I. INTRODUCTION

1. The 9th ASEAN+3 Bond Market Forum (ABMF) meeting was held on 4 and 5 September 2012 in Seoul, Korea. The meeting was co-hosted by the Korea Financial Investment Association (KOFIA) and ADB in close cooperation with other Korean ABMF member institutions. More than 120 national, regional, and global experts from the private and public sectors gathered at the meeting. The main purpose of the meeting was to share and discuss key findings of the market visits in relation to developing a regionally standardized bond issuance program, named Asian Multi-currency Bond Issuance Program (AMBIP), and identifying bond transaction flows. The meeting agenda and participants list are in Attachment 1 and 2, respectively.

2. The regulatory bodies of ASEAN+3 were officially invited to the meeting to share key information on developing AMBIP, which will require approval from them for implementation. In addition to the regulatory bodies already participating in the ABMF meetings, new institutions including the Financial Services Agency, Japan, the Financial Services Committee and the Financial Supervisory Service, Korea, attended the meeting. A special session for regulatory bodies was also organized on 4 September 2012.

3. On the sideline of the main ABMF meeting, the 2nd ASEAN+3 Self Regulatory Organization (SRO) Working Group Meeting was held on 3 September 2012, hosted by KOFIA and PDS Holdings, Philippines. It is expected that the SRO meeting will be continued on the sideline of regular ABMF meetings in the future.

II. KEY DISCUSSION RESULTS (Meeting minutes will be provided later)

(SF1: Discussion on AMBIP).

4. The secretariat (Prof. Inukai and Mr. Schmidt) presented comprehensive information collected through market visits in view of developing AMBIP, including i) key findings for each visited economy, and ii) comparison among markets on the concept of professional investors, professional markets, and iii) documentation requirements. It was pointed out that i) there is a need to identify principles in different naming and terminologies on the concept of professional investors, professional market, and harmonize documentation, ii) despite some commonalities, professional markets are different from each other so that more sophisticated consideration is needed in identifying appropriate market segments for AMBIP, iii) it is suggested to focus on a suitable domestic market segment for professional investors rather than the prevailing but often unregulated private placement markets, and iv) information gathering should be continued to further clarify key components of AMBIP

5. Members appreciated the hard work done by the secretariat team. Some members provided additional information to correct the key findings for individual markets. As for the comparison among markets and the focus of AMBIP, several comments were pointed out by the members:
• Some members expressed their views that the concept of professional investors should be more clearly defined.
• Korea and Malaysia argued that the AMBIP discussion should more broadly consider major market segments, including any private placement market(s), rather than be limited to narrowly defined professional only markets, such as the TOKYO PRO-BOND Market of Japan or the Qualified Institutional Buyers (QIB) market of Korea.
• Thailand and some other members argued that addressing policy issues such as taxation and foreign exchange regulation would be important in enhancing cross border bond transactions, in addition to standardizing issuance procedure and documents.
• It was discussed that ‘framework’ might be better terminology rather than ‘program’ when considering key characteristics of AMBIP, and members tentatively agreed to refer to it as ‘AMBIF’, Asian Multi-currency Bond Issuance Framework, rather than AMBIP.

6. The secretariat expressed sincere appreciation to members for their support during market visits and additional comments during the meeting. In response to the points raised by the members, the secretariat clarified that the presentation material will be revised reflecting the members’ concern and revised information will be reported to the next ABMF meeting. It is requested to the members to provide additional information needed for identifying key components of AMBIF. In wrapping up, the secretariat (Dr. Lee) explained that i) the key task of the AMBIF discussion would be identifying the scope of professional investors and bond issuance procedures, on which regulatory bodies of participating economies can mutually agree, ii) it would be extremely difficult to thoroughly define the concept of professional investors and instead, it is suggested to compare the institutions who are actually counted as ‘professional’ in the economies so that common type of professional investors could be compared and identified, iii) the discussion on AMBIF will broadly search and identify appropriate market segments for the framework including private placement markets, if so suitable, and iv) the policy issues such as tax and FX regulation are important for enhancing cross border bond transactions but they should be addressed step by step with the long term vision of developing bond markets in the region.

(SF2: Identification of bond transaction flows)

7. The secretariat (Dr. Inui and Mr. Kawai) presented the market visit findings on i) DVP flows of corporate bonds, and the flows for interest payment and redemption, ii) concept and plan for the fit and gap analysis to identify how to enhance STP in the region and to prepare a roadmap, and ii) future issues including a cross border STP model connecting CSDs, which could be considered as a possible next agenda item of ABMF.

8. Some of the members provided additional comments on the presented diagrams and information on DVP flows, and interest payment and redemption flows for their respective economies. As for future issues, most of the International Experts argued that such issues should be fully discussed and agreed by the members before being adopted as formal agenda items.

9. The secretariat again expressed sincere appreciation for the support from the members in preparing the material and explained that more thorough information will be provided during the next ABMF meeting. In this respect, it was also requested of the members to provide additional information. The secretariat team (Dr. Lee) clarified that the presented future issues
are just for the purpose of information sharing, and full consultation with the members will be followed in deciding the future ABMF agenda.

(Information sharing and other issues)

10. On the sideline of the main meetings, members learned more information on i) securities lending experiences in Korea (by Korea Securities Depository (KSD) and Korea Securities Finance Corporation), ii) the role of intermediaries relating to AMBIF (by Woori Investment & Securities), iii) Korea’s Securities Information Management system (by KSD), iv) CCP for central clearing of OTC and exchange derivatives contracts in Korea (by Korea Exchange), and iv) recent progress in the Legal Entity Identifier (LEI) initiative (by Bank of Tokyo Mitsubishi UFJ and ASIFMA).

11. The secretariat presented plans to assist the economies with less developed bond markets, including Brunei Darussalam, Cambodia, Lao PDR, and Myanmar (BCLM). It was suggested to provide tailor-made knowledge support for BCLM and possibly Vietnam, including i) a kick-off seminar in November 2012, ii) country visits to present in-depth and address demand for specific knowledge support in the first quarter of 2013, and iii) follow-up support and projects depending on the need and demand from the respective economies.

12. A public conference to disseminate key activities of ABMF will be held on 31 October 2012 in Osaka on the sideline of the 2012 Sibos meeting. The secretariat expressed appreciation to SWIFT members in organizing the conference and sought participation and support from the members.

13. The work plan after the meeting has been shared with members as in Table 1. The next ABMF meeting will be held in Bangkok on 21-22 November 2012. Key components of AMBIF and draft policy recommendations to enhance STP in the region will be presented by the secretariat for members’ discussion.

Table 1: Work Plan after Seoul meeting

<table>
<thead>
<tr>
<th>Date</th>
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<tr>
<td>4-5 Sep 2012</td>
<td>9th ABMF meeting in Seoul</td>
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<td>18 Oct 2012</td>
<td>ABMI TF3 meeting (3rd reporting of Phase 2)</td>
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<td>31 Oct 2012</td>
<td>ABMF public conference during 2012 Sibos in Osaka</td>
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<td>21-22 Nov 2012</td>
<td>10th ABMF Meeting in Bangkok</td>
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<td>Nov 2012</td>
<td>BCLM knowledge support – kick-off seminar</td>
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<td>Feb 2013</td>
<td>11th ABMF meeting</td>
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<td>Q1 2013</td>
<td>BCLM knowledge support – market visits</td>
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<tr>
<td>Mar 2013</td>
<td>ABMI TF3 meeting (4th reporting of Phase 2)</td>
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<td>Apr 2013</td>
<td>12th ABMF meeting</td>
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<td>Apr 2013</td>
<td>Submitting the report to ASEAN+3 Deputies meeting</td>
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<td>May 2013</td>
<td>Recommendations approved by ASEAN+3 Ministers</td>
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<td>Q2 2013</td>
<td>BCLM knowledge support – additional support/follow-up</td>
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14. Mr. Tetsutaro Muraki from Tokyo Stock Exchange, who has been contributing to ABMF as the chair of SF1, is leaving ABMF and his successor will take over the role of SF1 chair.
15. All presentation materials during the meeting have been made available at the Members Library section of the ABMF website (http://asean3abmf.adb.org).

