Accelerating Asian Markets
integration and harmonization

Regional cooperation and market integration under ASEAN+3 Bond Market Forum (ABMF)

Satoru Yamadera, Economist
Office of Regional Economic Integration, ADB

Sibos 2011
Toronto, Canada
Outline of the seminar

• Regional cooperation under ASEAN+3
  – Loose but effective regional cooperation framework

• Recent bond market developments in the region
  – Rapid growth of the markets

• Work under ABMF
  – Developments in market regulations and practices
  – Developments in market infrastructures
  – Next step
What’s ASEAN+3?
Regional forums in Asia

ASEAN
- Philippines
- Thailand
- Malaysia
- Singapore
- Brunei Darussalam
- Indonesia
- Viet Nam

ASEAN+3
- Japan
- Republic of Korea
- People’s Republic of China

EAS
- People’s Republic of China
- Australia
- New Zealand

APEC
- Russian Federation
- Canada
- United States
- Mexico
- Peru
- Chile
- Taipei, China
- Hong Kong, China

PIF
- Palau
- FSM
- Marshall Is.
- Kiribati
- Nauru
- Tuvalu
- Niue
- Tonga
- Samoa
- Cook Is.

SAARC
- Nepal
- Bhutan
- Maldives
- Sri Lanka
- Bangladesh

CAREC
- Afghanistan
- Azerbaijan
- Kyrgyz Republic
- Tajikistan

ASEM
- European Union
(27 member countries)

Source: ADB (2010), Institutions for regional integration
ASEAN+3: its size and economic impact

Source: IMF
ASEAN+3

Regional collective re-action to the Asian Currency Crisis in 1997-98

• Macroeconomic surveillance and response to crisis
  – Chiang Mai Initiatives
  – ASEAN+3 Macroeconomic Research Office (AMRO)

• Asian Bond Markets Initiative (ABMI)
  – ABMI Group of Experts (GoE) Report
  – Credit Guarantee and Investment Facility (CGIF)
  – ASEAN+3 Bond Market Forum (ABMF)
The Organizational structure of ABMI

ASEAN+3 Finance Ministers
Meet annually
- Monitor progress and coordinate future plans

ASEAN+3 Deputy Finance Ministers
Meet semi-annually

ABMI Steering Group

TASK FORCE (See next slide for details)

TF1
Promoting Issuance of Local Currency Denominated Bonds
- Credit guarantee and investment facility (CGIF)
- Promotion of Asian Currency Note Programme
- Promoting issuance of structured finance instruments

TF2
Facilitating the Demand of Local Currency-Denominated Bonds
- Development of investment environment for institutional investors
- Information dissemination
Asian Bonds Online

TF3
Improving Regulatory Framework
- Strengthening regulatory and supervisory framework for securities
- Facilitating collaboration among SROs in the region
- Improving bankruptcy procedures related to bond transaction
- Promoting application of international accounting and auditing standards

TF4
Improving Related Infrastructure for the Bond Market
- Infrastructure for securities settlement
- Increasing liquidity of bond markets
- Fostering credit culture
- Developing professional services

TACT
Technical Assistance

GoE

ABMF
Why ASEAN+3?

Active regional forum in Asia

- Korea
- China
- Japan
- ASEAN
- ASEAN5
Recent bond market developments in ASEAN+3
Historical growth of Asian LCY Bond Market

LCY Bond Outstanding in ASEAN+3 region (excluding Japan)

Rapid growth of LCY bond markets since 2003, particularly since 2009.

Corporate bond markets are growing rapidly.

Source: Asian Bonds online http://asianbondsonline.adb.org
Growth of LCY Bond Markets in 2009, 2010 and 1Q11 (y-o-y %)

Notes:
1. Calculated using data from national sources.
2. Growth rates are calculated from local currency base and do not include currency effects.
3. Emerging East Asia growth figure is based on end-December 2010 currency exchange rates and do not include currency effects.
4. For Singapore, corporate bonds outstanding quarterly figures are based on AsianBondsOnline estimates.

Source: People’s Republic of China (ChinaBond); Hong Kong, China (Hong Kong Monetary Authority); Indonesia (Bank Indonesia and Indonesia Stock Exchange); Republic of Korea (Bank of Korea and KoreaBondWeb); Malaysia (Bank Negara Malaysia); Philippines (Bureau of the Treasury and Bloomberg LP); Singapore (Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP); Thailand (Bank of Thailand); and Viet Nam (Bloomberg LP).

