8th ASEAN+3 Bond Market Forum (ABMF) Meeting Makati Shangri-La Hotel, Metro Manila, Philippines, 17 - 18 April 2012

DATE & TIME	PROGRAM		
17 Apr 2012	DAY 1: ABMF Sub Forum 1 (SF1)		
08:30 - 09:00	Registration		
ABMF SF 1	ABMF SF 1		
09:00 – 09:10	Welcome Remarks by Commissioner Ma. Juanita E. Cueto, Securities and Exchange Commission, Philippines		
09:10 - 09:20	Opening Remarks by SF1 Chair (Mr. Tetsutaro Muraki, Tokyo-AIM)		
09:20 – 10:20	Session 1: Developing common bond issuance program (Part 1) - Presentations by Prof. Shigehito Inukai, ADB consultant, and others on the issues and approaches - Comments on Research and Discussion Issues by KOFIA		
10:20 – 10:40	Coffee break		
10:40 – 12:00	Session 2: Developing common bond issuance program (Part 2) - Q and A		
12:00- 13:30	Lunch Break (hosted by BAP, Makati A-B)		
13:30 – 15:00	Session 3: (Information session): Mapping National Scale Ratings Across Sovereigns in Asia - Presentation by Mr. Faheem Ahmad, ACRAA - Q and A		
15:00 – 16:00	Session 4: (Information session): European Experience on developing cross-border bond transactions' post-trade harmonisation - Presentation by Boon-Hiong Chan, Deutsche Bank - Q and A		
16:00 – 16:20	Coffee break		
16:20 – 17:20	Session 5: (Information session): Information on Other Issues - Case Study on TPBM: ING N.V by Mr. Kazuhiro Iida, Tokyo AIM, Inc. - Current Issuance Window in the Japanese Bond Market by Ms. Reiko Nobuhiro, Nomura Securities, Co., Ltd. - Q and A		
17:20 – 17:50	Session 6: Other issues of SF1 - Updates and management of phase 1 reports (Mr. Seung Jae Lee) - Dissemination of the phase 1 reports (Mr. Matthias Schmidt) - Q and A		
17:50 – 18:00	Wrap up by ADB Secretariat (Mr. Seung Jae Lee, ADB Secretariat)		
18:00 – 18:10	Closing Remarks by SF1 Chair (Mr. Tetsutaro Muraki, Tokyo-AIM)		
18:30 – 20:30	Cocktail dinner hosted by PDS Group (Banquet Hall & Mabini, Milkyway Restaurant)		

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DATE & TIME	PROGRAM		
18 Apr 2012	DAY 2: ABMF Sub Forum2 (SF2)		
08:30 - 09:00	Registration		
ABMF SF2			
09:00 – 09:10	Welcoming Remarks by Mr. Noritaka Akamatsu, Deputy Head of OREI, ADB		
09:10 - 09:20	Opening Remarks by SF2 Chair (Mr. Jong Hyung Lee, KSD)		
09:20 – 10:40	Session 7: Focus of Phase 2 activities (Part 1) - Presentation by Dr. Taiji Inui, ADB consultant - Others on the issues and approaches (Mr. Shinji Kawai, ADB secretariat) - Philippine transaction flow by Mr. Antonino A. Nakpil, PDS Group		
10:40 – 11:00	Coffee break		
11:00 – 12:00	Session 8: Focus of phase 2 activities (Part 2) - Q and A		
12:00 – 13:30	Lunch Break (hosted by ADB, Manila A-B)		
13:30 – 14:30	Session 9: (Information session): Database for managing standards and market practice - Presentation by Alexandre Kech, SWIFT - Q and A		
14:30 – 15:30	Session 10: (Information session): Information on other issues - Recent progress in LEI discussion by Mr. Taketoshi Mori, The Bank of Tokyo Mitsubishi UFJ Ltd. - Supplementary information on LEI by Ms. Rebecca Turner, Asia Securities Industry & Financial Markets Association (ASIFMA) - Q and A		
15:30 – 15:50	Coffee break		
15:50 – 16:20	Session 11: Other issues of SF2 - Updates of phase 1 reports (Mr. Seung Jae Lee, ADB Secretariat) - Dissemination of the phase 1 reports (Mr. Matthias Schmidt) - Q and A		
Wrap up session			
16:20 – 16:50	Future work plan and Wrap up (Mr. Seung Jae Lee, ADB Secretariat) - Q&A		
16:60 – 17:00	Closing remarks by SF2 Chair (Mr. Jong Hyung Lee, KSD)		
17:30 – 20:30	Dinner hosted by Bureau of the Treasury (Plaza Moriones, Fort Santiago,Intramuros)		



SF1 - Developing a Common Bond Issuance Program ('AMBIP')

Prof. Shigehito Inukai ADB Consultant 8th ABMF Meeting, Manila, Philippines 17 April 2012

Phase 2 Activities – SF1

From the Representations at ABMI TF3 Meeting Siem Reap, Cambodia, 2 Mar 2012 by ADB Secretariat

- Objective to achieve
- Approach
- Participation of regulatory authorities to ABMF

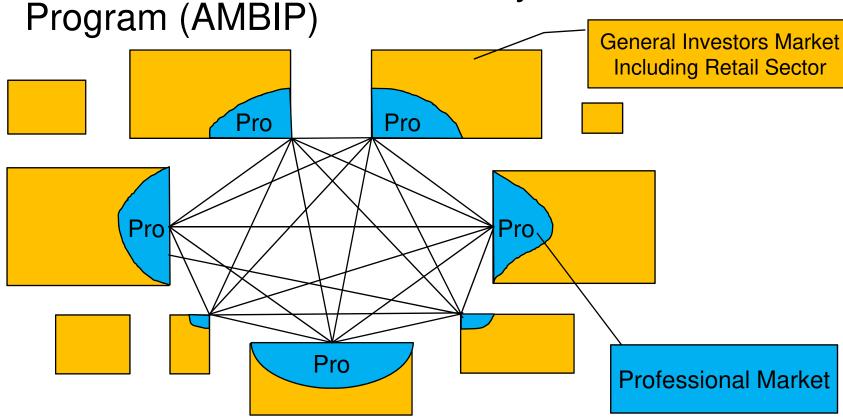
Phase 2 activities –

- <Objective to achieve by the end of 2013>
- □ Focusing on professional Securities/Bonds markets (We may call it Asian QIB Market or AIR-PSM: Asian Intra-Regional Professional Securities Market)
 - which waive full-disclosure requirement for ordinary public offerings across jurisdictions
- Introducing Regionally standardized bond issuance program, with step by step approach
 - Make it possible issuing bonds in any participating economics with standardized documentation / disclosure procedure
 - Make it possible to sell and buy across borders among Professional Investors regardless of the issuance and selling location within the participation economies

Phase 2 activities – SF1

<Objective to achieve by the end of 2013 >

We call it Asian Multi-Currency Bond Issuance



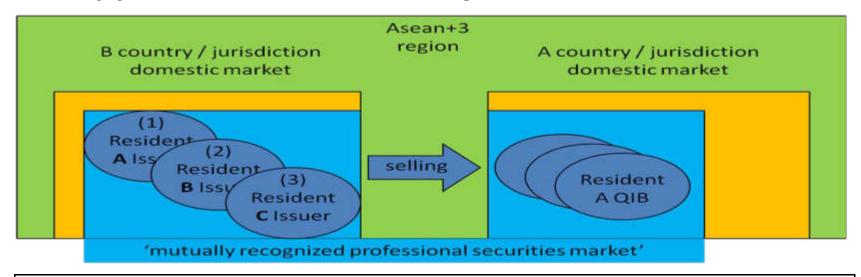
Phase 2 activities – SF1

- <Objective to achieve >
- Ultimately, we will create integrated intraregional professional securities market!



Phase 2 activities – SF1

<Approach : Mutual recognition>



- ✓ Restriction on QIB in jurisdiction A to invest in resident A issuers' bonds issued in professional market in jurisdiction B to be exempt and vice-versa.
- ✓ Restriction on QIB in jurisdiction A to invest in resident B issuers' bond issued in professional market in jurisdiction B to be exempt and vice-versa.
- ✓ Restriction on QIB in jurisdiction A to invest in bonds of resident C issuers' bond issued in professional market in jurisdiction B to be exempt and vice-versa.
- ✓ Resale (secondary market transactions) of the bonds between professional markets in jurisdiction A and B shall not be restricted.



- <Approach : Bilateral or Multilateral>
- The scope and key contents of AMBIP to be discussed collectively in ABMF SF1
- Based on the collective discussion in ABMF, members can choose the actual way of realization of the collectively agreed AMBIP
 - If they prefer to realize it through multiple of bilateral networks, it could be also considered
 - ✓ If members are comfortable, then it can be realized as multilateral format among participating economics



- <Participation of regulatory authorities to ABMF>
- Participation of regulatory authorities would be key success factor of AMBIP discussion
 - ✓ To discuss the concept of QIB as Professional Investors who are eligible to purchase Asian Multi-Currency Bond Issue in the regions and economies under AMBIP
 - ✓ To standardize bond issuance procedure
 - ✓ To discuss selling and buying restrictions on Bonds issued under AMBIP in reference to Asian QIB
- Need strong support from ASEAN+3 members to invite regulatory authorities to ABMF

Agenda for Sub-Forum 1



Agenda for Sub-Forum 1

- ① Phase II Key Principles
- ② Phase II Details
- SF1 Questionnaire
- 4 Proposed Timeline
- ⑤ Proposed Market Visits / Schedule
- 6 Next Steps
- Questions & Answers Session



- Use of data collected in Phase I (Market Guides and Comparative Analysis) to the extent possible
- Try to limit time of and impact on members and market visit participants
- But crucial to establish detailed additional information not previously surveyed in Phase I

ne.

2 Phase II - Details

- 2-1: Key Objective
- 2-2: Areas of Discussion
- 2-3: Key Target Outcomes
- 2-4: Proposed Activities
- 2-5: Major Focal Points
- 2-6: Forms of Output (Outcome)



2-1: Phase II - Key Objective

- ABMF SF1 Phase II work will include research, discussions and assessments of similarities and distinctions in current and necessary levels and qualities of disclosure, documentation, issuers, professional investors, underwriters and other intermediaries.
- This to determine how to best connect the domestic professional securities markets among the jurisdictions in the region.



2-2: Areas of Discussion

- Laws and regulations, as they influence the professional and ordinal bond issuance process in each market or jurisdiction
- Market practices as they inform / determine the professional and ordinal bond issuance process
- Divide questionnaires into three layers based upon development stage/uniqueness of the markets and show proper guidance to make questionnaires as easy as possible

2-2: Key Areas of Discussion I

- Recognize the common denominator(s) of the concept of (a) professional investor, (b) sophisticated investor, (c) qualified investor, (d) accredited investor, (e) QIB, (f) specified investor, (g) institutional investor, (h) HNW, (i) other/similar definitions in relation to item 2
 - Intention to create compatibility matrix based on Comparative Analysis and responses to SF1 Questionnaire
- Mutually recognize "exempted" market or "exempted" transaction conditions, in particular "private placement" concepts + "hybrid regime"
 - Intention to create compatibility matrix based on Comparative Analysis and responses to SF1 Questionnaire
- 3. Investigate "transfer restrictions" in primary market distribution and secondary market resale

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2-2: Key Areas of Discussion II

- Standardize level of disclosure information / disclosure rules in the professional market or the exempt market
- Type of suitable securities for professional market (Current + market in the future)
- (Professional) Participants / participants' code of conduct based on professional market or exempt market as per your regulatory environment (Regulations / SRO rules / other determinants)
- Status quo and aimed direction of investor protection / enforcement
- 8. Status quo and aimed direction of "function of bond market related self-regulatory organization(s)"

2-2-8: Bond Market related SRO

- Name of the bond market related SRO
- Year Established
- Background of the establishment of SRO
- Purpose of the SRO
- Law establishing the legal basis of the SRO's activities
- Contents of the articles of incorporation (for the details of bond-related operations of SRO)
- How and in what areas does SRO compliment regulator
- The contents of self-regulation / SRO's functions in each market
- Summary of the SRO Rules related to each market

 (This and previous item related to public offering (primary and secondary) and exempt market / hybrid market)
- Details of the enforcement (on what or to whom)
- Number of institutions to be covered (and how many people)
- How many people are there in self-regulatory division?

2-3: Key Target Outcomes

- Standardized issuing program related documentation, and terminology related to <u>offering memorandum</u> or similar concept
 - ➤ E.g., need to be mindful of terminology, since public offering = 'offering circular', and non-public offering = 'offering memorandum', even though contents are the same
- Standardized "new issue underwriting procedures"
 - Above outcome will be pursued in line with the progress of the actual issuance process.
- Feasibility of secondary market making and standardized rules and practices for secondary market making
- Synchronized concept of 'eligible issuers'

2-4: Proposed Phase II Activities by the end of 2013

- Invite regulators. (For mutual / multi recognition)
- Utilize Focal Group Meeting to define, progress and test research approach and materials – via video-conferencing hosted by Waseda University (commenced 29 March 2012).
- Conduct a study to examine market needs for standardized bond issue for professional market through questionnaires and markets visits.
- Conduct research and discussions on specific focus areas, plus questionnaires and market visits (details in following slides).
- Consider an implementation of the program and a pilot issue.
- And hopefully, launch a pilot issue based on the bond issuance program (AMBIP).

2-5: Major Focal Points by the end of 2013

- 2-5-1: Internal/external pre-approval process
- 2-5-2: Internal/external approval process
- 2-5-3: Live listing process on a professional market in the region
- 2-5-4: Application documents for internal/external approval (list of documents and substance of each document)

The above is envisaged to be an important first step because subjects would generate output quickly for the deliberation of the markets on what each regulator could consider for (necessary) changes already while we continue to work on other subjects.

- 2-5-5: Issuance timeline (time to market)
- 2-5-6: Issuing process: time window parameters
- 2-5-7: Post-issuance process
- 2-5-8: Intermediaries
- 2-5-9: Related infrastructure (settlement / clearing, etc.)
- 2-5-10: Others

2-5-1: Pre-Approval Process

- Study, Describe process for issuing professional securities:
 - a. identify participants (e.g. issuer, underwriter(s))
 - b. clarify the meaning of their (Regulator(s), Exchange, SRO(s), Foundation Law (such as companies act), etc.) requirements
 - c. identify intermediaries (also see Intermediaries below)
 - d. identify application requirements (including disclosure requirements)
 - laws and regulations
 - + requirements from Regulator(s) / Exchange / SRO(s), etc.
 - e. identify market(s)/segment(s) to issue in
 - By comparing markets on their features in each jurisdiction
 - Generally, SF1 only assumed exempt securities and/or exempt market for professional investors; therefore it is said that the market has been already identified
 - But, in some cases, an exempt scheme may exist without a professional market
 - On the other hand, there may be a 'professional' market without such exempt scheme
 - Expected outcome: Comprehensive description of pre-approval process in text and graphics
- Describe Validation Result: Here, crucial to apply, and validate, Phase I knowledge (BMG and CA)

2-5-2: Approval Process

- Document internal/external approval process, if any, e.g.,
- identify documents required, such as
 - a. financial documents
 - b. official forms/submissions
- concrete approval procedures (other than apply documents)
- general approval terms and conditions, e.g.,
 - ✓ cost: absolute fixed rate / spread over index such as Libor
 - ✓ amount: guidance/rationale for deciding min. and max. amounts
 - ✓ maturity: rationale of approval on length of life of bond, etc.
- approval timeline (how long approval lasts, valid from when, etc.)
- identify parties (which regulator(s) to submit to)
- Describe Validation Result: Here, crucial to apply, and validate, Phase I knowledge (BMG and CA)



- Accompany / research / study a live listing process on a professional market during ABMF Phase II. This would provide tremendous input into ABMF discussion, for both SF1 and SF2.
- Available for consideration: Singapore SGX-ST, SE Hong Kong, Japan TSE (TOKYO PRO-Bond Market), Philippine PDEx.

2-5-4: Application Documents

- Internal/external application documents for approval (e.g., list of documents and substance of each document)
 - a. What reports?
 - b. Which forms?
 - c. What conditions?
 - -- may apply in each of the above process(es).
- Compare the actual standard submissions by market (e.g., compare professional investors market and retail market)
- To identify the actual party to which issue documentation will need to be submitted/filed for approval (e.g., just submit to notify or need to be filed?)

Sample: Documentation List (1)

(just for reference)

No.		Signer	Submit to		
	ssuer related				
1-1	Certified Copies of constitutional documents, Rules of Board of Directors or No Change Certificate	Issuer	Arranger		
1-2	Translation of constitutional documents, Rules of Board of Directors	Issuer	Arranger		
1-3	Copy of Board Resolution of Programme Issuer	Issuer	Arranger		
1-4	Translation of Board Resolution of Programme Issuer	Issuer	Arranger		
1-5	Copy of Board Resolution of Programme guarantee	Guarantor	Arranger		
2-1	Certified Copy of Registry Certificate	Issuer	Arranger		
2-2	Translation of Registry Certificate	Issuer	Arranger		
3	Power of Attorney	lssuer, Guarantor, Dealer	Arranger		
4	Incumbency Certificate / Specimen Signatures	Issuer, Guarantor	Arranger, Agent		
Offering cir	cular				
5	Offering Circular	Issuer			
Contracts					
6	Programme Agreement	lssuer, Guarantor, Dealer	Issuer, Guarantor, Dealer		
7	Agency Agreement	lssuer, Guarantor, Agent	Issuer, Guarantor, Agent		
8	Deed of Covenant (or Alternative Document)	Issuer			
9	Deed of Guarantee (or Alternative Document)	Guarantor			
10	Master Temporary Bearer Global Note (in the case of Bearer form)	Issuer	Agent		
11	Master Permanent Bearer Global Note (in the case of Bearer form)	Issuer	Agent		
12	Master copy of Global Note in registered form (in the case of Bearer form)	Issuer	Registrar		
13	Confirmation of Receipt of Master Temporary Bearer Global Note	Agent	Issuer		
14	Confirmation of Reciption of master copy of Global Note in registered form (in the case of Bearer form)	Registrar	Issuer		
15	Operating & Administrative Procedures Memorandum	-	-		

Sample: Documentation List (2)

(just for reference)

Listing Au	sting Authority (UKLA) related				
5	Offering Circular	Issuer	UKLA/LSE		
5-1	English Financial Statements (if incorporated by reference)	-	UKLA		
5-2	Front Cover Page of Offering Circular	Issuer	UKLA		
16	Checklists (VI, IX, XII and XIII)	Issuer	UKLA		
17	Issuer Contact Form	-	UKLA		
6	Programme Agreement	Issuer, Guarantor, Dealer	UKLA		
7	Agency Agreement	Issuer, Guarantor, Agent	UKLA		
18	Form A	Issuer	UKLA		
19	Application for Admission of Securities to the Official List	Issuer	UKLA		
20	Document Publication Form	-	UKLA		
21	Form 1 (Application for Admission of Securities to Trading)	Issuer	LSE		
	Certified Copy of Board Resolution or Officer's Certificate(including associated documents)	-	LSE		
22	[Issuer's letter to authorise to submit documents to RNS]	Issuer	DLC (Dealers' Legal Counsel)		
23	Issuer's letter to authorise to submit documents to NSM	Issuer	DLC 26		

Sample: Documentation List (3)

(just for reference)

Legal opinion / Comfort letter			
24	Opinion of Issuer's Legal Counsel	ILC	Arranger
25	Opinion of Dealers' Legal Counsel	DLC	Arranger
26	Arrangement Letter	Aud, Issuer, Arranger	Aud, Issuer, Arranger
27	Comfort Letter	Aud	Issuer, Arranger
Others			
28	Signing Agenda	-	-
30	Process Agent Appointment Letter	Issuer, Guarantor	Process Agent
31	Copies of Rating Confirmation Letters	-	Arranger

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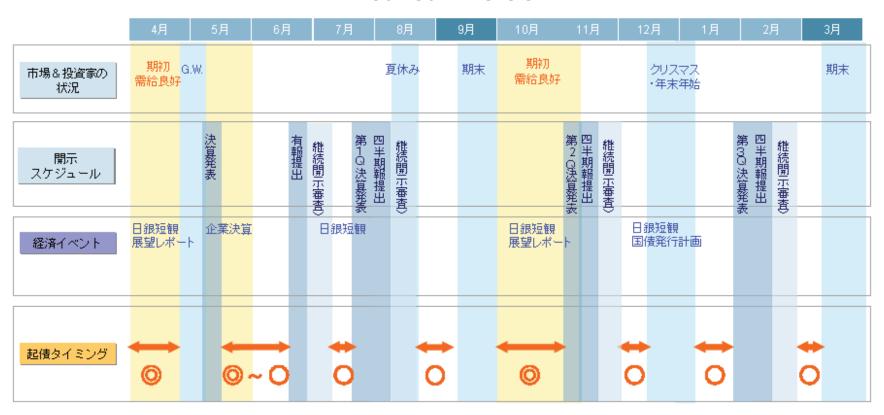
2-5-5: Issuance Timelines

- Key consideration as "time to market"
- This is a crucial point for issuers to select their issuance market since it would have to gel with the financing needs.
- 3 separate timelines for consideration:
 - a. From begin of preparation work to issuance
 - b. From submission of documents to approval
 - c. From official approval to market
 - d. Others, if any
- Expected outcome: elapsed time parameters, as graphs

2-5-6: Issuance Process: Time Window Parameters

- Considered significant by issuers
- Could be key market indicator
- E.g., Japan considers this a market limitation
- Public bond offering process shall not involve Quarterly earnings announcement required by Stock Exchange and filings of quarterly reports and annual securities report required by Financial Instruments and Exchange Act between the launch date and payment date. This has been the long-lasting current practices of Japanese public bonds new issue market. (This is becoming a world-wide trend)
- The company, which has made a shelf-registration for the public bond issuances, is subject to due diligence by dealers on disclosure documents (quarterly reports and annual securities report which constitutes part of public bond offering prospectus) whenever and every time these are filed with FSA. Until the due diligence is over, the issuer can not launch new public bond offering under new financial disclosure. The due diligence usually takes about one to two weeks.
- Expected outcome: issuance days parameter(s)

Example in Japan: Public Issuance Days (Time Window) Parameter



Actual issuance of bonds are possible only within o and o time windows for domestic issuers.

