<table>
<thead>
<tr>
<th>DATE &amp; TIME</th>
<th>PROGRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 SEP 2012</td>
<td>DAY 1: ABMF Sub Forum 1 (SF1)</td>
</tr>
<tr>
<td>08:00 – 08:40</td>
<td>Registration</td>
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</table>

### ABMF SF 1

<table>
<thead>
<tr>
<th>Time</th>
<th>Program</th>
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<tbody>
<tr>
<td>08:40 – 08:45</td>
<td><em>Welcoming Remarks</em> by Jin-Woong Nam, Vice-Chairman, KOFIA</td>
</tr>
<tr>
<td>08:45 – 08:50</td>
<td><em>Congratulatory Remarks</em> by Dr. Kwang-Yeol Yoo, Deputy Director General, Ministry of Strategy and Finance</td>
</tr>
<tr>
<td>08:50 – 09:00</td>
<td><em>Opening Remarks</em> by SF1 Chair (Mr. Tetsutaro Muraki, TSE)</td>
</tr>
<tr>
<td>09:00 – 10:30</td>
<td><em>Session 1: Key findings of market visits - SF1 (Part 1)</em></td>
</tr>
<tr>
<td></td>
<td>- Presentations by Prof. Shigehito Inukai, ADB Consultant</td>
</tr>
<tr>
<td></td>
<td>- Additional comments by Mr. Matthias Schmidt, ADB Consultant</td>
</tr>
<tr>
<td>10:30 – 10:50</td>
<td><em>Coffee break</em></td>
</tr>
<tr>
<td>10:50 – 12:30</td>
<td><em>Session 2: Key findings of market visits - SF1 (Part 2)</em></td>
</tr>
<tr>
<td></td>
<td>- Q and A</td>
</tr>
<tr>
<td>12:30 – 13:30</td>
<td><em>Lunch hosted by KSFC (Emerald Room, 2nd Flr., Lotte Hotel)</em></td>
</tr>
<tr>
<td>13:30 – 14:30</td>
<td><em>Session 3 (Information Session): Approaches and methods for mutual recognition</em></td>
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<td></td>
<td>- Presentation by KOFIA</td>
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<tr>
<td></td>
<td>- Q and A</td>
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<tr>
<td>14:30 – 15:30</td>
<td><em>Session 4 (Information Session): Infrastructure and market practices to enhance liquidity in bond market – Korean experience</em></td>
</tr>
<tr>
<td></td>
<td>- Depository securities lending (KSD)</td>
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<td>- Securities lending and repurchase agreement (KSFC)</td>
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<td></td>
<td>- The role of intermediaries (Woori Securities on behalf of KOFIA)</td>
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<td></td>
<td>- Q and A</td>
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<tr>
<td>15:30 – 15:50</td>
<td><em>Coffee break</em></td>
</tr>
<tr>
<td>15:50 – 16:30</td>
<td><em>Session 5: Other issues of SF1</em></td>
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<tr>
<td></td>
<td>- Market visits for BCLM (Dr. Seung Jae Lee, ADB Secretariat)</td>
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<td></td>
<td>- SIBOS (Dr. Seung Jae Lee, ADB Secretariat)</td>
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<td></td>
<td>- Work plan for SF1 (Dr. Seung Jae Lee, ADB Secretariat)</td>
</tr>
<tr>
<td></td>
<td>- Q and A</td>
</tr>
<tr>
<td>16:30 – 16:40</td>
<td><em>Wrap up</em> (Dr. Seung Jae Lee, ADB Secretariat)</td>
</tr>
<tr>
<td>16:40 – 16:50</td>
<td><em>Closing Remarks</em> by SF1 Chair (Mr. Tetsutaro Muraki, TSE)</td>
</tr>
<tr>
<td>17:00 – 17:30</td>
<td><em>(Special session for regulatory bodies )</em> Regulatory bodies meeting*</td>
</tr>
<tr>
<td></td>
<td>* Only for regulatory bodies, venue: Meeting Room, 31st Flr.</td>
</tr>
<tr>
<td>18:00 – 20:00</td>
<td><em>Dinner hosted by KSD (Emerald Room, 2nd Flr., Lotte Hotel)</em></td>
</tr>
</tbody>
</table>
## 9th ASEAN+3 Bond Market Forum (ABMF) Meeting
Sapphire Ballroom, 3rd Flr, Lotte Hotel Seoul, Seoul, Korea
4-5 September 2012

<table>
<thead>
<tr>
<th>DATE &amp; TIME</th>
<th>PROGRAM</th>
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<tbody>
<tr>
<td>5 SEP 2012</td>
<td>DAY 2: ABMF Sub Forum2 (SF2)</td>
</tr>
<tr>
<td>08:30 – 09:00</td>
<td>Registration</td>
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### ABMF SF2

<table>
<thead>
<tr>
<th>Time</th>
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<tbody>
<tr>
<td>09:00 – 09:10</td>
<td>Opening Remarks by SF2 Chair (Mr. Jong Hyung Lee, KSD)</td>
</tr>
<tr>
<td>09:10 – 10:40</td>
<td>Session 6: Key findings of market visits – SF2 (Part 1)</td>
</tr>
<tr>
<td></td>
<td>- Presentation by Dr. Taiji Inui, ADB Consultant</td>
</tr>
<tr>
<td></td>
<td>- Additional comments by Mr. Shinji Kawai, ADB Secretariat</td>
</tr>
<tr>
<td>10:40 – 11:00</td>
<td>Coffee break</td>
</tr>
<tr>
<td>11:00 – 12:20</td>
<td>Session 7: Key findings of market visits – SF2 (Part 2)</td>
</tr>
<tr>
<td></td>
<td>- Q and A</td>
</tr>
<tr>
<td>12:20 – 13:30</td>
<td>Lunch hosted by KOSCOM (Emerald Room, 2nd Flr., Lotte Hotel)</td>
</tr>
<tr>
<td>13:30 – 14:30</td>
<td>Session 8 (Information Session): OTC market and information management in bond market – Korean experience</td>
</tr>
<tr>
<td></td>
<td>- Korean Securities Information Management System (KSD)</td>
</tr>
<tr>
<td></td>
<td>- CCP for central clearing of OTC &amp; exchange derivatives contracts (KRX)</td>
</tr>
<tr>
<td></td>
<td>- Q and A</td>
</tr>
<tr>
<td>14:30 – 15:30</td>
<td>Session 9 (Information Session): Information on other issues</td>
</tr>
<tr>
<td></td>
<td>- Recent progress in LEI discussion by Taketoshi Mori, (BoTM UFJ)</td>
</tr>
<tr>
<td></td>
<td>- Supplementary information on LEI by Ms. Rebecca Turner, (ISIFMA)</td>
</tr>
<tr>
<td></td>
<td>- Q &amp; A</td>
</tr>
<tr>
<td>15:30 – 15:50</td>
<td>Coffee break</td>
</tr>
<tr>
<td>15:50 – 16:10</td>
<td>Session 10: Other issues of SF2</td>
</tr>
<tr>
<td></td>
<td>- Market visits for BCLM (Dr. Seung Jae Lee, ADB Secretariat)</td>
</tr>
<tr>
<td></td>
<td>- SIBOS (Dr. Seung Jae Lee, ADB Secretariat)</td>
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<td></td>
<td>- Work plan for SF2 (Dr. Seung Jae Lee, ADB Secretariat)</td>
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<td></td>
<td>- Q and A</td>
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</table>

### Wrap up session

<table>
<thead>
<tr>
<th>Time</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>16:10 – 16:50</td>
<td>Future work plan and Wrap up (Dr. Seung Jae Lee, ADB Secretariat)</td>
</tr>
<tr>
<td></td>
<td>- Q&amp;A</td>
</tr>
<tr>
<td>16:50 – 17:00</td>
<td>Closing remarks by SF2 Chair (Mr. Jong Hyung Lee, KSD)</td>
</tr>
<tr>
<td>18:00 – 21:30</td>
<td>Dinner hosted by KRX (Korea House, 80-2 Pil-dong 2-ga, Jung-gu, Seoul)</td>
</tr>
<tr>
<td></td>
<td>* There will be a Traditional Arts Performance after Dinner at 20:30-21:30</td>
</tr>
</tbody>
</table>
Market Visit Findings and Update on SF1 Approach

Prof. Shige Hito Inukai
with Matthias Schmidt
ADB Consultants
9th ABMF Meeting, Seoul, Korea
4 September 2012
Agenda for Sub-Forum 1

1. Market Visits Findings
2. Update on SF1 Approach
   (1) Original Objective
   (2) Evolution of SF1 Approach
   (3) Focus on “Most Suitable Professional Market (Segment)”
   (4) Market Function principle based approach
   (5) Most Suitable Market Candidates
   (6) Key Target Outcomes
3. Need to break down AMBIP
4. SF1 Questionnaire
5. Expected Timeline
6. Proposed Output Concept
7. Next Steps
8. Q & A Session (after the break)
1. Market Visits Findings
# Market Visits Completed

<table>
<thead>
<tr>
<th>1st Visit</th>
<th>11 June – 13 June</th>
<th>13 June – 15 June</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALAYSIA</td>
<td>VIET NAM</td>
<td></td>
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<tr>
<td>2nd Visit</td>
<td>25 June – 27 June</td>
<td>27 June – 29 June</td>
</tr>
<tr>
<td>THAILAND</td>
<td>SINGAPORE</td>
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<tr>
<td>3rd Visit</td>
<td>09 July – 10 July</td>
<td>12 July – 13 July</td>
</tr>
<tr>
<td>KOREA</td>
<td>JAPAN</td>
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<tr>
<td>4th Visit</td>
<td>23 July – 24 July</td>
<td>26 July – 27 July</td>
</tr>
<tr>
<td>CHINA (Shanghai)</td>
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<tr>
<td>INDONESIA</td>
<td>HONG KONG</td>
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<td>6th Visit</td>
<td>22 Aug – 23 Aug</td>
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<tr>
<td>PHILIPPINES</td>
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</tbody>
</table>
Market Visits in Context

- Few SF1 Questionnaire responses received prior to market visits (Japan/Korea/China/Hong Kong)
- Few institutions had reviewed the ABMF Report published in April 2012; some had heard of it, or seen an email…
- Significant chance to engage regulatory authorities
- Good opportunity to gauge investor demand
- Necessitated preparation of specific discussion topics as guidance
Market Visits Demographics

- Asset Managers
- Banks
- Broker/Dealers and/or Underwriters
- Central Banks
- Central Depositories
- Clearing Houses (where applicable)
- Domestic/Regional Custodians
- Exchanges (with bond segment)
- Global Custodians
- Law Firms
- SEC or equivalent Regulatory Authorities
- SROs / Market Associations (where available)
Market Visit Summary: Malaysia

Key Findings

- Professional (Sophisticated investors qualify issue) market segment: “Excluded Offers”; no use of term ‘private placement’ in regulations and guidelines.
- Refers to offers to 13 types of investors specified in Schedules 6 and 7 of Capital Market and Securities Act (CMSA), where issuance is exempted from prospectus.
- Certain foreign persons (individual and corporation in Schedule 6 and 7 of CMSA) are regarded as Sophisticated Investors.
- But, typically requires depositing documentation (Information Memorandum) with SC Malaysia, and approval.
- Selling restrictions to be included in documentation.
- There is a plan by SC Malaysia to soon specify sophisticated investors to include (1) high net-worth individuals, (2) high net-worth entities and (3) accredited investors.