Attachments:  
1. 9th ABMF meeting agenda (see attachment 1)  
2. 9th ABMF meeting participants list (see attachment 2)  
3. Presentation material of SF1 (file will be provided upon request)  
4. Presentation material of SF2 (file will be provided upon request)  
5. Presentation material on work plan and other issues (file will be provided upon request)
9th ASEAN+3 Bond Market Forum (ABMF) Meeting
Sapphire Ballroom, 3rd Flr, Lotte Hotel Seoul, Seoul, Korea
4-5 September 2012

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

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

**Sapphire Ballroom, 3rd Flr, Lotte Hotel Seoul, Seoul, Korea**

**4-5 September 2012**

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<td><strong>5 SEP 2012</strong></td>
<td><strong>DAY 2: ABMF Sub Forum 2 (SF2)</strong></td>
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#### ABMF SF2

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

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<td>16:10 – 16:50</td>
<td><strong>Future work plan and Wrap up</strong> (Dr. Seung Jae Lee, ADB Secretariat)&lt;br&gt;- Q&amp;A</td>
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<td>16:50 – 17:00</td>
<td><strong>Closing remarks</strong> by SF2 Chair (Mr. Jong Hyung Lee, KSD)</td>
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<td>18:00 – 21:30</td>
<td><em>Dinner hosted by KRX (Korea House, 80-2 Pil-dong 2-ga, Jung-gu, Seoul)</em>&lt;br&gt;<em>There will be a Traditional Arts Performance after Dinner at 20:30-21:30</em></td>
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<td>128</td>
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</tbody>
</table>
Market Visit Findings and Update on SF1 Approach

Prof. Shigehito 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
<table>
<thead>
<tr>
<th>Visit</th>
<th>Country</th>
<th>Dates</th>
</tr>
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<tbody>
<tr>
<td>1st</td>
<td>MALAYSIA</td>
<td>11 June – 13 June</td>
</tr>
<tr>
<td></td>
<td>VIET NAM</td>
<td>13 June – 15 June</td>
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<td>2nd</td>
<td>THAILAND</td>
<td>25 June – 27 June</td>
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<td></td>
<td>SINGAPORE</td>
<td>27 June – 29 June</td>
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<tr>
<td>3rd</td>
<td>KOREA</td>
<td>09 July - 10 July</td>
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<td></td>
<td>JAPAN</td>
<td>12 July – 13 July</td>
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<td>4th</td>
<td>CHINA (Shanghai)</td>
<td>23 July – 24 July</td>
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<td>CHINA (Beijing)</td>
<td>26 July – 27 July</td>
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<tr>
<td>5th</td>
<td>INDONESIA</td>
<td>6 Aug – 7 Aug</td>
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<tr>
<td></td>
<td>HONG KONG</td>
<td>9 Aug – 10 Aug</td>
</tr>
<tr>
<td>6th</td>
<td>PHILIPPINES</td>
<td>22 Aug – 23 Aug</td>
</tr>
</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.
Market Visit Summary: Viet Nam

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 1 billion): 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
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>Japan</td>
<td>• The Financial Instruments and Exchange Act stipulates a definition for Specified (Professional) Investor and Qualified Institutional Investor.</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 in official terms. 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. Focus on SME issuance to boost segment, offer alternative to loan financing.</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. This is literally the professional investors only market.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Does not exist in official terms. But in reality, unregulated domestic MTN market is regarded as Professional Investors Only Market.</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 “Qualified Buyer.” 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. Private Placement concept in regulation nascent, not yet implemented; intention to offer alternative to loan financing.</td>
</tr>
</tbody>
</table>

*Original Source: ABMF Report, April 2012, partly revised*
2\textsuperscript{nd} 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>©</td>
<td>Tradable among Professionals</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non-tradable</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>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</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>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

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

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

Jurisdiction A
Professional Market A

Jurisdiction B
Professional Market B

Amateur (Retail) Market A

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

Sell and Buy

Block Selling
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
<table>
<thead>
<tr>
<th>Economy</th>
<th>Market</th>
<th>Action</th>
<th>What</th>
<th>To</th>
<th>For</th>
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</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>
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<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>Report</td>
<td>Securities Registration Statement (SRS)</td>
<td>J-FSA</td>
<td></td>
</tr>
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<td>TOKYO PRO-BOND Market</td>
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<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>
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<td>Securities Registration Statement (SRS)</td>
<td>SEC</td>
<td>Rendering effective</td>
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<td>Public Offering Market</td>
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<td>Prospectus</td>
<td>MAS</td>
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<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
To be reviewed further

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>
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<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>
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<td></td>
<td>Issuing &amp; Secondary</td>
<td>QIB Market (in IBM)</td>
<td>Regulation</td>
<td>QIBs (tbd)</td>
<td>PBOC</td>
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<td>Membership</td>
<td>Eligible Investors</td>
<td>CSRC / SSE</td>
<td>SSE</td>
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<td>Hong Kong</td>
<td>Issuing</td>
<td>HKEx</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKEx</td>
<td>-</td>
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</tr>
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<td></td>
<td>Secondary</td>
<td>OTC</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKMA</td>
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<td>(Private Placement)</td>
<td>(Unregulated Market)</td>
<td>Market Practice</td>
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<td>TSE, JSDA</td>
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<td>(QIB Market)</td>
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<td>FSC</td>
<td>KOFIA</td>
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<td>Listed Corporate Bond Market</td>
<td>Membership</td>
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<td>KOFIA/KRX</td>
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<td>Excluded Offers</td>
<td>Law (CMSA)</td>
<td>Sophisticated Investors</td>
<td>SC Malaysia</td>
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<td>Exempt Regime (Listings only)</td>
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<td>Qualified Buyer / QIB</td>
<td>Participation</td>
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<td>PDEx Inter-dealer &amp; Inter-Professional</td>
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<td>SEC, PDEx</td>
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<td>OTC</td>
<td>Market Practice</td>
<td>Institutional Investors</td>
<td>MAS</td>
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<td>Law</td>
<td>II &amp; HNW</td>
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<td>Law</td>
<td>Professional Investors</td>
<td>SSC</td>
<td>VBMA</td>
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</table>
## Professional Investors Comparison

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

<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>
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<tbody>
<tr>
<td></td>
<td></td>
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<td>B/D</td>
</tr>
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<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>Baepam</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>

### 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
# 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; 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>
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</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Eligible Investors</td>
<td>SSE</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td></td>
<td>Institutional Investors</td>
<td>IBBM(?)</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign Institutional Investor</td>
<td>CSRC</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
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<tr>
<td></td>
<td>Qualified Institutional Buyer</td>
<td>PBOC</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
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<tr>
<td>Hong Kong</td>
<td>Professional Investor</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td></td>
<td>Offer to Prof. Investors'</td>
<td>HKEx</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor)</td>
<td>Bapepam</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Korea</td>
<td>Qualified Institutional Buyers</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sophisticated Investors</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer, QIB</td>
<td>Law, SEC</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td><img src="image" alt="Table of investor terms and definitions for various economies" /></td>
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</tbody>
</table>
### Professional Investors Comparison