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2-5-7: Post-Issuance Process

- Key considerations:
 - Continuous disclosure requirements (updating financials, material events, etc.)
 - Actual documents required
 - Other considerations

Expected outcome: determination of similarities in actual requirements; description of convergence of distinctions towards proposed common practice

.

2-5-8: Intermediaries

- Key considerations
 - Which parties need to be involved?
 - Expected to cover accountants, brokers, custodians, law firms, trustees, underwriters, other related parties
 - What are the qualifications imposed (e.g. licensing)?
- Expected outcome: comprehensive list of intermediaries and their expected qualifications
 - This can be checked with/against SRO member qualifications...
- Desired outcome: for nascent markets to understand which licensing/registration or other qualification procedures exist elsewhere and which to adopt.

2-5-10: Other Requirements (1)

1. Comfort Letter or similar requirement

- A Comfort Letter is not an application document for approval, unless required by law or regulators.
- A Comfort Letter or similar is typically driven by market parties, and issued by independent assessors (e.g., US SAS72 for underwriters; global custodians typically prescribe SAS70, or FRAG21) or a suitable international organization (e.g. ICMA), Auditing and Assurance Practice Committee Report No.68 "the comfort letter" for Japanese resident public bond offering by Japan Institute of Certified Public Accountants)

2-5-10: Details on Comfort Letter

- In February 1993 the American Institute of CPAs auditing standards board issued Statement on Auditing Standards no. 72, Letters for Underwriters and Certain Other Requesting Parties. The new SAS, which supersedes SAS no. 49, Letters for Underwriters, is effective for comfort letters issued on or after June 30, 1993. SAS no. 72 was issued to clarify who is entitled to obtain comfort letters and to address changes in related authoritative auditing literature. This article should help both CPAs and parties requesting comfort letters understand when such letters may be provided and, when the SAS no. 72 criteria for providing a comfort letter are not met, what other services CPAs can provide.
- SAS70 (Statement on Auditing Standards No.70)
- U.K. version of the SAS70. 7 June 2006, Following a long consultation process and considerable deliberation the Audit and Assurance Faculty of the Institute of Chartered Accountants In England and Wales has now issued new guidance "Assurance Reports on internal controls of service organizations made available to third parties" AAF 1/06 which supersedes FRAG 21/94. The guidance is available on the ICAEW website.
- Whereas FRAG 21/94 was primarily utilized by custodians and investment managers, the
 new guidance has been specially developed for a range of financial services including
 pensions administration, property management, fund accounting and transfer agency. The
 technical release is effective for periods ending on or after 31 March 2007. However,
 service organizations and reporting accountants are encouraged to apply this guidance
 before that date as best practice.



- 2. Due diligence practice.
- 3. Documents for underwriting new issue exempt securities for professional investors - but not application documents for approval, such as: offering memorandum, subscription agreement, conditions of the bonds, legal opinion, etc. and documents for other relevant intermediaries.
- 4. Notification documents to be delivered to professional investors in order to observe selling restrictions or resale restrictions, such as notification, if any.
- 5. Transfer restriction agreements among issuer, underwriters / dealers and professional investors, if any.

2-6: Forms of Output (Outcome)

- The output could be in matrix form, in addition to text.
- Landscape, rather than portrait format

A. Overall Assessment - Sound and Robust Market Infrastructure

All of the 10 securities markets covered under this research project have built robust market infrastructures, including legal and operational systems to secure transactions in the domestic bond market over the past 10 years.

In almost all markets, key legal and regulatory frameworks and related systems are in place. The following tables detail some of the features of these key bond-market infrastructures.

For instance, a clear definition of securities (bonds) is considered to be a fundamental base and condition for the sound development of the bond market. Most of the jurisdictions have a specific definition of securities, or are striving to further improve or darify the definition of securities.

Table 1.2 Existence of a Clear Definition of Securities (Bonds)

luisäction	Existence of a Clear Definition of Securities (Bonda)
People's Republic of China	Sourcition correspts may differ by includity or by competions authority in China. The Corporation Law and Enterprise Law on exist end, hence, wither may set nakes for insurance of securities, depending on the including, source, and type of security.
	The official definition of securities is provided in the Securities Lee of PRC, which was revised in 2005,
	The present less shall be aquited to the seasons of and transactions in stocks, corporate boxists, as well as any other accurate benduly exceptioned by the State Council within the leasters of the PFC. However, were brette do not the under the Sociation Line. In some shore from a recounty consistent in the present law, the president of the Corporation Line and other relationship to the president law and individually support and the president law and individually support and the president law and individually support and the project.
Hung Kong, China	For bonds to be lated on the hong King Book Entrage or showed through the Curtinal Moveymekers late (SAM), they must entaily the offers as set out or, among enters, the Lates Pulses and CAM Service Reference Manual shalps in accessible to CAM members with, respectively. Manual solderfriem of accordance in lated down in the Securition and Futures Cardinaria (SFC) of the Securition and Futures Commission (SFC).
Indonesia	The definition of securities is not confined to a single less. Original relevant definitions found in the commercial code left by the Dubbs, and remaining in force sen the following: Promissory code (FM), theque, and fall of exchange.
	There is no mention of corporate bundle and dold instruments in the Company Law; however, they are often described or covered in the Actions of Association of companies.

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Table 3.21 Korea Treasury Bonds Futures Trading System

	10 year KTB Futures	5 year KTB Futures	3 year KTB Futures
Underlying asset	10 year KTEs with 5% ocupon rate (Face value W100 million)	5 year KTBs with 5% coupon rate (Face value W1:00 million)	3 year KTBs with 5% coupon rate (Face value W100 million)
Treding unit	Face yelue W100 million	Fece value W100 million	Face value W100 million
Tick size	0.01	0.01	0.01
Tick value	W10,000 (= 100,000,000 × 0.01 × 1/100)	W10,000 (= 100,000,000 × 0.01 × 1/100)	W10,000 (= 100,000,000 × 0.01 × 1/100
Trading hour	9:00 a.m 3:15 p.m. (Last trading day: 9:00 a.m 11:30 a.m.)	9:00 a.m. – 3:15 p.m. (Last trading day: 9:00 a.m. – 11:30 a.m.)	9:00 a.m. – 3:15 p.m. (Last trading day: 9:00 a.m. – 11:30 a.m.)
Contract month cycle (Listed contract months)	March, June, September, and December (2 contract months)	March, June, September, and December (2 contract months)	March, June, September, and December (2 contract months)
Last trading day (Final Settlement day)	Third Ruesday of the contract month (the next business day following the last trading day: t+1)	Third Tuesday of the contract month (the next business day following the last trading day: t+1)	Third Tuesday of the contract month (the next business day following the last trading day: t+1)
Settlement method	Cash settlement	Cash settlement	Cash settlement
Daily price limit	None	None	None
Quotation price limit	Base price ± 2.7%	Base price ± 1.8%	Base price ± 1.5%
Launch date	25 February 2003	22 August 2003	29 September 1999



- The output for the stated expected outcomes could initially be in matrix form, later also in detailed text form across all discussed subjects.
- This would be closer to the Phase I Comparative Analysis style but should probably be done in Landscape format, in order to allow sufficient space for all the crucial points per country / jurisdiction and by topic in the same row and, preferably, on the same page.



(3) SF1 Questionnaire

- SF1 questionnaire draft format ready for member in-principle approval by 8th ABMF Meeting in Manila (17-18 of April).
- Completion, dispatch after member feedback included
- See separate handouts provided

SF1 Questionnaire Approach

Decision 1 – Organization by stage / uniqueness of development:

- Jurisdictions with existing professional (exempt regime) market (Singapore, Hong Kong, Japan, Malaysia, Thailand and Philippines)
- Jurisdictions without existing professional market (Indonesia and Viet Nam), and
- +2 countries (China, Korea).

SF1 Questionnaire into 3 Layers

	Existence - Professional Investor-Only Market	Existence - Exempt Regime	Existence - Regulated Private Placement	Grouping
China	(Unique: Inter-Bank)	No	No	Group C
Hong Kong, China	Yes	Yes	Yes	Group A
Indonesia	No	No	No	Group B
Japan	Yes	Yes	Yes	Group A
Korea	(QIB Market will be launched in 2012)	Yes	Yes	Group A'
Malaysia	No	Yes	Yes	Group A'
Philippines	No	Yes	Yes	Group A'
Singapore	Yes	Yes	Yes	Group A
Thailand	No	Yes	Yes	Group A'
Viet Nam	No	No	Stipulated in Law but not regulated	Group B

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SF1 Questionnaire Approach

Decision 2 – Organization by 'workload':

- Provide comprehensive Questionnaire in single instance, OR
- Provide Questionnaire in several installments over project period, e.g.
 - a. Start with documentation as quick-to-conclusion topic
 - b. Then, focus on issuance process description, etc.
 - c. Close with intermediaries, etc.
- Nominate a Hub-person (Market 'Champion') in each jurisdiction for making integrated answers, who can coordinate questionnaire responses and market visit.

4 Proposed Timeline I



⑤ Proposed Market Visits Schedule

For SF1/SF2—All Underlined visits will be executed by SF1 and SF2 altogether.

MALAYSIA Singapore 1st Visit 10Jun-13Jun 13Jun-17Jun 11M,12T (2 days) 14T,15F (2 days) **THAILAND INDONESIA** 2nd Visit 24June-27June 27June-30June 25M,26T (2 days) 28T,29F (2 days) **JAPAN KOREA** 3rd Visit 11Jul-15Jul 08Jul-11Jul 12T,13F (2 days) 09M,10T (2 days) CHINA(SH) CHINA(BE) 4th Visit 22July-25July 25July-28July 23M-24T (2 days) 26T-27F (2 days) **PHILIPPINES** Hong Kong 5th Visit 05Aug-08Aug 08Aug-11Aug 06M-07T (2 days) 09T-10F(2days)

6th Visit

Viet Nam 19Aug-22Aug 20M,21T (2 days)



Proposed Market Visit Approach

- Grouping
 - Possible grouping into markets that ADB team wants to hear/learn from, and those that would want to learn from others
 - Comparable stage of market development as practical approach
 - Proximity of markets a consideration
- Max. 3 markets / economies in a single trip
 - Target of max. 3 markets to ensure efficiency, lessen fatigue
 - Subject to ABMF budget, holidays and other conditions
- Starting with Malaysia
 - To build on case studies shared at Hong Kong meeting
- Creation of Market 'Champion' in each jurisdiction
 - Able to coordinate visits, questionnaire responses

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Considerations for Market Visits

- The same schedule applies to SF1 and SF2
- Members' and experts' availability is key
- Follow-up with suitable market visit 2011 participants (e.g. < custodians, > law firms)
- Other places to visit (possibility of additional visits)
 - Brunei, Lao PDR, Cambodia, Myanmar

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Next Steps [until Korea meeting in Sept]

- Take in Members' feedback
- Complete SF1 Questionnaire
- Send Questionnaire, introduction to Members
- Decide on Market Visits timeframe
- Review, process Questionnaire responses
- Prepare follow-up subjects for Market Visits
- Review, process Market Visits learning
- Start documenting findings



7 Questions & Answers

After the coffee break...

Please let us have your views.

Thank you for your kind attention and feedback!



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Questionnaire Format for Phase 2 of ABMF Sub Forum 1 (draft v6)

8th ABMF-SF2, 17 April 2012, Manila

For all National Members and Experts: Answered Questionnaires should be sent back to ADB Secretariat by 30 May 2012

Contact person ('Champion')	
Institution	
Mailing address	
Phone number	
e-mail address	
Alternate person_1	
Institution	
Mailing address	
Phone number	
e-mail address	
Alternate person_2	
Institution	
Mailing address	
Phone number	
e-mail address	

■ Introduction:

Scope of the Phase 2 activities of ABMF SF1 was reported to and approved by ABMI TF3 Meeting on 2 March 2012 in Siem Reap, Cambodia.

■ General explanations of the questionnaire:

Please refer to Prof. Inukai's explanatory material for the 8th ABMF Manila meeting "SF1 - Developing a Common Bond Issuance Program ('AMBIP')" for details. The numbering of topics in this questionnaire is consistent with the above explanatory material.

Proposed Questionnaire schedule:

- > In principle approval for Questionnaire: 8th ABMF Manila Meeting, 17/18 April 2012
- > Questionnaire to be sent to Members: 25 April 2012
- > Questionnaire received back to ADB Secretariat: **30 May, 2012** through the nominated 'Hub person (Champion)' in each jurisdiction.

■ Submission format:

Submission of the Questionnaire is envisaged as a Word file for the convenience of each respondent.

(ADB will improve the format later.)

session1 Prof. Inukai (SF1 Questionnaire).docx (as at 13/April/2012)

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■ Grouping of markets:

We have made a proposed grouping of the markets based upon the development stage/uniqueness of the respective markets.

Table 1:

Jurisdiction / Economy	Existence - Professional Investor-Only Market	Existence - Exempt Regime	Existence - Regulated Private Placement	Grouping
China	(Unique: Inter-Bank Bond Market) No No		No	Group C
Hong Kong, China	Yes Yes		Yes	Group A
Indonesia	No No No		No	Group B
Japan	Yes	Yes	Yes	Group A
Korea	(QIB Market will be launched in 2012)	Yes	Yes	Group A'
Malaysia	No	Yes	Yes	Group A'
Philippines	No	Yes	Yes	Group A'
Singapore	Yes	Yes	Yes	Group A
Thailand	No	Yes	Yes	Group A'
Viet Nam	No	No	Stipulated in Law but not regulated	Group B

SF1 Questionnaire:

Please answer all questions to the extent possible based on your jurisdiction's laws, regulations, guidance by the regulator(s) and/or market practices, etc. In case you feel unable to provide a suitable answer, kindly state that in the corresponding item.

2-1-1-A: Question to Group A+A'+C: the professional market and/or exempt market: Reference is made to the above Table 1 and the Comparative Analysis (CA) and Bond Market Guide (BMG).

Generally, "exempt market" or "exempted market" mean a market which is exempted from a full disclosure requirement. IOSCO is using the wording of "hybrid regime" which provides an exemption from filing requirement of a full prospectus but may require filing a simplified or short-form prospectus or other registration/information document. They can be based on either private placement or public offering related regulations but contain elements of both (e.g., private issue with secondary market trading). Hybrid regimes can take different forms. So we would like to ask your jurisdiction that you have a hybrid regime or not, including the estimated extent of use of (the three of (1) public offering, (2) pure private placement, and (3) hybrid regime) each of the different issuance regimes based on percent of total issuance.

Please describe the basic feature, legal and practical structure, characteristics, connectivity with other professional market(s) (e.g. Eurobond market) of the professional market and/or exempt market in your jurisdiction.

We would also like to ask whether your jurisdiction has a hybrid regime or not, including the estimated extent of use of (the three of (1) public offering, (2) pure private placement, and (3) hybrid regime) each of the different issuance regimes based on percent of total issuance.

Item	Answer
(a) Basic feature of the	

professional market and/or
exempt market
(b) Legal and practical structure
of the professional market and/or
exempt market
(c) Characteristics of the
professional market and/or
exempt market
(d) Connectivity with other
professional market (Eurobond
market) of the professional
market and/or exempt market
(e) Other notes related to above
(f) Hybrid regime - if existing,
details including the estimated
extent of use of (the three of (1)
public offering, (2) pure private
placement, and (3) hybrid regime)
each of the different issuance
regimes based on percent of total
issuance

2-1-2-A: Question to Group A+A'+C: (a) professional market regime, (b) public offering market regime, (c) private placement

market regime and (d) hybrid regime:

Please explain about the mutual relations among (a) professional market regime, (b) public offering market regime, (c) private placement market regime and (d) hybrid regime in your jurisdiction.

Item	Answer
(a) professional market regime	
(b) public offering market regime	е
(c) private placement market	7
regime	
(d) hybrid regime	
(e) Other notes	

2-1-3-B: Question to Group B: the private placement regime or hybrid regime:

Reference is made to the above Table 1 and the Comparative Analysis (CA) and Bond Market Guide (BMG).

Please describe (a/d) the basic feature, (b/e) legal and practical structure, (c/f) characteristics of the private placement regime or hybrid regime in your domestic bond market. (g) Also describe whether that private placement regime or private placement market is regulated or not or whether that is your policy direction or not. (h) In addition, would a hybrid regime be workable in your jurisdiction or not or would that be your policy direction or not, and (i) If private placement is not regulated, please explain how you treat re-sale of the privately placed bonds to the public in secondary market.

Item	Answer
(a/d) basic feature of the private	

placement regime / hybrid regime
(b/e) legal and practical structure
of the private placement regime /
hybrid regime
(c/f) characteristics of the private
placement regime / hybrid regime
(g) private placement regime or
private placement market is
regulated or not or it is your policy
direction or not
(h) hybrid regime is workable or
not or it is your policy direction or
not
(i) If private placement is not
regulated, please explain how you
treat re-sale of the privately
placed bonds to the public in
secondary market.

