was not a US-driven concept, only the timing was driven by the US mandate. For other regions, he felt it important to contribute and participate, since not getting the concept right would render it meaningless. He saw limited risks relating to data privacy, especially since LEI data would be publicly available; instead, transaction data would drive data protection issues.

43. Mr. Adam Wilson of SWIFT added that an internal discussion was there where to place data centers and that solution providers were aware of potential constraints. He felt that ABMF members should consider an Asian voice into the proceedings, and intimated that AVOC (the solution provider owned by DTCC) was presently making the rounds in Asia to talk to stakeholders. SWIFT, in turn, was beginning to resource for the efforts ahead. In addition, ISO20022 would have ISO 17442 built into it, in anticipation of the LEI implementation.

44. Mr. Seung Jae Lee, ADB Secretariat, commented that LEI data initially would only contain legal, public domain data about institutions but wondered whether data would still be able to flow freely once financial transaction information was captured. Mr. Woodward responded that LEI, in fact, was only one part of a larger initiative that included LEI as a first step, to be followed by a Product ID and a Transaction/Transaction Type ID.

45. Mr. Sebastien Cochard, a guest speaker from BNP Paribas, pointed out that, since the LEI is embedded in the Dodd-Frank Act, its implementation by the US Federal Agencies is mandatory and there is no possibility that the LEI would not be created. The US authorities and the industry were subsequently very efficient in fostering the endorsement of the LEI project by the global community, despite concerns in Europe and Asia regarding some potential unexpected consequences of the generalisation of one specific scheme based on one specific law. The potential scope of regulatory and legal use of the LEI remains in particular a question mark. The LEI could be quickly presented as a possible connecting factor which would serve as a pretext to apply extra-territorial application of foreign law in case of conflict of laws for securities accounts, for instance. As a partial remedy for these uncertainties and others, the installation of a global governance of the LEI by public authorities which are participating to the Financial Stability Board, the executive body of the G20 coordination, should be promoted.

46. Mr. de Boursac responded that while the governance model had indeed not been finalized, all discussion parties recognized the importance of appropriate governance. He also clarified that fees would be charged on a cost-recovery basis. Mr. Woodward added that LEI would help to identify what he termed 'rule-breakers', and thus, was beneficial for the orderly conduct of markets.

47. A member from Viet Nam asked about the proposed way forward, since in particular for markets still catching up, the question arose whether to continue with established standards, such as BIC and ISIN, to favour LEI as an incoming standard, or how to coordinate between the standards. This question was even more critical for ANNA members. Mr. de Boursac responded that ISIN would remain the securities identifier and LEI was intended for those parties trading securities. He believed the LEI service providers would support the implementation process which he saw as an exchange of work with limited direct impact on the national numbering agencies but the need for these agencies to determine the effective level of work for their markets. Mr. Wilson foresaw a small extra burden to add LEI to ISIN and BIC as key identifiers in each market. A member from Indonesia reiterated the underlying intention to identify all market participants and opined that, for Indonesia, LEI may have to co-exist with the Single Investor ID (SID) currently being implemented market wide. In this context, Mr. Lee pointed out that several ASEAN+3 countries were in the process of developing their own investor/participant codes and felt the need for dialogue between

markets and LEI parties. He did acknowledge that once a transaction was cross-border, a different complexity existed which would need to be addressed eventually.

How to improve market data collection in Asia: Case of Thailand Financial Instruments Information Center (TFIIC) – Presentation by Ms. Pusadee Ganjarerndee, Bank of Thailand

48. Ms. Ganjarerndee took the audience back to 1997 Asian Crisis when the Bank of Thailand (BOT) had difficulties in managing liquidity and financial stability in the system due to too limited information on transactions and positions held among banks. Since 2005, BOT developed the Financial Market Instrument System (FMI) which identified resident and non-resident investors and kept the data on a security-by-security basis in a central database. Data was provided from the Thai Bond Market Association (ThaiBMA) and TSD, and securities held by issuer and holding information by custodian or TSD position.

49. However, BOT realized that detailed data on non-residents was more difficult to obtain, given the omnibus account structure and nominee concepts typically employed in the securities services industry. In addition, different data came from various sources, with the BOT requiring significant efforts to check and validate data from all providers. Subsequently, the Capital Market Masterplan Task Force recommended to create a single repository for all securities related data and enlisted all relevant parties to work together to define key data needed by stakeholders. With TFIIC, the responsibility will be clearly defined: as the sole agency, SEC will be responsible for the primary issue and reference data in the securities master file, with other parties existing as required. Transaction data will be collected via FMI and fed into TFIIC. ISIN is linking static and transaction data. The TFIIC website was already designed and will contain specific reports users can download; even investors could perform bond searches online. Once available effective early 2012, the TFIIC data will help understand the financial market structure and information on issuers, investors, and the type of securities, and help a more detailed analysis of risks.

How to improve ASEAN+3 Bond Market Information Supply Chain

50. Mr. Muraki invited the speakers for the bond market information supply chain session to share their experiences with the audience.

Presentation by ADB ABO Team: How to improve data collection by Mr. John Stuermer and Ms. Roselyn Regalado, AsianBondsOnline (ABO)

51. Mr. Stuermer stated that ABO's primary objective was to promote public awareness of ABMI. ABO was a hub for information on local currency markets and its role included engagement with foreign institutional investors looking for such information. In effect, ABO was facilitating an information exchange and functioning as a data clearing house, allowing central access to all relevant information. He detailed that ABO used many data sources, preferably domestic, and was trying to avoid the use of data vendors where possible: Viet Nam did not publish market data and, hence, required a data vendor. For corporate bond data, data vendors were still required, due to the timeliness and completeness of the data. Among its indicators, ABO was tracking the size and composition of the local currency bond markets, and the markets' liquidity, as well as yields, returns and volatility indicators, and conducted an annual liquidity survey which was currently under way for 2011. Yields and spreads were provided by Bloomberg, for a number of reasons. Foreign holding and investor profiles were only available for some markets, with a typical question from investors why no data was available for the Philippines or Singapore. Recent key observations were the reduction of central bank bills over the past 6 months, and a reduction of outstanding debt. Emerging East Asia now accounted for about 8% of outstanding debt globally, in comparison to 2.1% in 1996.