Issue identified

- Usage of the word of ‘Principal Advisor’ is, relative to other intermediaries, different from other markets. The corporate finance adviser is responsible for making submissions to the SC Malaysia for corporate proposals. This is unique in Malaysia given the due diligence requirements on all proposals submitted to the SC.
Labuan – Malaysia
(Just as additional reference information)

- Labuan bond issuance is still alive and well
- In fact, is key avenue for MY and other issuers to tap FCY market
- Issuers: Malaysian Government related institutions and large, well known MY companies
- Typically secondary listing (LFX); primarily listing in Lux, UK-LDN
- Issues not to be offered for sale in MY -> Equivalent to U.S. Reg-S concept (Selling Restriction)
- Intermediaries limited to non-MY banks
- Typically, Labuan entity (SPC) as issuer
- Scheme saves time and cost, no need for Principal Advisor, no SC Malaysia approval, No 15% WHT
- Regulated by Labuan Financial Services Authority (L-FSA), less tough, own rules, although largely congruent with SC Malaysia approach
- Market views - this as ‘kind of exempt’ from full disclosure
- Means of settlement can be determined; often Euroclear & Clearstream

- Labuan is mostly considered for USD-denominated issuances since it is the funding currency for offshore institutions/banks operating in Labuan, and for its liberal tax framework.
Key Findings

- First instance of recognition of ‘professional investors’ concept in Securities Law 2006 (Article 6-11)
- Introduction of term ‘Non-public offering = private placement’ only in 2011
- Term ‘Arranger’ used for broker/dealer selling issues
- Significant effort for professional code of conduct, standards by Vietnam Bond Market Association (VBMA)
- Market maker agreement being discussed
- VBMA working on corporate bond database, with ThaiBMA and IFC

Issues identified

- However, no further guidance (decree or circular) on professional investors from authorities, rendering this exempt route presently unusable
- Poor continuous disclosure observed by market
- Actual availability of securities for sale following an auction
Market Visit Summary: Thailand

**Significant Findings**

- Private placement in regulations and guidelines
- Refers to multiple private placement types:
  - PP13-II (most common) – offer to 13 types of institutional investors (II); Foreign investors are regarded as II
  - PP-10 – offer to no more than 10 investors – Small Number PP
- SEC launched ‘Accredited Investor’ Regime, based on 18 types, with no requirement of rating (‘light touch’ regime?); SEC changed definition of Institutional Investor (II) and High Net Worth Investor (HNWI) for AI Regime – Need to determine to what extent all parties mentioned can be comparable as professionals to other economies
- **Only for AI regime, Institutional Investor and HNW definitions have been changed**
  - Key documentation = ‘Prospectus’, even for exempt offers, say ‘Short Prospectus’
  - Corporate bond registrars are commercial banks (different risk profile from government bonds)
- Thailand Financial Instruments Information Center (TFIIC) on track for end 2012 launch

**Issue identified**

- Need to clarify FCY issuance by foreign entities, including acceptable language
Thai: Accredited Investor Regime

- Allow an offer for sale of the following products to AI (Accredited Investor):
  1. unrated bonds
  2. non-retail mutual funds that invest in unrated or non-investment grade debt instruments without limit on the investment proportion.
- **AI** comprises:
  1. institutional investor* such as commercial bank, mutual fund, provident fund and
  2. investors with high net worth, which means
     (i) an individual who has at least 50 million baht in total assets or 4 million baht in annual income or 10 million baht investment in securities, the amount of which can be combined with spouse's), or
     (ii) a juristic person having shareholders' equity at the minimum of 100 million baht or securities investment at the minimum of 20 million baht.

*Remark Institutional investors include:
  1. Bank of Thailand
  2. Commercial banks/ banks established under specific law
  3. Finance companies/Credit foncier companies/ Securities companies
  4. Non-life insurance companies/Life insurance companies
  5. Mutual funds
  6. Provident funds
  7. Private funds in which every individual or juristic person assigning the management of such funds is institutional investor or qualified as high net worth investor
  8. Organizations or juristic persons established under specific law and having main objective in investment management, for example, the Government Pension Fund, Social Security Fund
  9. Derivatives business operators/ derivatives business operators operated under law on agricultural futures trading
  10. International financial institutions
  11. Deposit Protection Agency
  12. The Financial Institutions Development Fund
  13. The Stock Exchange of Thailand
  14. Statutory corporations
  15. Juristic persons in which persons under (1) to (14) hold shares in aggregate of more than seventy-five percent of total shares with voting right
  16. Foreign investors with the same characteristics as such investors under (1)-(15) mutatis mutandis
  17. Individual registered as qualified fund manager/ derivatives fund manager
  18. Other types of investors as specified in the SEC notification
Market Visit Summary: Singapore

Key Findings

• No clear distinction of professional market segment, but multiple exemptions from full disclosure:
  • Placements to <50 investors, OR
  • Minimum Transaction size of 200’, OR
  • Small offer, no more than SGD 5 million over 12-month period, OR
  • Offer to “Institutional Investors” and “Accredited Investors” (Securities & Futures Act (SFA) contains clear definitions)
  • Certain foreign entities may be regarded as professionals (II or AI).

• MAS advocates ‘light touch’ regime
• Selling restrictions (initial 6 months) as anti-avoidance measure
• Terminology: ‘lodgment’ (of documents) vs. ‘register’ (= approval)

Issue identified
• No clear distinction between local (domestic) and international market segments in terms of SGD-denominated bonds
Market Visit Summary: Korea

- Markets/segments identified:
  - QIB Market (exempt regime, see below)
  - Listed Corporate Bond Market (public offering and full disclosure), mostly traded in OTC market and few are traded on KRX; due to membership accessible only to professional investors both in OTC (KOFIA system) and on KRX.
  - KRX listings exceed 5000 corporate bond issues
  - The QIB (Qualified Institutional Buyer) Market for professional investors was introduced in May 2012, focusing on SME bond issuance, without Information Memorandum, and requiring use of KOFIA’s trading platform
    - Targeted at issuance by unlisted domestic companies (excl. financial institutions and public enterprises) with total assets of KRW 500bn or less
    - At this point, foreign investors are not participating
    - However, foreign companies and foreign government agencies are eligible to issue QIB securities, without the restrictions mentioned above (unlisted, total assets of KRW 500bn or less)
    - FSC states that the current QIB Exemption Scheme could be further developed in the future

- Some further details on exemptions and legal framework are provided in some of the sample charts later in the presentation
Examples of Exemptions in Korea

1. Short-term (CP): [No separate exemption provision. Practically exempt pursuant to 3 below.]* [* Will be further confirmed]

2. **Small Amount** (total issuance of KRW 1billion): Article 119 of the FSCMA. Article 120, paragraph 1 of the Enforcement Decree

3. **Small Number** of Investors (Less than 50): Article 9, paragraphs 7 and 9 of the FSCMA (definition of “public offering” and “public sale”), Article 119 of the FSCMA (requiring SRS for a public offering or public sale)

4. **Overseas Issuance**: Article 9, paragraphs 7 and 9 of the FSCMA (definition of “public offering” and “public sale”), Article 11, paragraph 2 of the Enforcement Decree (referring to deemed public offering/sale), Article 2-2-2 of the Regulation on Issuance and Public Disclosure of Securities (Deemed Public Offering of Overseas Issuance)

5. **QIB** (Article 9, paragraphs 7 and 9 of the FSCMA (definition of “public offering” and “public sale”), Article 11, paragraph 2 of the Enforcement Decree (referring to deemed public offering/sale), Article 2-2, paragraph 2, sub-paragraph 4 of the Regulation on Issuance and Public Disclosure of Securities (RIPDS)

6. HNW Investors: No specific exemptions based on HNW investor definitions
Market Visit Summary: Japan

- TOKYO PRO-BOND Market has two points of improvement for the future growth with higher re-salability and liquidity.
  
i. TOKYO PRO-BOND should be included in Japanese domestic bond index, such as Nomura-BPI.

ii. The Resale Restriction Contracts are required by the cabinet ordinance.

  ➢ Recently, it became clear that parties are deemed to have entered into an agreement for the Resale Restriction Contracts with, as well as having given notice to, specified investors, if those contents are being described in the terms and conditions of the notes and are explained to investors.

- Foreign investors (that are non-residents of Japan, including both legal entities and natural persons) are treated as “Specified Investors, etc.” and are eligible for the TOKYO PRO-BOND Market.
Market Visit Summary: China (1)

Key Findings

- Distinct bond market segments
  - Inter-Bank Bond Market (IBBM)
  - Exchange Market (Shanghai Exchange)
  - Plus, both in turn feature multiple segments (see next slide)
- No definition of professional investor in the law, yet
- But ringfencing of professional markets via market access and licensing may be possible
- Significant recent changes: Qualified Foreign Institutional Investor (QFII) scheme now permitting investment in IBBM (*); QFII eligibility criteria eased
  (* Subject to PBOC permission and conditions; CSRC regulates QFII up to access to IBBM.
- Terminology one key issue (found that ‘quota’ in MTN Program in IBBM actually refers to ‘Program Amount’ in other markets)
Market Visit Summary: China (2)

• Several private placement markets (PPM) introduced (since ABMF Phase 1, 2011)
  • E.g. Shanghai Stock Exchange PPM for SMEs
  • Shanghai Clearing new instrument: P.P. Notes in IBBM

• Expect new type of QIB market in IBBM, concept of QIB similar to ABMF target

• Specific professional categories observed:
  • A (agency/3rd party and proprietary trading)
  • B (proprietary trading only)
  • C (indirect account holders)
Market Visit Summary: Indonesia

Key Findings

• No direct definitions of professional investor or professional market in bond related legislation
• But, reference can be made to Bapepam-LK Rule IV.C.5, about Limited Participation Mutual Fund, which states: (as a seed for future development)
  • Professional Investors are those who can analyse risk for themselves AND
  • Have capacity to buy mutual fund units, min IDR 5bn (about USD 500k) per transaction
• Private Placement not regulated, but MTN issuance market still available in practice; only report to regulators after issuance for info; in effect, this may be the only professional market segment
• Bapepam-LK (SEC) and Bank Indonesia will be creating a single capital market regulator (‘OJK’, or FSA), starting from Jan 2013

Issue to be considered

• An official definition of a professional market, including means of investor protection and with defined distinctions to public offers, may be desirable for the benefit of the market at large
Market Visit Summary: Hong Kong

Key Findings

- Professional Investor definition in law.
- Certain foreign entities are regarded as professionals.
- Recent HKEx rules amendment waiver allows inclusion of HNW investors for listed bonds.
- Clear definitions for exceptions from full disclosure.
- Bonds could principally be settled either CCASS or CMU (typically depending on which intermediary books trade).
- Increasing inclusion of bond trustee in bond issuance.
- HK Investment Fund Association issued best practice recommendations for more attractive bond markets.

Issues Identified

- No clear distinction between local (domestic) and international market segments; HK considers RMB issuance as yet another currency (CNH); however, from China market perspective, it’s RMB offshore market.
Market Visit Summary: Philippines

Key Findings

• Legal framework for professional market exists
• However, there is no actual market using this framework
• PDEx originally intended to replicate e.g. Luxembourg model, listing for profiling purposes
• No MTN issuance; possibly due to registration fees
• Key tax hurdle to be addressed still in 2012
• New regulations/clarification of law coming; no details
• While not SROs, market associations work on best practice and better processes

Issues Identified

• Selling restrictions between professional and individual investors not equally defined in all market segments
Markets in General

- Visited parties were open and cooperative, with strong interest in AMBIP
- Market participants consider markets professional
- They only deal with professional counterparties
- Almost all markets allow FII free access, except CH
- Markets have active regulatory dialogue

- But, information asymmetry still persists
- Need further dialogue between regulators and professional market practitioners
Key Challenges across Markets

[Multiple mentions only, in alphabetical order]

- Insufficient Credit ratings (domestic and international)
- Fiscal policy / taxation, in particular withholding tax (application rather than existence)
- FX regime (e.g. real demand principle) except for HK/JP/MY/SG
- Hedging abilities (in respect to prudential regulations)
- Indices (lack of, in particular for corporate bonds)
- ISIN (lack of at right time, not unique for programs)
- Lack of (benchmark) yield curve
- Insufficient Market Liquidity
- Macroeconomic factors, including inflation
- Pricing / valuation of bonds
2. Update on SF1 Approach
2. Update on SF1 Approach

(1) Original Objective
(2) Evolution of SF1 Approach
(3) Focus on “Most Suitable Professional Market (Segment)”
(4) Market Function principle based approach
(5) Most Suitable Market Candidates
(6) Key Target Outcomes
(1) Phase II – Key Objective was…