2-2-1: Common denominator(s) of the concept of professional investor:

Reference is made to the above Table 1 and the Comparative Analysis (CA) and Bond Market Guide (BMG).

The objective is to mutually recognize the common denominator(s) of the concept of professional investor / sophisticated investor / qualified investor / accredited investor / QIB / specified investor / institutional investor (II) / high net worth individuals (HNW) etc.

Please describe the concept, definition, mutual differences, and relation with investment limitations, ratings, etc. in your market with the related name of the laws and regulations, including limitation of transfer and resale and other limitations like "investment limitation" (e.g., limit of 10% of total assets) to specific securities or securities issued via the hybrid regime or private placement regime related regulations and practices.

> Intention to create compatibility matrix based on Comparative Analysis and responses to SF1 Questionnaire

Item	Answer
(a) Professional investor	
(b) Sophisticated investor	
(c) Qualified investor	
(d) Accredited investor	
(e) QIB	
(f) Specified investor	
(g) Institutional investor (II)	
(h) High net worth individuals	
(HNW)	
(i) Others	

2-2-2: Policy concept and how to formulate "exempted" market or "exempted" transaction:

Please describe the policy concept and how to formulate "exempted" market or "exempted" transaction with its conditions in details. The Comparative Analysis (CA) and Bond Market Guide (BMG) may act as guidance.

> Intention to create compatibility matrix based on Comparative Analysis and responses to SF1 Questionnaire

Item	Answer
The policy concept and how to	
formulate "exempted" market or	
"exempted" transaction with its	
conditions in details	

2-2-3: Policy concept and details of "transfer restrictions":

Please describe the policy concept and details of "transfer restrictions" in primary market distribution and secondary market resale in your professional market or exempt market or hybrid regime, respectively, as detailed as possible, if any.

Item	Answer
"Transfer restrictions" in primary	
market distribution	
"Transfer restrictions" in	
secondary market resale	

2-2-4-1: Disclosure information / disclosure rules in the professional market:

Please describe the detailed level of disclosure information / disclosure rules in the professional market or in the exempt market or hybrid regime respectively including the key conditions for prospectus exemption. The Comparative Analysis (CA) and Bond Market Guide (BMG) may act as guidance.

Item	Answer
The detailed level of disclosure	
information / disclosure rules in the	
professional market or in the	
exempt market or hybrid regime	

2-2-4-2: Disclosure standard:

Please describe the detailed level of disclosure standard – for instance, including the adoption of ASEAN and Plus Standard for Resident / Non-Resident.

Item	Answer
The detailed level of disclosure	
standard including the adoption of	
ASEAN and Plus Standard for	
Resident / Non-Resident	
Related matters	

2-2-4-3: Accounting standards:

Please describe the expected or permitted level of accounting standards – including the adoption of IFRS for cross-border offerings for Resident / Non-Resident.

Item	Answer

The detailed level of accounting	Yes or No.
standards – including the	
adoption of IFRS for cross-border	
offerings for Resident /	
Non-Resident	
Related matters	

2-2-4-4: Auditing standards:

Please describe the detailed level of auditing standards – including the adoption of ISA for cross-border offerings for Resident / Non-Resident.

Item	Answer
The detailed level of auditing	
standards – including the	
adoption of ISA for cross-border	
offerings for Resident /	
Non-Resident	
Related matters	

2-2-5: Suitable securities:

Please describe the current list of type(s) of suitable securities for professional market or exempt market or hybrid regime, if any, and any possible policy direction for the future or a future market. The Bond Market Guide (BMG) may act as guidance.

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Item	Answer
The type of suitable securities for	
professional market or exempt	
market or hybrid regime - current	
The type of suitable securities for	
professional market or exempt	
market or hybrid regime – in the	
future	

2-2-6: (Professional) Participants' / participants' code of conduct:

Please describe any current (Professional) Participants' / participants' code of conduct arrangement situation based on your professional market or exempt market or hybrid regime, based on your regulatory environment, in a detailed manner (Laws / Regulations / SRO rules / others).

Item	Answer
Status quo of the concrete	
(Professional) Participants	
Status quo of the concrete	
(Professional) participants' code	
of conduct situation based on	
your professional market or	
exempt market or hybrid regime	
based on your regulatory	
environment (Laws / Regulations	

/ SRO rules / others)	
-----------------------	--

2-2-7-1: Investor protection and enforcement:

Please describe the current level and your aimed direction of investor protection including enforcement as detailed as possible – in retail market (publicly offered market), professional market and hybrid regime. Particularly, if you could distinguish the difference in investor protection in each market segment, as may be applicable, please describe as much as possible with references to the legal and regulatory backgrounds, respectively.

Item	Answer
Status-quo of investor protection	
and enforcement in each market	
Investment restrictions on	
resident investors	
Existence of clear legislation on	
bond holders' rights	
Aimed direction of investor	
protection and enforcement in	
each market	

2-2-7-2: Non-resident Investor Market Access:

Please describe the status-quo, and your aimed direction, of the Non-resident Investor Market Access.

Item	Answer
100	7 11077-01

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(a) Non-resident market access	
(b) Elimination of non-resident	
investor registration	
requirements	
(c) Removal of discriminatory	
restrictions on investment by	
non-resident investors	
(d) Removal of discriminatory	
restrictions on non-resident	
institutional investors' portfolio	
composition	
(e) Removal of restrictions on	
non-resident LCY borrowing	
(i.e. intraday credit/overnight	
credit, etc.)	

2-2-7-3: Withholding Tax related:

Please answer the following withholding tax related questions.

- (a) Non-resident investors are "exempted from withholding tax on interest" or not?
- (b) What types of domestic resident investors (e.g. banking institutions) are "exempt from withholding tax?"
- (c) Is accrued interest subject to withholding tax?
- (d) Domestic secondary market trading is done on clean bond basis or so-called dirty bond (non-withholding tax exempt counterparty held) basis.

Item	Answer
(a) Non-resident investors are	
"exemption from withholding	
tax on interest" or not?	
(b) What types of domestic	
resident investors (e.g. banking	
institutions) are "exempt from	
withholding tax?"	
(c) Is accrued interest subject to	
withholding tax?	
(d) Domestic secondary market	
trading is done on clean bond	
basis or so-called dirty bond	
(non-withholding tax exempt	
counterparty held) basis.	

2-2-8: Self-regulatory organization(s):

2-2-8-1: status-quo and your aimed direction of "function of bond market related Self-regulatory organization(s)

Please describe the status-quo and your aimed direction of "function of bond market related Self-regulatory organization(s)."

In case you do not have domestic SRO(s) in your jurisdiction, please consider how you are going to describe the alternative functions.

Item Answer		Answer
(a)	Status-quo of "function of	
	bond market related	
	Self-regulatory	
	organization(s)"	
(b)	Related enforcement in brief	
(c)	Aimed direction of "function	
	of bond market related	
	Self-regulatory	
	organization(s)"	
(c)	In case you do not have	
	domestic SRO(s) in your	
	jurisdiction, how you are	
	going to describe the	
	alternative functions.	

2-2-8-2: Bond Market related Self-regulatory organization

2-2-8-2-1: Bond Market related Self-regulatory organization details 1

Bond Market related Self-regulatory organization No.1: (

Item	Answer
A) Name of the bond market	

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	related SRO
В)	Year Established
C)	Background of the
	establishment of SRO
D)	Purpose of the SRO
E)	Law established the legal basis
	of SRO activity
F)	Contents of the articles of
	incorporation (For the details
	of bond-related operations of
	SRO)
G)	How and what areas does SRO
	compliment regulator
H)	The contents of self-regulation
	/ SRO's functions in bond
	markets (*)
I)	Summary of the SRO Rules
	related to each market (*)
J)	Details of the enforcement (on
	what or to whom)
K)	Number of institutions to be
	covered (and how many
	people)

L) How many people are there in	
self-regulatory division?	
M) Other	

2-2-8-2-2: Bond Market related Self-regulatory organization details 2

Bond Market related Self-regulatory organization No.2: (

Iten	n	Answer
A)	Name of the bond market	
	related SRO	
В)	Year Established	
C)	Background of the	
	establishment of SRO	
D)	Purpose of the SRO	
E)	Law established the legal basis	
	of SRO activity	
F)	Contents of the articles of	
	incorporation (For the details	
	of bond-related operations of	
	SRO)	
G)	How and what areas does SRO	
	compliment regulator	

^(*) Item H and I will be related to public offering (primary and secondary) and exempt market / hybrid market

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H)	The contents of self-regulation	
	/ SRO's functions in bond	
	markets (*)	
I)	Summary of the SRO Rules	
	related to each market (*)	
J)	Details of the enforcement (on	
	what or to whom)	
K)	Number of institutions to be	
	covered (and how many	
	people)	
L)	How many people are there in	
	self-regulatory division?	
M)	Other	

2-2-8-2-3: Bond Market related Self-regulatory organization details 3

Bond Market related Self-regulatory organization No.3: (

Item	Answer
A) Name of the bond market	
related SRO	
B) Year Established	
C) Background of the	

^(*) Item H and I will be related to public offering (primary and secondary) and exempt market / hybrid market

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	establishment of SRO
D)	Purpose of the SRO
	•
E)	Law established the legal basis
	of SRO activity
F)	Contents of the articles of
	incorporation (For the details
	of bond-related operations of
	SRO)
G)	How and what areas does SRO
	compliment regulator
H)	The contents of self-regulation
	/ SRO's functions in bond
	markets (*)
I)	Summary of the SRO Rules
	related to each market (*)
J)	Details of the enforcement (on
	what or to whom)
K)	Number of institutions to be
	covered (and how many
	people)
L)	How many people are there in
	self-regulatory division?
M)	Other

(*) Item H and I will be related to public offering (primary and secondary) and exempt market / hybrid market

2-3: MTN programs acceptance:

Towards creating AMBIP, it will be worthwhile to mutually know the acceptance conditions of MTN programs in each jurisdiction.

Please describe your acceptance of the MTN Program in your jurisdiction with the related laws, regulations and SRO Rules, etc. and any background information as follows.

Item	Answer
(a-1) Acceptance of Resident MTN	
programs /shelf-registration system	
in general- as a policy direction	
(a-2) Acceptance of Non-Resident	
MTN programs /shelf-registration	
system in general- as a policy	
direction	
(b-1) Acceptance of Resident	
International (Euro) MTN programs	
(b-2) Acceptance of Non-Resident	
International (Euro) MTN programs	
(c-1) Acceptance of Resident Local	
MTN programs / shelf-registration	
system	

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(c-2) Acceptance of Non-Resident	
Local MTN programs /	
shelf-registration system	
(d-1) Removal of discriminatory	
restrictions on issuance by	
Non-Residents	

2-4: Standardized bond issue for professional market:

Please describe market needs and policy direction for standardized bond issuance in a professional market.

Item	Answer
Describe market needs and policy	
direction for standardized bond	
issue for professional market	

2-5: Major Focal Points

2-5-1: Internal / External Pre-Approval Process:

Please describe the pre-approval process for issuing professional securities, for resident issuer and non-resident issuer respectively, if there is a difference:

- (a) Please identify participants (e.g. issuer, underwriter(s)).
- (b) Please clarify the meaning of their (Regulator(s), Exchange, SRO(s), etc.) requirements.
- (c) Please identify intermediaries (also see Intermediaries below).

- (d) Please identify application requirements (including disclosure requirements)
 - i. Explicit Rules, like Laws, Regulations and SRO Rules
 - ii. Implicit Rules: Requirements from Regulator(s) / Exchange / SRO(s), etc.
- (e) Please identify market(s)/segment(s) to issue in
 - i. By comparing markets on their features in each jurisdiction.
 - ii. Generally, SF1 only assumed exempt securities and/or exempt market for professional investors; therefore it is said that the market has been already identified.
 - iii. But, in some cases, an exempt scheme may exist without a professional market
 - iv. On the other hand, there may be a 'professional' market without such exempt scheme.
- (f) Please describe Validation Result: Here, crucial to apply, and validate, Phase I knowledge (BMG and CA)

Item	Answer
(a) Please identify participants	
(e.g. issuer, underwriter(s))	
(b) Please clarify the meaning of	
their (Regulator(s), Exchange,	
SRO(s), etc.) requirements	
(c) Please identify intermediaries	
(d) Please identify application	
requirements (including	
disclosure requirements)	
i. Explicit Rules, like Laws,	
Regulations, SRO(s), etc.	

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ii.	Implicit Rules:
	Requirements from
	Regulator(s) / Exchange
	/ SRO(s), etc.
(e) Plea	ase identify market(s) /
seg	ment(s) to issue in
i.	By comparing markets
	on their features in each
	jurisdiction.
ii.	Generally, SF1 only
	assumed exempt
	securities and/or exempt
	market for professional
	investors; therefore it is
	said that the market has
	been already identified.
iii.	But, in some cases, an
	exempt scheme may
	exist without a
	professional market
iv.	On the other hand, there
	may be a 'professional'
	market without such

exempt scheme.	
(f) Validation Result	

2-5-2: Internal / External Approval Process:

Please describe the approval process for issuing professional securities, if any, for resident issuer and non-resident issuer respectively, if there is a difference, e.g.:

- (a) Identify documents required, such as
 - i. Financial documents
 - ii. Official forms/submissions
- (b) Concrete approval procedures (other than apply documents)
- (c) General approval terms and conditions, e.g.,
 - i. Cost: absolute fixed rate / spread over index such as Libor
 - ii. Amount: guidance/rationale for deciding min. and max. amounts
 - iii. Maturity: rationale of approval on length of life of bond, etc.
- (d) Approval timeline (how long approval lasts, valid from when, etc.)
- (e) Please identify parties (which regulator(s)) to submit to
- (f) Please describe Validation Result: Here, crucial to apply, and validate, Phase I knowledge (BMG and CA)

Item	Answer
(a) Identify documents required,	
such as	
i. Financial documents	
ii. Official	

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	former / or the reliant on a
	forms/submissions
(b)	Concrete approval
	procedures (other than apply
	documents)
(c)	General approval terms and
	conditions, e.g.,
i	
	rate / - spread over index
	such as Libor
ii	
"	
	guidance/rationale for
	deciding min. and max.
	amounts
iii	. Maturity: rationale of
	approval on length of life
	of bond, etc.
(d)	Approval timeline (how long
	approval lasts, valid from
	when, etc.)
(e)	Please identify parties (which
	regulator(s)) to submit to
(C	
(f)	Validation Result

2-5-3: Live listing process on a professional market:

The intention is to, if possible, accompany/research/study a live listing process on a professional market during the course of ABMF Phase 2. This would give tremendous and valuable input into our discussion. Considerations would be listings on, e.g., Singapore SGX-ST, SE Hong Kong, TSE (TOKYO PRO-Bond Market), and Philippine PDEx.

Please describe a/the live listing (process) on a professional market, to the extent possible, and as available, for resident issuer and non-resident issuer respectively, if there is a difference.

Listing Market Name: (

Item	Answer
Describe Live listing process on a	
professional market	

2-5-4: Application Documents:

Please describe the actual contents of application documents for Internal / External approval, for resident issuer and non-resident issuer respectively, if there is a difference:

- (a) Internal / External Application documents for Approval (e.g., list of documents and substance of each document)
 - i. What reports?
 - ii. Which forms?
 - iii. What conditions,
 - -- may apply in each of the above process.
- (b) Please compare the actual standard submissions by market (e.g., comparing professional investors market and retail market)

(c) To identify the actual party to which issue documentation will need to be submitted/filed for approval (e.g., just submit to notify or need to be filed?)

Iten	n	Answer
(a)		
	Internal / External application	
	documents for approval	
(b)	Comparison of the actual	
	standard submissions by	
	market (e.g., comparing	
	professional investors market	
	and retail market)	
(c)	The actual parties to which	
	issue documentation will	
	need to be submitted / filed	
	for approval (e.g., just submit	
	to notify or need to be filed?)	

2-5-5: Issuance Timelines:

This is a crucial point for issuers to select their issuance market since it would have to gel with a company's financing needs.

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Please describe key consideration as "Time to Market"; with 3 separate timelines for consideration (and possibly others), for resident issuer and non-resident issuer respectively, if there is a difference:

- (a) From begin of preparation work to issuance
- (b) From submission of documents to approval
- (c) From official approval to market
- (d) Others, if any

Item	Answer
Issuance Timelines: 3 separate	
timelines for consideration	
(a) From begin of preparation	
work to issuance	
(b) From submission of	
documents to approval	
(c) From official approval to	
market	
(d) Others, if any	

2-5-6: Issuance process:

Intention is to derive time window parameters.

Please describe time window (issuance days) for each respective market or segment. For guidance, kindly refer to the example on Japan in the 8th ABMF Meeting materials. Please consider the significance by issuers, for resident issuer and non-resident issuer respectively, if there is a difference.

Item	Answer
Time window (issuance days)	
parameter	

2-5-7: Post-Issuance Process:

Please describe the following key consideration points, for resident issuer and non-resident issuer respectively, if there is a difference.

- (a) Continuous disclosure requirements (updating financials, material events, etc.)
- (b) Actual documents required
- (c) Other considerations

Expected outcome will be: determination of similarities in actual requirements; description of convergence of distinctions towards proposed common practice.

Item	Answer
(a) Continuous disclosure	
requirements (updating	
financials, material events,	
etc.)	
(b) Actual documents required	

(c) Other considerations	
--------------------------	--

2-5-8: Intermediaries:

Please describe the following key consideration points.

Please also take into account if there is a difference between resident issuer and non-resident issuer respectively.

- (a) Which parties / professionals need to be involved? -- Expected to cover accountants, brokers, custodians, law firms, trustees, underwriters, other related parties
- (b) What are the qualifications imposed (e.g. licensing)?
- (c) Other considerations

Expected outcome will be comprehensive list of intermediaries and their expected qualifications. This can be checked with/against SRO member Qualifications. Desired outcome will be for nascent markets to understand which licensing/registration or other qualification procedures exist elsewhere and which to adopt.

Item	Answer
(a) Parties / professionals need to	
be involved in	
(b) Qualifications imposed to (a)	
(c) Other considerations	

2-5-9: Other Requirement:

Please explain any such other requirements.

Please also take into account if there is a difference between resident issuer and non-resident issuer respectively.

- (a) Comfort Letter or similar requirement,
- (b) Due diligence practice,
- (c) Documents for underwriting new issue exempt securities for professional investors but not application documents for approval, such as: offering memorandum, subscription agreement, conditions of the bonds, legal opinion, etc. and documents for other relevant intermediaries,
- (d) Notification documents to be delivered to professional investors in order to observe selling restrictions or resale restrictions, such as notification, if any,
- (e) Transfer restriction agreements among issuer, underwriters / dealers and professional investors, if any.

Item	Answer
(a) Comfort Letter or similar	
requirement	
(b) Due diligence practice	
(c) Documents for underwriting	
new issue exempt securities for	
professional investors - but not	
application documents for	
approval, such as: offering	
memorandum, subscription	
agreement, conditions of the	
bonds, legal opinion, etc. and	
documents for other relevant	
intermediaries,	

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(d)	Notification documents to be
	delivered to professional
	investors in order to observe
	selling restrictions or resale
	restrictions, such as
	notification, if any,
(e)	Transfer restriction agreements
	among issuer, underwriters /
	dealers and professional
	investors, if any.

3-1: Transparency in market development:

Please describe the answer to the following points from the point of resident investor and non-resident investor.

