I. INTRODUCTION

1. The 11th ASEAN+3 Bond Market Forum (ABMF) meeting was held on 5 and 6 February 2013 in Singapore. The meeting was co-hosted by Singapore Exchange (SGX), Citibank, Deutsche Bank AG, and Asian Development Bank (ADB). Around 120 national and international experts from the public and private sectors gathered at the meeting. The main purpose of the meeting was i) to discuss key characteristics and process for the proposed regionally standardized bond issuance program, ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF), and ii) review the identified bond transaction flows and policy recommendations to enhance Straight-Through Processing (STP) in the region. The meeting agenda and participants list are in Attachments 1 and 2, respectively.

2. On the sideline of the regular ABMF meeting, the 4th ASEAN+3 Self Regulatory Organization (SRO) Working Group Meeting was held on 4 Feb 2013, hosted by SGX and PDS Holdings of the Philippines. While the preceding meetings had focused on information sharing on the specific role and function of each SRO organization, the 4th meeting started more detailed information sharing on future agenda by the participants from Malaysia, Japan, Korea, Philippines and Thailand. The meeting was concluded with the discussions on the proposals of the participants. The discussion on the proposal is expected to continue in subsequent meetings on the sideline of ABMF meetings.

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

(SF1: Discussion on AMBIF)

3. Following the comments from the members during the Bangkok (10th) meeting and after, the secretariat (Shigehito Inukai and Matthias Schmidt) presented an updated concept of AMBIF including the basic approaches, key characteristics such as AMBIF (professional) investor, AMBIF (professional) markets, AMBIF documentation, and AMBIF issuers (Attachment 3). As for implementation approach of AMBIF, the methods of “Proxy approach (PA)” and “Substituted Compliance Protocol (SCP)” have been proposed to the members for their review and comments: PA implies that any regulatory body will mutually accept approval done by another regulator as valid for issuing bonds in its location without requiring additional review. For example, an approval done by the regulatory body in the issuer’s location (Home regulator) would be accepted by the regulatory body in the issuance location (Host regulator) as valid for issuing bonds in the Host economy, and vice versa. On the other hand, in SCP, it is assumed that both Home regulator and Host regulator would cooperate in approving a bond issuance, by making a preliminary, but not final, review done by one regulator to be accepted and utilized by the other regulator in its final review of the approval with fast-track or expedited manner. For

---

1 Several suggestions were discussed during the meeting including establishing “Joint Electronic Trading platform” regulated by SROs, sharing trading information in secondary market, study on the list of Qualified Institutional Buyers, study on market guidelines such as done by ICMA, research on the issues to support AMBIF discussion, and publishing brochures by individual SRO.

2 The term of Substituted Compliance Protocol (SCP) was borrowed from a recent joint statement published by the regulatory bodies in Hong Kong, Singapore, and Japan in relation to the regulation of
members’ discussion purpose, 4 different options for the approval process were proposed depending on to whom the approval request would be submitted to; Home regulator (Option 1), Host regulator (Option 2), regulator in a third economy (Option 3), or all of the above (Option 4). After the presentation by the secretariat, valuable comments were given by the members including the following:

- A representative from Thailand SEC argued that PA is practically difficult to achieve and it is needed to rather consider an expedited review approach where Host regulator holds final responsibility for approval to address its own regulatory requirement and additional concern such as foreign exchange (FX) regulation. More specifically in Thailand, the regulator cannot be “hands off” and automatically accept approval done by other regulators. Rather, it is required for the issuer to submit a physical application to the regulator and a physical approval letter should also be issued by the regulator. As for work distribution between Home and Host regulators, she opined that Home regulator could do the main review of the approval request and Host regulator could conclude the final approval in an expedited manner, monitor distribution of AMBIF bonds among investors, request the appointment of a contact person based in the Host economy, and managing listing information.