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

<table>
<thead>
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<th>Economy</th>
<th>Investor Term</th>
<th>Defined by</th>
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<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>Institutional Investors</td>
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<td>X X X X X X X X X X</td>
</tr>
<tr>
<td></td>
<td>Qualified Foreign Institutional Investor</td>
<td>CSRC</td>
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<td>PBOC</td>
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<tr>
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<td>Professional Investor</td>
<td>Law</td>
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</tr>
<tr>
<td></td>
<td>Offer to Prof. Investors'</td>
<td>HKEx</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>Indonesia</td>
<td>(Professional Investor)</td>
<td>Bapepam</td>
<td>X X X X X X X X X X</td>
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<td>Japan</td>
<td>Specified Investors</td>
<td>Law</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>Korea</td>
<td>Qualified Institutional Buyers</td>
<td>Law</td>
<td>X X X X X X X X X X</td>
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<td>Law</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>Philippines</td>
<td>Qualified Buyer, QIB</td>
<td>Law, SEC</td>
<td>X X X X X X X X X X</td>
</tr>
<tr>
<td>Singapore</td>
<td>Institutional Investors</td>
<td>Law</td>
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<tr>
<td>Thailand</td>
<td>Accredited Investors</td>
<td>SEC</td>
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</tr>
<tr>
<td>Viet Nam</td>
<td>Professional Investors</td>
<td>Law</td>
<td>X X X X X X X X X 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>
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<td>Inter-Bank Bond Market (IBBM) via ‘R-QFII’ Limited</td>
<td>PBOC Regulation (‘R-QFII’)</td>
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<tr>
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<td>QIB Market (in IBBM) tbd tbd tbd</td>
<td>tbd tbd tbd</td>
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<tr>
<td></td>
<td>Qualified Foreign Institutional Investor (QFII) YES YES CSRC Provisional Guidelines</td>
<td>YES, based on quota</td>
<td>No</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>SME Private Placements (on SSE) No No -</td>
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<td>OTC YES YES Professional Investors</td>
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<td>Indonesia</td>
<td>(Private Placement) (Unregulated Market) YES YES FX regulations</td>
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<td>Japan</td>
<td>Tokyo PRO-BOND YES YES Specified Investors</td>
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<td>But, law mentions foreign issuance</td>
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<td>But, law mentions foreign issuance</td>
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</table>
# 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>
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<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Private Placement</td>
<td>Placement to specific investors only</td>
<td>No. of Offers</td>
<td>No. of Investors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Notes</td>
<td>to be confirmed</td>
<td></td>
<td>Placement needs to include investor list</td>
</tr>
<tr>
<td></td>
<td>QIB Market (IBBM)</td>
<td>tbd</td>
<td>tbd</td>
<td>tbd</td>
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</tr>
<tr>
<td></td>
<td>SME Private Placements</td>
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<td>to be confirmed</td>
<td>to be confirmed</td>
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<tr>
<td>Hong Kong</td>
<td>OTC</td>
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<td>MTN type</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>HKEx</td>
<td>'Offers to Professional Investors'</td>
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<tr>
<td>Indonesia</td>
<td>(Private Placement)</td>
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<td>Small Number-Private Placement (SN-PP)</td>
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<td></td>
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<td>Japan Rule 2–31 offering</td>
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<tr>
<td></td>
<td>Qualified Institutional Investor-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
<td>Private Placement (QII-PP)</td>
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<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>&lt;=50</td>
<td>Japan Rule 2–31 offering</td>
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<tr>
<td>Korea</td>
<td>(QIB Market)</td>
<td>to be confirmed</td>
<td>Straight bond</td>
<td>&lt;=50</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers</td>
<td>Excluded Offer</td>
<td>MTN type</td>
<td>&lt;50</td>
<td>&gt;5 million</td>
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<td></td>
<td>Exempt Regime (Listings only)</td>
<td>Exempt Listing</td>
<td>to be confirmed</td>
<td>to be confirmed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>to be confirmed</td>
<td></td>
<td>Need to confirm w. Bursa Malaysia</td>
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<tr>
<td>Philippines</td>
<td>(Small number PP)</td>
<td>Exempt Transaction</td>
<td>&lt;=19</td>
<td>&lt;=19</td>
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<tr>
<td>Singapore</td>
<td>OTC</td>
<td>Private Placement</td>
<td>MTN type</td>
<td>&lt;50</td>
<td>&gt;250k</td>
</tr>
<tr>
<td>Thailand</td>
<td>OTC</td>
<td>Private Placement</td>
<td>'13 II' Version</td>
<td>&lt;50</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>'10' Version</td>
<td>To max 10 investors</td>
<td>max 10</td>
<td>Implementation guidelines pending</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>(Private Placement)</td>
<td>'no specific</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></td>
<td>QIB Market (IBBM)</td>
<td>Prospectus</td>
<td>to be confirmed</td>
<td>to be provided</td>
<td>to be confirmed</td>
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<tr>
<td></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>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>Covers</strong></td>
</tr>
</tbody>
</table>
   + FSCMA Enforcement Degree 2012  
   + RIPDS, 2012  
   2. KRX Listing Rules |
| Who? | Type of Investors | 1. “Qualified Institutional Buyers”  
   (Subsumes a number of investor concepts, but exclude saving institutions)  
   2. KRX participants (trading members, incl. banks) |
| What? | Instrument types, actual instruments | 1. SME private placements with limited documentation;  
   Expected small amounts, likeness to loan market  
   2. Private placements by already listed issuers |
| Where? | Market(s), Marketplace(s) | 1. “Free Bond” trading platform, designated by FSC,  
   operated by KOFIA (Bond SRO in Korea)  
   2. KRX (specific segment?) |
| How? | Ringfencing of professional market; Selling Restriction(s) | 1. FSCMA Enforcement Degree 2012  
   + RIPDS, 2012 (Para 2-2ff)  
   + Specific mention in Documentation (e.g. T&C)  
   2. KRX membership (professional members only?) |

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.
### Depiction of Most Suitable Exempted Disclosure

<table>
<thead>
<tr>
<th>Key Question</th>
<th>Covers</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>By what?</td>
<td>Law, Decrees, Guidelines</td>
<td>Financial Investment and Exchange Act FIEA Cabinet Ordinance</td>
</tr>
<tr>
<td>Who?</td>
<td>Type of Investors</td>
<td>“Specified Investors” (Subsumes a number of investor concepts)</td>
</tr>
<tr>
<td>What?</td>
<td>Instrument types, actual instruments</td>
<td>“SI-PP’ Specified Investors Private Placement Typically MTN programs [Program Information is equivalent to the euro MTN program] When a new listing application is made based on Program Information, the Program Information, any subsequently publicized Amended Program Information, and the Supplemental “Specified Securities Information” (SSI) would together constitute “Specified Securities Information”</td>
</tr>
<tr>
<td>Where?</td>
<td>Market(s), Marketplace(s)</td>
<td>TOKYO PRO-BOND (Tokyo Stock Exchange)</td>
</tr>
<tr>
<td>How?</td>
<td>Ringfencing of professional market; Selling Restriction(s)</td>
<td>FIEA Cabinet Ordinance + (Comprehensive) Transfer Restriction Agreement + Specific Notification to Counterparty</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>
</table>
| **FSCMA**
  describes Public Offering
  >50 Investors
  “Securities Registration Statement (SRS)”
| Enforcement Decree of FSCMA
  further defines Public Offering
  Provides scope, lists “Professional Investors” (Art. 10, 11)
| The Regulations on Issuance & Public Disclosure of Securities (RIPDS)
  contains qualifications
  - Overseas Issuance
  - Qual. Inst. Buyer
  2-2 Criteria for resale of PO
  2-2-2 Criteria for resale PO overseas
  2-2-4 QIB Market
| - T&C
  - Subscription Agreement
  - Bond Certificate
  - OC/OM/IM
  - Prospectus
  contain required clause prohibiting resale to Individual Investors |

Equates to Full Disclosure (KRX Listed Corporate Bond Market)

Creates room for Limited Disclosure

Contains possible Exemptions

Clearly defines Selling Restriction (inv. protection)

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’)


[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
acquired 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
- ...

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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 10th ABMF Meeting in Bangkok (21-22 Nov)
5. Expected Timeline (to next ABMF Meetings)

<table>
<thead>
<tr>
<th>Event</th>
<th>Location</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>9th ABMF Meeting</td>
<td>ACG 2012</td>
<td>4/5 Sep</td>
</tr>
<tr>
<td>ABMF Bali</td>
<td>Bali</td>
<td>19-22 Sep</td>
</tr>
<tr>
<td>ABMI WG Beijing</td>
<td>Beijing</td>
<td>15 Oct</td>
</tr>
<tr>
<td>SIBOS Osaka</td>
<td>Osaka</td>
<td>31 Oct</td>
</tr>
<tr>
<td>10th ABMF Meeting</td>
<td></td>
<td>21/22 Nov</td>
</tr>
<tr>
<td>11th ABMF Meeting</td>
<td></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
- **4-5 Sep 2012**: 9th ABMF 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.)
- **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
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>Exists. TOKYO PRO-BOND market with listing on the TOKYO AIM.</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 filing requirement.</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Does not exist.</td>
</tr>
</tbody>
</table>

Source: AOD Consultants, based on research materials and market vast 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)

<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>HK China</td>
<td>Issuing &amp; Secondary</td>
<td>Inter-Bank Bond Market (OBIM)</td>
<td>Access/Participation</td>
<td>Institutional Investors</td>
<td>PBOC / NAFMA</td>
<td>NAFMA</td>
<td>Via QFII</td>
</tr>
<tr>
<td>HK China</td>
<td>Issuing &amp; Secondary</td>
<td>QIB Market (in CIBM)</td>
<td>Regulation</td>
<td>QIBs (ltd)</td>
<td>PBOC</td>
<td>lbd</td>
<td>lbd</td>
</tr>
<tr>
<td>HK China</td>
<td>Issuing &amp; Secondary</td>
<td>SME Private Placements</td>
<td>Membership</td>
<td>Eligible Investors</td>
<td>CSRC / SSE</td>
<td>SSE</td>
<td>lbd</td>
</tr>
<tr>
<td>HK China</td>
<td>Secondary</td>
<td>CIC</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKMA</td>
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<tr>
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<td>Private Placement</td>
<td>Market Practice</td>
<td>(Professional Investor)</td>
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<td>Japan</td>
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<td>Tokyo PRO-BOND</td>
<td>Law (FIEA)</td>
<td>Specified Investors</td>
<td>FSA, TSE</td>
<td>TSE, JSDA</td>
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<td>Korea</td>
<td>Issuing</td>
<td>QIB Market</td>
<td>Decree to FSCMA</td>
<td>Qualified Institutional Buyers</td>
<td>FSS</td>
<td>KOFIA</td>
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<td>Issuing &amp; Secondary</td>
<td>SME Private Placements</td>
<td>Membership</td>
<td>Professional Investors</td>
<td>FSS, KRX</td>
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<td>Excluded Offers</td>
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<td>Sophisticated Investors</td>
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<td>Exempt Regime (Eligible only)</td>
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<td>Participation</td>
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<td>SEC</td>
<td>PDEX</td>
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<td>Market Practice</td>
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<td>Law</td>
<td>Accredited Investors</td>
<td>SEC</td>
<td>ThaIMMA</td>
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<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>
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</table>
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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9th ABMF SF2: Draft Report of Market Visits and Recent development of Phase 2 Activities including Future Perspectives