- (a) Availability of benchmarks at regular intervals
- (b) Inclusion in an internationally accepted bond index
- (c) Others

Item	Answer for case of Resident Investor	Answer for case of Non-Resident Investor
(a) Availability of		
benchmarks at		
regular intervals		
(b) Inclusion in an		
internationally		

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accepted bond index	
(c) Others	

3-2: Free description:

Please describe any additional information or details that you consider beneficial for the ABMF research.

Item	Explanation
(a)	
(b)	
(c)	

Thank you for your cooperation.

<APPENDIX: Report Index>

To be fixed later.

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Comments on Research and Discussion Issues

2012. 4. 17

Korea Financial Investment Association(KOFIA)

I. Overview

1.1 Main focus of SF1 phrase II

 research and discussion on "disclosure and market players[issuers, professional investors, underwriter / broker-dealer]" so as to connect domestic professional securities markets between countries / jurisdictions in the region.

1.2 Starting Discussion Areas

- Mainly related to laws, regulations and SRO rules in each country / jurisdiction
- Mainly related to market practices and function of each domestic SRO

I. Overview

1.3 Discussion Area #1

- Recognize "common denominator" of the concept of "professional investor / sophisticated investor / accredited investor / QIB etc."
- Mutually recognize "exempted market conditions" including "private placement"
- Investigate "Transfer restrictions" (primary distribution and Secondary resale)
- Standardize "disclosure level of information
- / disclosure rules"
- "Investor protection"
- "Participants / code of conduct for participants"
- "Type of suitable securities" (for futures market)

I. Overview

1.4 Discussion Area #2

- Standardize "the related documentation in <u>offering me</u> morandum, etc."
- Standardize "new issue underwriting procedures"
- Feasibility of secondary market making and Standardize "the rules and practice of secondary marke t making"
- Synchronize "the concept of eligible issuers"

1.5 Major Focal Points for Market Process

1.6 Details on Each Market Process

2. Comments and Discussion

2.1 Priority among the discussion issues

- Suggested issues and relevant details on each issue are very important and deserve profound discussion for Asian Bond Market
- All discussion issues can not be treated with equal weight and order, because the issues discussed earlier are sure to make effects on the rest of the issues.

2.2 Country Boundary for Discussion issues?

- Bilateral, Multilateral, Multiple Bilateral etc.
- Well, Less, Least prepared countries.

2.3 Enforcement(level)?

Approval on Each Process and related Documents

(EX) Professional Bond Market

Core of Professional Investor

- Under the premise that they possess the **ability** to analyze relevant information and to take risks,
- the eased regulations(ex: exemption of public disclosure, diversity of language for documentation and so on) are applied

Characteristics of Professional Markets

- (i) Information level and contents can also be different among the issuers, and
- (ii) information level and contents required to make investment decision can be also different among the professional(qualified) investors

(EX) Professional Bond Market

Market Structures to address issuer information to Professional Investors

- (i) By the deal/underwriter who conduct due diligence and make role of underwriter(as in public offering)
- level and contents of information disclosure are to be determined by the market players including issuers, underwriters, and the other professional investors

(ii) By organized market

- certain level and contents of disclosure are generally required for the market regulation and customer protection
- will require listing on the market for efficiency of market management

(EX) Professional Bond Market (i) Dealer/Underwriter Disclosure Scheme

- tends to stimulate the active participation of the market players, issuers especially as wells the investment bankers(as in U.S. 144A markets).
- is more likely to prompt the market activities because it tends to **satisfy** the various conditions inherited from the **nature of bonds**.
- it **requires the premise** that the broker/dealers have the ability to underwrite the relevant risks with issuance.
- Financial authorities are the center of supervisory function on the market and have the responsibility of the supervision.

(EX) Professional Bond Market (ii) Organized Market Disclosure Scheme

- make it possible for the organized market to regulate market in more systematic ways.
 - → more efficient for market management.
- This regulative management may cause some difficulty for the issuers and other players in providing easier access to the market.
- Enforcement of disclosure would discourage the market players and the market itself.
- → Each scheme has advantages as well as disadvantages.

(EX) Professional Bond Market Conclusion and Suggestion

- It is not proven which scheme is better for domestic professional bond markets as well as Asian Markets
- Adoption of a specific scheme seems to depend on the conditions of the interested countries involved.
- If only one scheme is chosen as a required process, the level and basic contents of disclosure will be determined in terms of the choice.
- It would be more desirable that in this stage, our discussion needs to be made to comprehend diverse possibilities and financial needs for all Asian countries

(EX) Professional Bond Market Conclusion and Suggestion

- The issues discussed in this conference should be treated as check points applied to any disclosure scheme, rather than the obliged requirements in a specific market procedure.
- In the future, the market players will have accumulated issuance experiences, and this will give us more detailed and accurate information for the better market.
- Then. we can decide the better way for our Asian bond market.

Thank You

Mapping National Scale Ratings across Sovereigns in Asia

By Faheem Ahmad
President & CEO
JCR-VIS Credit Rating Company Limited

Credit Ratings Scale

International Scale Ratings:

• Intended to be comparable with other rated entities worldwide

National Scale Ratings:

- Anchored to the most creditworthy issuer in the domestic context, in most cases the sovereign itself
- Not intended to be internationally comparable
- Performance may not be strictly comparable over time, given the moving calibration of the entire scale to the entity or entities with the lowest credit risk in a country, whose creditworthiness relative to other entities internationally may change significantly over time

What information do National Scale Ratings bring to investors looking to invest across borders?

How do investors compare ratings assigned by Domestic Credit Rating Agencies (DCRAs)?

Objective

To establish measures of ratings comparability across different jurisdictions in Asia to support Credit Guarantee & Investment Facility (CGIF) implementation and for other purposes.

Methodology

- 3 methods employed for developing expected default curves;
 these are variants of each other
- Two common principles underlying each of these methods:
 - Relative relationship of different rating bands is expected to hold even in case of national scale ratings, with probability of default very low for companies initially rated AA and increasing for successively lower rating grades
 - CDRs increase exponentially as we move down the rating scale
 - Difference in CDRs of two consecutive rating bands (AAA & AA) is less than the difference in CDRs of the next two bands (AA & A) and other bands in investment grade categories

Methodology

- Based on data from a selective sample of ACRAA member rating agencies operating in:
 - Republic of India
 - Republic of Korea
 - Malaysia
 - Islamic Republic of Pakistan
 - Republic of the Philippines
 - Taipei, China
 - Kingdom of Thailand

Data Acquisition

- Includes both public & private data
- Calculation Methodology:
 - Based on Issuer Rating (1 exception)
 - Formation of Cohorts Annual (2 exceptions)
 - Adjusted for Withdrawals (2 exceptions)
 - Calculation of CDRs based on Average Marginal Default Rates (1 exception)
 - Length of default study of rating agencies varies (ending year is largely 2010 or 2011; beginning year ranges from 1992 to 2007)
 - Weighted average for Investment Grade (IG) pool used as multiples, though same not available for all rating agencies

Ratings Curve – Method 1

- Based on Default Statistics of Investment Grade Pool of three Global Rating Agencies
 - Multiples of long-term default rates of Moody's, Fitch and Standard & Poor's (S&P) used as proxies for international benchmarks
 - Expected to capture the degree of rationalization in default statistics that is achieved with greater operating life of the rating agency and a large volume of rated universe

Method 1: Step-wise Process

Table 1a: Computation of Investment Grade (IG) multiples from default statistics of three Global Rating Agencies

	Moodys	Fitch	S&P	CDR			IG Multiples of		
International CDRs (%)	(1981-2010)	(1990-2010)	(1981-2010)	Avg.	Worst	Best	Avg. CDR	Worst CDR	Best CDR
	а	b	С	d=Avg(a,b,c)	e=Max(a,b,c)	f=Min(a,b,c)	g=(d/0.69)	h=(e/0.78)	i=(f/0.59)
AAA	0.00	0.00	0.14	0.05	0.14	0.00	0.07	0.18	0.00
AA	0.00	0.08	0.15	0.08	0.15	0.00	0.11	0.19	0.00
Α	0.27	0.45	0.33	0.35	0.45	0.27	0.51	0.58	0.45
BBB	1.96	1.42	1.19	1.52	1.96	1.19	2.21	2.52	2.02
Investment Grade Pool (IG)	0.78	0.70	0.59	0.69	0.78	0.59			

Table 1b: Computation of a country's IG Average CDR under Average, Worst case and Best case scenario

		CDR		Country			
Local CDRs (%)	CRA 1 CRA 2 CRA 3		Avg. CDR	Worst CDR	Best CDR		
	а	b	С	d=Avg(a,b,c)	e=Max(a,b,c)	f=Min(a,b,c)	
AAA	0.00	0.00	0.00	0.00	0.00	0.00	
AA	0.52	0.27	1.19	0.66	1.19	0.27	
A	4.20	2.09	4.05	3.45	4.20	2.09	
BBB	6.25	4.37	5.21	5.28	6.25	4.37	
Investment Grade Pool (Avg.)				2.35	2.91	1.68	

Table 1c: Computation of Expected CDRs under the Worst case scenario

	Intn'l	Country	Expected	
Country's Expected CDRs (%)	Multiples of Worst CDRs	Pool Avg. of Worst CDR	CDRs	
	a=Col h of Table 1a	b=Avg. Col e of Table 1b	axb	
AAA	0.18	2.91	0.52	
AA	0.19	2.91	0.56	
Α	0.58	2.91	1.68	
BBB	2.52	2.91	7.33	

Method 1: International multiples

Rating	Inte	rnational	CDR	IG Multiples						
Category	Avg.	Worst	Best	Avg.	Worst	Best				
AAA	0.05	0.14	1	0.07	0.18	-				
AA	0.08	0.15	1	0.11	0.19	-				
Α	0.35	0.45	0.27	0.51	0.58	0.45				
BBB	1.52	1.96	1.19	2.21	2.52	2.02				
IG	0.69	0.78	0.59		·					
IG: invest	ment Grad	le Pool								

Method 1: Country wise CDRs

Rating		ndia			Pakistan			Korea		N	Malaysia Thailand		Taiwan			Philippines		:S			
Category	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best
AAA	0.16	0.52	•	0.49	1.72		0.05	0.20	•	0.32	1.20	•	0.37	0.97	-	0.07	0.19	•	0.37	0.99	-
AA	0.26	0.56	•	0.81	1.84	-	0.08	0.22	-	0.53	1.29	•	0.60	1.04	-	0.12	0.21	•	0.61	1.06	-
Α	1.19	1.68	0.76	3.69	5.52	2.27	0.37	0.65	0.08	2.41	3.87	1.28	2.74	3.13	2.45	0.55	0.63	0.49	2.78	3.18	2.49
BBB	5.18	7.33	3.39	16.09	24.06	10.10	1.60	2.84	0.37	10.52	16.87	5.69	11.96	13.63	10.92	2.40	2.73	2.19	12.16	13.85	11.10

Figure 1a: Expected Default Rates under the Average case scenario

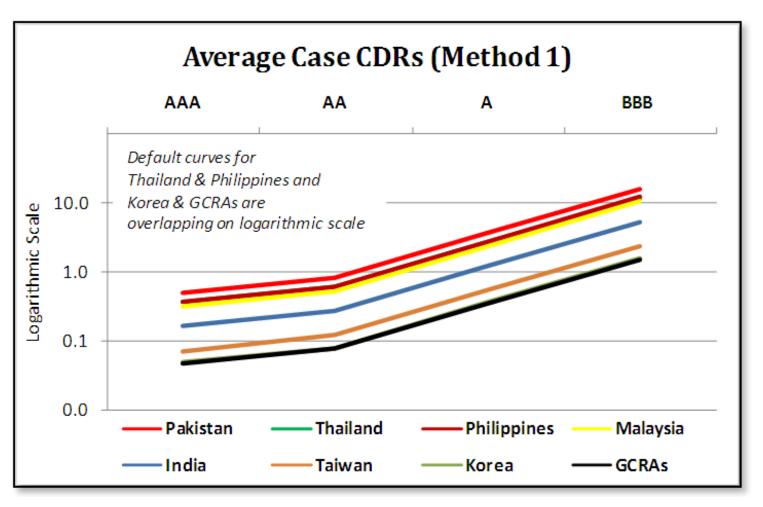


Figure 1b: Expected Default Rates under the Worst case scenario

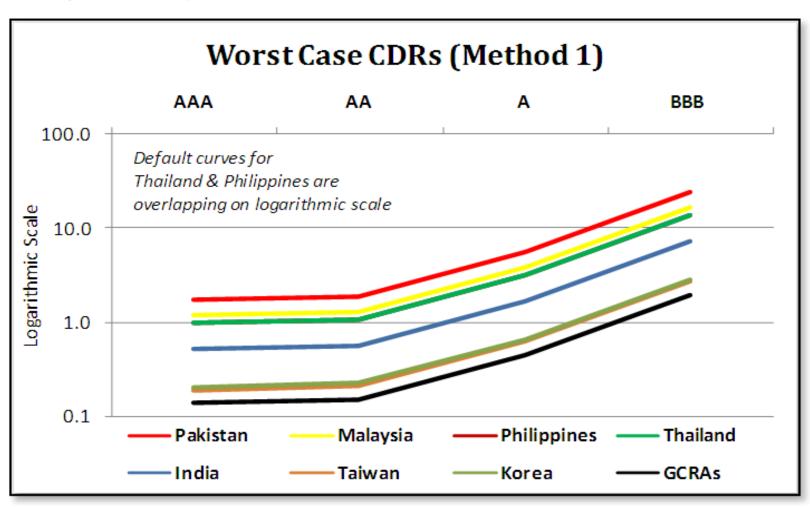
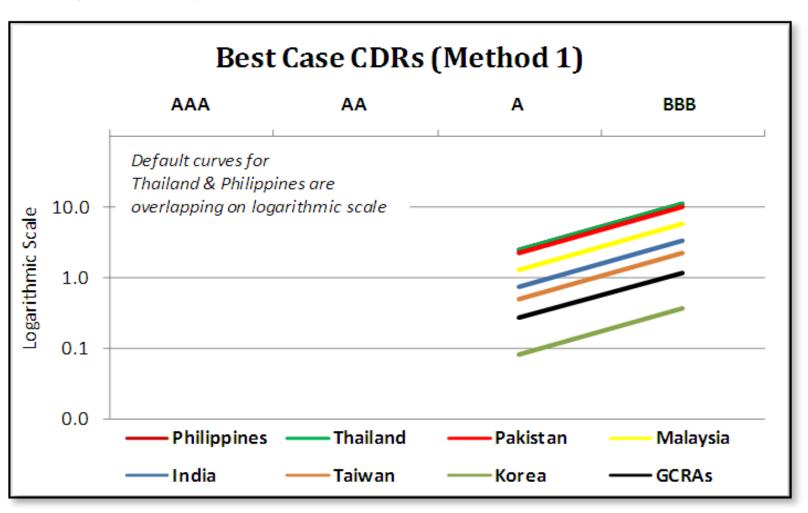


Figure 1c: Expected Default Rates under the Best case scenario



Ratings Curve – Method 2

- Based on Multipliers of Default Statistics of BBB Category of three Global Rating Agencies
 - Default statistics for any particular band anchored to BBB band to simulate default curve with similar slope characteristics facilitating the mapping process
 - Relative relationship of default probabilities relative to BBB band expected to hold

Method 2: Step-wise Process

Table 2a: Computation of IG multiples from default statistics of three Global Rating Agencies

	Moodys	Fitch	S&P	CDR BBB Multiples o					
International CDRs (%)	(1981-2010)	(1990-2010)	(1981-2010)	Avg.	Avg. Worst Best		Avg. CDR	Worst CDR	Best CDR
	а	b	С	d=Avg(a,b,c)	e=Max(a,b,c)	f=Min(a,b,c)	g=(d/1.52)	h=(e/1.96)	i=(f/1.19)
AAA	0.00	0.00	0.14	0.05	0.14	0.00	0.03	0.07	0.00
AA	0.00	0.08	0.15	0.08	0.15	0.00	0.05	0.08	0.00
A	0.27	0.45	0.33	0.35	0.45	0.27	0.23	0.23	0.22
BBB	1.96	1.42	1.19	1.52	1.96	1.19	1.00	1.00	1.00

Table 2b: Computation of a country's IG Average CDR under Average, Worst case and Best case scenario

		CDR		Country					
Local CDRs (%)	CRA 1	CRA 2	CRA 3	Avg. CDR	Worst CDR	Best CDR			
	а	b	С	d=Avg(a,b,c)	e=Max(a,b,c)	f=Min(a,b,c)			
AAA	0.00	0.00	0.00	0.00	0.00	0.00			
AA	0.52	0.27	1.19	0.66	1.19	0.27			
A	4.20	2.09	4.05	3.45	4.20	2.09			
BBB	6.25	4.37	5.21	5.28	6.25	4.37			

Table 2c: Computation of Expected CDRs under the Average case scenario

	Intn'l	Country	Expected
Country's Expected CDRs (%)	Multiples of Avg. CDRs	BBB Avg. of Avg. CDR	CDRs
	a=Col g of Table 2a	b=Avg. Col d of Table 2b	axb
AAA	0.03	5.28	0.16
AA	0.05	5.28	0.27
A	0.23	5.28	1.21
BBB	1.00	5.28	5.28

Method 2: International multiples

Rating	Ir	nternation	al	BBB Multiples						
Category	Avg.	Worst	Best	Avg.	Worst	Best				
AAA	0.05	0.14	1	0.03	0.07	1				
AA	0.08	0.15	1	0.05	0.08	ı				
Α	0.35	0.45	0.27	0.23	0.23	0.22				
BBB	1.52	1.96	1.19	1.00	1.00	1.00				

Method 2: Country wise CDRs

Rating		ndia			Pakistan			Korea		Malaysia Thailand		Taiwan			Philippines						
Category	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best
AAA	0.16	0.45	•	0.45	1.65	•	0.09	0.32	•	0.38	1.19	•	0.31	0.71	•	0.11	0.25	•	0.54	1.27	-
AA	0.27	0.48	•	0.75	1.77		0.15	0.35	•	0.62	1.28		0.50	0.76	•	0.18	0.27		0.89	1.36	-
A	1.21	1.43	0.98	3.40	5.30	1.48	0.66	1.04	0.17	2.82	3.83	1.78	2.29	2.29	2.24	0.80	0.81	0.79	4.06	4.07	3.98
BBB	5.23	6.25	4.37	14.84	23.08	6.60	2.89	4.52	0.74	12.31	16.70	7.92	10.00	10.00	10.00	3.51	3.51	3.51	17.73	17.73	17.73