Source: Asia Capital Markets Monitor August 2011
## Bond Outstanding in Major Markets (USD billion)

<table>
<thead>
<tr>
<th>Economies</th>
<th>LCY Bonds Outstanding (US$ billion)</th>
<th>% of World Total</th>
<th>LCY Bonds Outstanding (US$ billion)</th>
<th>% of World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>10,926</td>
<td>42.9</td>
<td>25,349</td>
<td>38.7</td>
</tr>
<tr>
<td>Japan</td>
<td>4,456</td>
<td>17.5</td>
<td>11,723</td>
<td>17.9</td>
</tr>
<tr>
<td>France</td>
<td>1,261</td>
<td>4.9</td>
<td>3,170</td>
<td>4.8</td>
</tr>
<tr>
<td>Germany</td>
<td>1,888</td>
<td>7.4</td>
<td>2,616</td>
<td>4.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>678</td>
<td>2.7</td>
<td>1,647</td>
<td>2.5</td>
</tr>
<tr>
<td>Emerging Asia of which:</td>
<td>612</td>
<td>2.4</td>
<td>6,062</td>
<td>9.3</td>
</tr>
<tr>
<td>China, People’s Rep. of</td>
<td>62</td>
<td>0.2</td>
<td>3,052</td>
<td>4.7</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>283</td>
<td>1.1</td>
<td>1,149</td>
<td>1.8</td>
</tr>
<tr>
<td>India</td>
<td>81</td>
<td>0.3</td>
<td>853</td>
<td>1.3</td>
</tr>
<tr>
<td>ASEAN-6 of which:</td>
<td>149</td>
<td>0.6</td>
<td>845</td>
<td>1.3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7</td>
<td>0.0</td>
<td>106</td>
<td>0.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>71</td>
<td>0.3</td>
<td>247</td>
<td>0.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>28</td>
<td>0.1</td>
<td>73</td>
<td>0.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>25</td>
<td>0.1</td>
<td>179</td>
<td>0.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>19</td>
<td>0.1</td>
<td>225</td>
<td>0.3</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>–</td>
<td>–</td>
<td>15</td>
<td>0.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>299</td>
<td>1.2</td>
<td>1,338</td>
<td>2.0</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>43</td>
<td>0.2</td>
<td>67</td>
<td>0.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>82</td>
<td>0.3</td>
<td>189</td>
<td>0.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>27</td>
<td>0.1</td>
<td>230</td>
<td>0.4</td>
</tr>
</tbody>
</table>

— = not available, ASEAN = Association of Southeast Asian Nations, LCY = local currency, PRC = People’s Republic of China.

Note: Emerging East Asia comprises the People’s Republic of China; Hong Kong, China; Indonesia: Republic of Korea; Malaysia; Philippines; Singapore; Thailand; and Viet Nam.

Source: Bank for International Settlements and AsianBondsOnline
## iBoxx Asia Bond Fund Index Family Returns

<table>
<thead>
<tr>
<th>Market</th>
<th>Modified Duration (years)</th>
<th>2009 Returns (%)</th>
<th>2010 Returns (%)</th>
<th>Q1 2011 Returns (%)</th>
<th>2011 YTD Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>LCY Total Return</td>
<td>US$ Unhedged</td>
<td>LCY Total Return</td>
<td>US$ Unhedged</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Index</td>
<td>Total Return</td>
<td>Index</td>
<td>Total Return</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China, People's Republic of</td>
<td>5.8</td>
<td>(0.6)</td>
<td>(0.7)</td>
<td>1.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>3.9</td>
<td>(0.8)</td>
<td>(0.8)</td>
<td>2.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.8</td>
<td>20.2</td>
<td>35.6</td>
<td>19.3</td>
<td>23.7</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>4.0</td>
<td>1.9</td>
<td>9.7</td>
<td>8.0</td>
<td>10.6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4.4</td>
<td>0.5</td>
<td>1.6</td>
<td>5.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>5.1</td>
<td>9.0</td>
<td>11.8</td>
<td>14.3</td>
<td>19.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>5.6</td>
<td>0.5</td>
<td>3.1</td>
<td>2.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>4.8</td>
<td>(3.5)</td>
<td>0.7</td>
<td>5.4</td>
<td>15.4</td>
</tr>
<tr>
<td>Pan Asia</td>
<td>4.9</td>
<td>n.a.</td>
<td></td>
<td>n.a.</td>
<td>5.0</td>
</tr>
<tr>
<td>HSBC ALBI</td>
<td>7.7</td>
<td>n.a.</td>
<td></td>
<td>n.a.</td>
<td>6.1</td>
</tr>
<tr>
<td>US Govt. 1–10 years</td>
<td>3.9</td>
<td>n.a.</td>
<td>(1.4)</td>
<td>n.a.</td>
<td>5.3</td>
</tr>
</tbody>
</table>

--- = not applicable, ALBI = Asian Local Bond Index, LCY = local currency, US = United States, YTD = year-to-date.