Presentation by Mr. Ignatius Girendroheru, Indonesia Bond Pricing Agency (IBPA)

52. Mr. Girendroheru introduced IBPA as a newly established capital market supporting institution for collecting bond data for government, corporate and Sukuk instruments issued in Indonesian Rupiah (IDR), with an objective of providing market prices regularly and consistently. In 2007, BAPEPAM-KL issued the relevant regulations, following a Presidential Decree in 2007 describing the need to facilitate price discovery in the bond market with rapid increase in the market together with rising rates, which lead to significant redemptions of bond funds, the related selling of underlying assets, and the subsequent call for independent pricing information. Currently, IBPA covers 357 series of all tradable local currency bonds. Its fair market price was used for asset valuation across market segments, and employed as reference for auctions, illiquid or periodical assets, for auditing and performance measurement purposes. He identified bond pricing agencies in the region and in Mexico, and defined IBPA's value chain as driven by key principles of quality, speed and reliability. He felt the typical issue of obtaining timely price information from the market had been well addressed in Indonesia in the form of regulations. In addition to public information services, IBPA also catered to 3rd party users with a range of paid information services. He pointed out the next step in which IBPA's fair market price would be used to value a number of government and pension funds, as well as for the calculation of net asset valuation (NAV) in the mutual fund industry.

Presentation by Mr. Shaharul Zain, Bond Pricing Agency Malaysia (BPA)

53. With its largest bond market size in South-East Asia and Sukuk market in the world, Mr. Zain mentioned that regulators in Malaysia noticed that without appropriate infrastructure, no further development would be possible. At the same time, foreign institutional investors demanded a certain level of information transparency without which they were not willing to trade. This led to the establishment of the BPA on 18 April 2006, based on a proven approach in Korea.

54. Now, BPA was providing daily pricing information for 2,500 instruments. He related that the presence of global data vendors had neglected the domestic perspective, leading to the enormous task of consolidating a number of data sources for BPA. Mr. Zain observed the realities of the pricing business by pointing to the client expectations of a single-source, no cost, accurate, timely and reliable provision of data. He did point out that observance of these principles have, in fact, led to a regulatory stamp of approval. Mr. Zain emphasized that the BPA pricing model including a number of quotes from marker parties plus data from a pricing model, which took BPA's approach away from the purely quote-driven model applied elsewhere. He gave the reason that the BPA model took away the chance of bias from the valuation, since the quoting parties were actually transacting based on a favourable price. Mr. Zain listed the practical challenges in obtaining data due to the lack of trades across a large instrument universe and the need to send data to a range of users ranging from small to sophisticated. He felt that now having access to all pre- and post-trade data was mitigating the former, and significant experience built over the past years was a good way to address the latter challenge.

55. As for the future, Malaysia was planning to launch global Sukuk issues and BPA is to take the lead in the valuation which was substantially different from traditional bonds. At the same time, Malaysia was considering Eurobond-style issues in foreign currencies. Mr. Zain proposed to network among the pricing agencies in ASEAN+3 and offered to share existing data and rules. He felt that this approach, together with a mutual recognition of information, would start building the type of connectivity that would be needed for a more regional market. This could be achieved through data distribution agreements, or through any other type of activity deemed beneficial by the relevant parties.

Presentation by Mr. Ryuichi Shiina, Japanese Securities Dealers Association (JSDA)

56. Mr. Shiina informed members and participants on the recent study to improve the bond price dissemination system for corporate bonds. In Japan, bonds are mainly traded OTC and JSDA had been operating a price capture system since its inception in 1973. After migration to the current "Reference Statistical Prices (Yields) for OTC Bond Transaction" system in 2002, prices are obtained from a number of Designated Reporting Members (DRM), on the basis of hypothetical trades (i.e. standard trade size and conditions) at 3pm market time. These prices are reported to JSDA by 4.30pm, are then scrubbed and published by 5.30pm daily. The pricing exercise covers about 7,000 issues and is available daily to market participants free of charge. Mr. Shiina noted again that the prices are not provided on real-time, and they were based on hypothetical trades only. However, the price information provided under this system functions as an official benchmark used for evaluating the bond portfolio and for other public purposes such as accounting, taxation, etc. He pointed out also that Japan has not the "Bond Pricing Agency" model (like in Korea, Malaysia, Thailand and Indonesia) which functions as a provider of the official bond prices for the portfolio evaluation, etc. Therefore, JSDA's reference bond prices are important for the market, despite the presence of other private parties distributing a range of standard bond prices.

57. Having said this, in the study how to improve the corporate bond market, the lack of trust in these reference bond prices (which were deemed not reflecting accurately the market price) was seen as one possible cause for the lackluster trading activity, and the working group of JSDA's member firms was discussing whether real-time price dissemination would help improve the market. JSDA thus turned to evaluate other large bond markets and their pricing mechanisms.