Figure 2a: Expected Default Rates under the Average case scenario

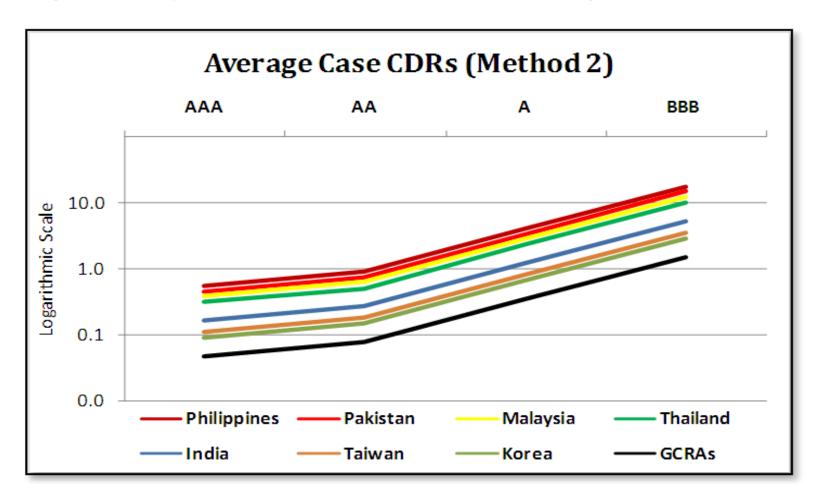


Figure 2b: Expected Default Rates under the Worst case scenario

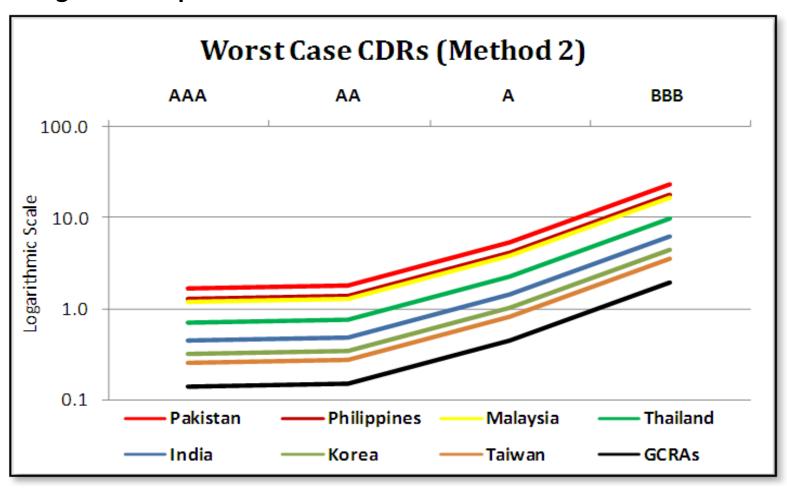
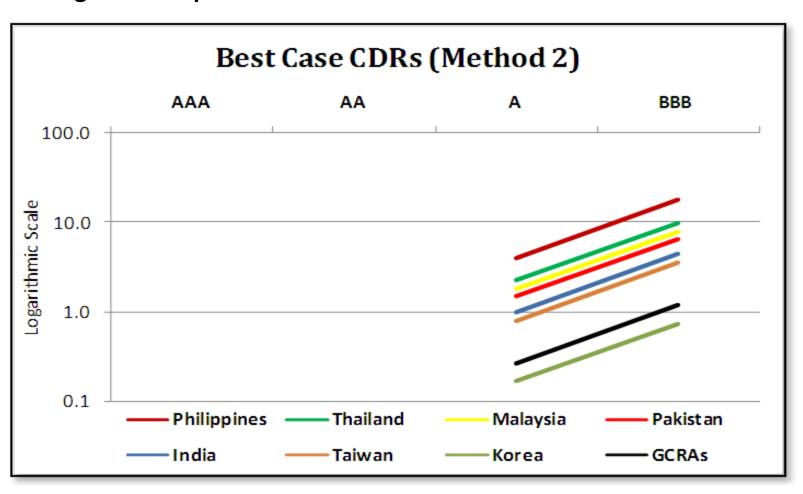


Figure 2c: Expected Default Rates under the Best case scenario



Ratings Curve - Method 3

- Long-run "reference" three-year CDRs proposed in Basel II Accord used as basis to derive expected default statistics for various countries
 - Impact of correlation between different regions (limitation in Method 1 and Method 2) eliminated
 - Relative relationship of default probabilities across rating bands expected to hold as given in the Basel-II matrix

Method 3: Step-wise Process

Table 3a: Basel-II defined Default Rates

	Basel II Long-run Reference CDRs	BBB Multiples
	а	b=(a/1.00)
AAA	0.10	0.10
AA	0.10	0.10
Α	0.25	0.25
BBB	1.00	1.00

Table 3b: Computation of a country's IG Average CDR under Average, Worst case and Best case scenario

		CDR		Country					
Local CDRs (%)	CRA 1	CRA 2	CRA 3	Avg. CDR	Worst CDR	Best CDR			
	а	b	С	d=Avg(a,b,c)	e=Max(a,b,c)	f=Min(a,b,c)			
AAA	0.00	0.00	0.00	0.00	0.00	0.00			
AA	0.52	0.27	1.19	0.66	1.19	0.27			
A	4.20	2.09	4.05	3.45	4.20	2.09			
BBB	6.25	4.37	5.21	5.28	6.25	4.37			

Table 3c: Computation of Expected CDRs under the Best case scenario

	Basel II	Country	Expected
Country's Expected CDRs (%)	Multiples of Best CDRs	BBB Avg. of Best CDR	CDRs
	a=Col a of Table 3a	b=Avg. Col f of Table 3b	axb
AAA	0.10	4.37	0.44
AA	0.10	4.37	0.44
A	0.25	4.37	1.09
BBB	1.00	4.37	4.37

Method 3: Basel II multiples

Rating	Basel II Ref.	BBB Multiples				
Category	Dasei II Nei.					
AAA	0.10	0.10				
AA	0.10	0.10				
Α	0.25	0.25				
BBB	1.00	1.00				

Method 3: Country wise CDRs

Rating	l	ndia			Pakistan			Korea		N	Vlalaysia		Thailand Taiw		Dhilinnings	Racal II Raf	
Category	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	Avg.	Worst	Best	IIIalialiu	Iaiwaii	riiiippiiles	Dasei II Nei.	
AAA	0.53	0.63	0.44	1.48	2.31	0.66	0.29	0.45	0.07	1.23	1.67	0.79	1.00	0.35	1.77	0.10	
AA	0.53	0.63	0.44	1.48	2.31	0.66	0.29	0.45	0.07	1.23	1.67	0.79	1.00	0.35	1.77	0.10	
А	1.32	1.56	1.09	3.71	5.77	1.65	0.72	1.13	0.19	3.08	4.18	1.98	2.50	0.88	4.43	0.25	
BBB	5.28	6.25	4.37	14.84	23.08	6.60	2.89	4.52	0.74	12.31	16.70	7.92	10.00	3.51	17.73	1.00	

Figure 3a: Expected Default Rates under the Average case scenario

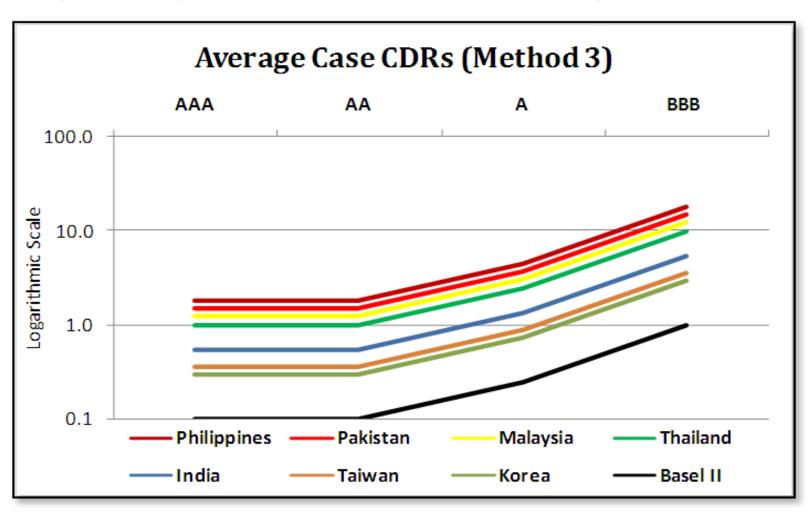


Figure 3b: Expected Default Rates under the Worst case scenario

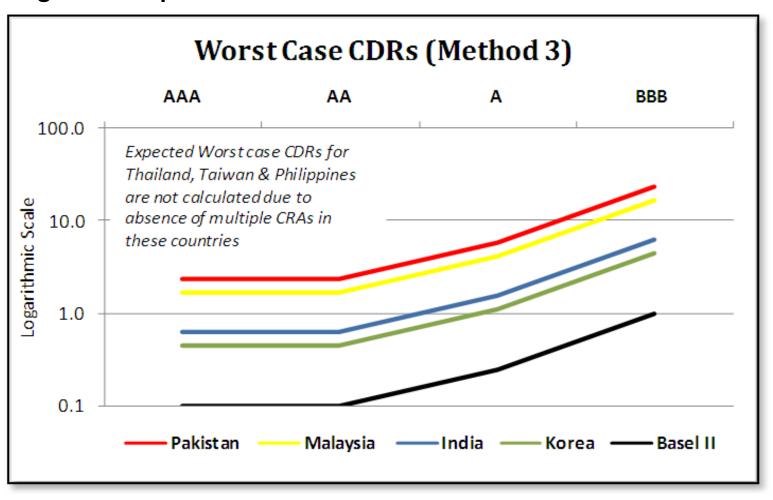
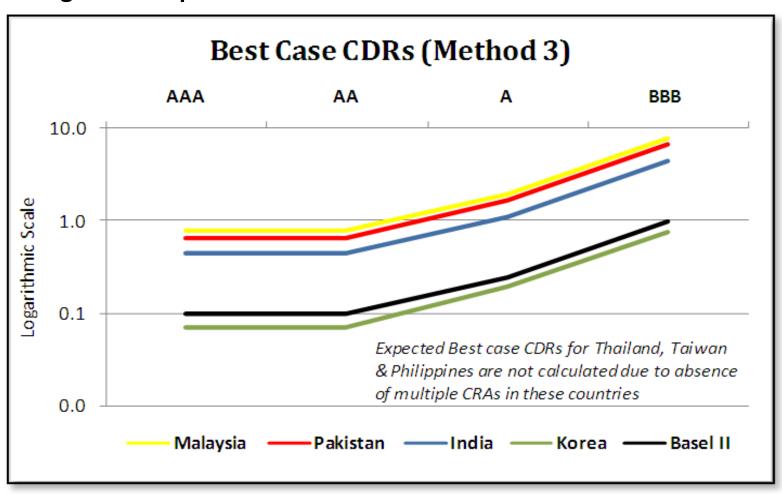


Figure 3c: Expected Default Rates under the Best case scenario



Study Limitations - Methodology Related

- Study based on historical default rates (completely in case of Methods 1 & 2 and partially in case of Method 3), so their usefulness as proxies for expected default probabilities also depends on how much the future will replicate the past
- Method 1 and Method 2: a DCRA may not achieve the default statistics achieved by GCRAs even over a longer term, as default statistics of GCRAs are compiled across different regions, where correlation between some regions is low
 - Higher diversification in GCRAs' default statistics cannot be replicated by a DCRA as its scope is limited to a single country
 - Further substantiated by the fact that in some cases default statistics of GCRAs on a consolidated basis i.e. covering all regions are much lower in relation to stand-alone CDRs for a particular region
- Default curves derived from Method 3 based on long-run reference
 CDRs in Basel-II which may be difficult to attain in real life

Study Limitations - Methodology Related

- Method 1 & 2: In case of S&P, AAA CDR is greater than zero; therefore, average and worst case scenarios results from these methods contain non-zero CDRs for AAA band for DCRAs, even where actual CDRs for AAA are zero.
- Following relationships may change over time; however the extent of variation in multiples derived in Method 1 and Method 2 needs to be explored and determined; so that relevant adjustments can be made
 - Method 1: Assumes that relationship between a particular rating band and investment grade pool average will depict stability
 - Method 2: Assumes that relationship between a particular rating band and BBB will depict stability and CDRs of BBB category may persist

Study Limitations - Data Related

- CDRs of Moody's and S&P used in Method 1 and Method 2 based on default studies spanning 1981-2010; in case of Fitch, default study is for the period 1990-2010.
- Method 1: Simple averages used to determine investment grade default average for rating agencies where weighted average for the investment grade pool not available; poses significant limitation
 - If a rating agency has higher default statistics associated with BBB rating category and most of its rated universe lies in the AAA to A range then the default statistics of the same are low; using a simple average can potentially overstate the investment grade pool default average for the rating agency

Study Limitations - Data Related

- Some DCRAs suffer from small ratings universe, the implication of which is a monotonic relationship between rating bands
 - It is possible that even after 8-10 years of operations, the assigned ratings reflect simple ranking of credit risk rather than specific default probabilities
 - A DCRA that has very few BB ratings and no defaults for that rating category
 may have a higher default probability for BBB ratings compared to BB ratings.
 Hence, the resulting estimation can be imprecise

Comparative Matrices

AAA	Expected Average CDRs % (Method 1)	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
AA+								0.3
AA 0.26 0.81 0.08 0.53 0.60 0.12 AA- 0.51 1.58 0.16 1.03 1.17 0.23 A+ 0.79 2.47 0.24 1.61 1.83 0.37 A 1.19 3.69 0.37 2.41 2.74 0.55 A- 1.95 6.04 0.60 3.95 4.49 0.90 BBB+ 3.05 9.46 0.94 6.18 7.03 1.41 BBB 5.18 16.09 1.60 10.52 11.96 2.40 BBB- 7.46 23.16 2.30 15.14 17.22 3.45 Comparative Matrices India Pakistan Korea Malaysia Thailand Taiwan Phillip AAA Category) AAA AAA AAA AAA AAA AAA AAA AAA AAA A								0.4
AA-								0.6
A+ 0.79 2.47 0.24 1.61 1.83 0.37 A 1.19 3.69 0.37 2.41 2.74 0.55 A- 1.95 6.04 0.60 3.95 4.49 0.90 BBB+ 3.05 9.46 0.94 6.18 7.03 1.41 BBB 5.18 16.09 1.60 10.52 11.96 2.40 5.8BB- 7.46 23.16 2.30 15.14 17.22 3.45 5.46 5.46 5.46 5.46 5.46 5.46 5.46 5								1.1
A 1.19 3.69 0.37 2.41 2.74 0.55 A- 1.95 6.04 0.60 3.95 4.49 0.90 BBB+ 3.05 9.46 0.94 6.18 7.03 1.41 BBB 5.18 16.09 1.60 10.52 11.96 2.40 BBB- 7.46 23.16 2.30 15.14 17.22 3.45 Comparative Matrices India Pakistan Korea Malaysia Thailand Taiwan Phillip India (AAA Category) AAAA AAA AAA AAA AAA AAA AAA AAA AAA								1.8
A-								2.7
BBB+ 3.05 9.46 0.94 6.18 7.03 1.41 BBB 5.18 16.09 1.60 10.52 11.96 2.40 BBB- 7.46 23.16 2.30 15.14 17.22 3.45 Comparative Matrices India Pakistan Korea Malaysia Thailand Taiwan Phillip India (AAA Category) AAAA AAA AAAA AAAAA AAAAA AAAAA AAAAA AAAAA AAAAA AAAAA AAAAA AAAAA AAAAAA								4.5
BBB 5.18 16.09 1.60 10.52 11.96 2.40 1.60 BBB- 7.46 23.16 2.30 15.14 17.22 3.45 1.60 1.								7.1
Comparative Matrices India Pakistan Korea Malaysia Thailand Taiwan Phillip India (AAA Category) AAAA AAA AAA AAA AAA AAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAAA								12.1
AAA AAA								17.5
AAA AAA								
Pakistan (AAA Category) AA/AA- A/A- AA+/AA AA+/AA A/A- AA-/AA AA-/AA- AA-/	•	India			•			Phillipines
Korea (AAA Category) AAA			AAA				•	AAA
Malaysia (AAA Category) AA/AA- AAA A+/A AAA AA-/A+ AAA Thailand (AAA Category) AA/AA- AAA A AAA/AA+ AA A+/A AA AA-/A+ AAA AA-/A+ AAA AA-/A+ AAA AAA AAA AA-/A+ AAA AA-/A- AAA AA-/A- AAA AA-/A- AAA AA-/A- AAA AA-/A- AAA AA-/A- AA/A- AA/		•		A/A-		AA+/AA	•	AA+
Thailand (AAA Category) AA/AA- AAA AAA AAA AAA AAA AAA AAA AAA A	Korea (AAA Category)	AAA	AAA		AAA	AAA	AAA	AAA
Taiwan (AAA Category) AAA AAA AAA AAA AAA AAA AAA AAA AAA	Malaysia (AAA Category)	AA/AA-	AAA	A+/A		AAA	AA-/A+	AAA
Phillipines (AAA Category) AA/AA- AAA A AAA/AA+ AAA AAA	Thailand (AAA Category)	AA/AA-	AAA	Α	AAA/AA+		A+	AAA
India	Taiwan (AAA Category)	AAA	AAA	AA+/AA	AAA	AAA		AAA
AAA	Phillipines (AAA Category)	AA/AA-	AAA	Α	AAA/AA+	AAA	A+	
AAA		India	Pakistan	Korea	Malavsia	Thailand	Taiwan	Phillipines
Pakistan (AA+ Category) AA-/A+ A-/BBB+ AA/AA-	India (AA+ Category)							AAA
Korea (AA+ Category) AAA		AA-/A+		•	AA/AA-	AA/AA-	•	AA/AA-
Malaysia (AA+ Category) AA/AA- AAA A/A- AAA/AA+ A+/A AAA/AA+ A+/A AAA/AA+ A+/A AAA/AA- AAA/AA- AAA/AA- AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA/AA- <t< td=""><td></td><td>•</td><td>AAA</td><td>,</td><td></td><td>•</td><td>•</td><td>ÁAA</td></t<>		•	AAA	,		•	•	ÁAA
Thailand (AA+ Category) AA/AA- AAA A/A- AA+/AA AA+/AA AAA/AA- Taiwan (AA+ Category) AAA AAA AA/AA- AAA AAA AAA/AA- AAA AAA/AA- AAA AAA/AA- AAA AAA/AA-				A/A-				AAA/AA+
Taiwan (AA+ Category) AAA	,	•		•	AA+/AA	,	•	AAA/AA+
Phillipines (AA+ Category)	` ,,	•		•	•	AAA	,	AAA
India (AA Category) AAA A+/A AAA AAA/AA+ AA-/A+ AA-/A+ Pakistan (AA Category) A+/A A-/BBB+ AA/AA- AA/AA- A/A- AA/A- Korea (AA Category) AAA AAA AAA AAA AAA/AA+ AAA/AA+ AA+/AA AA+/AA AA+/AA AA+/AA AA+/AA- AA+/AA- AA+/AA- AA+/AA- AA+/AA- AA+/AA- AA-/AA- AAA AA-/AA- AAA AAA AA-/AA- AAA AAA AAA AA-/AA- AAA A		AA/AA-			AA+/AA	AA+/AA	A+/A	
India (AA Category) AAA A+/A AAA AAA/AA+ AA-/A+ AA-/A+ Pakistan (AA Category) A+/A A-/BBB+ AA/AA- AA/AA- A/A- AA/A- Korea (AA Category) AAA AAA AAA AAA AAA/AA+ AAA/AA+ AA+/AA AA+/AA AA+/AA AA+/AA AA+/AA- AA+/AA- AA+/AA- AA+/AA- AA+/AA- AA-/AA- AAA AA-/AA- AAA AA-/AA- AAA AA-/AA- AAA AAA AAA AA-/AA- AAA A			5.1				- .	61 :11: :
Pakistan (AA Category) A+/A A-/BBB+ AA/AA- AA/AA- A/A- AA/AA- AA/A- AA/A-<	India (AA Catagony)	india						•
Korea (AA Category) AAA AAA AAA AAA AAA AAA AAA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA+ AA/AA- AA/AA- AA/AA- AA/AA- AAA/AA+ AA/AA- AAA/AA- AAA/AA- <t< td=""><td></td><td>0 . /0</td><td>AAA</td><td>-</td><td></td><td>-</td><td>•</td><td></td></t<>		0 . /0	AAA	-		-	•	
Malaysia (AA Category) AA-/A+ AAA/AA+ A/A- AA+/AA A+/A AA+/A A			0.00	A-\RRR+		•	•	•
Thailand (AA Category) AA-/A+ AAA/AA+ A- AA/AA- A/A- A/A- AA+/ Taiwan (AA Category) AAA AAA AA-/AA- AAA AAA AAA AAA				0.70	AAA		-	
Taiwan (AA Category) AAA AAA AA-/AA- AAA AAA AAA AAA	, , ,	•	•		0.0./0.0	AA+/AA	-	AA+/AA
		•	•		•		A/A-	AA+/AA
	Taiwan (AA Category) Phillipines (AA Category)	AAA AA-/A+	AAA AAA/AA+	AA-/AA- A-/BBB+	AAA AA/AA-	AAA AA/AA-	A/A-	AAA