Notes:
1. The Asian Bond Fund (ABF) indices contain only government debt and government-guaranteed debt obligations.
2. Market bond indices are from iBoxx Index Family. Returns for 2011 are year-to-date as of 11 March 2011.
3. Annual returns are computed for each year using natural logarithm of end-of-year index value/beginning year index value.

Source: AsianBondsOnline and Bloomberg LP.
Transaction costs in the region

Transaction costs are higher than those of the US and EU.

CSD Fees does not seem to be responsible.

Fee levels tend to vary strongly between the markets.

Fee levels may vary within the individual markets.

Domestic custodian fee is assumed to include CSD fee and Global custodian fee is assumed to include DC fee.

Standard Transaction Fees of Global Custodians

Regional cooperation under ASEAN+3 Bond Market Forum (ABMF)
Establishment of ABMF
13th ASEAN+3 Finance Ministers’ Meeting
2 May 2010, Tashkent, Uzbekistan

• We endorsed the establishment of ASEAN+3 Bond Market Forum (ABMF) as a common platform to foster standardization of market practices and harmonization of regulations relating to cross-border bond transactions in the region.
ABMF as a common platform

Country A
Country B
Country C
Country D

ASEAN+3 Bond Market Forum (ABMF)

Public sector
Private sector
Harmonization in Asia

Asian Standards

Top Down

Bottom Up

Country A
Mutual recognition
Harmonization of Standards
Mutual recognition
Country B

Country C

Asian Value
Asian Vision

Top Down
Agenda Items for Discussion

Sub-Forum 1: Collecting information on regulations and market practices

Sub-Forum 2: Enhancing regional Straight-Through-Processing (STP)
Organizational Structure of ABMF

National Members nominated by the governments

Multiple forums may be established if issues need to be discussed separately

Secretariat (ADB)

ASEAN+3 Bond Market Forum (ABMF)

Sub-Forum 1

Sub-Forum 2
## National members and national experts

<table>
<thead>
<tr>
<th>Participating institutions</th>
<th>Participating institutions</th>
<th>Participating institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>Brunei Monetary Authority</td>
<td>Indonesia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Indonesian Central Securities Depository (KSEI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lao, PDR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Securities and Exchange Commission Office, Bank of the Lao PDR</td>
</tr>
<tr>
<td>Cambodia</td>
<td>National Bank of Cambodia</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tokyo AIM, Tokyo Exchange Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Malaysia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CIMB Investment Bank</td>
</tr>
<tr>
<td>Cambodia</td>
<td>SEC of Cambodia</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Japan Securities Dealers Association</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Myanmar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Central Bank of Myanmar</td>
</tr>
<tr>
<td>China, PRC</td>
<td>People’s Bank of China</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Japanese Bankers Association (Sumitomo Mitsui Banking Corp)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bureau of Treasury of the Philippines</td>
</tr>
<tr>
<td>China, PRC</td>
<td>China Security Regulatory Commission</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nomura Securities Co. Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Securities and Exchange Commission of the Philippines</td>
</tr>
<tr>
<td>China, PRC</td>
<td>China Securities Depository and Clearing Corporation (CSDCC)</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Daiwa Securities Capital Markets Co.Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippine Dealing System Holdings Corp/PDS Group</td>
</tr>
<tr>
<td>China, PRC</td>
<td>China Central Depository and Clearing (CDCC)</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Japan Securities Depository Center (JASDEC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Philippines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bankers Association of the Philippines (BAP)</td>
</tr>
<tr>
<td>China, PRC</td>
<td>Shanghai Clearing House (SCH)</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mizuho Corporate Bank, Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>China, PRC</td>
<td>China Foreign Exchange Trade System / National Interbank Funding Center (CFET)</td>
<td>Korea, Republic of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Korea Financial Investment Association (KOFIA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thai Bond Market Association (Thai BMA)</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>Hong Kong Monetary Authority (HKMA)</td>
<td>Korea, Republic of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Korea Capital Market Institute(KCMI)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thailand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Stock Exchange of Thailand (SET)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Ministry of Finance of Indonesia</td>
<td>Korea, Republic of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Korea Securities Depository (KSD)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Viet Nam</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vietnam Bond Market Association (VBMA)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesia Stock Exchange (IDX)</td>
<td>Korea, Republic of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Korea Exchange(KRX)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Viet Nam</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vietnam Securities Depository (VSD)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Indonesian Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK)</td>
<td>Lao, PDR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ministry of Finance Of Lao PDR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Viet Nam</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hanoi Stock Exchange (HNX)</td>
</tr>
</tbody>
</table>
# International experts and ADB consultants