58. In the US, TRACE (Trade Reporting and Compliance Engine) existed since 2002, driven by the SEC's focus on investor protection, despite only 1-2% of bonds issues then held by retail investors. It contains real time-to-market (i.e. displayed when reported) quotes of approx. 45,000 corporate and Agency bonds on a transaction basis, from originally only high volume issues; no US-Treasuries. The original 75 minutes reporting deadline was reduced to 15 minutes. According to market assessments, participants have become used to reporting and utilising prices via TRACE, and the process has led to a proven reduction of transaction spread. US regulator insisted that the reduction of the broker's revenue due to the thinner spread was, in fact, offset by higher volumes. The MiFID2 initiative in Europe, to take effect in 2012, identified the need to improve bond pricing transparency. Xtrakter, originally part of ICMA but sold to Euroclear in 2009, has been disseminating bond prices on highly liquid and rated issues to participants since 2007. The Association for Financial Markets in Europe (AFME) proposed to publish real-time prices or with a small delay, depending on instrument and liquidity parameters. Korea's B-TRIS system, in existence since 2000, publishes prices within 15 minutes and provides multi-track information

59. In his assessment, Mr. Shiina noted that real-time prices are a global trend, but was not convinced whether real-time prices have indeed contributed to more liquid markets, or whether other possible factors were (equally) responsible. He also noted that brokers typically provided liquidity in corporate bonds and that more market transparency may affect the commercial basis of the corporate bond market. Mr. Shiina highlighted the dilemma that the pursuit of the transparency would result in the reduction of not only the spreads but also motivation of broker-dealers to support the market and damage the liquidity for a certain period of time. The Japanese study team has offered two possible solutions: implement a limited reform to improve the process and include some real-time dissemination, or engage in a full reform with a conscientious move to real-time prices. However, no final conclusion has been made.

Q&A and member discussion

60. Mr. Yamadera opened the discussion session with a question to the presenters, whether LEI would have a foreseeable impact on their planned developments. Ms. Ganjarerndee responded that Thailand was using BIC and investor ID; she was not sure whether LEI was the answer to further need for detail, but indicated that BOT was willing to consider LEI. Mr. Girendroheru stressed that every country may already be pursuing its own solution, depending on its circumstances; the focus would be on present issues first and foremost. Mr. Zain opined that cross-border business would drive standardization and he had no issue with LEI as a possible standard; he felt this to be more of an issue with the regulatory framework. Mr. Shiina remarked that he does not see LEI in Japan in the foreseeable future. He misses a clear timeline, even if implemented for OTC Derivatives first. The Japanese regulators remained undecided, or have not yet shown their position to the market. Mr. Shiina felt that LEI may be possible for cross-border transactions but pointed out that it would not be the only possible solution to address the underlying issues. Personally, he liked the LEI concept and mentioned that it had been discussed as far back as 10 years ago at ISO level. In the end, it would be a cost consideration, but Mr. Shiina ultimately sees JSDA as the window for global information to its Japanese constituents and, hence, it would need to keep abreast of international developments.

61. Mr. Mori from Bank of Tokyo-Mitsubishi UFJ explained that he had represented the Japanese Bankers Association (JBA) towards LEI and that he will attend the FSB meeting in Basel in late September where he would be happy to relate ABMF's comments. He related that the JBA was skeptical. Also, the relevant 120-page IOSCO-CPSS report was conceptual in nature only, and left a number of issues open. Mr. Mori and JBA continued to wonder about many aspects of the planned LEI concept, including the current focus on OTC derivatives; he felt that the scope should be extended step-by-step because the anticipated technology work was large and needed a bigger universe to become viable.

62. Mr. Woodward commented that the key to LEI was availability as a tool, and it did not mean that it had to be rushed into automatically. He believed that it was up to the industry participants to shape its future. Mr. Alexandre Kech from SWIFT mentioned that ISO, through working group TC68, was also looking at LEI, as well as the aforementioned instrument ID and classification for financial instruments (CFI). He encouraged the participants to feel free to voice their concerns to this body, e.g. using SWIFT as a conduit.

63. Dr. Taiji Inui, ADB consultant, enquired on the relationship between BIC and LEI. Mr. Kech responded that BIC was originally considered as the base for LEI but was found not to be able to hold sufficient desired information; e.g. BIC contained a country code for an entity without being able to indicate the parent domicile. Mr. Kech was convinced BIC would continue to exist in its current environment. Dr. Inui commented that BIC had a good change management process, and was wondering how this would be established for LEI, and who would guarantee the quality of LEI data; he was also wondering about the proposed LEI business model: who would pay to be regulated? Mr. Kech answered that business model may not be established, yet. Mr. Kech added that multiple requests had been made to SWIFT from ANNA and individual institutions regarding maintenance, and that there was no intention to charge for the allocation of LEI.

64. An International Expert referred to the bond pricing agency presentations and drew the attention to the Euro MTN programme where a continuous discussion on pricing model vs. mark-to-market valuation existed. He also pointed out that public holidays at the place of trade posed a challenge at the investors' place of domicile.

Wrap up– Mr. Satoru Yamadera, ADB Secretariat

65. Mr. Yamadera thanked members and participants for the fruitful discussions. He remarked that the market guides were nearly completed but still had room for improvement. Member should use the most recent versions on the ABMF website for review and

distribution, with the printed materials partly outdated due to the late sending of materials, for which he apologized. As for Singapore, he hoped for the support from MAS to validate the information compiled from various sources. He asked for co-operation in obtaining further information or clarification when ADB consultants would contact members over the next few weeks. On SRO forum, he noted that it might be better to find a more appropriate name for such proposed body and encouraged members to suggest alternatives. He pointed to LEI and similar initiatives in the region, and stressed that members should keep themselves informed. In addition, it was good to learn about the various bond pricing efforts in the region which once again reinforced that Asia/ASEAN+3 had good features already in place.

66. Mr. Yamadera also updated members on his leaving ABMF at the end of September, for family reasons, and in line with the conclusion of his attachment to ADB. He will return to the Bank of Japan, but continue to be involved in the regional efforts towards standardization in his new role. He thanked all members and experts for the great support for ABMF and ADB Secretariat. A new ADB Secretariat led by Mr. Seung Jae Lee will continue to support the ABMF discussion.