Comparative Matrices

	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (AA- Category)		AAA/AA+	A/A-	AA+/AA	AA+/AA	A+/A	AA+/AA
Pakistan (AA- Category)	A/A-		BBB+/BBB	AA-/A+	AA-/A+	BBB+/BBB	AA-/A+
Korea (AA- Category)	AAA	AAA		AAA	AAA	AA/AA-	AAA
Malaysia (AA- Category)	A+/A	AA/AA-	BBB+/BBB		AA-/A+	A-/BBB+	AA/AA-
Thailand (AA- Category)	A+/A	AA/AA-	BBB+/BBB	AA-/A+		A-/BBB+	AA/AA-
Taiwan (AA- Category)	AA+/AA	AAA	AA-/A+	AAA	AAA		AAA
Phillipines (AA- Category)	Α	AA/AA-	BBB+/BBB	AA-/A+	AA-/A+	A-/BBB+	

	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (A+ Category)		AA+/AA	A-/BBB+	AA/AA-	AA/AA-	A/A-	AA/AA-
Pakistan (A+ Category)	A-/BBB+		•	A/A-	A+/A	BBB/BBB-	A+/A
Korea (A+ Category)	AA+/AA	AAA		AAA	AAA	AA-/A+	AAA
Malaysia (A+ Category)	A/A-	AA-/A+	BBB/BBB-		AA-/A+	BBB+/BBB	AA-/A+
Thailand (A+ Category)	A/A-	AA-/A+	BBB/BBB-	A+/A		BBB+/BBB	AA-/A+
Taiwan (A+ Category)	AA/AA-	AAA	Α	AAA	AAA		AAA
Phillipines (A+ Category)	A/A-	AA-/A+	BBB/BBB-	A+/A	A+/A	BBB+/BBB	

Denotes mapping to a 'sub investment grade' rating

	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (A Category)		AA/AA-	BBB+/BBB	AA/AA-	AA-/A+	A-/BBB+	AA-
Pakistan (A Category)	BBB+/BBB		•	A/A-	A/A-	•	A/A-
Korea (A Category)	AA/AA-	AAA		AAA/AA+	AAA	A+	AAA
Malaysia (A Category)	A-/BBB+	AA-/A+	•		A+/A	BBB/BBB-	A+/A
Thailand (A Category)	A-/BBB+	A+/A	•	A/A-		BBB/BBB-	A+/A
Taiwan (A Category)	AA-/A+	AAA/AA+	A/A-	AA/AA-	AA+/AA		AA+/AA
Phillipines (A Category)	A-/BBB+	A+/A	•	A/A-	A/A-	BBB/BBB-	

Denotes mapping to a 'sub investment grade' rating

	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (A- Category)		AA-/A+	BBB/BBB-	A/A-	A+/A	BBB+/BBB	A+/A
Pakistan (A- Category)	BBB/BBB-		•	A-/BBB+	A-/BBB+	•	A-/BBB+
Korea (A- Category)	AA-/A+	AAA/AA+		AA/AA-	AA	A/A-	AA+/AA
Malaysia (A- Category)	BBB+/BBB	A/A-	•		A/A-	•	A/A-
Thailand (A- Category)	BBB+/BBB	A/A-	•	A-/BBB+		•	A/A-
Taiwan (A- Category)	A+/A	AA/AA-	A-/BBB+	AA/AA-	AA/AA-		AA+/AA-
Phillipines (A- Category)	BBB+/BBB	A/A-	•	A-/BBB+	A-/BBB+	•	

Denotes mapping to a 'sub investment grade' rating

Comparative Matrices

	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (BBB+ Category)		A+/A	•	A/A-	AA-	BBB/BBB-	AA-
Pakistan (BBB+ Category)	•		•	BBB+/BBB	BBB+/BBB	•	BBB+/BBB
Korea (BBB+ Category)	A+/A	AA/AA-		AA/AA-	AA/AA-	A-/BBB+	AA/AA-
Malaysia (BBB+ Category)	BBB/BBB-	A-/BBB+	•		A-/BBB+	•	A-/BBB+
Thailand (BBB+ Category)	BBB/BBB-	A-/BBB+	•	BBB+/BBB		•	A-/BBB+
Taiwan (BBB+ Category)	A/A-	AA/AA-	BBB+/BBB	AA-/A+	AA-/A+		AA-/A+
Phillipines (BBB+ Category)	BBB/BBB-	A-/BBB+	•	BBB+/BBB	BBB+/BBB	•	

[•] Denotes mapping to a 'sub investment grade' rating

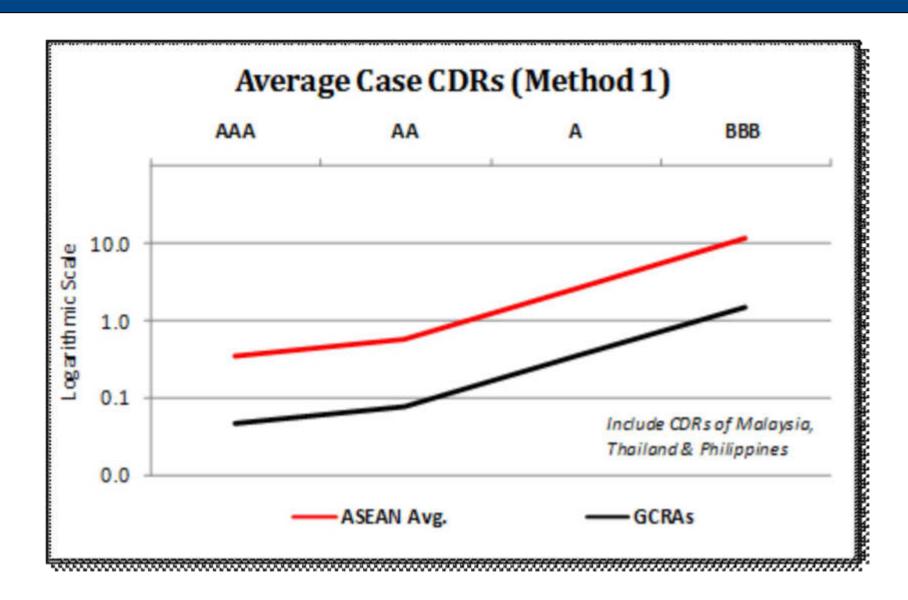
	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (BBB Category)		A/A-	•	A-/BBB+	A-/BBB+	•	A-/BBB+
Pakistan (BBB Category)	•		•	•	BBB/BBB-	•	BBB/BBB-
Korea (BBB Category)	A/A-	AA-/A+		AA-/A+	AA-/A+	BBB+/BBB	AA-/A+
Malaysia (BBB Category)	•	BBB+/BBB	•		BBB+/BBB	•	BBB+/BBB
Thailand (BBB Category)	•	BBB+/BBB	•	BBB/BBB-		•	BBB+/BBB
Taiwan (BBB Category)	A-/BBB+	AA-/A+	•	A+/A	A+/A		A+/A
Phillipines (BBB Category)	•	BBB+/BBB	•	BBB/BBB-	BBB/BBB-	•	

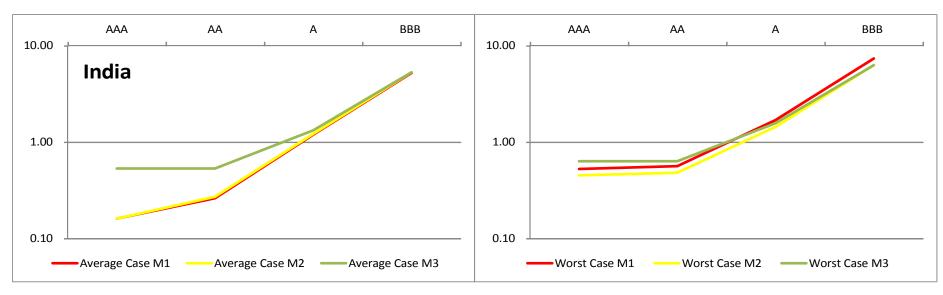
Denotes mapping to a 'sub investment grade' rating

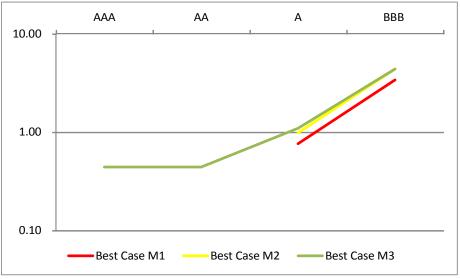
Comparative Matrices	India	Pakistan	Korea	Malaysia	Thailand	Taiwan	Phillipines
India (BBB- Category)		A-/BBB+	•	BBB+/BBB	BBB+ / BBB	•	BBB+/ BBB
Pakistan (BBB- Category)	•		•	•	•	•	•
Korea (BBB- Category)	A-/ BBB+	AA-/ A+		A+/A	A+/ A	BBB+/BBB	A+/ A
Malaysia (BBB- Category)	•	BBB+/BBB	•		BBB/BBB-	•	BBB/BBB-
Thailand (BBB- Category)	•	BBB/ BBB-	•	•		•	BBB/ BBB-
Taiwan (BBB- Category)	BBB+/ BBB	A+/ A	•	A/A-	A /A-		A / A-
Phillipines (BBB- Category)	•	BBB/ BBB-	•	•	•	•	

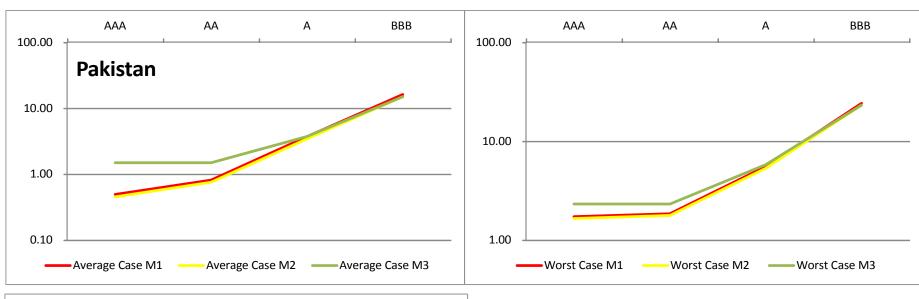
[•] Denotes mapping to a 'sub investment grade' rating

Expected CDRs for ASEAN Region

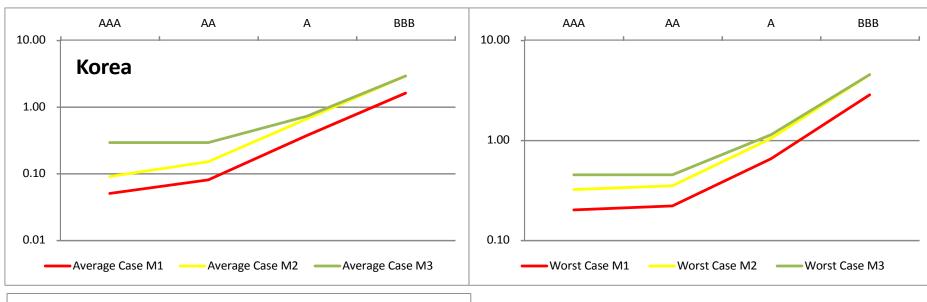


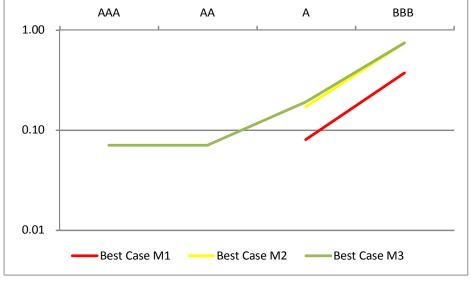


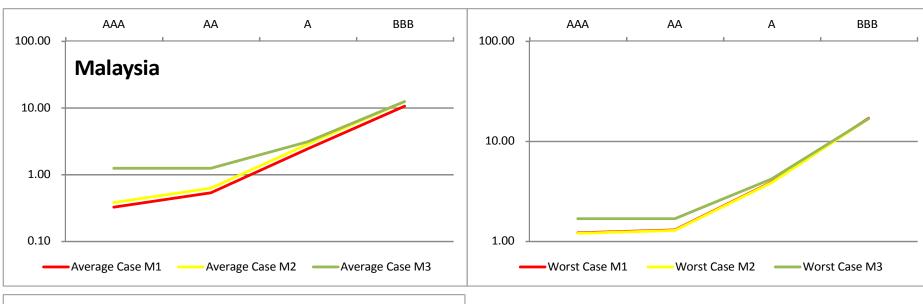


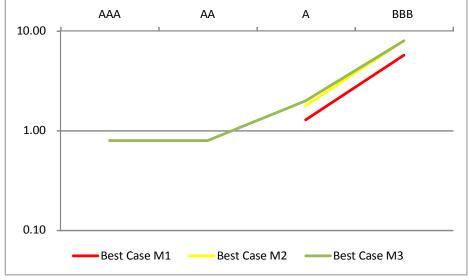


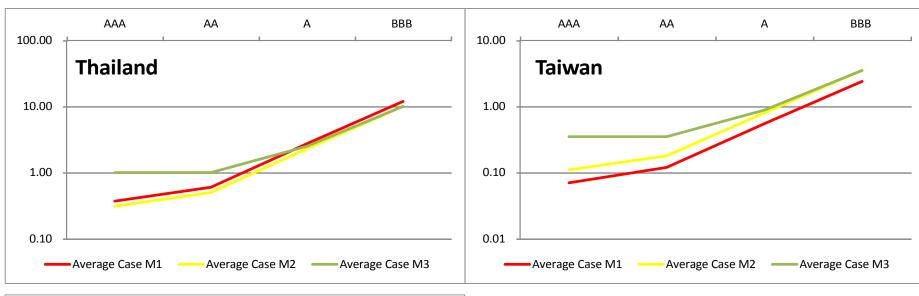


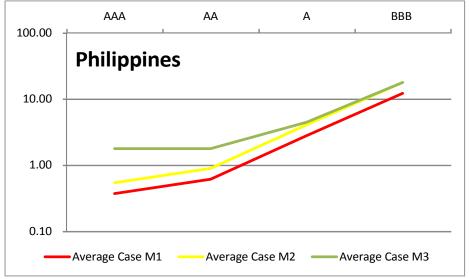












- Method 2 (amongst Methods 2 & 3) may produce low expected default curves, unless the actual results of three global rating agencies deteriorate beyond Basel II reference CDRs.
- Intuitively, Method 1 is expected to produce the lowest expected default curves if ratings pool overcomes the size limitation

- Given the dynamic nature of this exercise, these mappings are expected to change.
- Following factors to evolve over time and thus impact the expected default curve in any country and its mapping across boundaries:
 - Bond market infrastructure & market development
 - Divergence in rating practices within a country
 - Movements in sovereign ratings

- Increasing convergence to an international scale over time conceptually possible
- Would be aided by economic growth, improved macro policy framework, stronger sovereign balance sheet, all of which would increase the financial resilience and creditworthiness of a particular country and entities domiciled in the country
- Over time, it is conceivable that national scale default curves will flatten to more closely resemble that of GCRAs, perhaps for countries rated A+ and above
- Nevertheless, the default curves of DCRAs likely to remain steeper than that of GCRAs due to the comparatively higher default correlations between rated entities in a DCRA's rating universe

- Observed differences in default statistics of various segments of the rating universe
 - Default statistics of municipal bond market and corporate bond market may not be alike
 - Depending on the size of rating universe and its distribution, the study can be further extended for deriving default curves for separate segments of the rating universe

Role of ACRAA, going forward

- Expected that this study will mark an important milestone in achieving ACRAA's long term vision
- Going forward, ACRAA can play an instrumental role in:
 - Gathering CDRs data on standardized format privately including CDRs of investment grade pools
 - Monitoring quality of ratings through movements of CDRs of a rating agency
 - Monitoring of quality of ratings relative to peers in individual jurisdictions
 - Determining optimal level of CDRs in individual jurisdictions.



Agenda



- 1. Brief Overview, European Medium-Term Note Programmes (EMTN)
 - a. Prospectus Directive
 - b. EMTN Features
 - c. Documents in an EMTN
 - d. Working parties and responsibilities
- 2. Post-Trade Harmonisation, Target-2 Securities (T2S)
 - a. Rough evolution of Trading, Clearing and Settlement in Europe & key regulatory aspects
 - b. DB's definitions
 - c. T2S high priority harmonisation areas
 - d. T2S impacts to participants
 - e. Models of cross-border settlement
- 3. Proposed considerations

AMBIP – What we understand



- Asian Multi-currency Bond Issuance Programme (AMBIP)
 - regional standardised bond issuance programme
 - issue bonds in participating markets with standard documents and disclosure
 - issue in local currency
 - focused on professional investors

Information share some similarities in the European context...

An European Directive that had the effect of passporting a prospectus approval



Select regulatory aspects

Prospectus Directive (PD), 2003

- A fundamental part of European Economic Area's Financial Services Action Plan intended to improve the single market for financial services in EEA. Part of 4 'Lamfalussy Directives' MiFID, the Market Abuse Directive and the Transparency Directive
- The purpose of PD was to harmonise requirements for content, approval and distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a Member State
- Created a single regime governing the content, format, approval and publication requirements for prospectuses in the EEA. Included the ability to passport a prospectus approval from one member state to another. Established a single registration system and a "shelf registration" for debt securities

Source: Morrison & Foerster LLP 2011

Study on the Impact of the Prospectus Regime on EU Financial Markets, by CSES, June 2008

Conclusions [extracted]

- "...contributions from market participants suggest that the current passporting system constitutes a significant improvement over the previous system which relied on mutual recognition"
- "...Prospectus approval and the sending of passports is concentrated in a few Member States with well-established markets and long-standing expertise in particular financial products, the system has succeeded in opening European capital markets to a wider range of Member States"
- ..." There is some evidence that the PD has facilitated access to a broader pool of capital, but the PD is only one of a number of factors which affect the cost of capital."

Source: http://ec.europa.eu/internal_market/securities/docs/prospectus/cses_report_en.pdf

PD is also a key European legislation governing the offering of securities under EMTN Programme



- EMTN used by issuers with ongoing needs for capital
 - Maximise investor reach Diversify fund sources Subject to compliance with all relevant laws, regulations and directives. Notes may be issued in any currency agreed Tap different markets between the relevant Issuer, the Guarantor and the relevant Innovative funding solutions Dealer(s). Ease of documentation Lower cost of issuance The CMU Service, Clearstream, Luxembourg, Euroclear, CDP, DTC and, in relation to any Tranche, such other clearing Increase issuers' profile system as may be agreed between the relevant Issuer, the Other considerations Fiscal Agent and the relevant Dealer. · Reg S market only?
- Large nominal amount in total eg/ US\$1 billion, 3 billion programme
- Can be issued in different currencies, different tranches
- Drawdowns for opportunistic funding

Add S144A documentation?