5th September 2012 in Seoul

Taiji Inui
NTT DATA Corporation
ADB Consultant - Financial Information Technology Specialist
## Draft agenda for ABMF SF2 on 5 September 2012 in Seoul

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
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<tr>
<td>09:00</td>
<td><strong>Opening Remarks</strong> by SF2 Chair (Mr. Jong Hyung Lee, KSD)</td>
</tr>
<tr>
<td>09:10</td>
<td><strong>Key findings of market visits – SF2 (Part 1)</strong></td>
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<tr>
<td></td>
<td>- Presentation by Dr. Taiji Inui, ADB consultant</td>
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<td>- Additional comments by Mr. Shinji Kawai, ADB secretariat</td>
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<tr>
<td>11:00</td>
<td><strong>Key findings of market visits – SF2 (Part 2)</strong></td>
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<td>- Q and A</td>
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<tr>
<td>13:30</td>
<td><strong>OTC market and information management in bond market – Korean experience</strong></td>
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<td>- Korean Securities Information Management System (KSD)</td>
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<td>- CCP for central clearing of OTC &amp; exchange derivatives contracts (KRX)</td>
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<td>14:30</td>
<td><strong>Information on other issues</strong></td>
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<td>- Recent progress in LEI discussion by Taketoshi Mori, (BoTM UFJ)</td>
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<td></td>
<td>- Supplementary information on LEI by Ms. Rebecca Turner, (ASIFMA)</td>
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<td>15:50</td>
<td><strong>Other issues of SF2</strong></td>
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<tr>
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<td>- Market visits for BCLM (Dr. Seung Jae Lee, ADB secretariat)</td>
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<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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<tr>
<td>16:10</td>
<td><strong>Future work plan and Wrap up</strong> (Mr. Seung Jae Lee, ADB Secretariat)</td>
</tr>
<tr>
<td>16:50</td>
<td><strong>Closing remarks</strong> by SF2 Chair (Mr. Jong Hyung Lee, KSD)</td>
</tr>
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Table of Contents

1. Focus and agreed activities of SF2 Phase 2
2. Key findings of Phase 2 market visits
3. Fit & Gap analysis
4. Roadmap and Policy recommendations
5. Next steps and work plan
6. Future issues after Phase 2
1. Focus and agreed activities of SF2 Phase 2
To enhance cross-border STP (Straight Though Processing)

SF1 issues related to processes and flows such as taxes, cash control, and FX control could also be discussed by SF2 members.
Examples of Phase 1 survey results
Government Bond Market Infrastructures in KR

Trading
Trade matching

CCP

Settlement matching
Bond settlement

Cash settlement

OTC Market

KRX (KTS)

KRX

KSD

BOK (BOK-Wire+)

Source: ABMF SF2.
Government Bond DVP Flow for Domestic Trades in KR (OTC)
Government Bond DVP Flows for Domestic Trades
Government Bond DVP Flow for Foreign Investors in KR (OTC)
Government Bond Transaction Flows for Foreign Investors
Numbering and coding

5. Languages
Unicode (ISO/IEC 10646)

2. Party Identification and Account
BIC (ISO 9362)

3. Safekeeping (Securities) account Identification
Proprietary
There is no account structure (simple text).

ISO 20022 needs to support proprietary practices
Government Bond Markets in ASEAN+3

Diagram showing the connections and systems involved in bond markets across different countries in ASEAN+3 region.

Legend:
- Exchange Market
- Central Bank
- Commercial Bank

NOTE:
- Exchange Market
- Central Bank
- Commercial Bank

Diagram details include:
- Direct intersystem connection
- Indirect connection
- Trade data (bond settlement instructions) are entered to CSD by agent custodians.
ASEAN+3 Bond Market Guide

The ASEAN+3 Bond Market Guide is a comprehensive report on bond market in the ASEAN+3 region. The Guide is a product of the collaborative efforts of ASEAN+3 Bond Market Forum (ABMF) members and is the first report endorsed by ASEAN+3.

The Guide is composed of two volumes. **Volume 1** provides a comparative analysis on market infrastructures including legal and operational systems, regulations and market practices in the region, together with individual market guides of 11 economies, namely the People’s Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, People’s Democratic Republic of Laos, Malaysia, Philippines, Singapore, Thailand, and Viet Nam. **Volume 2** provides detailed information on bond transaction flows including technical information on matching, settlement cycle, numbering and coding, and others. The Guide is expected to benefit the bond markets in the region by enhancing investors’ understanding on the markets.

**Download Full Report**

**Mirror Sites**

**Read The News release and Background Information**

**Preface**

**Introduction**

**Volume 1: Sub-Forum 1: Comparative Analysis, and Bond Market Guides**

  - Overview of Sub Forum 1
  - Part 2: Bond Market Guide 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
    - Section 6: Lao PDR
    - Section 7: Malaysia
    - Section 8: Philippines
    - Section 9: Singapore
    - Section 10: Thailand
    - Section 11: Viet Nam

**Volume 2: Sub-Forum 2: Information on Transaction Flows and Settlement**

  - Overview of Sub Forum 2
  - Part 1: Bond Markets and Their Infrastructure in ASEAN+3
  - Part 2: Bond Markets and Their Infrastructure in Each Economy
Agreed activities of SF2 phase 2

1. Continue identification of transaction flows, messaging and market practices.
   1-1 DVP flows and procedure for corporate bonds
   1-2 Interest payment and redemption of government bonds and corporate bonds
2. ISO 20022 Fit-and-gap analysis
3. Propose a roadmap and policy recommendations to standardize and harmonize transaction flows
4. Information sharing: LEI, data collection, …
Part 1: Summary of survey results including comparison tables and charts. Fit & Gap analysis, policy recommendations, roadmap, and future issues will be included.

Part 2: Country report (description on each market using each market materials)

Part 3: Diagrams, flows, and charts in each economy based on standard templates

The report will be submitted to ABMI TF3
2. Key findings of Phase 2 market visits
Key Findings (tentative draft)

1. Bond Market
   - Most of bonds (both government and corporate bonds) are traded in OTC markets in all visited markets.
   - Significant volume of bonds are traded in exchange (order driven) market only in KR and PH.

2. Central Counter-Party
   - CCPs (Central Counter-Parties) have been established in only a few economies (CN, JP, and KR) for bond trades.

3. Pre-settlement and settlement Matching
   - In many markets, pre-settlement matching is conducted manually using telephone, facsimile, e-mail, etc.
   - Both central matching and local matching are used as settlement matching for both government and corporate bonds.
Key Findings (tentative draft)

4. Bond settlement
   - Regarding government bonds, central bank related CSDs mostly settle them in 6 markets (CN, HK, ID, JP, MY, and SG) out of 10 major markets in ASEAN+3. Exchange related CSDs mostly settle them in 3 markets (KR, TH, and VN). Government related CSD manly settles and exchange related CSD settles significant portion of them as sub-registry in one market (PH).
   - Regarding corporate bonds, central bank related CSDs mostly settle them in 2 markets (HK and MY) out of 10 major markets in ASEAN+3. Exchange related CSDs mostly settle them in 7 markets (ID, JP, KR, PH, SG, TH, and VN). Central bank related CSDs and exchange related CSD settle them in one market (CN). Significant percentage of bonds remains as physical certificates.

5. Cash settlement
   - Regarding government bonds, central bank money is used in all visited markets except in VN in ASEAN+3. DVP model 1 of BIS definition is available in these 9 markets. Commercial bank money can also be used in CN though the percentage to total settlement value is very low.
   - Regarding corporate bonds, central bank money is used in 8 markets (CN, HK, JP, KR, MY, PH, SG, and TH). Commercial bank money is used in 3 markets (CN, ID, and VN). In CN, central bank money is mainly used but commercial bank money is used when bonds are settled in exchange related CSD.
Key Findings (tentative draft)

6. Paying Agent (PA) of bond issuer for interest payment and redemption
   - Regarding government bonds, central banks are PA of the issuer (MOF) in 7 economies (HK, ID, JP, KR, MY, SG, and TH) out of 10 economies which have bond markets in ASEAN+3. CSDs are the PA in two economies (CN and VN). Government (Bureau to Treasury) is the PA in PH.
   - Regarding corporate bonds, commercial banks are PA of issuers in 6 economies (HK, JP, KR, MY, PH, and SG). CSDs are PA in 3 economies (CN, ID, and VN). Central bank is PA in TH.