Closing Remarks by SF1 Chair – Mr. Tetsutaro Muraki

67. Mr. Muraki used the opportunity to thank Mr. Yamadera for his tremendous efforts and passion that he had brought to the work at ABMF. He also expressed his opinion that it was a good time for reform of the region's bond markets, given the many initiatives heard about today. Mr. Muraki once again thanked the presenters for their contributions and concluded the proceedings of Sub-Forum 1.

III. Sub-Forum 2

Opening Remarks by SF2 Chair - Mr. Jong-Hyung Lee, Korea Securities Depository

68. Mr. Lee took the audience through the agenda for the day, with appreciation to Indonesian hosts for well organized meeting. Mr. Lee then invited Dr. Inui, ADB consultant, to share with members and participants an update on the work on the SF2 Report.

Part 1 – Discussion on the Draft Report

Highlights of the SF2 Report by Dr. Taiji Inui. ADB consultant

69. Dr. Inui explained the proposed structure of the SF2 Report which will share a preface and introduction with the SF2 information, and contain 3 parts: Part 1 will detail information on the ASEAN+3 bond markets and their infrastructures, Part 2 will contain the country reports, and Part 3 will consist of the infrastructure charts, and domestic and cross-border bond transaction flow diagrams. Dr. Inui mentioned that the report, in particular Part 2, were not complete yet and expressed his hopes to receive continuous support from members and experts towards completion of the various parts by the middle of October. He mentioned that materials available so far had been uploaded to the ABMF website for review and feedback.

70. Detailing Part 1, Dr. Inui gave an overview of the study methodology leading to the report including the level of detail of fit & gap analysis for the phase 1. More specifically, only fundamental matters such as essential messages and their flows are surveyed and compared currently (for Phase 1). Then he turned to the information on the individual markets, also compiled in the form of a number of overview/comparison charts. He also pointed out some of the general observations contained in this report section. Dr. Inui continued to the model bond transaction flows for domestic and cross-border transactions developed by the ADB consultants and pointed out that the reporting obligations may not yet have been completely reflected. For the cross-border model flow, variations in the flows

across the ASEAN+3 markets will be easily discernable. At the same time, these chapters will contain observations on the issues across markets and the resulting impact on the flows. In this context, Dr. Inui asked the audience to kindly alert him should some of the details presented not be correctly described. He proceeded to highlight matching approaches and settlement cycles, including an overview of operating hours and cut-off times. Since no standard settlement cycle existed across ASEAN+3 markets, he felt that this topic could be discussed further towards standardization.

71. Moving to the standards chapter, Dr. Inui noted that all ASEAN+3 economies which have bond markets were full members of the Association of Numbering Agencies (ANNA) but that some of the market information may be an indication of a possible delay of the implementation of the standards prescribed by ANNA. In what he described as a key chapter, possible next steps would highlight the fact that domestic flows should be targeted for standardization and STP efforts, since the cross-border element was fairly standardized, as the flow diagrams show. According to him, this was an opportunity to achieve regional interoperability. A list of factors typically inhibiting STP would accompany this report section. The chapter on the Fit & Gap Analysis showed the level of detail that is now targeted for ABMF Phase 2. Fit & Gap Analysis for the phase 2 will also be at a fundamental level including comparing message items to the so called “10 common elements” of bond settlement instructions and confirmations.

72. Dr. Inui then showed members draft examples on how a roadmap could look like; this can be presented in the form of a single chart, or across a number of charts focusing on specific aspects including breakthrough technologies. The purpose was to present a high level of possible avenues forward for further in-depth discussions among members and experts. The desired level of detail and the final format would be up to members. A number of conclusions across the various chapters would round out Part 1.

73. As for Part 2, Dr. Inui had sent the proposed format and draft examples to members prior to the meeting. He was hoping to get significant feedback on the same. Appendices to Part 2 would contain the actual responses received to the original SF2 questionnaire. As mentioned earlier, Part 3 would contain the detailed domestic and cross-border bond transaction flows as well as market infrastructure diagrams. Dr. Inui stressed that the charts may not show every little detail but expressed his hope that consultants and experts had managed to display the most representative flows available today. In closing, he thanked members and experts for their significant contributions and patience.

Additional comments from Mr. Shinji Kawai, ADB Secretariat

74. Mr. Kawai pointed out that standardization will take time and it was important to have a roadmap so that all parties may track their progress and see their work in context of regional efforts. In addition, it will be important to break down the individual markets' processes further and look at them step by step, to identify what can be addressed and what may not be suitable for further discussion; Dr. Inui-san's work will identify such areas. Mr. Kawai used the example of a central trading system evident in some markets to stress how central infrastructure could reduce reporting burdens, limit replacement costs and aid general efficiency.

Q&A – Members' discussion

75. Mr. Seung Jae Lee enquired to what extent CSD Linkage, mentioned in the draft roadmap, was related to ABMF Phase 1. Dr. Inui responded that while the SF2 report did not directly cover CSD Linkage, members were aware of related activities and its presence on the roadmap would provide context. He pointed to the roadmap being a draft and members could decide whether to include CSD Linkage in the final report.

76. An International Expert mentioned that it may be better for ABMF to focus specifically on topics relating to pre-matching and connectivity between CSDs and market participants,

considering a number of fora already concerned themselves with STP at large. At the same time, although bond depositories tended to be separate, it would be important to consider staying synchronized with equities, e.g. for typical incoming messaging practices. Another International Expert suggested the need to clarify the areas of focus for Phase 2. Dr. Inui responded that more effort might be needed to illustrate individual points to make it easier for readers. Mr. Matthias Schmidt, ADB consultant, commented that a quick review of the comparison charts provided already identified a number of opportunities for change, and gave the example of the actual market settlement cycles which took the consultant team quite some time and effort to establish.