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) Evolution of SF1 Approach

- SF1 Q responses and market visits quickly informed SF1 approach
  - Regulatory focus on investor protection means need to put emphasis on professional segment
  - But, single market feature (e.g. professional market) not conclusive
  - Need to ‘translate’/normalise individual market features for easier comparison
  - Almost all markets allow FII free access, except CH
## Phase 1- Professional Investors

### Table 2.8 Existence of the Concept of Professional Investor

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Existence of a clear Definition of Professional Investor Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>● No concept or definition of “professional” (investor) is evident in Chinese law. The People’s Bank of China is mulling over the concept of Qualified Institutional Buyer (QIB).</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>● Professional investor is defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance, etc.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>● Indonesia does not have specific definitions on this type of professional investors. Bapepam-LK is working on a definition of Professional Investor. Private placement (to less than 100) is not regulated in Indonesia.</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>● The Financial Investment Services and Capital Markets Act classifies a Professional Investor. The Republic of Korea launched the QIB market, which is an exempt regime for Professional Investors in May 2012.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>● Sophisticated Investor is not explicitly defined in the Capital Market and Services Act 2007 (CMSA). However, the CMSA exempts sophisticated or professional investors from prospectus requirements.</td>
</tr>
<tr>
<td>Philippines</td>
<td>● Securities Regulation Code (SRC), SRC Rules, Over-the-Counter Rules and Qualified Buyer Rules clearly define Qualified Buyer, Qualified Individual Buyer and Qualified Institutional Buyer. SRC specifies sale to Qualified Buyers as transaction exempt from registration.</td>
</tr>
<tr>
<td>Singapore</td>
<td>● Under Securities and Futures Act, Accredited Investor and Institutional Investor are defined. Exemptions to prospectus requirements include exemptions for offers that are made only to institutional investors and accredited investors, etc.</td>
</tr>
<tr>
<td>Thailand</td>
<td>● “Notification of Securities and Exchange Commission (SEC)” defines Institutional Investors and High Net Worth Investors. Private Placement of corporate bond offers to institutional investors will be exempted from obligation to file disclosure documents to SEC. In June 2012, SEC introduced new AI (accredited investor) regime and changed the definition of institutional investor and HNWI for this regime.</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>● The Securities Law defines Professional Securities Investor. The Amended Securities Law defines Non-public offering of securities (Private placement) (to less than 100, etc.).</td>
</tr>
</tbody>
</table>

Source: ADB Consultants, based on research materials and market visit information.

Source: ABMF Report, April 2012, partly revised
1st Focus: Professional Investors

• “Professional investors” turned out to be too much of a generalisation

• Markets are using in legislation and practice:
  • Accredited Investor (e.g. SG, TH)
  • Eligible investors (e.g. CH)
  • Institutional Investor (e.g. SG, TH)
  • Professional Investor (e.g. VN, KR, HK)
  • Qualified Buyer (e.g. PH)
  • Qualified Individual Buyer (e.g. PH)
  • Qualified Institutional Buyer (e.g. KR, PH)
  • Qualified Institutional Investor (e.g. JP)
  • Specified Investor (e.g. JP-TOKYO PRO-Bond Market)
  • Sophisticated Investor (e.g. MY)

• Sometimes more than one term

• Market term may differ from legal term (partly translation issue)

➢ Realisation that ‘professional investors’ concepts need to be broken down into eligible types of investors, to be comparable
Phase 1 - Existence of Professional Investor-Only Market

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Existence/Status Quo of the Professional Investors Only Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>Does not exist <strong>in official terms</strong>. But the Inter-bank Bond Market consists of institutional participants only. The People’s Bank of China is considering the Qualified Institutional Buyer (QIB) concept. <strong>Focus on SME issuance to boost segment, offer alternative to loan financing.</strong></td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>Yes, exists. The Hong Kong Exchanges and Clearing Limited performed market consultation on some proposed changes to the requirements for the listing of debt issues to professional investors only in December 2010 and the Rule amendments were effected in November 2011. <strong>This is literally the professional investors only market.</strong></td>
</tr>
<tr>
<td>Indonesia</td>
<td>Does not exist in official terms. <strong>But in reality, unregulated domestic MTN market is regarded as Professional Investors Only Market.</strong></td>
</tr>
<tr>
<td>Japan</td>
<td>Exists. TOKYO PRO-BOND Market with listing on the TOKYO Stock Exchange’s TPBM listing place.</td>
</tr>
<tr>
<td>Korea</td>
<td>The QIB market and exclusive trading system in Kofia was launched in May 2012.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>No. But, the Securities Commission and Bank Negara Malaysia introduced ‘Exempt Regime.’</td>
</tr>
<tr>
<td>Philippines</td>
<td>Yes, as <strong>“Qualified Buyer.”</strong> Exemptions are granted for particular securities and transactions.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Yes, exists. There is a market for professionals which are exempted from prospectus requirements.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Does not exist so far. But, Private Placement is exempt from full filing requirement.</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Does not exist. <strong>Private Placement concept in regulation nascent, not yet implemented; intention to offer alternative to loan financing</strong></td>
</tr>
</tbody>
</table>

*Original Source: ABMF Report, April 2012, partly revised*
2nd Focus: Professional Market / Exempt Regime

• ‘Private Placement’ is an accepted market term

BUT:

• Some markets are defined by it (e.g. VN);
• Other markets have multiple types (e.g. TH);
• Yet, some markets do not regulate it (e.g. SG, VN);
• While in others there is not sufficient distinction (e.g. CH);
• Plus, some markets do not have it at all (e.g. ID).

➢ Since ‘private placement’ may be regulated or unregulated, it does not lend itself as the key characteristic to connect markets
Conclusion: Market Drivers differ

- Professional investors in some markets (e.g. HK, KR, VN)
- Private placement in other markets (e.g. TH)
- Legislation in several markets (e.g. JP, PH)
- Marketplaces, where existent (e.g. PH)

- More than one market segment with different drivers (CH)
- SRO prescription may apply in some market (e.g. KR)

- Market practice would be the ultimate driver...
- But not sufficiently suitable as a link between markets
(3) Focus on “Most Suitable Professional Market (Segment)”
Thus, Focus on “Most Suitable Professional Market (Segment)”

- Identify most suitable ‘Professional Market (Segment)’ in each economy in Theory and in Principle (see page 35)
- Breakdown market (segment) characteristics into features and functions, e.g. participants and restrictions (incl. restrictions selling from professional and non-professional investors)
- Then compare features, functions, participants and restrictions for coverage, similarities and distinctions
- Document and focus display on similarities
- This to arrive at the markets (segments) that as a result of their characteristics represents the most suitable way to connect to other markets via AMBIP/AMBIF, including showing seeds for future liquidity
(4) Market Function principle based approach
## Market Function principle based approach

<table>
<thead>
<tr>
<th>Key Factor</th>
<th>Full Disclosure requires Market</th>
<th>Limited Disclosure Market (Our Target MKT)</th>
<th>No Disclosure requires Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure</td>
<td>Full Disclosure Registrations (SRS)</td>
<td>Limited Disclosure Exemption</td>
<td>Full Exemption</td>
</tr>
<tr>
<td>Investor</td>
<td>General Investors main</td>
<td>Professional Investors</td>
<td>100% Professional</td>
</tr>
<tr>
<td>Market Liquidity</td>
<td>Tradable among Professionals</td>
<td></td>
<td>Non-tradable Possessed until maturity</td>
</tr>
<tr>
<td>Selling Restrictions</td>
<td>Nothing</td>
<td>Yes: to Non-professional investors</td>
<td>Yes: to Non-professional investors</td>
</tr>
<tr>
<td>Documents</td>
<td>Prospectus</td>
<td>Info. Memo Offering Circular</td>
<td>-</td>
</tr>
</tbody>
</table>

Above matrix excludes exemptions (1) Small Number, (2) Small Amount and (3) Short Term.
Typical Breakdown of Limited Disclosure Items

- Securities Information
  - Terms and Conditions of Primary Offering for Subscription to professional Investors
  - Underwriters of Bonds and Bond Administration, etc.
  - Use of Proceeds from Issue of New Securities

- Terms and Conditions of Secondary Distribution to professional Investors

- Corporate (Issuer’s) Information
  - Outline of Company
  - I-1 Trends of Principal Operating Data
  - I-2 Business Description
  - I-3 Affiliate Companies
  - Financial Conditions
    - Consolidated Financial Statements, etc.
    - (1) Consolidated Financial Statements
    - (2) Description of Major Assets and Liabilities
    - (3) Other Matters

- Information of Other Securities

- Information on Guarantor
Key Challenge: ‘Correct’ Balance

- Issuers would like wide and liquid market but reduced burden on disclosure
Key Challenge: ‘Correct’ Balance

- Issuers would like wide and liquid market but reduced burden on disclosure
- Investors want maximum information, but represent a subset of the market

Diagram:
- NO Disclosure
- LIMITED Disclosure
- FULL Disclosure
- Issuers
- Market
- Professional Investors

Large -------Market Liquidity-------- Small
Key Challenge: ‘Correct’ Balance

- Issuers would like a wide and liquid market but reduced burden on disclosure.
- Investors want maximum information, but represent a subset of the market.

Key: to find the type of balance that both stakeholders can live with.
Most Important Consideration

How to set up effective **Selling Restrictions** mutually is a key for the success of the creation of an Intra-Regional Professional Market = AMBIP
Terminology as a Key Issue

- **Private Placement**
  - PP10 (to < 10 investors)
  - PP13 vs. PPII/HNW (to 13 types of investors)
- ‘**Professional**’ vs. ‘**Institutional**’ or ‘**Accredited**’ Investor
- ‘Principal Advisor’ and Underwriter
- ‘Lodge’, ‘register’, or ‘submit’ describe different actions (See next page for illustration)

Need to separate market technical terms from actual meaning for ABMF purposes
Example: Action to relevant Authority

<table>
<thead>
<tr>
<th>Economy</th>
<th>Market</th>
<th>Action</th>
<th>What</th>
<th>To</th>
<th>For</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Filing</td>
<td>Issue application</td>
<td>NAFMII</td>
<td>Registration</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>HKEx</td>
<td>Submit</td>
<td>Listing Application</td>
<td>HKEx</td>
<td>tbd</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Private Placement (MTN)</td>
<td>Report</td>
<td>That placement has happened</td>
<td>Bapepam-LK</td>
<td>Filing</td>
</tr>
<tr>
<td>Japan</td>
<td>Public Offering Market</td>
<td>Register</td>
<td>Securities Registration Statement (SRS)</td>
<td>J-FSA</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>TOKYO PRO-BOND Market</td>
<td>Submit</td>
<td>Specified Securities Information</td>
<td>TSE</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>QIB Market</td>
<td>Register</td>
<td>Securities Information</td>
<td>KOFIA</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers (BM Listings only)</td>
<td>Deposit</td>
<td>Information Memorandum</td>
<td>SC MY</td>
<td>Approval</td>
</tr>
<tr>
<td>Philippines</td>
<td>Public Offering Market</td>
<td>Submit</td>
<td>Securities Registration Statement (SRS)</td>
<td>SEC</td>
<td>Rendering effective</td>
</tr>
<tr>
<td>Singapore</td>
<td>Public Offering Market</td>
<td>Lodge</td>
<td>Prospectus</td>
<td>MAS</td>
<td>Approval</td>
</tr>
<tr>
<td></td>
<td>SGX Listing Market</td>
<td>Submit</td>
<td>Listing Application - Offering Memorandum etc.</td>
<td>SGX</td>
<td></td>
</tr>
</tbody>
</table>

=> Objective is to avoid possible ambiguity of terminology when connecting markets via AMBIP/AMBIF.
Comparisons across Markets

Focus on Similarities, to be compiled across market features such as:

- Market Segment – focus on Most Suitable Market Segment
- Professional Investors – focus on underlying investor types
- Disclosure – focus on exemptions from full disclosure
- Key Documentation – focus on main issuance document(s) & characteristics
- Selling Restrictions – focus on integrity of professional market
- Issuance/Issuer limitations – what limits ability to issue
- Investor Access – focus on ability of investors to trade in a market
- Documentation (complete list at later stage)
- Intermediaries – focus on role/functions of intermediaries
- Covenants (possible future topic as part of documentation)
- Fair Pricing Capture
- DVP, Close to DVP – Robustness of the Settlement Infrastructure
Comparisons across Markets

What is SF1 trying to achieve?