7. Account Management Agent (AMA) of bond holder (investor) for interest payment and redemption
   - Regarding government bonds, CSD participants are AMA of bond holders in 7 economies (CN, HK, ID, KR, PH, SG, and VN). Commercial banks designated by bond holders are AMA in 3 economies.
   - Regarding corporate bonds, CSD participants are AMA of bond holders in 7 economies (CN, HK, ID, KR, PH, SG, and VN). Commercial banks designated by bond holders are AMA in 3 economies.
Key Findings (tentative draft)

8. Tax Paying Entity for interest payments and redemptions
   - Regarding government bonds, no WHT exists in 4 economies (CN, HK, MY, and SG). Governments (MOF or BTr) are tax paying entities in 4 economies (JP, PH, TH, and VN). CSD participants are tax paying entities in 2 economies (ID and KR). Commercial banks as Account management agency pays local tax in Japan.
   - Regarding corporate bonds, no WHT exists in 3 economies (HK, MY, and SG). Issuers are tax paying entities in 3 economies (JP, TH and VN). CSDs are tax paying entities in 3 economies (ID, KR, and PH). Bond holder is tax paying entity in CN.

9. Others (including from Phase 1 results)
   - ISIN (International Securities Identification Number) is not used in many economies. Also, numbering convention of ISIN is not standardized, yet.
   - BIC is not used in many economies, yet in stead, local proprietary codes are used.
   - Investor identification is proprietary numbering in all economies in ASEAN+3.
   - Settlement cycle is not regarded as a rule of each market.
   - Physical certificate remains in many markets in particular for corporate bonds.
   - Foreign exchange related issues including conversion and repatriation are important issues for bond trade and settlement.
   - Cash balance related issues are important issues for bond trade and settlement.
   - Securities account structure is proprietary one in all economies in ASEAN+3.
Diagram of each Economy

1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
6. Message Items (ISO20022 FIT&GAP)
7. Market Infrastructure
8. Market Practices

ASEAN+3 Bond Market Infrastructure Diagram
Republic of Korea (KR)

1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
6. Message Items (ISO20022 FIT&GAP)
7. Market Infrastructure
8. Market Practices
1. **Bond Market Infrastructure Diagram**

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)

6. Message Items (ISO20022 FIT&GAP)

7. Market Infrastructure

8. Market Practices
KR Government Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
<th>KRX (KTS)</th>
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<tr>
<td>Trade matching</td>
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<tr>
<td>CCP</td>
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<td>KRX</td>
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<td>Settlement match.</td>
<td>KSD (SSS)</td>
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<tr>
<td>Bond settlement</td>
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<tr>
<td>Cash settlement</td>
<td>BOK (BOK-Wire+)</td>
<td></td>
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</table>

KRX – The Korea Exchange
KTS – KRX Electronic Trading System for Government Bonds
KSD – The Korea Securities Depository
SSS – Securities Settlement System
BOK-Wire+ – The Bank of Korea Financial Wire Network
KR Corporate Bond Market Infrastructure Diagram

<table>
<thead>
<tr>
<th>Trading</th>
<th>OTC Market</th>
<th>KRX (KTS)</th>
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<td>Trade matching</td>
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<td>Settlement match.</td>
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<td>Bond settlement</td>
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<td>Cash settlement</td>
<td>BOK (BOK-Wire+)</td>
<td>Commercial Banks</td>
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</table>

KRX – The Korea Exchange
KTS - KRX Electronic Trading System for Government Bonds
KSD – The Korea Securities Depository
SSS – Securities Settlement System
BOK-Wire+ – The Bank of Korea Financial Wire Network
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)

6. Message Items (ISO20022 FIT&GAP)

7. Market Infrastructure

8. Market Practices
KR Government Bond Transaction Flow for Domestic Trades (OTC)

1. Trade

2. Reporting Trade details

3. Disclosure

4. Trade Data via. KSD SAFE System

5. Matching

6. Matching Status Advice

7. Settlement Instructions for DVP (no needs for typical flow)

8. Holding Bonds

9. Settlement Data for DVP

10. Payment Request

12. Settlement Report (Cash)

14. Settlement Report (Bond)

11. Cash Settlement

12. Settlement Report (Cash)

12. Settlement Instructions for DVP (Bond)
KR Government Bond Transaction Flow for Domestic Trades (OTC)

OTC Market

1. Sell side and buy side trade over the counter mostly with private messenger, and some transactions are done with FreeBond provided by KOFIA which is a supporting and confirmation system for bond trading.
2. Financial investment companies engaged in trading must report trading details to KOFIA within 15 minutes after trading execution. They also report trading details to FSS via Foreign Investment Management System (FIMS).
3. KOFIA discloses this information on its Bond-Trade Report & Information Service (B-Tris).
4. Sell side and buy side send trade data to Korea Securities Depository (KSD).
5. KSD collates trade data from the sell side and buy side.
6. KSD sends matching status advise to the sell side and buy side.
7. Sell side and buy side sends settlement instructions for DVP to KSD.
8. KSD holds bonds before cash settlement.
9. KSD sends settlement data to Bank of Korea (BOK).
10-1. The BOK sends payment request (cash) to the buy side.
10-2. The buy side sends the payment instruction for DVP to BOK.
11. BOK executes cash settlement.
12. BOK sends settlement report to sell side, the buy side and KSD.
13. KSD executes bond settlement.
14. KSD sends settlement report to sell side and buy side.
KR Government Bond Transaction Flow for Domestic Trades
(Exchange)

1. Trade Order
2. Matching
3. Trade Confirmation
4. Taking Obligation (novation) (KRX-member)
5. Netting
6. Settlement Detail
7. Settlement Instructions for DVP
8. Holding Bonds
9. Settlement Data for DVP
10. Cash Settlement Through KRX a/c
11. Settlement Report (Cash)
12. Bond Settlement Through KRX a/c
13. Settlement Report (Bond)
KR Government Bond Transaction Flow for Domestic Trades (Exchange)

Exchange Market

1. Sell side and buy side send trade order to Korea Exchange(KRX).
2. KRX performs matching.
3. KRX makes trade confirmation.
4. KRX takes obligation (novation) for KRX members.
5. KRX performs netting.
6. KRX sends settlement details to sell side and buy side.
7. KRX sends settlement instruction for DVP to Korea Security Depository(KSD).
8. KSD holds bonds before cash settlement.
9. KSD sends settlement data to Bank of Korea (BOK).
10. BOK executes cash settlement.
11. BOK sends settlement report (cash) to sell side, the buy side and KSD.
12. KSD executes bond settlement through KRX account.
13. KSD sends settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)

6. Message Items (ISO20022 FIT&GAP)

7. Market Infrastructure

8. Market Practices
KR Corporate Bond Transaction Flow for Domestic Trades (OTC)

1. Trade

2. Reporting Trade Details

3. Disclosure

4. Trade Data via KSD SAFE System

5. Matching

6. Matching Status Advice

7. Settlement Instructions for DVP
   (no needs for typical flow)

8. Holding Bonds

9. Settlement Data for DVP

10. Payment Request

11. Payment Instruction

12. Cash Settlement

13. Settlement Report (Cash)

14. Bond Settlement

15. Settlement Report (Bond)
KR Bond Transaction Flow for Domestic Trades

OTC Market

1. Sell side and buy side trade over the counter mostly with private messenger, and some transactions are done with FreeBond provided by KOFIA which is a supporting and confirmation system for bond trading.

2. Financial investment companies engaged in trading must report trading details to KOFIA within 15 minutes after trading execution. They also report trading details to FSS via Foreign Investment Management System (FIMS).