<table>
<thead>
<tr>
<th>International expert</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Citibank</td>
</tr>
<tr>
<td></td>
<td>Deutsche Bank</td>
</tr>
<tr>
<td></td>
<td>HSBC</td>
</tr>
<tr>
<td></td>
<td>J.P. Morgan</td>
</tr>
<tr>
<td></td>
<td>State Street</td>
</tr>
<tr>
<td></td>
<td>SWIFT</td>
</tr>
<tr>
<td></td>
<td>The Bank of Tokyo Mitsubishi UFJ</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Taiji Inui</td>
<td>Financial Information Technology Specialist</td>
</tr>
<tr>
<td></td>
<td><strong>NTT Data</strong> <a href="mailto:inuitinuit@nttdata.co.jp">inuitinuit@nttdata.co.jp</a></td>
</tr>
<tr>
<td>Prof. Shigehito Inukai</td>
<td>Financial Legal Expert</td>
</tr>
<tr>
<td></td>
<td><strong>Faculty of Law, Waseda University</strong>, Japan</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:shige.inukai@river.dti.ne.jp">shige.inukai@river.dti.ne.jp</a></td>
</tr>
<tr>
<td>Mr. Matthias Schmidt</td>
<td>Custody Business Specialist</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:macschmidt@me.com">macschmidt@me.com</a></td>
</tr>
</tbody>
</table>
Sub-Forum 1

• Objective: Close the information gap

1. Collect all relevant information on regulations as well as market structures and practices in the region
   • Issuance procedures (auction, primary dealer system, etc)
   • Requirements for investors (registration, documentation, etc)
   • Trading rules (Repo, etc.)
   • Tax procedures (income and capital gain tax, etc)
   • Redemption procedures
   • Investment rules for domestic investors

2. Once all of the relevant information has been collected, a compendium of regulations and market structures and practices in the region will be published through the ADB-sponsored Asian Bonds Online website.
List of information included in the market guides (1/4)

1. Governing Law for Corporate Bonds Issuance
2. Definition of Securities (Bonds)
3. Competent Authority (Regulator)
4. Issuing Approval Method
5. Role of the SROs
6. Purpose of the Listing of Bonds (e.g. profiling or real listing)
7. Obligation for the Listing of Bond
8. Main Trading Places (OTC / Exchange)
9. Necessity of the Credit Rating
List of information included in the market guides (2/4)

10. Method of Registration of Bonds
11. Status of the Bonds (Bearer / Registered)
12. Form of the Bonds (Scripless / Physical)
13. Status of the Scripless Bonds (Complete Dematerialised or Immobilised)
14. Existence of the exchangeability of the Scripless Bond to the Physical Bonds
15. Method of Transfer of Interest in Bonds
16. Finality of Settlement
17. Legal Basis and Definition of “Settlement and Clearing”
List of information included in the market guides (3/4)

18. Existence of the Omnibus Accounts
19. Existence of the Nominee Concept
20. Regulators’ Policy related to the necessity of Disclosure of Real Beneficially Owner
21. Documentation Language
22. Definition of the Payment Default
23. Bankruptcy Procedures
24. Existence of the Meeting of Bondholders
25. Trustee (Bond Representative / Commissioned Persons) System
List of information included in the market guides (4/4)

26. The definition of Professional / Institutional investors

27. Public Offering (Full disclosure) Rules and Regulation

28. Private Placement (Market of Exemption of full disclosure of information) Rules, and the related matters

29. Definition of Professional (institutional) Investor and HNWI (High Net worth Individuals)
Sequence of Bond Markets Development in Asia

How can we establish an Asian common set of standards and regulation to promote Cross-Border Inter-Regional (wholesale) Market in Asia?