- To reflect equivalence of markets and participants across economies
  - For issuers, investors, intermediaries
- To reflect equivalence in documentation and practices in each economy, e.g.
  - For professional investor concepts
  - For key documents
  - For selling restrictions
  - For covenants
- Preferably, in the form of a positive statement
- With direct references to applicable laws and regulations

➢ To define a domestic market focused but regionally connected bond market framework specifically for ASEAN+3, while drawing on proven concepts from developed markets (e.g. US144A and Eurobond MTN market characteristics)
Qualifying Remarks

• The information used for the comparison slides is thought to be factual, based on market visit discussions and meeting notes.
• At this stage, the comparison charts are meant to represent initial findings only!
• Further clarifications may change data.
• Some interpretations of data are expected to change following further discussions.
• Member feedback is very welcome!
(5) Most Suitable Market Candidates
### Most Suitable Markets Candidates Summary

(actual; slightly revised from pre-meeting version sent to members)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Type of Market</th>
<th>Candidate Market</th>
<th>Professional Market as a result of</th>
<th>Participation of</th>
<th>Market governed by</th>
<th>SRO</th>
<th>Accessible to Foreign Institutional Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Issuing &amp; Secondary</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Access/Participation</td>
<td>Institutional Investors</td>
<td>PBOC / NAFMII</td>
<td>NAFMII</td>
<td>via QFII</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>QIB Market (in IBBM)</td>
<td>Regulation</td>
<td>QIBs (tbd)</td>
<td>PBOC</td>
<td>(NAFMII)</td>
<td>tbd</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>SME Private Placements (on SSE)</td>
<td>Membership</td>
<td>Eligible Investors</td>
<td>CSRC / SSE</td>
<td>SSE</td>
<td>tbd</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Issuing</td>
<td>HKEx</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKEx</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>OTC</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKMA</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td>Indonesia</td>
<td>MTN Issuing</td>
<td>(Private Placement) (Unregulated Market)</td>
<td>Market Practice</td>
<td>(Professional Investor)</td>
<td>-</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td>Japan</td>
<td>Issuing</td>
<td>Tokyo PRO-BOND</td>
<td>Law (FIEA)</td>
<td>Specified Investors</td>
<td>FSA, TSE</td>
<td>TSE, JSDA</td>
<td>YES</td>
</tr>
<tr>
<td>Korea</td>
<td>(SME Issuances)</td>
<td>(QIB Market)</td>
<td>Decree to FSCMA</td>
<td>Qualified Institutional Buyers</td>
<td>FSC</td>
<td>KOFIA</td>
<td>Not at the moment</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>Listed Corporate Bond Market</td>
<td>Membership</td>
<td>Institutional Investors</td>
<td>FSC, KRX</td>
<td>KOFIA/KRX</td>
<td>YES</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Issuing &amp; Secondary</td>
<td>Excluded Offers</td>
<td>Law (CMSA)</td>
<td>Sophisticated Investors</td>
<td>SC Malaysia</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing</td>
<td>Exempt Regime (Listings only)</td>
<td>Membership</td>
<td>Institutional Investors</td>
<td>Bursa Malaysia</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td>Philippines</td>
<td>Issuing</td>
<td>Qualified Buyer / QIB</td>
<td>Participation</td>
<td>Qualified (Institutional) Buyer</td>
<td>SEC, BSP</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>PDEX Inter-dealer &amp; Inter-Professional</td>
<td>Membership</td>
<td>Banks, Dealers</td>
<td>SEC, PDEX</td>
<td>PDEX</td>
<td>YES</td>
</tr>
<tr>
<td>Singapore</td>
<td>Issuing</td>
<td>OTC</td>
<td>Market Practice</td>
<td>Institutional Investors</td>
<td>MAS</td>
<td>-</td>
<td>YES</td>
</tr>
<tr>
<td>Thailand</td>
<td>Issuing &amp; Secondary</td>
<td>Private Placement</td>
<td>Law</td>
<td>II &amp; HNW</td>
<td>SEC</td>
<td>ThaiBMA</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing (New AI Regime)</td>
<td>Private Placement</td>
<td>Thai SEC Regulation</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>ThaiBMA</td>
<td>YES</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Issuing</td>
<td>(Private Placement)</td>
<td>Law</td>
<td>Professional Investors</td>
<td>SSC</td>
<td>VBMA</td>
<td>YES</td>
</tr>
</tbody>
</table>
# Professional Investors Comparison

(actual, unsorted; PH added since pre-meeting version sent to members)

## Points of Note:
- Matrix contains types of investors as specifically named in law or regulations
- Resulting in 26 separate categories
- Blank spots do not mean no evidence, just no specific mention

### Table: Investors Comparison

<table>
<thead>
<tr>
<th>Economy</th>
<th>Investor Term</th>
<th>Defined by</th>
<th>Investor Term in each Economy represents the following Types of Investors (expressed as categories specifically mentioned in laws or regulations)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bank</td>
<td>B/D</td>
</tr>
<tr>
<td>PR China</td>
<td>Eligible Investors</td>
<td>SSE</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Institutional Investors</td>
<td>IBBM(?)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign</td>
<td>CSRC</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Institutional Investor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buyer</td>
<td>PBOC</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Professional Investor</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Offer to Prof. Investors'</td>
<td>HKEx</td>
<td>X</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor)</td>
<td>Bapepam</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Korea</td>
<td>Qualified Institutional</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Buyers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sophisticated Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer, QIB</td>
<td>Law, SEC</td>
<td>X</td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>X</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
</tbody>
</table>

To be reviewed further
# Professional Investors Comparison

(Actual, sorted by most comparable types of investors; PH added)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Investor Term</th>
<th>Defined by</th>
<th>Investor Term in each Economy represents the following Types of Investors (expressed as categories specifically mentioned in laws or regulations)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bank</td>
<td>B/D</td>
</tr>
<tr>
<td>PR China</td>
<td>Eligible Investors</td>
<td>SSE</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Institutional Investors</td>
<td>IBBM(?)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign Institutional Investor</td>
<td>CSRC</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Qualified Institutional Buyer</td>
<td>PBOC</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Professional Investor</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Offer to Prof. Investors'</td>
<td>HKEx</td>
<td>X</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor)</td>
<td>Bapepam</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Korea</td>
<td>Qualified Institutional Buyers</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sophisticated Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer, QIB</td>
<td>Law, SEC</td>
<td>X</td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>X</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
</tbody>
</table>

## Initial Findings

- Significant similarities for 6 types (Bank, Broker/Dealer, Insurance, Mutual Fund, Provident/Pension Funds, Government entities) of investors across most economies
- More candidates of similar investor types (see next page)
### Professional Investors Comparison

(Actual, sorted by most comparable types of investors, plus additional candidates)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Investor Term</th>
<th>Defined by</th>
<th>Investor Term in each Economy represents the following Types of Investors (expressed as categories specifically mentioned in laws or regulations)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bank</td>
<td>B/D</td>
</tr>
<tr>
<td>PR China</td>
<td>Eligible Investors</td>
<td>SSE</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Institutional Investors</td>
<td>IBBM(?)</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign Institutional Investor</td>
<td>CSRC</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Qualified Institutional Buyer</td>
<td>PBOC</td>
<td>X</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Professional Investor</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Offer to Prof. Investors’</td>
<td>HKEx</td>
<td>X</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor)</td>
<td>Bapepam</td>
<td>X</td>
</tr>
<tr>
<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Korea</td>
<td>Qualified Institutional Buyers</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sophisticated Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer, QIB</td>
<td>Law, SEC</td>
<td>X</td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>X</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td>X</td>
</tr>
</tbody>
</table>

**For further Consideration:**

- Several specific types of investors may be synonymous with key categories
- Additional types of investors may be generally accepted without mention
- Normalisation (not re-naming) of investor description desirable
# Focus on Foreign Investors
*(actual; some details to be confirmed)*

<table>
<thead>
<tr>
<th>Economy</th>
<th>Candidate Market</th>
<th>Participation of Foreign Institutional Investors (FII)</th>
<th>Participation specifically stated in law/regulations</th>
<th>If so, where?</th>
<th>FII can buy local currency?</th>
<th>FII can obtain Overdraft?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>via 'R-QFII'</td>
<td>Limited</td>
<td>PBOC Regulation ('R-QFII')</td>
<td>No</td>
<td>No</td>
<td>Specific access path for FII only</td>
</tr>
<tr>
<td></td>
<td>QIB Market (in IBBM)</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign Institutional Investor (QFII)</td>
<td>YES</td>
<td>YES</td>
<td>CSRC Provisional Guidelines</td>
<td>YES, based on quota</td>
<td>No</td>
<td>Specific access path for FII only</td>
</tr>
<tr>
<td></td>
<td>SME Private Placements (on SSE)</td>
<td>No</td>
<td>No</td>
<td>-</td>
<td>N/A</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>HKEx</td>
<td>YES</td>
<td>YES</td>
<td>Professional Investors</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>OTC</td>
<td>YES</td>
<td>YES</td>
<td>Professional Investors</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Private Placement) (Unregulated Market)</td>
<td>YES</td>
<td>YES</td>
<td>FX regulations</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo PRO-BOND</td>
<td>YES</td>
<td>YES</td>
<td>Specified Investors</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>(QIB Market)</td>
<td>Not at the moment</td>
<td>No</td>
<td>-</td>
<td>YES</td>
<td>No</td>
<td>But, law mentions foreign issuance</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Exempt Offers (Listings only)</td>
<td>YES</td>
<td>No</td>
<td>-</td>
<td>YES</td>
<td>YES</td>
<td>But, law mentions foreign issuance</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer / QIB</td>
<td>YES</td>
<td>YES</td>
<td>FX regulations</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td>PDEx Inter-dealer &amp; Inter-Professional</td>
<td>YES</td>
<td>YES</td>
<td>FX regulations</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>OTC</td>
<td>YES</td>
<td>No</td>
<td>-</td>
<td>YES</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Private Placement</td>
<td>YES</td>
<td>YES</td>
<td>Institutional Investors</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private Placement</td>
<td>YES</td>
<td>YES</td>
<td>Institutional Investors</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>(Private Placement)</td>
<td>YES</td>
<td>YES</td>
<td>Law on Foreign Investment</td>
<td>YES</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

To be reviewed further
### Private Placement Comparison

*(actual, some details to be confirmed, PH added to pre-meeting version)*

<table>
<thead>
<tr>
<th>Economy</th>
<th>Candidate Market</th>
<th>Specific Name, if any</th>
<th>Description</th>
<th>Key Characteristics</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No. of Offers</td>
<td>No. of Investors</td>
</tr>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Private Placement Notes</td>
<td>Placement to specific investors only</td>
<td>to be confirmed</td>
<td>No. of Investors</td>
</tr>
<tr>
<td></td>
<td>QIB Market (IBBM)</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
</tr>
<tr>
<td></td>
<td>SME Private Placements</td>
<td>SME Private Placement</td>
<td>Straight bond</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>OTC</td>
<td>Private Placement</td>
<td>MTN type</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HKEx</td>
<td>'Offers to Professional Investors'</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Private Placement)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Small Number-Private Placement (SN-PP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualified Institutional Investor-Private Placement (QII-PP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Offer to Specified Investors (SI-PP)</td>
<td>TOKYO PRO-Bond</td>
<td>inc. MTN type</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>(QIB Market)</td>
<td>to be confirmed</td>
<td>Straight bond</td>
<td></td>
<td>&lt;=50</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers</td>
<td>Excluded Offer</td>
<td>MTN type</td>
<td></td>
<td>&lt;50</td>
</tr>
<tr>
<td></td>
<td>Exempt Regime (Listings only)</td>
<td>Exempt Listing</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
</tr>
<tr>
<td>Philippines</td>
<td>(Small number PP)</td>
<td>Exempt Transaction</td>
<td></td>
<td>&lt;=19</td>
<td>&lt;=19</td>
</tr>
<tr>
<td>Singapore</td>
<td>OTC</td>
<td>Private Placement</td>
<td>MTN type</td>
<td></td>
<td>&lt;50</td>
</tr>
<tr>
<td>Thailand</td>
<td>OTC</td>
<td>Private Placement '13 II' Version</td>
<td>To 13 types of investors</td>
<td></td>
<td>&lt;50</td>
</tr>
<tr>
<td></td>
<td>Private Placement '10' Version</td>
<td>To max 10 investors</td>
<td>max 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>(Private Placement)</td>
<td>no specific prescription</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
<td></td>
</tr>
</tbody>
</table>
# Key Document(s) Comparison