3. KOFIA discloses this information on its Bond-Trade Report & Information Service (B-Tris).

4. Sell side and buy side send trade data to Korea Securities Depository (KSD).

5. KSD collates trade data from sell side and buy side.

6. KSD sends matching status advise to sell side and buy side.

7. Sell side and buy side sends settlement instructions for DVP to KSD.

8. KSD holds bonds before cash settlement.

9. KSD sends settlement data to Bank of Korea (BOK).

10. BOK sends payment request (cash) to buy side.

11. Buy side sends the payment instruction for DVP to BOK.

12. BOK executes cash settlement.

13. BOK sends settlement report to sell side, buy side and KSD.

14. KSD executes bond settlement.

15. KSD sends settlement report to sell side and buy side.
KR Corporate Bond Transaction Flow for Domestic Trades
(Exchange)

Buy Side

1. Trade Order

2. Matching

3. Trade confirmation

4. Taking Obligation (novation) (KRX-member)

5. Netting

6. Settlement Detail

7. Settlement Instructions for DVP

KRX (Exture)

KSD (SSS)

8. Holding Bonds

9. Bond Settlement Through KRX a/c

10. Settlement Report (Bond & Cash)

Commercial Banks

9. Cash Settlement Through KRX a/c

(DVP)

6. Settlement Detail

Buy Side

1. Trade Order

1. Trade Order

2. Matching

3. Trade confirmation

4. Taking Obligation (novation) (KRX-member)

5. Netting

6. Settlement Detail

7. Settlement Instructions for DVP

KRX (Exture)

KSD (SSS)

8. Holding Bonds

9. Bond Settlement Through KRX a/c

10. Settlement Report (Bond & Cash)

Commercial Banks

9. Cash Settlement Through KRX a/c

(DVP)
KR Corporate Bond Transaction Flow for Domestic Trades (Exchange)

Exchange Market

1. Sell side and buy side send trade order to Korea Exchange (KRX).
2. KRX performs matching.
3. KRX makes trade confirmation.
4. KRX takes obligation (novation) for KRX members.
5. KRX performs netting.
6. KRX sends settlement details to sell side and buy side
7. KRX sends settlement instruction for DVP to Korea Security Depository (KSD).
8. KSD holds bonds before cash settlement.
9. KSD executes bond & cash settlement for DVP through KRX account.
10. KSD sends settlement report to sell side and buy side.
1. Bond Market Infrastructure Diagram

2. Bond Transaction Flow for Domestic Trades (Government Bond)

3. Bond Transaction Flow for Domestic Trades (Corporate Bond)

4. Interest & Redemption Payment Flow (Government Bond)

5. Interest & Redemption Payment Flow (Corporate Bond)

6. Message Items (ISO20022 FIT&GAP)

7. Market Infrastructure

8. Market Practices
KR Interest Payment Flow of Government Bond

**Bond Issuer Side**
- MOF
  - 3. Payment Instruction
  - BOK

**CSD**
- KSD
  - 2. Bondholders - list
  - 5. Payment Instruction
  - KSD's Bank

**Bond Holder Side**
- Bond Holder
  - 9. Interest Payment Notice
  - KSD's Participant
    - 1. Notification of Bond Holder's information
  - KSD's Bank
    - 7. Interest Payment Notification
  - Custodian
    - 8. Interest Payment (net)
    - Custodian's Account
      - 6. Interest Payment (net)
      - KSD's Bank
        - 4. Interest Payment
          - MOF's Account
            - BOK(BOK-Wire+)
              - 10. Tax Payment (for Residents)
              - Tax Office
            - MOF's Account
              - KSD's Bank
                - 11. Tax Payment (for Non-residents)
KR Interest Payment Flow Government Bond

Process of Interest Payment

1. Korea Securities Depository (KSD)’s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s Bank of the bondholders-list.
3. MOF instructs BOK to pay interest from MOF’s account to KSD’s Bank’s account.
4. BOK executes interest payment from MOF’s account to KSD’s Bank’s account.
5. KSD instructs KSD’s Bank to pay interest to Custodians(KSD participants)’ account.
6. KSD’s Bank executes interest payment from its account to Custodian’s account, deducting income tax if applicable.
7. KSD notifies its participants of interest payment.
8. KSD’s participants credit bond holders’ accounts with interest paid by MOF, deducting tax if applicable.
9. KSD’s participants notify bond holders of interest payment.
10. KSD’s Bank pays tax for residents to tax office.
11. KSD’s participants pay tax for non-residents to tax office.
KR Redemption Payment Flow of Government Bond

Bond Issuer Side

1. MOF
   3. Payment Instruction
      ↓
   5. BOK
      8. Delete Bond Registration
         ↓
         Same Entity
         BOK(BOK-Wire+)

CSD

6. KSD’s Bank
   7. KSD
      2. Bondholders list
      5. Payment Instruction
         ↓
         Same Entity
         KSD’s Bank

Bond Holder Side

11. MOF
    12. Same Entity
        KSD’s Participant
        9. Interest Payment Notification
        10. KSD’s Bank
            11. Redemption Payment Notice
                ↓
                Same Entity
                Custodian’s Account

BOK(BOK-Wire+)

4. MOF’s Account
   4. Redemption Payment
      →
      KSD’s Bank
      6. Redemption Payment (net)
         ↓
         Same Entity
         Custodian’s Account

KSD’s Bank

7. KSD
   2. Bondholders list
      ↓
      KSD’s Bank
      6. Redemption Payment (net)
         ↓
         Custodian’s Account

Custodian

10. Redemption Payment (net)
    11. KSD’s Bank
        10. Redemption Payment Notice
            ↓
            Same Entity
            Bond Holder’s Account

12. Tax Payment (for Residents)
    13. Tax Payment (for Non-residents)
       ↓
       Tax Office
KR Redemption Payment Flow Government Bond

Process of Redemption Payment

1. Korea Securities Depository (KSD)’s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s Bank of the bondholders-list.
3. MOF instructs BOK to pay redemption from MOF’s account to KSD’s Bank’s account.
4. BOK executes redemption payment from MOF’s account to KSD’s Bank’s account.
5. KSD instructs KSD’s Bank to pay redemption to Custodians (KSD participants)’ account.
6. KSD’s Bank executes redemption payment to Custodian’s account, deducting income tax if applicable.
7. KSD makes bond redemption.
8. BOK delete bond registration.
9. KSD notifies it’s participants of redemption payment.
10. KSD’s participants credit bond holders’ accounts with redemption paid by MOF, deducting tax if applicable.
11. KSD’s participants notify bond holders of interest payment.
12. KSD’s Bank pays tax for residents to tax office.
13. KSD’s participants pay tax for non-residents to tax office.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. **Interest & Redemption Payment Flow (Corporate Bond)**
6. Message Items (ISO20022 FIT&GAP)
7. Market Infrastructure
8. Market Practices
KR Interest Payment Flow of Corporate Bond

Bond Issuer Side

1. Notification of Bond Notice
   2. Bondholders
      - list
   3. Payment Instruction
   4. Interest Payment
   5. Payment Instruction
   6. Interest Payment

Bond Issuer

Payment Bank

Same Entity

Payment Bank

Same Entity

BOK(BOK-Wire+)

6. Interest Payment

KSD's Bank

7. Payment Instruction

KSD

8. Interest Payment (net)

CSD

9. Interest Payment Notification

KSD's Participant

10. Interest Payment

Bond Holder Side

11. Interest Payment Notice

Bond Holder

12. Tax Payment (for residents)

Tax Office

13. Tax Payment (for non-residents)

Custodian

10. Interest Payment

Bond Holder’s Account

Issuer’s Account

Payment Bank’s Account

Payment Bank

Same Entity

Issuer’s Account

Payment Bank’s Account

Payment Bank

Same Entity

Issuer’s Account

Payment Bank’s Account
KR Interest Payment Flow Corporate Bond

Process of Interest Payment

1. Korea Securities Depository (KSD)'s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s Bank of bondholders-list.
3. Bond issuer instructs it’s Payment Bank to pay interest.
4. Payment Bank executes interest payment from issuer’s account to it’s account.
5. Payment bank instructs BOK to pay interest from payment bank’s account to KSDs’ Bank’s account.
6. BOK executes interest payment from Payment Banks’ account to KSD’s Bank’s account.
7. KSD instructs KSD’s Bank to pay interest to Custodians(KSD participants)’ account.
8. KSD’s Bank executes interest payment from KSD’s account to Custodians(KSD participants)’ account, deducting income tax if applicable.
9. KSD notifies it’s participants of interest payment.
10. Custodian (KSD’s participants) credit bond holders’ accounts with interest paid by issuer, deducting tax if applicable.
11. Custodian (KSD’s participants) notify bond holders of interest payment.
12. KSD’s Bank pays tax for residents to tax office.
13. KSD’s participants pay tax for non-residents to tax office.
KR Redemption Payment Flow of Corporate Bond

1. Notification of Bond Holder’s information
2. Bondholders List
3. Payment Instruction
4. Interest Payment
5. Payment Instruction
6. Redemption Payment
7. Payment Instruction
8. Redemption Payment (net)
9. Redemption
10. Redemption Payment Notification
11. Redemption Payment
12. Redemption Payment Notice
13. Tax Payment (for residents)
14. Tax Payment (for non-residents)