77. Chair Mr. Lee asked what type of fora were currently working on STP and heard that these included the national market practice groups (NMPGs or SMPGs) and AGC (Association of Global Custodians). Another International Expert pointed to the Direct Market Access initiatives that concerned themselves with trade-related STP plus the efforts that are already put into improving the flow of corporate action information and related messaging. Mr. Alex Kech from SWIFT confirmed the various initiatives under way and announced that SWIFT will establish a regional Standards team in Asia at the beginning of 2012. According to him this was a reflection that the various initiatives are expected to produce standards or market practices that could be included in ISO20022 and other standards for the benefit of the Asian market participants. A national expert from Japan suggested for ABMF to focus on STP efforts in the settlement arena when further detailing the flows. Dr. Inui agreed and opined the possible need to set priorities for Phase 2 work. An International Expert felt that more detail on the cash element of transaction flows should be included as cash and securities settlement processes still often differed in infrastructure and timelines. Ms. Margeret Tang, KSEI and SF2 Vice Chair agreed also with a view of the taxation issues identified in the flows; they related to cash settlement but affected the overall settlement process.

78. Mr. Yamadera pointed out that ABMF was the first forum bringing together industry stakeholders across the region to address the issues discussed and now parties began to realize what was possible to address or change. It was important to get started on the subjects identified as members developed a common understanding, efforts could be accelerated and additional matters included. The initial focus would be on fixed income securities and their settlement, then an expansion to include trading, cash, FX and taxation would be possible. Once the ABMF Report was ready, members could discuss at the Beijing meeting what else could be achieved.

79. Mr. Lee, as Chair, summed up that a lot of information had been provided for each market, and many good contributions were heard during the discussion session. He encouraged members to review the materials in detail so that the ABMF Report would reflect a more complete and accurate set of information.

Part 2 – Information session: better infrastructure for data collection

80. Mr. Lee opened the information session with inviting Mr. James Yoo to share KOSCOM's approach on bond market information collection with the audience.

Better IT infrastructure to improve bond market information collection - Presentation by James Yoo, KOSCOM

81. Mr. Yoo introduced the Korean bond market in statistics and mentioned that data is collected across the primary and secondary market, plus bond valuations, across listed and unlisted issues. Data was reported to KOFIA and KRX who then transmitted the information to KOSCOM who scrubbed the data and eventually disseminated bond prices by 18.00 hours each day to its users. Korea had three pricing agencies, with the average of their respective valuations being used as fair market value. He mentioned that KOSCOM was a subsidiary of KRX and introduced the concept of and infrastructure deployed by the 'Information Hub'; the

trade messenger system used by KOFIA was also developed by KOSCOM. He concluded his presentation with a number of suggestions for an efficient data collection, including the need for just one data collecting institution, a central trading platform and suitable technology across all market participants.

Q&A on presentation

82. Mr. Schmidt, ADB consultant, enquired how the 15-minute rule for OTC price reporting to KOFIA and the dissemination of prices at end-of-day relative to the indices compiled by KOFIA, and the use of pricing agencies relative to real-time price discovery fitted into the context of the Korea market information received so far. Mr. Yoon from KOFIA responded that the real-time indices compiled by KOFIA were based on real-time quoted prices, not on transaction prices that were subject to the 15-minute rule; these transacted prices flowed to KOSCOM for processing as described in the presentation, and the onward use by pricing agencies.

83. Mr. Seung Jae Lee, ADB Secretariat, pointed out reporting requirements to KOFIA and other regulatory institutions could be confusing and asked the relationship among them. Mr. Yoon clarified that KOFIA collects data focusing on prices and while bond data beyond prices was collected, the level of detail was not comparable to, e.g., the TFIIC project in Thailand. Mr. de Boursac of ASIFMA, noted that foreign banks typically were unable to provide a two-way quote, since they were not allowed to short sell bonds, and wondered how KOFIA would be able to distinguish whether a proper quote had been provided. Mr. Yoon confirmed that banks were unable to provide quotes to the market, this was limited to brokers; he stressed that banks will have to trade back-to-back, i.e. immediately follow up a client trade with a market trade.

84. Mr. Yamadera asked Mr. Yoo whether KOSCOM was indeed the only data collection agency, and whether it undertook projects in countries other than Korea. Mr. Yoo confirmed KOSCOM as the only data collection institution, part of the established market infrastructure and hence not a monopoly per se, and pointed to the provision of matching engines as well as trading systems to exchanges in Cambodia, Lao PDR and Uzbekistan. Dr. Inui added that KOSCOM was created in 1997 under advice from the Ministry of Finance and, hence, it was unlikely that a private company could easily compete. Mr. Yoo stated that other institutions existed who drew prices from different sources. Mr. Lee of KSD added that KSD itself also acted as a data vendor to its participants and interested parties.

85. Summing up, Mr. Schmidt reviewed the information that would need to be included or revised in the Korea market guide: real-time indices were based on price quotes, not the 15-minute rule prices; these in turn were destined for processing by KOSCOM and further use by 3rd parties later in the day; in addition, no bond data repository comparable to TFIIC existed in the market at this point in time. He thanked the discussion participants for the clarifications.

Part 3 – Reporting to ABMF TF3 Meeting

How SF2 can support transaction data collection

Roundtable discussion - Can SF2 promote standardization of transaction procedures as well as creation of transaction database?

86. Mr. Yamadera pointed out that the discussion on data collection effectively kicked-off on Day 1 of the ABMF meeting and that members had shown a strong interest. When moving to ABMF Phase 2, it is important to capture members' interests. While LEI was conceptually a SF1 topic, the impact would be better studied in SF2; SF2 could then be a regional forum for feedback to Financial Stability Board (FSB) and others. He encouraged participants to provide comments, such as on whether LEI warranted a separate sub-forum.