(actual; some details to be confirmed; PH data added to pre-meeting version)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Candidate Market</th>
<th>Term used for Key Documentation</th>
<th>Translates into</th>
<th>Key Characteristics</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>PP Agreement</td>
<td>Specific agreement w.list of investors</td>
<td>to be provided</td>
<td>to be further confirmed</td>
</tr>
<tr>
<td>PR China</td>
<td>QIB Market (IBBM)</td>
<td>Prospectus</td>
<td>to be confirmed</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td>PR China</td>
<td>SME Private Placements</td>
<td>Prospectus</td>
<td>Full disclosure</td>
<td>to be provided</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>OTC</td>
<td>Offering Circular</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>HKEx</td>
<td>Information Memorandum</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Private Placement)</td>
<td>Purchase Agreement</td>
<td>Individual agreement between buyer/issuer</td>
<td>to be provided</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo PRO-BOND</td>
<td>Program Info</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transfer Restriction Agreement</td>
<td>Selling Restriction</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td>Korea</td>
<td>QIB Market</td>
<td>Short Prospectus</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers</td>
<td>Information Memorandum</td>
<td>Information Memorandum</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td></td>
<td>Exempt Regime (BM Listings only)</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer / QIB</td>
<td>Offering Circular</td>
<td>Information Memorandum</td>
<td>to be provided</td>
<td>Incl. covenants on selling restrictions</td>
</tr>
<tr>
<td>Singapore</td>
<td>OTC</td>
<td>Information Memorandum</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>Influenced by EU ‘Prospectus Directive’</td>
</tr>
<tr>
<td>Thailand</td>
<td>Private Placement ‘13 II’ Version</td>
<td>Minimised Prospectus ‘Form 69/S’</td>
<td>IM / OC</td>
<td>to be provided</td>
<td>to be confirmed</td>
</tr>
<tr>
<td></td>
<td>Private Placement ‘10’ Version</td>
<td>No prospectus</td>
<td>Term Sheet</td>
<td>to be provided</td>
<td>to be further confirmed</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Private Placement</td>
<td>Bond Proposal</td>
<td>IM / OC / Term Sheet</td>
<td>to be provided</td>
<td>to be further confirmed</td>
</tr>
</tbody>
</table>
## Example: Use of Comfort Letter

(Actual, some details to be confirmed; PH data added to pre-meeting version)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Candidate Market</th>
<th>Comfort Letter evident?</th>
<th>Actual Practice</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Yes</td>
<td>Not mandatory</td>
<td>Recommended by law firms</td>
</tr>
<tr>
<td></td>
<td>QIB Market (IBBM)</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
</tr>
<tr>
<td></td>
<td>SME Private Placements</td>
<td>No</td>
<td>Not in use</td>
<td>Due to general listing requirements</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>OTC</td>
<td>Yes</td>
<td>Not mandatory</td>
<td>Based on EU market practice</td>
</tr>
<tr>
<td></td>
<td>HKEx</td>
<td>No</td>
<td>Not in use</td>
<td>Due to general listing requirements</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Private Placement)</td>
<td>No</td>
<td>Not in use</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo PRO-BOND</td>
<td>Yes</td>
<td>Market practice</td>
<td>Based on EU market practice</td>
</tr>
<tr>
<td>Korea</td>
<td>QIB Market</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
<td>To obtain info from KOFIA</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers</td>
<td>Yes</td>
<td>Mandated by law</td>
<td>Gives regulators direct enforceability</td>
</tr>
<tr>
<td></td>
<td>Exempt Regime (BM Listings only)</td>
<td>tbd</td>
<td>tbd</td>
<td>To obtain info from Bursa Malaysia</td>
</tr>
<tr>
<td>Philippines</td>
<td>Public Market (PDEx)</td>
<td>Yes</td>
<td>Market practice</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualified Buyer / QIB</td>
<td>No</td>
<td>Not mandatory</td>
<td>Level of docu depends on parties</td>
</tr>
<tr>
<td>Singapore</td>
<td>OTC</td>
<td>No</td>
<td>Not mandatory</td>
<td>However, increasingly being used</td>
</tr>
<tr>
<td>Thailand</td>
<td>Private Placement</td>
<td>No</td>
<td>Not in use</td>
<td></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>(Private Placement)</td>
<td>No</td>
<td>Not required for LCY</td>
<td>Used for FCY issues</td>
</tr>
</tbody>
</table>
Comparison of Accounting Standards

• Seen as significant criteria for common issuance program
• To be done upon receipt of all responses to SF1 Questionnaires (since not covered during market visit meetings)
### Possible Depiction of Exemptions-Korea

<table>
<thead>
<tr>
<th>Depiction of Most Suitable Exempted Disclosure</th>
<th>KOREA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Question</strong></td>
<td><strong>Finding</strong></td>
</tr>
<tr>
<td><strong>By what?</strong></td>
<td>Law, Decrees, Guidelines</td>
</tr>
<tr>
<td><strong>Who?</strong></td>
<td>Type of Investors</td>
</tr>
<tr>
<td></td>
<td>1. “Qualified Institutional Buyers” (Subsumes a number of investor concepts, but exclude saving institutions) 2. KRX participants (trading members, incl. banks)</td>
</tr>
<tr>
<td><strong>What?</strong></td>
<td>Instrument types, actual instruments</td>
</tr>
<tr>
<td></td>
<td>1. SME private placements with limited documentation; Expected small amounts, likeness to loan market 2. Private placements by already listed issuers</td>
</tr>
<tr>
<td><strong>Where?</strong></td>
<td>Market(s), Marketplace(s)</td>
</tr>
<tr>
<td></td>
<td>1. “Free Bond” trading platform, designated by FSC, operated by KOFIA (Bond SRO in Korea) 2. KRX (specific segment?)</td>
</tr>
<tr>
<td><strong>How?</strong></td>
<td>Ringfencing of professional market; Selling Restriction(s)</td>
</tr>
<tr>
<td></td>
<td>1. FSCMA Enforcement Degree 2012 + RIPDS, 2012 (Para 2-2ff) + Specific mention in Documentation (e.g. T&amp;C) 2. KRX membership (professional members only?)</td>
</tr>
</tbody>
</table>

Depiction is aimed at allowing comparison of key questions stakeholders are likely to ask relative to Exempted Markets. This is only one possible approach. Due to limited time as a result of the market visits, the above matrix is an example using the case of Korea; to be done for all economies.
### Possible Depiction of Exemptions-Japan

<table>
<thead>
<tr>
<th>Depiction of Most Suitable Exempted Disclosure</th>
<th>JAPAN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Question</strong></td>
<td><strong>Covers</strong></td>
</tr>
<tr>
<td>By what?</td>
<td>Law, Decrees, Guidelines</td>
</tr>
<tr>
<td>Who?</td>
<td>Type of Investors</td>
</tr>
<tr>
<td>What?</td>
<td>Instrument types, actual instruments</td>
</tr>
<tr>
<td>Where?</td>
<td>Market(s), Marketplace(s)</td>
</tr>
<tr>
<td>How?</td>
<td>Ringfencing of professional market; Selling Restriction(s)</td>
</tr>
</tbody>
</table>

Depiction is aimed at allowing comparison of key questions stakeholders are likely to ask relative to Exempted Markets. This is only one possible approach. Due to limited time as a result of the market visits, the above matrix is an example using the case of Japan; to be done for all economies.
Determining Most Suitable Market Segment

This matrix is a proposed example using the case of Korea.

<table>
<thead>
<tr>
<th>Basic / Key Law</th>
<th>Supplemental</th>
<th>Regulations</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSCMA describes Public Offering</td>
<td>Enforcement Decree of FSCMA</td>
<td>The Regulations on Issuance &amp; Public Disclosure of Securities (RIPDS)</td>
<td>- T&amp;C</td>
</tr>
<tr>
<td>&gt;50 Investors</td>
<td>further defines Public Offering</td>
<td>contains qualifications</td>
<td>- Subscription Agreement</td>
</tr>
<tr>
<td>Equates to Full Disclosure</td>
<td>Creates room for Limited Disclosure</td>
<td>2-2 Criteria for resale of PO</td>
<td>- OC/OM/IM</td>
</tr>
<tr>
<td>(KRX Listed Corporate Bond Market)</td>
<td></td>
<td>2-2-2 Criteria for resale PO overseas</td>
<td>- Prospectus</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2-2-4 QIB Market</td>
<td>contain required clause prohibiting resale to Individual Investors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specifies possible Exemptions</td>
<td>Clearly defines Selling Restriction (inv. protection)</td>
</tr>
</tbody>
</table>

Future Possible: KRX (listed) Corp. Bond Market
Exemptions from Full Disclosure – Typical Examples, using the Case of Korea

- Short Term Instruments (e.g. CPs)
- **Small Amount** Issuance (KRW 1 billion)
- **Small Number** of Investors (<50)
- Overseas Issuance
- Defined Institutional Investor (QIB)
- High Net Worth Individuals (‘HNW’)

59
[RIPDS Translation]

The Regulation on Issuance and Public Disclosure of Securities (RIPDS)  
Article 2-2 (Standard of Deemed Public Offering of Securities)  
(omitted)  
② Regardless of the above paragraph ①, each of the followings will be exempt  
from the deemed public offering mentioned in paragraph ①.  
(omitted)  
4. A professional under Article 11(1)(1)(a) or (b) of the Enforcement Decree  
(except any professional referred to under Article 10(2)(11), (14), or(17) or  
Articles 10(3)(5) through (8), each a "Qualified Institutional Buyer") directly  
adquired from an issuer or an underwriter debt instruments that (i) are only  
traded among Qualified Institutional Buyers as prescribed by the Governor of  
the Financial Supervisory Service and (ii) satisfy the following conditions:  
a. such debt instruments are not issued by a company that is a stock listed  
company, a bond listed company, a financial institution under Article 10(2) of the  
Enforcement Decree, a public corporation under Article 5(3)(1) of the Act on the  
Management of Public Institutions or a company that recorded gross asset of  
KRW 500 billion or more at the end of its latest financial year; and  
b. such debt instruments are traded through a trading system recognized by the  
Chairman of the Financial Services Commission.

Source: Hyunjoo Oh, LEE & KO
(6) Key Target Outcomes

- Standardize the documentation and terminology related to *offering memorandum* or similar concept
  - Need to be mindful of terminology, since public offering = ‘offering circular’, and non-public offering = ‘offering memorandum’, even though contents are the same
- Standardize “new issue underwriting procedures”
- Above outcomes will be pursued in line with the progress of the actual issuance process.

- **Feasibility of secondary market making and** standardize rules and practices for secondary market making
- Synchronize the concept of ‘eligible issuers’
3. Need to break down AMBIP
The Need to break down ‘AMBIP’ or ‘AMBIF (Framework)’

- One or multiple issuer(s) from same group
- Accessing multiple markets
- With standard (set of) documentation
- Using a standardised approval process
- Within a defined timeline

- In effect, an approach to a common market
To map market to AMBIP(F) features

**Market Features**
- Professional Investors
- Issuance Types
- Issuers
- Disclosure
- Documentation
- Intermediaries
- Selling Restriction
- ...