Offering Circular governed by English or other applicable laws

Source: Deutsche Bank Global Markets MTN presentation, Offering Circulars

Working parties and responsibilities



- parties typically involved in establishing a new EMTN programme, working together with the Arranger & Dealers

Third Party	Responsibilities	
Issuer's Counsel	 Primary responsibility for drafting the Offering Circular Work with listing agent in the listing process of the Programme and Notes Review legal documentation and assist in due diligence process Provide Philippines legal advice with regards to the MTN Programme set up Provide legal opinion 	
Arrangers'/Dealers' Counsel	 Conduct legal due diligence and assist in arrangers'/dealers' due diligence Review Offering Circular Primarily responsible for drafting of legal documentation Provide legal opinion 	
Auditor	 Provide comfort letter to the arrangers/dealers in connection with the financial disclosure in the Offering Circular and as to changes in the financial condition or results of operations of the Issuer since the date of the last audited accounts 	
Trustee and Principal Paying Agent	 As trustee, act as representative of the Noteholders. Is initially responsible for enforcing the covenant or accelerating repayment on the Notes where there is a breach of covenants or event of default As paying agent, is responsible for the disbursement of funds in relation to the Notes e.g. coupon and principal payments 	
Listing Agent	 Liaise with the Stock Exchange and advise on the requirements for the listing of the Programme and subsequent Notes 	
Financial Printer	■ Printing and distribution of both the Preliminary and Final Offering Circular	

Source: Deutsche Bank Global Markets MTN presentation

EMTN Programme Documentation Overview



Document	Description		
Disclosure Requirements	 the Issuer would need to give disclosure regarding its business strategy, industry overview, capital expenditure and funding plan the Issuer would need to add in the most up to date financial disclosure 		
Offering Circular	 Disclosure document for listing purposes Sets out terms and conditions of the various types of Notes that can be issued off the Programme, and what form they take GMTN OC requires an MD&A – discusses Company's operating / financial performance & outlook while also outlining future plans 		
Dealer Agreement	 Contractual agreement between the Issuer and Dealers governing establishment of the Programme and the issuance of Notes off it, and contains agreed form of Subscription Agreement for syndicated issues 		
Agency Agreement	■ Contractual agreement between the Issuer and the Agent, dealing with the process for issuing and payment of Notes		
Trust Deed	■ Contractual agreement between the Issuer and the Trustee giving Trustee powers to act on behalf of the Noteholders		
Procedure Memorandum	■ Sets out procedures relating to drawdown and pro-forma pricing supplement		
Legal Opinions	 Legal opinions required as to governing law of the Programme documents and as to local law For GMTN Programme, a 10b5 opinion is also required from the Issuer's Counsel 		
Comfort Letter	 Auditor letter providing comfort on the OC financials and discussing any material changes from the date of the last audit/review 		
Officer's Certificate	 Certification from the CEO and/or CFO representing that all information in the OC is true and accurate and that there has been no material adverse change in the Company's business or prospects 		
Pricing Supplement	Required for subsequent drawdowns / Documents specific terms and conditions of the Notes and filed with the exchange		

Source: Deutsche Bank Global Markets MTN presentation

Main parties pulling all together for an EMTN programme



The Arrangers

- The arrangers, together with the legal counsel, will organise and draft all documentation and advise on the legal obligations and stock exchange regulations governing the Programme
- The arranger will work with the Issuer to establish an issuance strategy and appropriate funding targets
- The arranger will provide leadership to the Issuer's dealer group. For inaugural drawdown from the MTN Programme, the arrangers
 are usually the dealers given familiarity with the terms of the MTN Programme
- The arranger will arrange the annual update of the Programme and co-ordinate the due diligence session with the dealer group

The Programme Dealers

- Usually a large group of relationship banks with strong distribution capabilities are appointed as dealers. Dealers provide:
 - distribution to investors
 - regular updates on market trends and investor preferences
 - arbitrage opportunities



An efficient and effective post-trade infrastructure is vital for closer integration of financial services



At the trading level

- a. OTC to Alternative Trading Venues, Electronic Trading Platforms eg/db-Autobahn, EuroMTS system; Multilateral Trading Facilities and Organised Trading Facilities
- b. Concerns arose on risks of fragmented liquidity among different platforms, internalisation, regulated markets VS unregulated venues, disaster recovery, etc
- c. Key regulatory framework: 1993, Investments Services Directive (ISD) → 2004, Markets in Financial Instruments Directive (MiFID) 1 → 2011, MiFID 2

Trading level – select regulatory aspects



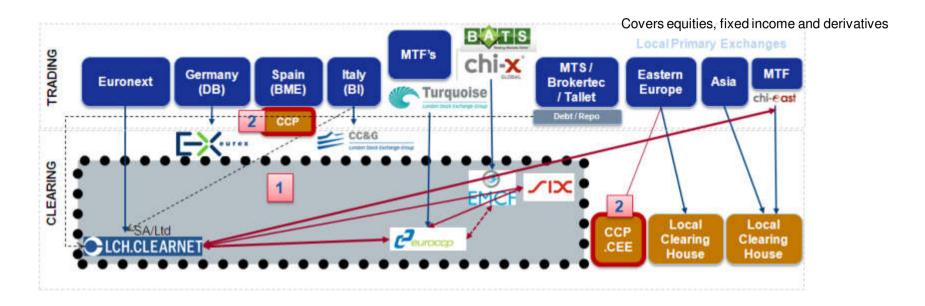
1. At the trading level

Select regulatory aspects			
ISD	• Established European Passporting regime. Authorised investment firms and banks can provide specified services in other EU member states on the basis of home state authorisation.		
	• Remote trading membership. Contained the right of direct or remote access of any authorised ISD firm to participate in trading on exchanges or regulated markets in other member states.		
MIFID 1	 Retained ISD's "European Passport". Firms covered by MiFID will be authorised and regulated in their "home state" (broadly, the country in which they have their registered office). 		
	 Authorised firm can provide services to customers in other EU member states. Services regulated by the member state in their "home state" (under ISD, a service is regulated by the member state in which the service takes place). 		
	Proliferation of multilateral trading facilities that fragmented information		
MIFID 2	Covers 6 major areas including Market Structure, Transparency, Investors Protection, OTC Derivatives		
[draft]	• Market Structure: To address evolving market practices and technological developments, like algorithmic trading, regulate internal crossings.		

Clearing level developments...



2. At the Clearing level



Select regulatory aspects

CPSS-IOSCO FMI [draft]

- Recognises that Financial Markets Intermediaries (FMIs) are generally sophisticated multilateral systems that handle significant transaction volumes and sizable monetary values
- Safe and efficient FMIs mitigate systemic risk. Interdependencies have facilitated significant improvements in the safety and efficiency of FMIs' activities and processes. Interdependencies, however, can also present an important source of systemic risk.
- Sets out 24 Principles
- Proposed responsibilities of central banks, market regulators, and other relevant authorities for financial market infrastructures

Source: Illustration is DB's own; http://www.bis.org/publ/cpss94.pdf

Securities settlement practices strenghtened...



3. Settlement level

- a. Settlement in central bank money (CeBM), technology improvement eg/. Intraday multi-batching VS end-of-day processing
- b. Introduction of Target-2 Securities (T2S)
- c. Regulatory responses: 2004, Standards for securities, clearing and settlement in the European Union; 2012, Central Securities Depository Regulation (CSD R)
- d. Settlement was efficient at the national level. Cross-border settlement was however, viewed as being inefficient at a time when a single European market in financial services is being created

Select regulatory aspects

CSD R [draft]

- establishes common rules for CSDs to operate in a safe and efficient manner, as well as common practices to improve the timing and conduct of securities settlement in the EU
- introduces T+2 settlement cycle by 2015
- introduces "sufficient deterrent penalty mechanism for participants"
- introduces provision of banking type of ancillary services is done in another legal entity than the CSD itself with derogation possibility

Source: http://europa.eu/legislation_summaries/internal_market/single_market_services/financial_services_transactions_in_securities/132002_en.htm
http://europa.eu/internal_market/single_market_services/financial_services_transactions_in_securities/132002_en.htm
http://europa.eu/internal_market/single_market_services/financial_services_transactions_in_securities/132002_en.htm
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Summary 1



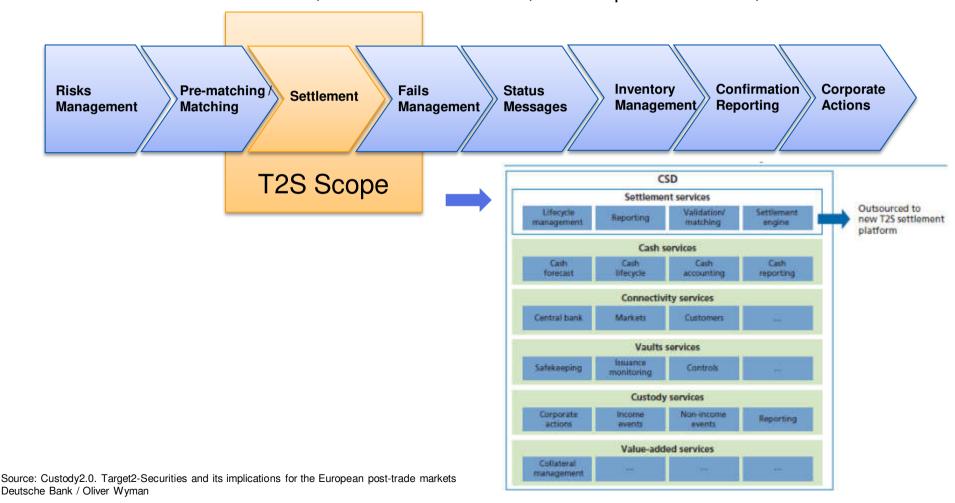
New regulatory frameworks are coming into place in Trading, Clearing and Settlement areas

Settlement: Target-2 Securities



1. T2S

- 1. CSDs will outsource settlement activities to the European Settlement Platform (T2S)
- 2. Settlement of EURO-denominated securities
- Harmonised interfaces, settlement schedules, fair & equitable access, etc



Harmonisation is a necessary driver for EU financial market integration, for post-trade system interoperability and maximisation of value-add



- Also to foster "lean T2S" i.e. avoid replicating current national specifics into the system's operational blueprints
- Harmonisation Areas [High Priority]
 - a. T2S Messages
 - i. ISO 20022 messages
 - ii. Matching fields
 - b. Single settlement schedule
 - c. Cross-CSD settlement
 - d. Corporate Action standards
 - e. Legal harmonisation
 - i. Settlement finality moment of entry
 - ii. Settlement finality order irrevocability
 - iii. Settlement finality securities transfer irrevocability
 - f. Location of accounts
 - g. IT Outsourcing
 - h. Settlement discipline regime
 - i. Settlement cycles

- j. Omnibus Accounts
- k. Registration Procedures

Similarities with ABMF SF2 Phase 2

- ISO 20022 fit-gap analysis
- Transaction flows
- Cross-CSD settlement
- ...

Source: http://www.ecb.int; T2S Harmonisation First Progress Report, Second Progress Report

Harmonisation considerations 1



			&v.
На	rmonisation Area	Brief Description	Risks
ai	ISO 20022 messages	To develop ISO20022 T2S related messages	No risks anticipated
aii	Matching fields	Ensure standard definition of T2S matching fields and compliance to ESF-ESCDA standards	No risks anticipated
b	Schedule of settlement day	Single schedule of T2S settlement day	No risks anticipated
С	Cross-CSD settlement	To increase the efficiency of cross- CSD settlement. 8 clearly identified issues: ancillary services, regulatory and legal reporting requirements, tax, registration processes, non-fungible securities, issuance practices, Stock Exchange and CCP instructions and Securities Amount Data	Not all relevant harmonisation issues may be known in advance. Complex
d	Corporate Action standards	To establish standards on CA flows. Recognised that CA flows will be impacted by settlement cycles	Legal amendments may be required in some markets. Tax implications

Source: http://www.ecb.int; T2S Harmonisation First Progress Report, Second Progress Report

Harmonisation considerations 2

На	rmonisation Area	Brief Description	Risks CATA
ei	Settlement Finality – Moment of entry	Eliminate uneven protection of CSD participants against the risk of insolvency of participants in other CSDs	Lack of consensus/agreeme nt on a single rule for defining the moment of entry
eii	Settlement Finality – Order irrevocability	Eliminate risk of transfer order revocation in a cross-border environment	Need to ensure that regulatory environments are complementary
eiii	Settlement Finality – Securities transfers irrevocability	To facilitate legally sound, seamless cross-border DVP settlement, CSDs have to recognise account entries in T2S as unconditional, irrevocable and enforceable	Regulatory or legal barriers for CSDs to adapt their rules
f	Location of securities accounts	Securities accounts need to remain legally attributed to the CSD regardless of location	Legal risks
g	IT outsourcing	Outsourcing of settlement services to T2S requires approval by relevant regulators Source: http://www.ecb.int; T2S Harmon	Legal risks onisation First Progress Report, Second Progress

Harmonisation considerations 3

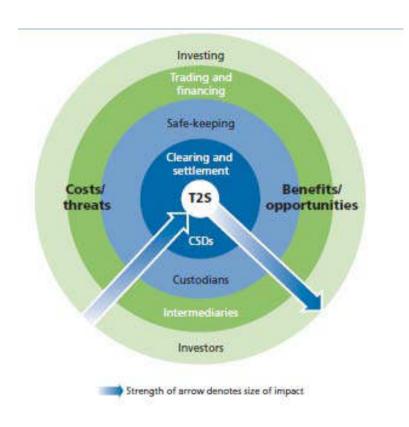


Harmonisation Area	Brief Description	Risks
h Settlement discipline regime	Need for a harmonised settlement discipline regime to ensure a level playing field and avoid risks of regulatory arbitrage (volumes shifting to softer sanctions regimes)	Legal and implementation
i Settlement cycles	Single settlement cycle facilitate T2S participants' management of technology and cross-border corporate actions	Legal and Implementation
^j Omnibus accounts	Non-availability of omnibus accounts does not readily support the concept of CSD interoperability and cross-border settlement	Legal
K Registration procedures	Local registration procedures may have impacts on T2S finality and efficiency	Costs

Source: http://www.ecb.int; T2S Harmonisation First Progress Report, Second Progress Report

Relative strength of impacts





- CSDs will be impacted the most
- Custodians will also be impacted significantly
- The main beneficiaries are consumers and intermediaries, as cross-border settlement becomes relatively cheaper

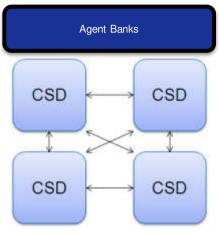
Cross-CSDs settlement models that were considered at various time





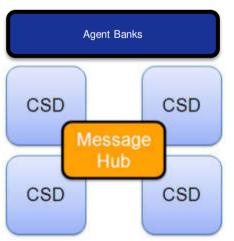
Present Model

- OTC and exchangetraded bond environment
- Agent banks as "cross-CSD settlement" layer, asset servicer, as access to market info for crossborder investors



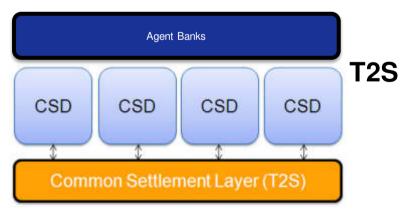
Bilateral Model

- CSD open accounts with each other to settle; how many accounts
- Legal, operational, etc
- Agent banks continues with differentiated services to global investors



Message Hub Model

- Same as Bilateral Model
- Investments & Hub's legal responsibilities?



- Agent banks, CSDs, market participants' relationships changes
- CSD R, MIFID 2, FMI, AIFMD, etc are likely to drive further evolutions and partnerships

Summary 2



These high priority harmonisation items are areas that are necessary for T2S launch.

"Low" priority items are not less important and they include Tax Procedures (withholding tax, transaction tax), Shareholder transparency, CSD ancillary services, market access and interoperability and corporate actions market standards.

Cross-CSD settlement is complex

Market participants-Agent banks-CSD relationships are evolving

Proposed considerations

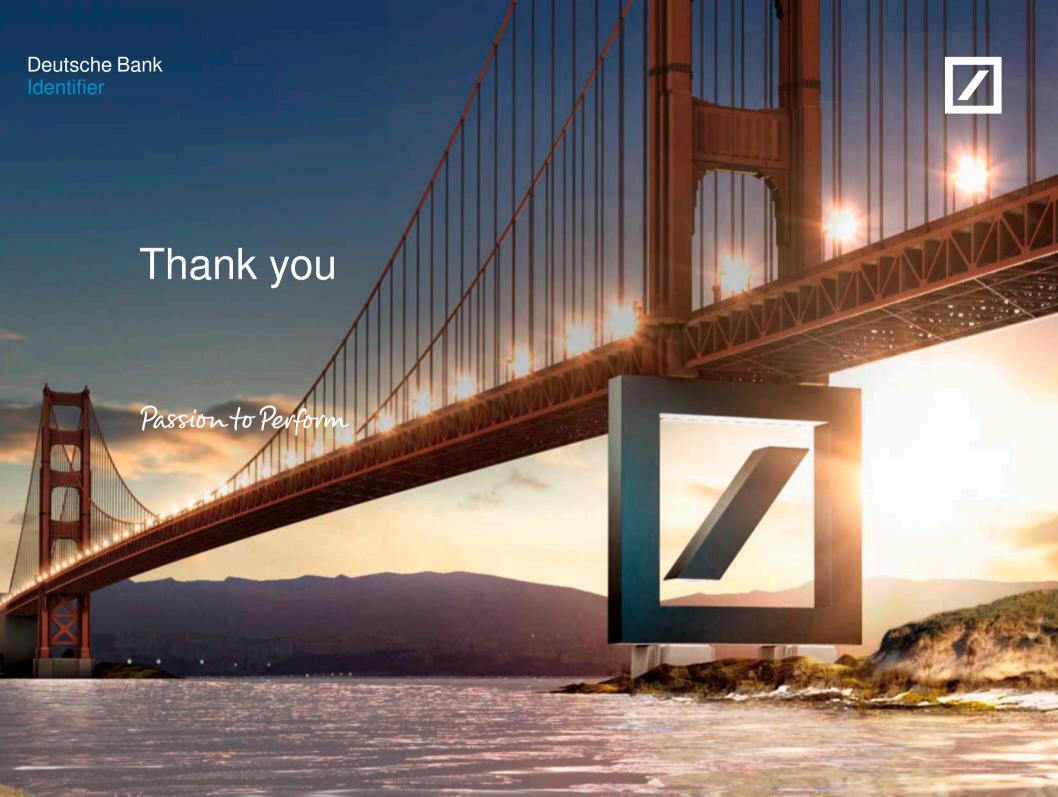


"Market infrastructures play a crucial role in the value chain of securities transactions processing...." European Banking Federation, Financial Markets

- Phase 2's fit-and-gap analysis, ISO 20022, etc supports national settlement efficiency and effectiveness
 - a. It includes mention of "Cross-border DVP settlement" models
 - b. An Asian Model / different ways of collaboration between market participants?