87. A member from Brunei mentioned that he will follow members' consensus on most issues but LEI should be handled as a separate agenda item, due to manpower and logistics constraints. He thanked Dr. Inui for his efforts and felt that the information provided was at the right level of detail.

88. A member from Cambodia opined that before moving to Phase 2, ABMF should describe its achievements since inception, also to show something tangible to ABMI. The focus should be on the settlement-related issues identified in the GOE Report. A member from China emphasized the dominance of the OTC market and the current practice of reporting bond trades, and price information, at the end of each trading day. He wondered whether it was possible to recommend in the SF2 Report a standard timing and related process.

89. The member for Hong Kong, China, noted that the report was getting bigger and bigger and described the main advantage of the increasing amount of information. He also opined that automation of any (further) data collection would be key, so that it may be collected, used and analysed efficiently.

90. A member from Indonesia argued that there is a need to review the original SF2 objectives and how they were meant to be achieved. Mr. Yamadera stressed that SF2's focus was messaging, with a view towards ultimately enhancing STP, and the workload was already large enough considering the pending fit & gap analysis, and so a separate sub-forum may be needed to handle additional topics. Another member from Indonesia stated that the market information collection was very important to induce more investment. The member was not in favour of creating a new sub-forum relative to data collection and wondered whether ABO could be used for this purpose by making it to include more disclosure information, possibly including details on corporate actions. Indonesia was in the process of developing its market infrastructure and would be happy to support such approach.

91. A member from Japan commented that KOSCOM had access to all market data and developed efficient related processes; Japan, on the other hand, had no such infrastructure. He used this example to highlight that the data collection topic would best be handled in a separate workgroup since it was a different subject from the current transaction focus in SF2. A member from Korea agreed with the need to obtain more detail on bonds across markets and stressed its support for such initiative.

92. A member from Lao PDR reminded the audience about the efforts by regulators to strengthen regulations. This may create the need to accelerate the ABMI mission. Thus, it was important to focus on public-private sector dialogue; if needed, more sub-fora could be created to drive this. He asked the audience not to forget about capacity building, in particular with a view of the developing markets.

93. A representative for Myanmar noted that it will follow members' consensus on the topic discussed. A member for the Philippines seconded the support for members' consensus and added that it welcomed any feedback on where to improve the market materials. A member from Viet Nam said he was happy to have a separate sub-forum, or to discuss the topic in SF2.

94. An International Expert stressed that having a foundation in a firm understanding of the underlying issues was key, in particular in view of wanting to present ASEAN+3 or Asian bonds as a single asset class. Data collection was now ingrained in members and should be an easier task going forward. He opined that the challenge was to understand, analyse and act on the information collected. While it may be practical to leave the arrangement of sub-fora to ADB secretariat, one could consider week-long workshops on specific matters as well.

95. To questions regarding whether data collection referred to the market information or bond transaction data, Mr. Yamadera responded that both had merits depending on the desired depth. A Sub-Forum on data collection may be feasible as regulators obviously were

keen to have such type of information, and that it would make sense to include this topic in the representations to ABMI for consideration.

96. Several International Experts commented on the great effort represented by the market guides and transaction flows, and the need to ensure that the information would be well maintained once published. There is a need to institutionalize the updates and agenda items in SF2 could aid in ensuring updates. As for the proposed Phase 2 activities, the proposed SF1 model bond was lauded as a good guidance for investors, with the infrastructure proposals by SF2 to follow closely. LEI was seen as a separate subject, with a separate timeline, from e.g. price discovery, but LEI could demonstrate the impact on domestic markets by a cross-border initiative. In the end, however, if ABMF was seen as the only forum that would bring countries, and their views, together then it may be appropriate to include all topics of common interest, regardless of whether handled in a separate sub-forum or as an agenda item in SF1 or SF2. Ms. Tang of KSEI commented that LEI did not include end-investors and individuals – in an effort to identify all related parties, this approach may not be enough for some of the countries who were working on their own investor ID version.

97. SWIFT commented that it was important to align terminology and suggested to start with the definitions used in the ISO20022 financial dictionary, then develop a common grammar, meaning market practice, in which these definitions are employed. In doing so, ABMF should aim for a regional market practice document. ABMF could also consider fast-tracking some markets, if the need for quick gains were prominent. Collection of transaction data, on the other hand, was a different subject and may require a different approach, perhaps using a separate Sub-Forum to organize this. Not everybody would be required to work on the details, but all members should review the proposed outcome. In the meantime, SF2 would require focus to complete its tasks ahead.

98. Dr. Inui stressed that the data collection for transaction flows and messaging was a big task and would still take some time to completely document. He hoped that an expanded Part 1 would be available to members in early October. In response to earlier comments, Mr. Schmidt suggest that members and experts sent their general or specific questions to the ADB consultants and ADB Secretariat, for consolidation and forwarding to ASIFMA, Mr. Mori for SMPG, and SWIFT, for their submission to the global initiatives; responses would be shared with members during one of the next meetings.

99. Mr. Yamadera thanked participants for all the comments and emphasized that a concrete outcome was needed – hence, it would be important to present the output first, then move from there. Mr. Yamadera pointed out that it would be important to understand the regulators' needs for data before committing to work on the subject. He appreciated that Mr. Mori and SWIFT were willing to be coordinators for LEI questions, and confirmed that ADB Secretariat would compile requests from members and experts.