Cash Flow
Information Flow
KR Redemption Payment Flow Corporate Bond

Process of Redemption Payment

1. Korea Securities Depository (KSD)’s participants notifies KSD of information of bond holders.
2. KSD sends KSD’s Bank of bondholders-list.
3. Bond issuer instructs it’s payment bank to pay redemption.
4. Payment Bank executes redemption payment from issuer’s account to it’s account.
5. Payment Bank instructs BOK to pay redemption from Payment Bank’s account to KSDs’ Bank’s account.
6. BOK executes redemption payment from payment banks’ account to KSD’s account.
7. KSD instructs KSD’s Bank to pay redemption to Custodians(KSD participants)’ account.
8. KSD’s Bank executes redemption payment from KSD’s account to Custodians(KSD participants)’ account, deducting tax if applicable.
9. KSD makes bond redemption.
10. KSD notifies it’s participants of redemption payment.
11. Custodian (KSD’s participants) credit bond holders’ accounts with redemption paid by issuer, deducting tax if applicable.
12. Custodian (KSD’s participants) notify bond holders of redemption payment.
13. KSD’s Bank pays tax for residents to tax office.
14. KSD’s participants pay tax for non-residents to tax office.
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
6. **Message Items (ISO20022 FIT&GAP)**
7. Market Infrastructure
8. Market Practices
## KR Settlement Instruction Message Items
### (ISO20022 FIT&GAP)

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Information needed
# KR Settlement Confirmation Message Items (ISO20022 FIT&GAP)

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*Information needed*
1. Bond Market Infrastructure Diagram
2. Bond Transaction Flow for Domestic Trades (Government Bond)
3. Bond Transaction Flow for Domestic Trades (Corporate Bond)
4. Interest & Redemption Payment Flow (Government Bond)
5. Interest & Redemption Payment Flow (Corporate Bond)
6. Message Items (ISO20022 FIT&GAP)
7. Market Infrastructure
8. Market Practices
# KR Market Infrastructure

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*Information needed*
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6. Message Items (ISO20022 FIT&GAP)
7. Market Infrastructure
8. Market Practices
### KR Market Practices

#### Operating Hours

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#### Numbers and Codes

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## Current status

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[CommentsOnDraft_v1.6.xlsx](CommentsOnDraft_v1.6.xlsx)
ASEAN+3 Bond Market Infrastructure
Diagrams
ASEAN+3 Government Bond Market Infrastructure Diagram

NOTE:
- Exchange
- Exchange related
- Central Bank
- Central Bank related
- Commercial Bank

Direct intersystem connection
Indirect connection. Trade data (bond settlement instructions) are entered to CSD by agent custodians.
Direct intersystem connection

Indirect connection. Trade data (bond settlement instructions) are entered to CSD by agent custodians.
Government bond Interest payment related entities  (to be confirmed)

<table>
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<tr>
<th>Country</th>
<th>PA of Issuer</th>
<th>CSD</th>
<th>Payment system</th>
<th>AMA of Bond Holder</th>
<th>Tax Paying Entity</th>
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PA: Paying Agent, AMA: Account Management Agency

Settlement Bank (SB): Commercial bank (which has an account in the payment system) designated by Bond Holder.

Note: WHT is paid by MOF and by AMA of bond holders for central and local government, respectively.
Corporate bond Interest payment related entities (to be confirmed)

<table>
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<th>Country</th>
<th>PA of Issuer</th>
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PA: Paying Agent, AMA: Account Management Agency
Settlement Bank (SB): Commercial bank (which has an account in the payment system) designated by Bond Holder.
3. Fit & Gap analysis
Fit & Gap Analysis

3.1 Fit & Gap Analysis of DVP flows

- DVP flows of government bond and corporate bond in each economy will be compared with typical DVP flow in ASEAN+3

3.2 Fit & Gap Analysis of Message Items

- Message items of settlement instruction (sese 023.001.01) and settlement confirmation (sese 025.001.01) will be compared with typical items using 10 common elements proposed by SMPG and country specifics will be discussed.

3.3 Fit & Gap Analysis of Interest Payment and Redemption

- Interest payment and redemption flows in each economy will be compared with typical flow
3.1 Fit & Gap Analysis of DVP flows
Fundermental elements on Transaction Flows and Systems of DVP Settlement

1. Trading System
   - Trade Data
   - Trade Reporting
   - Post Trade Matching
   - Report to Authority or SRO

2. Post Trade Matching System
   - Trade Data

3. Report to Authority or SRO about Trade Details
   - Trade Data

4. System of (a) CCP or (b) Pre-settlement matching

5. Settlement Instruction from (a) Other System (s), (b) Sell Side and/or Buy Side on S-1 day or (c) Sell Side and/or Buy Side on Settlement Day
   - Settlement Instruction
   - Settlement Matching Notice
   - Bond Settlement Confirmation

6. Types of Settlement Matching:
   (a) Central Matching, or (b) Local Matching

7. Sending Settlement Matching Notice

8. Models of DVP Settlement

9. Sending Cash Settlement Confirmation

10. Sending Cash Settlement Confirmation

11. Sending Bond Settlement Confirmation
DVP flows of government bond and corporate bond in each economy will be compared with typical DVP flow in ASEAN+3
3.2 Fit & Gap Analysis of Message Items
<table>
<thead>
<tr>
<th>Element Name</th>
<th>Definition &amp; Explanation</th>
<th>Message Format</th>
<th>Element Format</th>
<th>Multiplicity</th>
<th>Optional/Mandatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Instruction Identification</td>
<td>It must be unique for all SWIFT messages sent by the CMU participant within 6 months.</td>
<td>ISO 15022</td>
<td>:20C::SEME//16x</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>2 Trade Date</td>
<td>Trade Date - YYYYMMDD (must not be a future date)</td>
<td>ISO 15022</td>
<td>:98A::TRAD//8!n</td>
<td>Single</td>
<td>Conditional</td>
</tr>
<tr>
<td>3 Settlement Date</td>
<td>Settlement Date - YYYYMMDD (must not be a past date)</td>
<td>ISO 15022</td>
<td>:98A::SETT//8!n</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>4 Quantity of Financial Instrument</td>
<td>Quantity of financial instrument to be settled</td>
<td>ISO 15022</td>
<td>:36B::SETT//4!c/15d</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>5 Financial Instrument</td>
<td>Securities Indicator and Securities Code support ISIN, Common Code and CMU Issue Number</td>
<td>ISO 15022</td>
<td>[:35B::ISIN1e12!c] (for ISIN), or some other formats</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>6 Settlement Amount</td>
<td>Settlement Amount</td>
<td>ISO 15022</td>
<td>:19A::SETT//3!a15d (3a = Currency; 15d = Amount (12n,2) )</td>
<td>Single</td>
<td>Conditional</td>
</tr>
<tr>
<td>7 Safekeeping Account</td>
<td>Safekeeping Account</td>
<td>ISO 15022</td>
<td>:97A::SAFE//35x</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>8 Place of Settlement</td>
<td>Market Indicator and Place of Settlement</td>
<td>ISO 15022</td>
<td>:95P::PSET//4!a2!a2!c[3!c] or :95C::PSET//2!a</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>9 Receiving/Delivering Agent</td>
<td>Receiving Agent (REAG) or Delivering Agent (DEAG)</td>
<td>ISO 15022</td>
<td>:95R::DEAG8c/34x or some other formats</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>10 Client of Receiving/Delivering Agent</td>
<td>Buyer (BUYR) or Seller (SELL)</td>
<td>ISO 15022</td>
<td>:95R::BUYR8c/34x or some other formats</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>11 Country Specific Element</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
# HK Settlement Confirmation Message Items