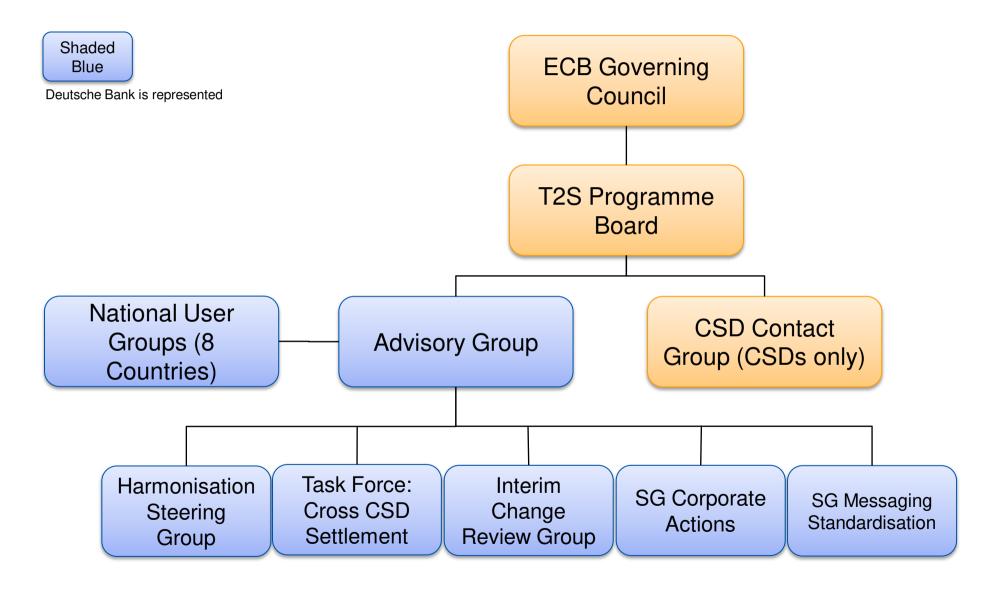
- Considerations for any implementation plans that can fall into Year 2014-2016 time frame
 - a. 2015: T2S scheduled start date*
 - b. 2015: CSD R's T+2 settlement cycle*
 - c. FATCA and other implementations*

* Dates can change



Deutsche Bank's representation in T2S substructures





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TOKYO PRO-BOND Market

Case study on TPBM: ING Bank N.V.

Kazuhiro IIDA

Manager, Market Development

TOKYO AIM, Inc.

17th April 2012



Outline of TOKYO PRO-BOND Market

Introduction



- ☐ Japanese institutional investors are developing stronger demand to invest in non-Japanese issuers to accelerate portfolio diversification.
- TOKYO PRO-BOND offers a full English disclosure framework so that potential Samurai issuers can tap the market without going through onerous documentation process.
- TOKYO PRO BOND offers a cost effective fund-raising scheme for non-Japanese issuers compared to more costly Samurai process.
- ☐ Japan continues to be a strong fixed income fund raising market.
 - ➤In 2010 and 2011, 9.8 trillion JPY and 8.5 trillion JPY (123 billion USD and 106 billion USD) was issued in the corporate bond sector, in which foreign issuers accounted for 1.9 trillion JPY and 1.8 trillion JPY (24 billion USD and 23 billion USD).

(assuming 1USD=80JPY)





The Financial Instruments and Exchange Act ("FIEA") was amended in June 2008 and became effective in December 2008

Key Points of Revision:

- ① A revision of bond market disclosure requirements for a market restricted to professional investors .
- 2 The new disclosure requirements include revisions on language and accounting standards. Company disclosures will not need to be submitted to the Kanto Local Financial Bureau.
- * Pursuant to the revised act, TOKYO PRO-BOND Market Rules and Regulations were published on May 17, 2011;
 - ⇒ http://www.tokyo-aim.com/probond_e/rules.html



Investors eligible to invest directly in TOKYO PRO-BOND are as follows:

Specified Investors

- ✓ Qualified institutional investors, listed companies, and private companies with over ¥ 500 million in paid-in capital
- ✓ Government agencies and Bank of Japan
- **Approved Specified Investors** (those who apply and receive approval from securities firms to enjoy TOKYO PRO-BOND Market.)
- ✓ Legal entities (e.g. regional public authorities, private companies less than ¥ 500 million in paid-in capital)
- ✓ Individuals with over ¥300 million in net assets and with at least one year of financial investment experience
- Non-residents (both professional and retail investors)

^{*} Issuers shall enter into a contract with bond holders via its underwriter that no transfer may be made except for a transfer to the Professional Investors.



There are <u>TWO</u>requirements for listing on TOKYO PRO-BOND Market:

Credit Rating Requirement

- ✓ A credit rating shall be received from major credit rating agencies.
- ✓ The "credit rating" applies also for a program such as MTNs.
- ✓ The "Major credit rating agencies" are S&P, Moody's, Fitch, JCR, and R&I.

■ Lead Managing Underwriter Requirement

✓ A lead managing underwriter shall be a securities company registered on the Lead Managing Underwriter List ("List").

* Listing Requirements examination period is one business day.

Lead Managing Underwriter List

Barclays Bank PLC
Barclays Capital Japan Ltd.
Citigroup Global Markets Japan Inc.
Credit Suisse Securities (Japan) Limited
Daiwa Securities Capital Markets Co. Ltd.
Deutsche Securities Inc.
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Mizuho International plc
Mizuho Securities Co., Ltd.
Nomura International plc
Nomura Securities Co., Ltd
Nomura Securities International Inc
RBS Securities Japan Limited
SMBC Nikko Securities Inc.



Summary of Disclosure System of TOKYO PRO-BOND Market

	Existing Disclosure System	TOKYO PRO-BOND Market	
Disclosure Language Japanese		Japanese or English	
Period (from the beginning of drafting disclosure documents to the closing day)	Approximately Two Months (If the issuers has not yet issued their bonds in Japan)	A few weeks (If the issuers disclose their annual report in their home countries, including period for listing procedures)	
Accounting Standards	Japan GAAP (If the company has not disclosed financial statements in another country before)	 Japan GAAP IFRS US GAAP Other standards approved by TOKYO AIM 	
Listing	n/a	Required	
Investors No Restrictions		Professional investors and non-residents	
Program Listing (i.e. MTN)	n/a	Yes	





Fee		Amount	Payment Due Date
Program Issuance	Program fee	JPY 1,000,000	Last day of the month following the month of PI submission
	Program amount increase fee	JPY 1,000,000	Last day of the month following the month of updated PI submission
Issuance without Program	Initial listing fee	JPY 1,000,000	Last day of the month following the month of listing

Case Study: ING Bank, N.V.

Schedule



- 30 March 2012
 - ✓ Program listing of JPY 200 billion (USD 2.5 billion)
- 10 April 2012
 - ✓ Pricing of the JPY 50.7 billion (USD 630 million) drawdown
 - ✓ Listing application was approved
- 16 April 2012
 - ✓ Payment day
- 17 April 2012
 - ✓ Listing of the bonds

Program Information of ING Bank N.V.



Issuer Name

ING Bank N.V.

Type of Securities

Senior Bonds

Program Duration

30 March 2012 to 29 March 2013 (1 year program with an automatic rollover)

Maximum Outstanding Issuance Amount

JPY 200 billion (USD 2.5 billion)

Credit Ratings for the Program

Aa3 (Moody's), A+ (Standard & Poor's), A+ (Fitch)

Underwriter of the program

Barclays Capital Japan Limited

Drawdown of the 1st issue by ING Bank N.V.



Issuance Amount

JPY 50.7 billion (USD 630 million)

Coupon

1.4%

Maturity

2 years

Credit Ratings

Aa3 (Moody's) A+ (Standard & Poor's), A+ (Fitch)

Joint lead managers

Barclays Capital Japan Limited, Nomura Securities, SMBC Nikko Securities

Why Tokyo PRO-BOND Market?



- English disclosure
- Less onerous documentation process
- Efficient access to Japanese institutional investors



- Major investors including banks, regional banks, insurance companies, and asset management companies, according to lead managers.
- Attracted foreign demand (foreign investors prefer English disclosure).
- Domestic investors welcomed the ING deal because it was an attractive first-time foreign issuer in Japan through the Tokyo PRO-BOND Market.

Distinctions from other markets



- Distinction from the Euro market
 - ✓ Governing law is Japanese law
 - ✓ Settlement is in Japan (Jasdec)
 - ✓ Japanese market convention is used, including interest rate calculation
 - ✓ Less onerous legal restriction on reselling

- Distinction from the Samurai issue
 - ✓ English disclosure
 - ✓ More efficient preparation (i.e. documentation) and costs but less liquidity

End of the presentation

Current Issuance Window in the Japanese Bond Market

NOMURA



International Debt Capital Markets Capital Markets

Reiko Nobuhiro

April 17th, 2012

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Constraints in Bond Issuance Window in Japan



Issuers who are looking to access the Japanese bond market via public offering have to consider various aspect as follows:

Market Conditions

- Holiday seasons, fiscal year end
- Economic calendar, bond auctions, political events etc.
- Issuers' earnings releases and blackout periods

Legal Requirements

- Annual Securities Report ("ASR"), Semi-Annual Securities Report ("Semi-ASR"), Quarterly Securities Report ("QSR")
- Cooling-off period for a valid Shelf Registration Statement upon filing of specified documents

Underwriting Requirements

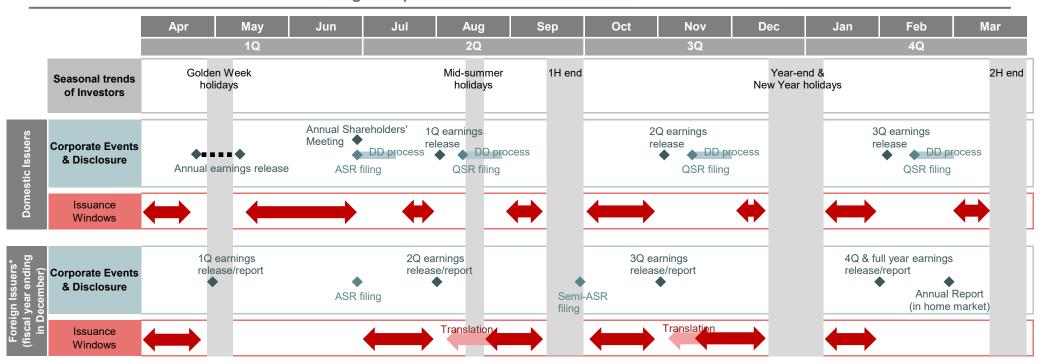
- Due diligence procedure (incl. comfort letters)
- Sufficient marketing period

Overview of Bond Issuance Windows throughout the Year



- For Japanese domestic corporate issuers, approximately 100 business days of issuance windows are open, out of 200 business days where the investors are active
 - It is a market practice that no disclosure events should be planned during an offering period
 - A frequent issuer with a valid Shelf Registration Statement usually performs due diligence ("DD") on ASR and QSR after each filing, which takes about 1-2 weeks
- For foreign issuers, issuance windows will depend on the timing of the ASR filing, individual blackout periods before earnings releases or reports and, as necessary, a translation of such information to be announced in their home markets
 - Preparation takes 3-4 weeks to issue bonds off a Shelf program

Bond Issuance Windows for Public Offering in Japan



^{*} Foreign Issuers represent those who have a continuous disclosure obligation

TOKYO PRO-BOND Market and the Latest Update



TOKYO PRO-BOND Market allows for a simpler and more cost-effective documentation, enabling more flexible and timely issuance

What TOKYO PRO-BOND Market offers

- Option of English language disclosure
- Program listing which allows flexible and timely bond issuances in response to market conditions
- Minimum continuous disclosure

Benefit for issuers

The long-awaited first PRO-BOND transaction is now launched

ING Bank's PRO-BOND transaction

- On March 30th, ING Bank ("ING") became the first issuer to list its program on the TOKYO PRO-BOND Market
- Following a 1-week marketing period, ING successfully priced JPY50.7 billion (approx. USD620mm) 2-year bonds
- The bonds were distributed to major banks, specialized banks, insurance companies, asset managers, regional banks, shinkin banks as well as international investors

Transaction Details of ING Bank's PRO-BOND Offering



Issuer	ING Bank N.V.
Credit Ratings	Aa3: Moody's / A+: S&P / A+: Fitch
Listing	TOKYO PRO-BOND Market
Securities Offered	Fixed Rate Senior Unsecured Bonds
Target Investors	Specified Professional Investors and non-residents of Japan under transfer restriction
Issue Amount	JPY50.7 billion
Tenor	2 years
Pricing Date	April 10 th , 2012
Settlement Date	April 16 th , 2012
Maturity Date	April 16 th , 2014
Coupon	1.40% payable semi-annually, NL/365, unadjusted
Issue Price	100.00
Re-offer Spread	100bps over 2-year JPY Swap Offer Rate
Governing Law	Japanese Law
Denominations	JPY100,000,000
Fiscal Agent	Mizuho Corporate Bank
Settlement	Book-entry transfer system via Japan Securities Depository Center, Incorporated (JASDEC)
Joint Lead Managers	Barclays Capital, Nomura Securities, SMBC Nikko Securities

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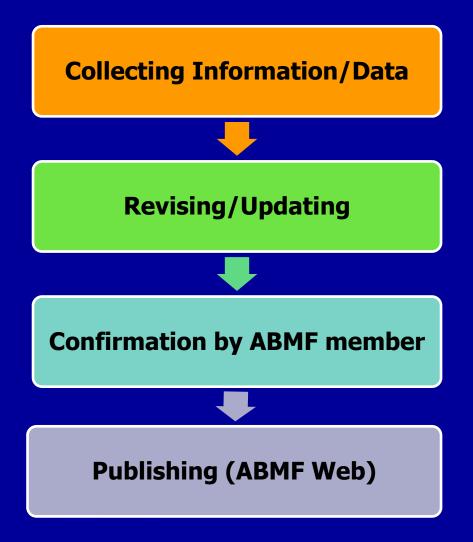
Other Issues of SF1 and SF2

- Update / management of Phase 1 Report -

ADB Secretariat

8th ABMF Meeting Manila, Philippines, 17-18 Apr 2012

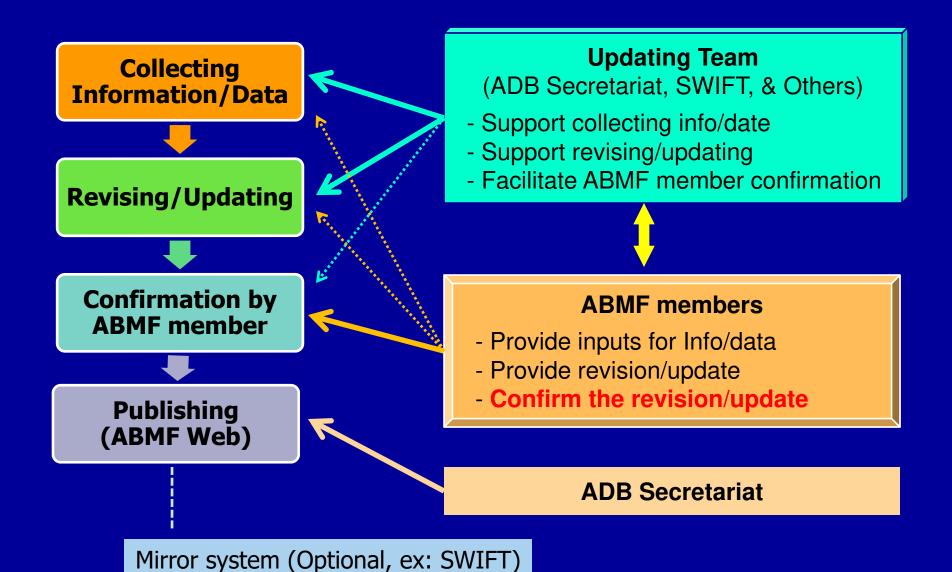
Update: Basic Procedure



Update: Ad-hoc updating team

- Participation
 - ✓ ADB secretariat team
 - ✓ SWIFT (to utilize SMPG network and other resources)
 - ✓ Other experts appropriate and available
- □ Provide key support for Step 1 and Step 2
 - ✓ Facilitating information collection from various sources
 - ✓ Directly and indirectly revising and updating the reports

Update: Procedure and Responsibility



Update: Schedule

- Ad hoc and partial revision
 - ✓ When directly requested by respective ABMF members with revisions made by themselves
 - ✓ When respective ABMF members confirmed the revisions made by updating team
- Regular update
 - ✓ By annually
 - ✓ ABMF members review and check the need of revision of respective market guide at the end of every year
 - ✓ Updating team provides collected information and facilitates regular update process

Translation into local languages

- Several members showed interests in translation
- Due to copy right issue, there should be translation license agreement (TLA) between ADB and interested institution before translation
 - ✓ Common template of TLA is available to all ABMF members upon request
- After TLA, translation could be done in part or full report without any copyright charge
- However, the only official report is the English version posted on the ABMF website

Welcome comments and Feedback

Many thanks!

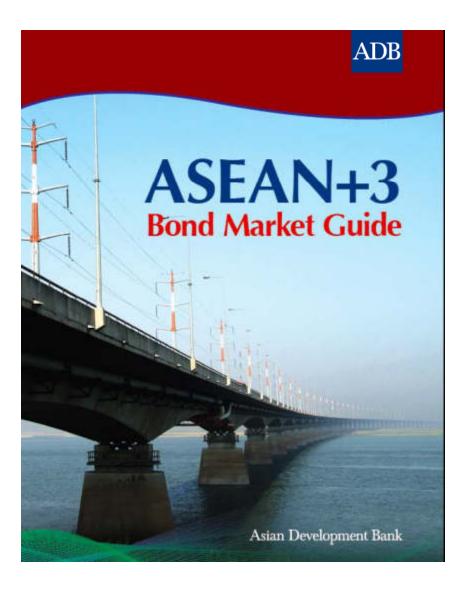
ADB Secretariat



Dissemination of the ABMF Report

Matthias Schmidt
ADB Consultant
8th ABMF Meeting, Manila, Philippines
17 / 18 April 2012





- Published 4 April 2012
- ADB press release
- PDF format
- 1,532 pages
- 9.4 MB
- Available online



② Distribution of ABMF Report (1)

- 46 (SF1) and 34 (SF2) ABMF Members
- 16 Observers, plus ABMI via TF3 Chairs
- 14 Finance Ministers
- 23 Market Visit Participants/Groups (nonmembers: law firms, financial institutions, regulators...)
- Plus, professional contacts of members



② Distribution of ABMF Report (2)

- 9 Channels, Feeder or Mirror Sites:
 - ASIFMA
 - o BPAM
 - Euroclear
 - KSD (announcement in Korean)
 - NTT Data Japan (announcement in Japanese)
 - Omgeo
 - SMPG
 - SWIFT
 - Waseda University (announcement in Japanese)

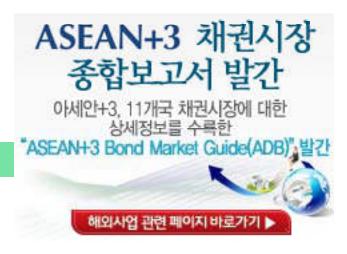


Euroclear



ASEAN+3 Bond Market Guide

Waseda U



KSD



② Distribution of ABMF Report (3)

- 7 International Experts, via client communication, and/or organisational websites
 - Bank of Tokyo-Mitsubishi UFJ
 - BNP Paribas
 - Citibank
 - Deutsche Bank
 - Hong Kong and Shanghai Banking Corporation
 - o J.P. Morgan
 - State Street Bank and Trust



③ Introduction to Public at large

- Wider dissemination of key messages, both from ABMF Report and planned Phase 2 activities
- Use market/business contacts!
- Engagement with trade press, where suitable
- Market Visits from June to August
- 9th ABMF Meeting in Seoul (?!)
- SIBOS 2012 in Osaka (29 Oct 2 Nov)



Thank you all for a successful, timely and comprehensive distribution of the ABMF Report!