**AMBIP(F) Features**
- Issuer
- Multiple markets
- Single document set
- Standard Approval
- Defined Timeline
- ...

---

64
Expected Result: ‘AMBIF’

The ‘AMBIF’ key characteristics:

• For issuers with the following requirements...
• Featuring the following securities types: MTN, shelf, etc.
• Supports the following markets/segments:
  • A
  • B
  • C
• Participants are investor types:
  • A
  • B
  • C
• Requiring the key documentation as detailed in...
• Governance by individual regulatory authorities
• Access to common issuance is regulated/governed by...
4. SF1 Questionnaire
5. Expected Timeline
6. Proposed Output Concept
7. Next Steps
8. Q&A Session (after the break)
4. SF1 Questionnaire

- Thank you very much for all members and experts who have submitted the SF1 questionnaire responses early.
- Information in submitted responses did influence the market visits and SF1 evolution of approach.
- Hoping to receive the remaining SF1 questionnaire responses at participants’ earliest convenience.
- Consultants would prefer to have complete body of research by 10\textsuperscript{th} ABMF Meeting in Bangkok (21-22 Nov).
5. **Expected Timeline** (to next ABMF Meetings)

<table>
<thead>
<tr>
<th>9th ABMF Meeting</th>
<th>ACG 2012</th>
<th>ABMI WG</th>
<th>SIBOS</th>
<th>10th ABMF Meeting</th>
<th>11th ABMF Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/5 Sep</td>
<td>Bali</td>
<td>Beijing</td>
<td>Osaka</td>
<td>21/22 Nov</td>
<td>Feb 2013</td>
</tr>
</tbody>
</table>

- Ability to document and communicate market findings & member discussion
- Ability to clearly define and communicate ABMF findings and intentions
- Define AMBIP characteristics, normalise findings, identify similarities
- Document AMBIP, apply similarities, propose pillars, offer conclusions
Foreseeable Events

- **3 Sep 2012**: 2nd ASEAN+3 SRO Working Group Meeting in Seoul
  - The members will get reporting on the key findings of the market visits. Cross-economy comparison table on Professional/QIB concept and exempted regime including documentation details, selling restrictions, and information disclosure requirements will be provided to the members. (It will be a good opportunity for the regulatory bodies themselves to learn about each other's markets' regulations and to review their own system.)

- **4-5 Sep 2012**: 9th ABMF meeting in Seoul
  - Opportunity to present ABMF and progress

- **19-22 Sep 2012**: ACG (Asian Central Depositories Group) Meeting 2012 in Bali
  - Opportunity to present ABMF and progress

- **Oct 2012**: ABMI WG meeting in Beijing, China
  - Update on ABMF activities by ADB secretariat and SF1/SF2 chairs, as may be required

- **31 Oct**: SIBOS in Osaka
  - Opportunity to present ABMF and progress in SWIFT Community section event(s)

- **21-22 Nov 2012**: 10th ABMF meeting (in Thailand)
  - There will be an in-depth discussion on draft AMBIP/AMBIF proposal

- **Feb 2013**: 11th ABMF meeting. Draft AMBIP/AMBIF will be further refined

- **Mar 2013**: ABMI WG meeting

- **Apr 2013**: Finalization of AMBIP/AMBIF proposal

- **May 2013**: Reporting and endorsement of AMBIP/AMBIF by AFMGM+3
6. Proposed Output Concept

- Focus on comparative analysis of market features with more easy to understand formats / matrix
- With emphasis on visual clues for regulators and market practitioners (i.e. specific results directly and easily recognisable)
- Significant explanations in text as supplementary material
Original Output - SF1 Phase 1

Public Sector Information

Part 2
Bond Market Guides in
11 Economies

Section 1: People’s Republic of China
Section 2: Hong Kong, China
Section 3: Indonesia
Section 4: Japan
Section 5: Republic of Korea

Aimed at the Private Sector

Table 2.9 Existence of Professional Investor-Only Market

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Existence/Status Quo of the Professional Investors Only Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>People’s Republic of China</td>
<td>Does not exist. But the Inter-bank Bond Market consists of institutional participants only. The People’s Bank of China is considering the Qualified Institutional Buyer (QIB) concept.</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>The Hong Kong Exchanges and Clearing Limited has performed market consultation on some proposed changes to the requirements for the listing of debt issues to professional investors only in December 2010 and the Rule amendments were effected in November 2011.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Does not exist.</td>
</tr>
<tr>
<td>Japan</td>
<td>Does not exist.</td>
</tr>
<tr>
<td>Korea</td>
<td>The QIB market and trading system will be launched within 2012.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>The Securities Commission and Bank Negara Malaysia introduced ‘Exempt Regime.’</td>
</tr>
<tr>
<td>Philippines</td>
<td>Exemptions are granted for particular securities and transactions.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Exists. There is a market for professionals which are exempted from prospectus requirements.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Private Placement is exempt from full filing requirements.</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Does not exist.</td>
</tr>
</tbody>
</table>

Source: ADB Consultants, based on research materials and market visit information.
Proposed Output - SF2 Phase 2

Private Sector & Market Practice

- Markets
- Access
- Investors
- Demand
- Documentation
- Intermediaries
- Issues
- Wish list

Aimed at the Public Sector (e.g. Regulatory Authorities)
7. Next Steps (not in sequence)

- Complete Phase 2 answers to the Questionnaire
- Document market findings in detail
- Translate terminology into functions
- Draw up comparison tables of features
- Define and agree on AMBIP/AMBIF features
- Map market features to AMBIP/AMBIF
- While identifying regulators’ comfort level
8. Questions & Answers

After the coffee break…

We would very much welcome your thoughts, comments and questions.

Looking forward to your active participation!
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macschmidt@me.com
SLB Intermediary service & Tri-party Repo Service

Korea Securities Depository
Assistant Manager
Yun-Kyung, Kim
Part. 1. Korean SLB Market and KSD SLB Services

Part. 2. Tri-Party Repo Agent Services
What is SLB?

- **Definition**
  - Securities Lending is a temporary loan of securities by a lender to a borrower.

- **Legal Characteristics**
  - Ownership of loaned securities is transferred from the lender to borrower.
  - Lender is entitled to all economic benefits from the loan securities excluding voting rights.
What is SLB?

- **Reason for Borrowing**
  - To complete a settlement obligation to the market
  - To support a short trading strategy
  - To manage risk by hedging position

- **Market Participants**
  - Lender: Pension funds, Insurance Co, Asset Management Co
  - Borrower: Hedge Funds, Proprietary Traders, Securities firms
  - Intermediary: KSD, KSFC, Securities Companies
KSD SLB Market—Development

- SLB market opened (Aug. 1996)
  - KSD was firstly authorized as SLB intermediary
  - Eligible Securities: KOSPI stocks only

- Eligible securities were expanded to KRX Listed Bond (Sep. 1998)

- SLB by Foreign investors was allowed (Nov. 2001)
  - Non-residents first began SLB transaction in Nov. 2001
  - Borrowing limit without BOK Prior reporting increased to KRW 50 billion from KRW 10 billion from Jan. 2008

- Securities borrowing by indirect investment vehicles and banks was allowed (May. 2006)

- Foreign currency & foreign securities added as eligible SLB collateral from April. 2008

- Korean Style Hedge Funds were introduced (Dec. 2011)
Korean SLB Market

Korea Market

- Contracts made between a borrower and a lender with KSD acting as Intermediary
- Intermediary Fee: 2% of SLB fee (If the SLB fee is less than 1%, which is the case for most fixed income SLB, the intermediary fee is 0.02% (2bp) of the contract amount)

USA Market

- Contracts made between a lender and a beneficiary owner
- Intermediary Fee: 20% of SLB fee
Advantages of KSD Services

- **Increased Efficiency by using the CSD System**
  - Saves time and cost of searching for available securities
  - Enables effective decision from the price aspect
  - Quick processing of large volume transactions
  - Optimizes corporate actions administration

- **Safety of SLB Transactions**
  - Settlement guaranteed by the CSD SLB intermediary
  - Collateral securities held at CSD account
  - Daily marking to market of collateral securities

- **Efficient Market Monitoring**
  - Facilitates market monitoring through centralized data management
### KSD SLB Transaction Types

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Fee Rate</th>
<th>Collateral Level</th>
<th>Pledgee</th>
<th>Loan Term</th>
<th>Early Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement-Coverage Transaction</td>
<td>Bids &amp; Offers</td>
<td>105%</td>
<td>KSD</td>
<td>3 Days (Rollover is possible)</td>
<td>Possible</td>
</tr>
<tr>
<td>Bid-Offer Transaction</td>
<td>Bids &amp; Offers</td>
<td>105%</td>
<td>KSD</td>
<td>1 Year (Rollover is possible)</td>
<td>Possible</td>
</tr>
<tr>
<td>Arranged Transaction</td>
<td>Negotiation</td>
<td>105%</td>
<td>KSD</td>
<td>1 Year (Rollover is possible)</td>
<td>Possible</td>
</tr>
<tr>
<td>Customized Transaction</td>
<td>Negotiation</td>
<td>Negotiation</td>
<td>Lender</td>
<td>Within 1 Year (Rollover is possible)</td>
<td>Possible</td>
</tr>
<tr>
<td>Bridge Transaction</td>
<td>Negotiation</td>
<td>105%</td>
<td>KSD</td>
<td>1 Year (Rollover is possible)</td>
<td>Possible</td>
</tr>
</tbody>
</table>

- **Differences between transaction type**
  - Bid-offer and Settlement-coverage: Loan Term (1 year vs 3 business days)
  - Arranged and Bid-offer: The way fee rate is decided (market vs participants)
  - Customized and Arranged: Pledgee (Lender vs KSD)
KSD SLB – Transaction types

[The Types of SLB transaction (2011 year)]

**Stocks**
- Settlement: 86.7%
- Bid-offer: 0.3%
- Arranged: 11%
- Customized: 1.4%

**Bonds**
- Settlement: 1.1%
- Bid-offer: 93.5%
- Arranged: 5.1%
- Customized: 93.5%
## KSD SLB Participants

### Participants of SLB Trades (Stock)

<table>
<thead>
<tr>
<th>Lending</th>
<th>Participants</th>
<th>Ratio</th>
<th>Trading value (KRW Trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading value (KRW Trillion)</td>
<td>Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.2</td>
<td>8%</td>
<td>Local securities firms</td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>-</td>
<td>Insurance companies</td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>6%</td>
<td>Asset management companies</td>
<td></td>
</tr>
<tr>
<td>1.6</td>
<td>2%</td>
<td>Local Banks</td>
<td></td>
</tr>
<tr>
<td><strong>56.1</strong></td>
<td><strong>84%</strong></td>
<td><strong>Foreigners</strong></td>
<td><strong>88%</strong></td>
</tr>
<tr>
<td>0.1</td>
<td>-</td>
<td>Others</td>
<td></td>
</tr>
<tr>
<td><strong>67</strong></td>
<td><strong>100%</strong></td>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrowing</th>
<th>Ratio</th>
<th>Trading value (KRW Trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11%</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1%</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>88%</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

('12.1.1~'12.6.30)
## KSD SLB Participants

### Participants of SLB Trades (Bond)

<table>
<thead>
<tr>
<th></th>
<th>Lending Trading value (KRW Trillion)</th>
<th>Ratio</th>
<th>Participants</th>
<th>Borrowing Ratio</th>
<th>Borrowing Trading value (KRW Trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.3</td>
<td>0.8%</td>
<td><strong>Foreigners</strong></td>
<td>0.8%</td>
<td>0.3</td>
</tr>
<tr>
<td></td>
<td>34.1</td>
<td>99.2%</td>
<td><strong>Locals</strong></td>
<td>99.2%</td>
<td>34.1</td>
</tr>
<tr>
<td></td>
<td>24.0</td>
<td>69.6%</td>
<td><strong>Pension funds</strong></td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>3.0</td>
<td>8.8%</td>
<td><strong>Local Banks</strong></td>
<td>3.2%</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>3.0</td>
<td>8.9%</td>
<td><strong>Insurance co.</strong></td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1.9</td>
<td>5.5%</td>
<td><strong>Securities firms</strong></td>
<td>89.9%</td>
<td>31.0</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>6.4%</td>
<td><strong>Asset management</strong></td>
<td>0.6%</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>0.0</td>
<td>0%</td>
<td><strong>Others</strong></td>
<td>5.5%</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34.4</strong></td>
<td><strong>100%</strong></td>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>34.4</strong></td>
</tr>
</tbody>
</table>

(‘12.1.1~’12.6.30)
Collateral Management

- Eligible Collateral & Evaluation Rate
  - KOSPI 200 Stocks: 80% of previous day’s closing price
  - Government bonds: 100% of market price
  - Corporate Bonds: 90~95% of market price according to credit rate
  - ETF: 70%~90% of previous day’s closing price
  - Cash: 100% (Rebate of 2.95% per annum is paid to borrower)
  * Rebate is flexible and is linked to BOK rate

- Collateral Ratio
  - Collateral ratio is determined at a level of 105% for all types of SLB transactions (except for customized transaction)

- Daily Mark-to-Market and Margin Call
  - KSD checks the previous day’s closing price of loaned securities and that of the collateral
KSD SLB–Termination

- **Return at Maturity**
  - Borrower must return the same amount of the same securities at the end of the SLB period
  - Cash return is possible upon agreement between lender and borrower in case of delisting of loan securities

- **Early Return**
  - Lenders can recall the securities at any time during the SLB period
  - Borrowers can return the securities at any time during SLB period

- **Rollover**
  - Rollover is possible in all transaction types with the consent of the lender
KSD SLB–Corporate Action

- Principle
  - The lender is entitled to all economic benefits from the loan securities excluding voting rights.