100. Mr. Lee of ADB Secretariat highlighted that ABMF discussion would need to allow efficient resourcing and timing, and that efficient communication across topics would be key. He detailed that Phase 2 is envisaged to expand information gathering to corporate bonds and corporate actions, plus a fit and gap analysis originally planned for Phase 1. Mr. Lee felt that it was difficult to load more work on to SF2 as a result. On the comprehensive information available by the Beijing meeting, he asked members to consider what the best way to maintain the information would be, also because the data collection had been a big undertaking. He felt ABMF can also plug into other, corresponding developments and may discuss topics beyond the focus on bonds, such as LEI, but would have to be careful when making those official agenda items. Mr. Lee also pointed out that ABMI was in discussions to expand its scope which could, in turn, influence the agenda and focus of ABMF.

Part 4 – Information Session: European experience towards harmonization

Europe's efforts after Giovannini report– Presentation by Mr. Sebastien Cochard, BNP Paribas

101. Mr. Cochard, who has a public policy background in France and has been representing BNP Paribas in the European Union (EU) securities market regulatory developments, observed similarities and differences between ASEAN+3, the US and the EU: The US, as a market within a politically integrated nation, were able to mandate by federal law the harmonisation and rationalisation of the post-trade processes and infrastructures, while the EU and ASEAN+3 have to go through a more progressive approach. The main difference between the EU and the ASEAN+3 is in theory the ability, by the virtue of the EU Treaties, of the European Commission (EC) to propose legally binding harmonisation (through Directives and Regulations). Once a field was touched upon by an adopted harmonisation piece at the EU level, the autonomy of Member States to legislate on the corresponding aspects of this field disappears. Thus, the European Commission (and now, in some limited aspects, the newly created European Regulator ESMA) has the ability to enforce a stringent “top down” approach, which relatively lacks in the ASEAN+3 since it does not exist any Treaty of voluntary renunciation to parts of sovereign prerogatives.

102. It has to be noted, however, that the European Commission (EC) does not use systematically its “top down” powers. In the field of post-trade harmonisation, the European Commission was slow to adopt legislative actions and gave priority, for ten years, to a more progressive “bottom-up” approach, by trying to induce industry and Member States to try to find way to alleviate the so-called technical, fiscal and legal “barriers” to cross-border holding and transfer of securities (the road map of this “bottom-up” harmonisation having been provided to the EC by the two dedicated Giovannini Reports). When it became official in 2006 that the EC will not take legislative action in the post-trade field, the European Central Bank (ECB) stepped in and proposed its own top-down technical platform, Target 2 Securities, building upon the cash systems links among eurozone central banks. It needed the 2008 financial crisis for the EC to start working on legislative proposals regulating prudential aspects of the activities of CCPs (EMIR) and CSDs (CSDR), leaving however aside the acute competition distortions that market infrastructure can exert upon their participants in some circumstances. The attempts of Legal and Fiscal harmonisation by the European Commission were disappointing as well, focusing more on importing undesirable aspects of proposed global harmonisation (through the intergovernmental institutions The Hague Conference, UNIDROIT and the OECD) than trying to find the best possible systems based on the best legal practices.

ECB's Target 2 Securities and implication for Asia– Presentation by Mr. Taketoshi Mori, Bank of Tokyo-Mitsubishi UFJ

103. Mr. Mori, Asia regional director of SMPG, compared the original infrastructure in the EU, diverse across markets, with the US where all securities other than government bonds were held at DTCC. T2S, in effect, is not a central depository for Europe but a service to all EU CSDs for the purpose of settlement of cross-border securities transactions. He described T2S features, including an optimized settlement model, RTGS with auto-collateralisation, matching services and standardized interfaces. Mr. Mori also reviewed the proposed T2S daily schedule, optimisation features and connectivity options. He stressed that T2S will bring de facto harmonization to settlement across the EU securities markets, also evident in a proposed T+2 settlement cycle. The T2S cost model foresees a cost recovery over 7 years, with a targeted transaction fee of EUR 0.15. However, a number of planned value added services would be available for additional fees, to defray programme costs faster. T2S was announced in 2006 and is expected to go live from September 2014, in a phased approach for EU member CSDs. The Nordic CSD has also indicated its interest to join T2S one or two years later, instead of building its own infrastructure.

104. Mr. Mori related the benefits for future T2S users, including lower settlement fees and the optimized collateral management and liquidity features; for markets, these benefits would be augmented by an increase in competition among CSDs and a lower cost of capital owing to a central infrastructure. He then compared Europe with Asia, across a number of features, such as currency and character sets. Based on T2S features and operating schedule, Mr. Mori felt that it would be impossible for CSDs to join T2S from Asia. However, he envisaged that it might be possible to extract key functions and ideas from T2S and develop a modified and customized approach for Asia. In closing, Mr. Mori expressed his belief that strong leadership and cooperation were essential to drive this forward, plus the momentum that would only come from a generally accepted and supported institution.

Q&A and discussion on Information Session presentations

105. An International Expert enquired whether the ongoing harmonization process was helpful for the European securities markets to have a single currency, cash normalization and securities harmonization, and whether the Code of Conduct on Market Infrastructures was meaningful and observed. Mr. Cochard responded that the “bottom-up” harmonisation was certainly extremely helpful, produced significant results since 2002 and likened this to the approach ABMF was taking. However -this being apparent especially regarding the 2006 Code of Conduct, he felt that it is important to seize the possibility to have binding law(s) for all parties, since this possibility exists at the European Union level. Mr. Schmidt, ADB consultant, commented that some of the features from the EU approach, such as the Legal Certainty Group, might be worth studying further by ABMF. Mr. Cochard confirmed that Asian countries had already been sending legal experts to past EU legal works on harmonisation of transfer and holding of securities and that strong expertise definitely already exist in ASEAN+3. It would be indeed easy to swiftly start legal strands of works in the ABMF if the need was felt by Members.