- ABMF
- Asian SRO
-( Asian Supervisory Authorities)

Homogeneity

Eurobond Market
- Private Placement Market and Public Offering Market for professionals with common standard format
- Used to be a Self-Regulated Market by professional market players

Inter-Regional International Bond Market in Asia
- Harmonization of heterogeneous rules and regulations for professionals in Asian region
- Facilitate inter-regional circulation of savings within Asia
- Creation of self-regulated Asian Inter-Regional (wholesale) Bond Market for professional market participants
- For instance, Asian Exchange regulated market

Cross-Border Bond Markets (Foreign Bond Markets) A Part of Domestic Market
- Outward issuance by residents, inward issuance by non-residents and cross-border investments
- Subject to home country or host country rules and regulations
- Different stage of economic development and heterogeneity in legal and institutional systems and infrastructure
  - Japan – Samurai Bond
  - Korea – Ariran Bond
  - China – Panda bond

Local Bond Markets (Domestic Bond Market)
- Foster government bond market
- Create the benchmark yield curve
- Foster corporate bond markets
- Circulate domestic savings

Heterogeneity

Source: TA report for Harmonization of Bond Standards in ASEAN+3
Sub-Forum 2

- **Objective:** Reduce cross-border transaction costs by enhancing STP

1. Identify processes which could lead to higher custodian costs
2. Clarify all transaction procedures involved in cross-border transactions from one end-user to the other end-user
3. Ideally, all transactions should be operated straight-through by using common standards and the same messaging
Vision of ABMF SF2

Asia should engage standard setting more closely and should lead discussions in the international forum.

International standards (such as ISO20022) will be the focal point and hub of local standards.
Overview of ASEAN +3 Bond Market Infrastructures

NOTE: Exchange Market, Central Bank, Commercial Bank

Direct intersystem connection
Indirect connection: Trade data (bond settlement instructions) are entered to CSD by agent custodians.
Typical bond transaction flow
HK, ID, KR (OTC), TH

1. Trade

2. Bond settlement instruction

3. Settlement instruction matching

4. Settlement instruction matching notice

5. Bond Settlement

6. Settlement Data & Instruction

7. Cash Settlement

8. Cash settlement confirmation

9. Bond settlement confirmation


Cash Settlement Entity (Central Bank)

Bond Settlement Entity (CSD)

2. Bond settlement instruction

4. Settlement instruction matching notice

9. Bond settlement confirmation
Typical cross-border bond transaction flow

1. Trade Order
2. Trade Order
3. Agreement on Trade & Confirmation
4. Trade Confirmation
5. Trade Confirmation

1. Trade Order
2. Trade Order
3. Agreement on Trade & Confirmation
4. Trade Confirmation
5. Trade Confirmation

6. Settlement Instruction
7. Settlement Instruction
8. Capture of Settlement Details
9. Settlement Status Update
10. Transaction Status Update
11. FX Confirmation
12. Funding of Trades
13. Confirmation of Debit/Credit
14. Settlement Confirmation
15. Settlement Confirmation
16. Funding of Trades
17. Settlement Confirm
18. Securities Statement
19. Cash Statement
20. Cash Statement

Foreign Institutional Investor (direct or Investment Manager)

International Broker

Domestic Broker or Bank

OTC market

Global Custodian

As Cash Correspondent

Domestic Custodian

As FX Bank

As Cash Correspondent

CSD

Cash settle. bank

Matching & Settlement

Funding of CB Account

As Cash Correspondent
Working schedule

Phase 1 of ABMF (2010-2011)

1st meeting – 28 Sept. 2010 in Tokyo, Japan
3rd meeting – 16-17 Feb. 2011 in KL, Malaysia
  First reporting to TF3
4th meeting – 30 June-1 July 2011 in Korea
  Second reporting to TF3
6th meeting – Dec. 2011 in People’s Republic of China
Submission of the final reports by the end of 2011

Phase 2 of ABMF (2012-2013)

- Proposal of a common bond issue scheme
- Roadmap to standardize messaging and transactions
http://asianbondsonline.adb.org
http://asean3abmf.adb.org

Thank you

For further information

Dr. Seung Jae Lee, Principal Financial Sector Specialist: sjlee@adb.org
Mr. Shinji Kawai, Senior Financial Sector Specialist: skawai@adb.org