## ISO20022 FIT&GAP

<table>
<thead>
<tr>
<th>Element Name</th>
<th>Definition &amp; Explanation</th>
<th>Message Format</th>
<th>Element Format</th>
<th>Multiplicity</th>
<th>Optional /Mandatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction Identification</td>
<td>HRN a host reference number (HRN) generated by the CMU system.</td>
<td>ISO 15022</td>
<td>20C::SEME//16x</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Trade Date</td>
<td>Trade Date</td>
<td>ISO 15022</td>
<td>98A::TRAD//8In or 98C::TRAD//8In6In</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Settlement Date</td>
<td>Settlement Date - YYYYMMDD (must not be a past date)</td>
<td>ISO 15022</td>
<td>98A::SETT//8In</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Quantity of Financial Instrument</td>
<td>Quantity of financial instrument settled</td>
<td>ISO 15022</td>
<td>36B::ESTT//4c/15d</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Financial Instrument</td>
<td>Securities Indicator and Securities Code support ISIN, Common Code and CMU Issue Number</td>
<td>ISO 15022</td>
<td>[:35B:ISIN1e12!c] (for ISIN), or some other formats</td>
<td>Single</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Settlement Amount</td>
<td>Actual Settlement Amount</td>
<td>ISO 15022</td>
<td>19A::ESTT//3a15d (3a = Currency; 15d = Amount (12n, 2))</td>
<td>Single</td>
<td>Conditional</td>
</tr>
<tr>
<td>Safekeeping Account</td>
<td>Safekeeping Account</td>
<td>ISO 15022</td>
<td>97A::SAFE//35x</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>Place of Settlement</td>
<td>Market Indicator and Place of Settlement</td>
<td>ISO 15022</td>
<td>95P::PSET//4la2la2lc[3lc] or :95C::PSET//2la</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>Receiving/Delivering Agent</td>
<td>Receiving Agent (REAG) or Delivering Agent (DEAG)</td>
<td>ISO 15022</td>
<td>95R::DEAG/8c/34x or some other formats</td>
<td>Repetitive</td>
<td>Mandatory</td>
</tr>
<tr>
<td>Client of Receiving/Delivering Agent</td>
<td>Buyer (BUYR) or Seller (SELL)</td>
<td>ISO 15022</td>
<td>95R::BUYR/8c/34x or some other formats</td>
<td>Repetitive</td>
<td>Conditional</td>
</tr>
<tr>
<td>Country Specific Element</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.3 Fit & Gap Analysis of Interest Payment and Redemption flows
Typical Interest Payment Flow of Government Bond
(tentative draft)

1. Payment request
2. Payment Instruction
3. Notification of Payment Details
4. Interest Payment (net)
5. Interest Payment
6. Interest Payment Confirmation

Bond Issuer Side

MOF

CSD

Central Bank as Paying Agent

Bond Holder Side

Bond Holder

CSD participant

Central Bank

MOF’s Account

CSD participant’s Account

Bond Holder’s Account

Tax Office

Payment request
Payment Instruction
Notification of Payment Details
Interest Payment (net)
Interest Payment
Interest Payment Confirmation

Cash Flow
Information Flow

Same Entity

Bondholders-list with tax data
4. Roadmap and policy recommendations

Based on the Fit & Gap analysis, Roadmap to identify the items that need to be standardized to achieve cross-border STP relating to bond transaction flows could be discussed. Migration plan of ISO 20022 may provide basic precondition of the time frame for the Roadmap.
Roadmap

1. Roadmap to standardize technical issues such as message standard, pre-settlement matching, securities numbering, and settlement cycle in ASEAN+3 could be discussed.

2. Roadmap to mitigate the influence of taxes, cash control, and FX control in ASEAN+3 could be discussed.

3. Roadmap to discuss standard DVP flows in ASEAN+3 could be discussed.

4. Possible schedule to migrate ISO 20022 in ASEAN+3 could be shared.

5. Roadmap to discuss Cross-border STP including cross-border DVP and cross-border collateral in ASEAN+3 could be discussed.
Policy Recommendations

Based on the survey results of Phase 1 and Phase 2, recommendations to realize cross-border STP in ASEAN+3 may be proposed.

- Establishing an initiative to realize harmonization of technical and operational issues such as standard bond trade flows could be discussed.
5. Next steps and work plan
Next steps and work plans

Based on the survey results of Phase 1 and Phase 2 following issues will be discussed and prepared to compile ABMF SF2 Phase Report to the ABMI TF3 and then ASEAN+3 Finance Ministers.

Sep. 2012: 9th ABMF in Seoul

- Key findings of market visits to be shared
- Diagrams and flows (Part 3 of Phase 2 report) to be checked by members and experts
- Basic contents of Phase 2 report to be presented

Nov. 2012: 10th ABMF in Bangkok

- Roadmap and policy recommendations based on the survey results will be discussed.
- Future issues will be discussed.
- Country report (Part 2 of Phase 2 report) to be drafted.
Next steps and work plans

Feb. 2013: 11th ABMF
   ➢ Draft report to ABMI TF3 will be presented
   ➢ Future issues will be decided

Apr. 2013: 12th ABMF
   ➢ Finalizing the report for approval by Deputies and Ministers

ABMF at SIBOS 31 Oct. 2012 (Wednesday)
   10:30- Business panel: Harmonizing the Asian bond market: What’s next? (Standard Forum)
   14:00- Public conference Part 1: ABMF SF2
   16:00- Public conference Part 2: ABMF SF1
6. Future issues after Phase 2

- Tentative proposal to be discussed by members and experts -
6. Future issues

① Possible standard DVP model flow(s) for government bond and corporate bond
② Possible standard Interest payment flow(s) for government bond and corporate bond
③ Standardization of items and terminology of typical messages
④ Study of possible cross-border STP models including cross-border DVP and cross-border collateral based on the survey results of phase 1 and phase 2.
Possible standard DVP model flow(s) for government bond and corporate bond settlement

- Based on the Fit&Gap analysis, possible standard DVP model flow(s) for government bond and corporate bond settlement in ASEAN+3 will be discussed not only from technical point of view but also from operational perspective including institutional framework.
Typical DVP flow (draft)
Possible Issues to be discussed (draft)

1. Pre-settlement Matching
   ① Whether Automated Pre-settlement Matching System is needed?
   ② Trade data should be entered both sides (sell side and buy side) or only sell side and buy side affirms it (central matching or local matching)?
   ③ What items to be pre-matched?
   ④ Pre-settlement matching should be completed by S-1.
   ⑤ Pre-settlement matching results need to be sent to sell side and buy side.
   ⑥ Pre-settlement Matching System may be a part of CSD system
   ⑦ “1. Trade Data”, “2. Pre-settlement Matching”, and “Pre-matched Results” are appropriate terminology
Possible Issues to be discussed (draft)

2. Bond settlement

① Settlement Instruction Data may better be forwarded from Pre-settlement Matching System or other systems such as Trading System from the view point of STP.

② Settlement Instruction Data are forwarded to sell side and buy side for affirmation. Only sell side needs to affirm them or both sides need to do so (central matching or local matching)?

③ Matched data need to be sent to sell side and buy side or not.

④ Which items need to be matched?

⑤ Settlement matching notices need to be sent or not.

⑥ Locking of seller’s bond need to be done or not. What is the definition of locking, earmarking, blocking, etc.?

⑦ Standardization of terminology
Possible Issues to be discussed (draft)

3. Cash settlement

① Cash Settlement Instruction Data need to be forwarded to sell side and buy side or not

② Only sell side needs to affirm them, both sides need to do so, or neither side needs to do so

③ Cash settlement confirmations need to be sent to sell side and buy side or not.

④ Standardization of terminology
Cross-border STP including cross-border DVP and cross-border collateral

- Cross-border DVP, cross-border collateral and repo will be discussed from the viewpoint of cross-border STP based on the findings of ABMF phase 1 & 2 survey results.

- Standardization of trade flows and messages is a prerequisite to discuss Cross-border STP including RSI (Asian ICSD and CSD connection) in ASEAN+3 matter.
Cross-Border DVP(1)

Korea

- Sell Side
- BOK (BOK-Wire+)
- KSD (SSS)

Foreign Economy

- Correspondent Bank of seller
- CSD
- RTGS
- Buy Side

1. Settlement Instruction for DVP
2. Settlement Instruction for DVP
3. Settlement Instruction for DVP
4. Settlement Instruction for DVP
5. Matching Confirmation
6. Matching Confirmation
7. Holding Bonds
8. Settlement Instruction for DVP
9. Cash Settlement
10-a. Cash Settlement Confirmation
10-b. Cash Settlement Confirmation
11. Bond Settlement
12. Bond Settlement Confirmation
13. Forwarding
13. Bond Settlement Confirmation

Bond Settlement @ Korea
Cash Settlement @ Foreign Economy
Cross-Border DVP(2)

1. Settlement Instruction for DVP
2. Forwarding
3. DVP Request
4. Local Matching
5. Affirmation
6. Forwarding
7. Holding Bonds
8. Settlement Data for DVP
9. Cash Settlement
10-a. Cash Settlement Confirmation
10-b. Cash Settlement Confirmation
11. Bond Settlement
12. Bond Settlement Confirmation
13. Forwarding

Korea
Sell Side
BOK (BOK-Wire+)
KSD (SSS)
Correspondent Bank of buyer

Foreign Economy
Buy Side
CSD
RTGS

Instruction or confirmation
Acknowledgement
Gateway

Bond Settlement @ Foreign Economy (Local Matching)
Cash Settlement @ Korea
Preaching to Buddha
Thank you so much

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E-mail: inuit@nttda.co.jp
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 ~
< 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
Current progress

- **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 side line 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 (AMBIF)
  - (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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