- Cash Dividends, Bond Interest, Payment for Fractional Shares etc.
  - The borrower pays the economics benefits of the loan securities to KSD, who then relays it to the lender

- Stock Dividends, Bonus Share
  - A new SLB transaction on shares derived from loan securities is executed on the listing date of the new shares

- Rights Offering
  - Lenders who wish to subscribe should deposit the payment to KSD before the subscription deadline. With the lender’s consent, the borrower can deliver warrants to the lender
Notice for Foreigner

- **BOK Prior Reporting**
  - Foreigners borrowing in excess of 50 billion won from local lenders must submit a prior report to the Bank of Korea.
  - Foreign investors can designate KSD as an agency for BOK report. Therefore send us the POA which denotes that you entrust this work to KSD.

- **Foreign Ownership Limit (FOL)**
  - Foreigners are not allowed to borrow securities that are subject to ownership limits for foreigners from local investors.
  - FSS oversees on foreigners’ securities trading.
Default Rules

- Customized Transactions: The lender liquidates the collateral to cover the loss
- Bid-offer, Arranged or Bridge, Settlement coverage transactions: KSD liquidates the collateral to settle the transaction, and afterwards claims indemnification from the borrower

- KSD calculates the late compensation from the default date to the return date and pays it to the lender
- Calculation method: 
  \[(\text{Market price of defaulted securities entitlements} + \text{SLB fees}) \times \frac{\text{No. of days}}{365}\]
SLB Fee

- Fee paid by the borrower to the lender via KSD
  - Closing price of the previous day \( \times \) quantity \( \times \) fee rate \( \times \) SLB period/365
  - Stock SLB: SLB period includes the return date
  - Bond SLB: SLB period excludes the return date

SLB Fee ratio in Korea (as of August, 2012)
- In stock SLB transactions: 1%~5% per annum
- In bond SLB transactions: 0.15%~0.4% per annum
<table>
<thead>
<tr>
<th><strong>Background</strong></th>
<th>A revision on Bank of Korea Act (17 Dec 2011) enables BOK to take part in SLB for open market operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligible Securities</strong></td>
<td>Government Bonds or Bonds backed by Government</td>
</tr>
<tr>
<td><strong>Transaction Period</strong></td>
<td>From a week to one year</td>
</tr>
</tbody>
</table>
| **Bank of Korea SLB** | **Transaction type**: Customized Transaction  
- A lender and a borrower can decide issue, loan term, fee, collateral level (In case of BOK, 0% collateral with consent of lender) |
| **Effect** | One Stop Services Supporting Efficient Monetary Policy  
- Enhances convenience by linking KSD SLB and BOK Repo |
KSD makes contribution to liquidity of Korean Fixed Income market by

1. As an intermediary, provide easiness in finding counterparties through both by manual customized process and by automated trading system

2. Provide one stop automated process from dealing initial transaction, settlement, and collateral management

3. Avoid counterparty risk by providing contract (performance) guarantee for all transactions except customized intermediary trade
Part 1. Korean SLB Market and KSD SLB Services

Part 2. Tri-Party Repo Agent Services
Introduction

Core Service
- Deposit
- Settlement
- Bond-Registration

Value Added Service
- Tri-Party Repo Agent
- SLB Intermediary
What is Repo?

- The term “Repo” is from “Sale and Repurchase Agreement”.

- A repo is a single transaction consisting of two portions.
  - A spot portion in which a security is sold for cash and
  - A forward portion in which the security is repurchased for later settlement.

* At open-leg settlement, the collateral is sold for cash to an investor.

* At repo maturity, the dealer repurchases the collateral for cash. The extra cash paid at maturity is interest and is determined by the repo rate.

- Repo is a money market instrument and dealers often use repo to finance inventories of securities.
What is Tri-Party Repo?

The Structure of Tri-party Repo

- Collateral is held in an independent third-party account.
- The third-party not only manages the repo trade but also manages the process of mark-to-market, the payment of interest, etc.
- Market participants may prefer tri-party repo because it eases administration.
  - Tri-party repo lowers administration burden of repo buyer than delivery repo.
  - Tri-party repo is less risky than repo buyer than Hold-in-Custody repo.
Repo types in Korea

**Institutional Repo Market**

In Institutional Repo Market, repo trades are made mainly for the purpose of financing and operating funds between financial institutions.

**BOK Repo Market**

In BOK Repo Market, the bank of Korea (BOK) takes part in repo trades as part of the open market operation to manage money supply and interest rate.

**Customer Repo Market**

In Customer Repo Market, financial institutions trade with general corporations or individuals to receive deposits.
KSD Tri-party Repo Service

- Direct Trade by participants (about 25%)
- Brokered Trade by brokerage companies (about 75%)

Trade Execution

Trade Matching

Start-leg Settlement

Close-leg Settlement

- Condition Adjustments
- Substitution
- Rollover
- Disposal/Return
- Marking to Market
- Margin Transfer
- Exchange
- Re-pricing
- Trade Adjustment
- Coupon Payment
- Coupon Compensation

Risk Management

Income Payment

Repo System of the KSD
Advantages of KSD Repo Services

**Fairness by Independency**

All management processes with regard to repo transactions are executed and maintained by an independent KSD in an completely fair manner.

**Flexibility by Customization**

The KSD Repo Services is designed for both OTC Institutional Repo Market and BOK Repo Market, so it is suited to various forms of transactions. Therefore, with the consent of both parties of a transaction, most of the trade conditions can be set and adjusted.

**Safety by Repo Account**

Repo Account is an exclusive account for Repo transactions, distinct from ordinary deposit accounts. Therefore, the Repo account is used as a proper tool for safe custody and as evidence for providing that certain securities are objects of Repo transactions.
## Participants of Repo Trades

<table>
<thead>
<tr>
<th>Repo Sellers</th>
<th>Participants</th>
<th>Repo Buyers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Repo Balance</td>
<td>Ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.48</td>
<td>14.2%</td>
<td>Local Banks</td>
<td>12.2%</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>Local Banks (Trustee Asset)</td>
<td>6.0%</td>
</tr>
<tr>
<td>0.99</td>
<td>4.1%</td>
<td>Foreign Banks Seoul Branch</td>
<td>3.9%</td>
</tr>
<tr>
<td>8.73</td>
<td>35.7%</td>
<td>Local Securities firms</td>
<td>5.7%</td>
</tr>
<tr>
<td>6.09</td>
<td>24.9%</td>
<td>Local Securities firms (Trustee Asset)</td>
<td>18.8%</td>
</tr>
<tr>
<td>1.06</td>
<td>4.3%</td>
<td>Asset Management Companies</td>
<td>23.8%</td>
</tr>
<tr>
<td>2.88</td>
<td>11.8%</td>
<td>Securities Financing Companies</td>
<td>11.2%</td>
</tr>
<tr>
<td>0.81</td>
<td>3.3%</td>
<td>Foreign Banks</td>
<td>18.5%</td>
</tr>
<tr>
<td>0.44</td>
<td>1.8%</td>
<td>Others</td>
<td>-</td>
</tr>
<tr>
<td><strong>24.48</strong></td>
<td><strong>100%</strong></td>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Repo Market In KOREA(2)

### Daily Avg. Outstanding Balance

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional Repo</th>
<th>BOK Repo</th>
<th>Customer Repo</th>
</tr>
</thead>
<tbody>
<tr>
<td>07</td>
<td>4</td>
<td>10</td>
<td>63.5</td>
</tr>
<tr>
<td>08</td>
<td>4</td>
<td>8</td>
<td>62.2</td>
</tr>
<tr>
<td>09</td>
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<td>66.5</td>
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<tr>
<td>12.6</td>
<td>13</td>
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<td>69</td>
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</table>

(Unit: Trillion KRW)

### Annual Trading Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Institutional Repo</th>
<th>BOK Repo</th>
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<tr>
<td>07</td>
<td>247</td>
<td>41</td>
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<tr>
<td>08</td>
<td>465</td>
<td>625</td>
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<td>09</td>
<td>965</td>
<td>711</td>
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<tr>
<td>10</td>
<td>664</td>
<td>664</td>
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<tr>
<td>11</td>
<td>693</td>
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<tr>
<td>12.6</td>
<td>921</td>
<td>921</td>
</tr>
</tbody>
</table>

(Unit: Trillion KRW)
Thank you

Yun Kyung Kim(Emily)
Korea Securities Depository
Tel. 822-3774-3077
Email : yunk19@ksd.or.kr
Korea Bond Lending & Repo Market
- Key Aspects and Consideration -

September 4 2012

Jinwan Yang
Senior Manager
Securities Intermediary Strategic Planning Team
Securities Intermediary Service Department
1 Korea Bond Lending Market
   01. Overview
   02. Purpose
   03. Market Data
   04. Market Segment

2 Korea Repo Market
   01. Overview
   02. Market Data
   03. Market Segment

3 Key Aspects and Consideration
1 Korea Bond Lending Market
01. OVERVIEW

Key Concept

Domestic Financial Institutions dominated

Korea Treasury Bond (KTB) highly liquid & preferred

Participants diversification

Borrowers Multi-strategies

Market Participant

Lender
Bank
Investment Fund
Insurance
Pension Fund

Intermediary
Broker-Dealer
KSD
KSFC

Borrower
Bank
Broker-Dealer
Investment Fund
01. OVERVIEW

Transaction Type

Bid-Offer Transaction (98%, $12.62 billion)

Arranged Transaction (2%, $0.26 billion)

Transaction Flow

1. SL application
2. SL Transaction Approved
3. Collateral
4. Bond

Lender

KSFC

Borrower
02. Purpose

Arbitrage
- Trade between KTB Futures Rate and KTB Spot Basket
- Buy KTB 3yr or 5yr Futures Rate and Sell KTB 3yr or KTB 5yr Spot Basket

Collateral Swap
- Deposit collateral with lower credit ratings and borrow KTB or MSB
- 3yr or 5yr KTB covered short
- Spread trading between 3yr and 5yr KTB

Bond Lending Fee Rate
- Arbitrage: 0.35%~0.40%
- Collateral Swap: 0.10%~0.25%
- Short Interest: 0.20%~0.40%

(Per Annum, KSFC)
## Bond Lending Market Share

### Lender
- **Pension Fund** (40%, $5.11 billion)
- **Insurance** (37%, $4.78 billion)
- **Bank** (17%, $2.18 billion)
- **etc** (6%, $0.81 billion)

(Outstanding balance of July 31, 2012, KSFC)