106. In response to Mr. Mori’s Europe and Asia comparison, Mr. Schmidt clarified that Asian markets typically did not have strict FX quotas but instead non-convertible currencies in a number of markets. He also mentioned that in contrast to Europe, many Asian CSDs were in fact central banks. Mr. Schmidt then enquired how the recent efforts in Europe at limiting the risk exposure for CSDs would correspond to the CSD Linkage project already under way. Mr. Cochard responded that the European legal initiative (CSDR) has not yet been implemented; the intention was, however, to try to ring-fence the infrastructure functions of CSDs (i.e. the central depository function for issuers, the reconciliation with the holding of participants and being the central place for settlement) from potential exposures to credit and counterparty risks which would be induced by the development of CSDs into the commercial banking sphere. An International Expert clarified that the CSD function itself was considered low risk and required a low capital base, hence credit risk would be a separate consideration. He related the securities services industry view that a separation of these functions should be strictly implemented.

Part 5 – Next Steps and work plan

Workplan presentation by Mr. Seung Jae Lee, ADB Secretariat

107. Mr. Lee reviewed the achievements of ABMF Phase 1, planned activities to finalize phase 1, work plan and proposed activities for phase 2.

108. For the agenda of phase 2, he introduced the potential tasks that have been discussed through Day 1 and Day 2 meeting, with some of the task descriptions still to be finalized. SF1 will focus on examining needs and creating a pilot issue for a common bond issue programme through discussion by sub-forum of SROs in the region. SF2 will see a continuation of Phase 1, with the inclusion of corporate bonds as well as corporate actions, a fit & gap analysis for relevant messaging and the provision of a roadmap for further standardization. Credit rating could be an additional topic beyond the joint seminar with

ACCRA (Association of Credit Rating Agencies in Asia) during 2012, while other topics may be included at the request of Task Force 3.

109. He briefed the key activities until the end of this year: There will be a special session on ABMF on 20 Sep., 2011 during 2011 SIBOS meeting in Toronto. ASEAN+3 ABMI TF3 meeting in Seoul will be on 20 Oct. 2011, where he will attend with chairs of SF1 and SF2 to report the progress and future work plan. He will also seek TF3 members for nomination or approval of the phase 2 ABMF membership. The 6th ABMF meeting will be held on 8-9 Dec. 2011 to discuss the details of work plan and agenda for phase 2. Final ABMF Report will be submitted to ASEAN+3 Deputies Meeting in early December, in Sendai, and published by the end of this year through ABO. The schedule and key activities during 2012 are presented in Table 1.

Table 1: Work Plan up to 2012

20 Sep 2011	Special session on ABMF in SIBOS in Toronto, Canada
10 Oct 2011	ASEAN+3 ABMI TF3 meeting in Seoul, Korea
1-2 Dec 2011	ASEAN+3 Deputies meeting in Sendai, Japan(Final report)
8-9 Dec 2011	6 th ABMF meeting in Beijing, PRC
8-9 Feb 2012	7 th ABMF meeting in Hong Kong, China
Mar 2012	ABMI TF3 meeting (First reporting of Phase 2)
Apr or May 2012	8 th ABMF meeting
Jul-Aug 2012	Country visit for consultation and information collection
Sep 2012	9 th ABMF meeting
Oct 2012	ABMI TF3 meeting (Second reporting of Phase 2)
Nov 2012	ASEAN+3 Deputies meeting in Sendai, Japan(Final report)
Dec 2012	10 th ABMF meeting

Final comments by ADB Secretariat, ADB consultants, and SF2 Co-Chairs

110. Mr. Yamadera invited members to submit topics for the Beijing ABMF Meeting and expressed his thanks to HKMA for kindly having offered to host the subsequent meeting in early February 2012. The Hong Kong meeting is also intended to sell the work of ABMF to a broader industry audience, in the form of a supplementary public conference.

111. Mr. Lee added that the Beijing meeting is expected to be one and a half days meeting with a half day public conference suggested by the host: This may place limitations on the type and number of topics to be included in the agenda but he preferred to keep the current two days meeting format to avoid member's burden of attending the meetings. Ms. Margaret Tang, Co-Chair of SF2 enquired whether country specific information could be presented in Beijing and Mr. Schmidt suggested that this may be best done in the form of the proposed overview table or comparative analyses, on the basis of distinctions and similarities between the markets.

112. Dr. Inui asked members to evaluate the work done. Prof. Inukai mentioned that consultants will contact members and experts regarding further details and clarifications. Both consultants expressed their hope to have continued support from members.

113. Mr. Ikegami, SF2 Co-Chair, expressed his appreciation to the hosts for the conference organization and the hospitality shown. He shared his observation that the markets' transaction flows as shown in the summary charts looked similar enough to suggest

that a common or standard flow may indeed be possible, and hoped that transaction flows would be complete after additional input from members and experts by the next meeting.

114. Mr. Kawai, of ADB Secretariat, mentioned that that since a large number of participants had concerns about STP and were keen on benefiting from the results, the work should not become too technical to allow a larger audience to participate in the discussions.

Wrap-up by Mr. Satoru Yamadera, ADB Secretariat

115. Mr. Yamadera stressed that members and experts could be proud of what has been achieved together. While members and experts would have to continuously work towards improving the ASEAN+3 bond markets, ABMF marked the first time such information was compiled in a comprehensive fashion. He was convinced that the ABMF Report will receive a positive response, as he experienced good interest from the participants of Japan ABMF seminar in last August.

116. Mr. Yamadera stated that he will be leaving ADB after the meeting, and return to the Bank of Japan where he will be responsible for ISO and standardization efforts. Mr. Yamadera thanked all members and experts once again for their strong contributions without which ABMF would not have the chance to succeed.

Closing Remarks by SF2 Chair – Mr. Jong-Hyung Lee

117. Chairman Lee thanked members and experts for their contributions throughout the day, and closed the meeting.