*Note: USD 1 = KRW 1,200*

### Borrower
- **Broker-Dealer** (89%, $11.45 billion)
- **Bank** (6%, $0.81 billion)
- **etc** (5%, $0.63 billion)

(Outstanding balance of July 31, 2012, KSFC)

*Note: USD 1 = KRW 1,200*

### Intermediary
- **KSFC** (89%, $12.88 billion)
- **KSD** (11%, $1.64 billion)

(Outstanding balance of July 31, 2012, KOFIA & KSFC)

*Note: USD 1 = KRW 1,200*
Global Securities Lending Segment

※ Securities Lending and Repos : Market Overview and Financial Stability Issues, April.27, 2012, FSB
04. Market Segment

Korea Bond Lending Segment

Borrower
- Bank
- Investment Fund
- Broker-Dealer

Lender
- Pension Fund
- Insurance
- Bank
- Investment Fund
- Broker-Dealer

Agent Lender

KSFC/KSD (Intermediary)

※ Each dotted line indicates delivery of collateral and SL bond
2 Korea Repo Market
01. OVERVIEW

Short-Term Money Market Development

- **New Regulation**
  - Broker-Dealer borrowing limit via Call Market
  - Call Market ⇒ Interbank Market

- **New Infrastructure**
  - Market Maker introduced in Repo Market
  - Enhancing easy execution on Repo transaction

- **New Market**
  - Electronic Short-term CP Market launched

- **Systemic Risk Control**

- **Financial Market Stability**
01. OVERVIEW

Recent Development in Korea Repo Market

**PAST**
- Repo Seller
- Repo Buyer

**PRESENT**
- Repo Seller
- Market Maker
- Repo Buyer

Function:
- Inter-market Connectivity
- Search Cost Decrease
- Market Liquidity Increase
- Market Rate Normalization

Good Search Cost Decrease
Good Market Liquidity Increase
Good Market Rate Normalization
## 01. OVERVIEW

### Change & Challenge

<table>
<thead>
<tr>
<th>Change</th>
<th>Challenge</th>
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</thead>
<tbody>
<tr>
<td><strong>Money Flow Facilitation</strong></td>
<td><strong>Currently Direct or Voice-brokered Repo transactions only</strong></td>
</tr>
<tr>
<td><strong>Repo Rate Rationality</strong></td>
<td><strong>Screen-based Repo ETS to be introduced by KSFC in Jan. 2013</strong></td>
</tr>
<tr>
<td><strong>Bond Lending Expansion</strong></td>
<td><strong>Korea Repo market mostly dominated by O/N Repo</strong></td>
</tr>
</tbody>
</table>

- **Repo Limit on Broker-Dealer by Money Market Fund (MMF)**
- **[MMF] ↔ [KSFC (AAA credit rating)] ↔ [Broker-Dealer]**
- **(Broker-Dealer) O/N Call Rate(3.10%) 〈 O/N Repo Rate(3.15%)**
- **(KSFC Repo Rate) BOK 7 Day Repo Rate(3.00%) + 0.05%**
- **Demand on KTB and MSB increased to repo out**
- **Deposit lower rated collateral and then borrow KTB and MSB**

* ETS (Electronic Trading System)
02. Market Data

Repo Market Maker Performance (KSFC)

USD Billion

Repo Sell | Repo Buy

April | May | June | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | April | May | June | July

2011

2012
02. Market Data

KSFC Shadow Banking Performance (Repo + Bond Lending)

USD Billion

- **Repo**
- **Bond Lending**

<table>
<thead>
<tr>
<th>Month</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>April</td>
<td>12.42</td>
<td>17.51</td>
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<tr>
<td>May</td>
<td>11.31</td>
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<td>June</td>
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<td>17.62</td>
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<td>July</td>
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<td>Aug</td>
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<td>Oct</td>
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<tr>
<td>Nov</td>
<td>14.37</td>
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<tr>
<td>Dec</td>
<td>15.06</td>
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<tr>
<td>July</td>
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</table>

www.ksfc.co.kr
03. Market Segment

Global Repo Segment

- Inter-Dealer Repo Segment

- Repo Financing Segment
03. Market Segment

Korea Repo Segment

Transaction negotiation

Repo Seller
- Bank
- Broker-Dealer
- Investment Fund

Repo Agent

KSFC (Market Maker)

IDB

Tri-Party Agent

Repo Buyer
- Pension Fund
- Insurance
- Bank
- Investment Fund
- Broker-Dealer

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3. Key Aspects and Consideration
01. Supplementation

Financial Safety Net

Money Market

- Lender
- Borrower

SL Market

- Lack of Liquidity
- KTB
- KSFC
- Repo Market

Repo

BOK

KSFC

2008 Global Financial Market Crisis

- Broker-Dealer
  - Liquidity Shortage
- KSFC
  - KTB borrowed
- KSFC
  - Repo out to BOK
- Broker-Dealer
  - Repo out to KSFC

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01. Supplementation

Integration on Regional Shadow Banking Information

- Better and broad understanding on ASEAN+3 shadow banking system
- Bond investment and liquidity increase opportunity for Asean+3 Market
01. Supplementation

Consolidated SL and Repo Market in ASEAN+3 Region

Europe

ICSD

Tri-party Repo

Tri-party CMS (Collateral Management Service)

Asia

Dispersed

Practical use of current ICSD

1. New Asia-based organization exclusively for tri-party business

2. Market representatives linked for proxy service

3. Direction
02. Expectations

Qualitative & Quantitative Growth in Regional Bond Market

Korea Bond Market (Jan.2009~June.2012)

Average Trading Volume

<table>
<thead>
<tr>
<th></th>
<th>USD</th>
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<tbody>
<tr>
<td>KTB</td>
<td>12.06 Billion</td>
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<tr>
<td>Bond Lending</td>
<td>1.60 Billion</td>
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</table>

Trading Volume Ratio (Bond Lending / KTB)
15.41%

※ KOFIA (www.kofia.or.kr)

Government Bond Market Development
Trading Strategies Diversification
SL & Repo Market Growth
Bond Liquidity Increase
Regional Bond Investment Expansion
Asia Bond Market Growth

www.ksfc.co.kr
THANK YOU

Senior Manager Jinwan Yang
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E-mail : jwyang@ksfc.co.kr
WORK PLAN AND OTHER ISSUES

ADB Secretariat Team
Seung Jae LEE, Advisor (OREI), ADB

9th ABMF Meeting
Seoul, Korea, 4-5 Sep 2012

* Contents of the presentation could be changed subject to the members’ discussion during the meeting
Outline

1. Market Visits for BCLM
2. ABMF public conference in SIBOS
3. Work plan after Seoul meeting
Market Visits for BCLM
Progress to date

- For the economies not fully covered in Market Guide, differentiated market visits and knowledge support have been considered

- Preliminary consultation with respective member economies to identify needs for knowledge support
  - BN: Islamic government bond market development
  - KH: General interest for market visit
  - LA: legal framework related to the government bond, corporate bond and cross-border bond issuance
  - MM: General interest for knowledge support. CSD establishment
Progress to date

- Originally planned the visits after Seoul ABMF meeting but delayed to further identify how to efficiently provide knowledge support

- Currently, consulting with ABMI TF3 chairs to seek possible support from ABMI for the visits to the economies
  - To provide tailor made knowledge support for those economies with less developed bond markets in a broader perspective of ABMI (in close cooperation with other activities under ABMI)
  - Need some more time to get answer
Future plan

- Phased approach for market visits & knowledge support
  - Phase 1: Kick off seminar to address fundamental issues and challenges in developing bond market
    - For BN, KH, LA, MM, VN and other economies at early stage of bond market development
    - Comprehensively cover the issues and challenges
    - Focusing on government bond market development
  - Phase 2: market visits on demand basis
    - Collect market information both on SF1 and SF2 whenever applicable
    - Provide tailor made knowledge support considering specific demands from each economy
Future plan

- Phased approach for market visits & knowledge support
  - Phase 3: Follow up support for market development
    - Based on key findings from phase 1 and phase 2, explore additional support (ex: ADB program loan)

- Time plan
  - (Phase 1) Kick off seminar: Nov 2012
  - (Phase 2) Market visits: Q1 2013
  - (Phase 3) Follow up support: Q2 2013 ~
Future plan

<Possible topics for Kick-off seminar (tentative)>

- Challenges and preconditions for government bond market development
- Public debt management framework and government cash management
- Primary market: Issuance methods and Primary dealer system
- Repo market development
- Clearing and settlement system
- Trading market structure and platform
- Contractual savings institutions and institutional investors
- Case study: ex Thailand and Indonesia
ABMF public conference in SIBOS
Purpose: to disseminate key findings of phase 1 activities and planned output of Phase 2 activities to general public

Target audience: Key market players beyond ABMF network, journalists, and mass media

To maximize dissemination effect, consultation with SWIFT has been done to hold the conference on the sideline of 2012 SIBOS in Osaka

* Thanks for kind support from SWIFT members
Current progress

- It will be on 31 Oct with other ABMF related activities
  - ABMF session in Standard Forum: 31 Oct 10:30 ~ 11:30
  - ABMF public conference (Part 1): 31 Oct 14:00 ~ 15:00
  - ABMF public conference (Part 2): 31 Oct 16:00 ~ 17:30
* Conference on securities growth in Asia: 1 Nov 14:00~15:00
Future plan

- Structuring the conference
  - (Option 1) Part 1 for SF2, and Part 2 for SF1
  - (Option 2) Duplication for two times

- Invitation of audience
  - Key market players, journalists, and mass media
  - Need support from the members, especially IEs

- Participation of ABMF members
  - SF1 and SF2 chairs and co-chairs
  - Other members participating SIBOS
Work Plan after Seoul Meeting
Phase 2 – Progress to date

- 7th Hong Kong meeting (7~8 Feb 2012)
  - Kick-off of Phase 2 activities

- 1st reporting of phase 2 to ABMI TF3 (2 Mar 2012)

- 8th Manila meeting (17~18 Apr 2012)
  - Clarified remaining issues of phase 2 activities
  - Discussed questionnaire of SF1 and SF2
  - Information sharing on several issues including ACCRA study
    * 1st SRO meeting on 19 Apr 2012

- 2nd reporting of phase 2 to ABMI TF3 (13 Jun 2012)
Phase 2 – Progress to date

- **Market visits (June ~ August)**
  - Done: MY, VN, TH, SG, KR, JP, CN, ID, HK, and PH
  - Remaining: BN, KH, LA, and MM

- **9th Seoul meeting (4~5 Sep 2012)**
  - Discussed key findings of market visits for both SF1 and SF2
  - Needs of further clarifying the findings of market visits
  - Regulatory bodies are invited

* 2nd SRO meeting on 3 Sep 2012
Schedule for 2012

- 3rd reporting to ABMI TF3 meeting (18 Oct 2012, TBD)
- ABMF public conference during SIBOS (31 Oct 2012)
  - Disseminate key activities of Phase1 and Phase 2
  - Part 1 – 14:00 ~ 15:00, Part 2 – 16:00 ~ 17:30
  - ABMF members, key market players, journalists, ...

- 10th Bangkok meeting (21~22 Nov 2012)
  - Further develop cross border comparison tables
  - (SF1) Define draft key features of ABMIP (AMBIIF)
  - (SF2) Draft roadmap and policy recommendation
  - 2nd invitation to regulatory bodies
  - * 3rd SRO meeting on 20 Nov 2012 (TBD)

- BCLM+α support – Phase 1 : Kick off seminar (Nov 2012)
Schedule for 2013

- **11th ABMF meeting (Feb 2013)**
  - Approving the draft report of SF1 and SF2 to ABMI TF3

- **BCLM+α support – Phase 2: Market visits (Q1 2013)**

- **3rd reporting to ABMI TF3 (Mar 2013)**

- **12th ABMF meeting (Apr 2013)**
  - Finalizing the SF1 and SF2 report to AFDM+3

- **BCLM+α support – Phase 3: Additional support (Q2~ 2013)**

- **Submitting the report to AFDM+3 (Apr 2013)**

- **Recommendations approved by AFMM+3 (May 2013)**
Thank you

http://asean3abmf.adb.org
http://asianbondsonline.adb.org

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