- After reviewing the bond issuance procedure under Rule 144a in the US, a representative from the Financial Supervisory Service (FSS), Korea, pointed out that i) documentation and information disclosure requirements would not be easy to be standardized by regulators and a larger role should be played by market participants, ii) there is a need to consider a (regional) credit rating agency (CRA) to foster cross-border bond issuance, and iii) due to conflict with current regulations, it would not be easy for Korea accepting the Home regulator to review approval requests for bond issuance in a Host economy, and iv) the role of Home regulator should be limited to only a periodic review of issued bonds. Another representative from Korea echoed that SCP utilizing Home regulator as a main reviewer (Option 1) would not be easy to be accepted by Korea and instead, the Host regulator should perform the key role in the approval process (Option 2).

- In relation to the proposed 4 options, an International Expert (IE) provided his view that instead of Home or Host regulators, other regulators who are in developed markets with stronger investor networks could be utilized as the first and main reviewer of approval requests, for the sake of more convenient bond issuance and efficient trading by investors.

- A representative from Malaysia opined that although the AMBIF discussion is focusing on local currency issuance, it might be better to consider issuing bonds in non-local (non-Host) currency as a small sub-set of an AMBIF market. He also argued that i) information disclosure under AMBIF should be at level comfortable for professional investors and there should be a contact point in the Host economy after issuance for continued information updates, ii) there is a need to utilize local CRAs, and iii) SCP would be difficult to achieve due to diverging regulation level across the economies, and that a bilateral approach might be more practical.

the cross-border OTC derivatives markets. It was proposed to ABMF members as an alternative to the Proxy approach (PA) considering the comments from some of the regulatory bodies that PA, which would equate to a strict and direct Mutual Recognition (MR), would not be practical to implement, at least in the initial stage of AMBIF.

3 The 4 options could work either with PA or SCP methods. For example in Option 1, PA implies that Home regulator approves and Host regulator accepts the approval, while SCP means Home regulator conducts preliminary review and Host regulator conducts final review in an expedited manner.
A representative from Thailand mentioned that some of the ASEAN economies are already moving towards standardization and protecting investors has been an important issue in the ASEAN experience. In this respect, he reiterated the need of continued information sharing and a local contact point in the Home economy. He also opined that favorable treatment such as in taxation or FX regulations would be needed for an actual enhancement of cross-border bond issuance.

Several members raised issues relating to actual documentation and issuance process. An IE pointed out that AMBIF documentation should include components of i) terms and conditions for bonds and notes, ii) underwriting agreement, and iii) disclosure information including governing laws and resale restrictions. Another IE pointed out that the concept of SCP is still not clear in respect of the actual issuance process and it should be further refined and developed. The secretariat responded that all points were noted well and committed further study on those points after the meeting.

Some members, including those from Korea and Malaysia, pointed out the difficulties with regards to English documentation. It is generally perceived by members that the documentation language should follow local requirements, although some members including Singapore argued the importance of English as a commonly used language. An IE added that it would also be important whether investors are actually feeling comfortable with English, besides whether English is accepted as documentation language.

4. The secretariat expressed its sincere appreciation to members for their support in updating the ABMIF concept and additional comments during the meeting. Based on the points raised by the members, the secretariat will further develop the concept of AMBIF and seek comments and review by the members in March, so that the report on key findings could be finalized in the next ABMF meeting on 23-24 April 2013 and submitted to the ASEAN+3 Finance Ministers and Central Bank Governors’ meeting (AFMGM+3) in early May 2013. In wrapping up, the secretariat (Seung Jae Lee) confirmed with the members that the AMBIF approval process will be refined further based on the proposed Option 1 and Option 2. He agreed on the difficulties in achieving PA or SCP and emphasized that a flexible and practical approach is needed to incorporate different regulations and requirements across the economies, and that the regional cooperation perspective should underpin AMBIF discussions, although actual progress could be made in bilateral ways. As for policy issues such as tax, FX regulation, credit rating, and non-local currency bond issuance, he opined that they could be addressed later in step-by-step, with a long term developmental perspective, although key messages would be fairly delivered to policy authorities.

(SF2: Identification of bond transaction flows)

5. The secretariat (Taiji Inui) presented to the members i) updated DVP flows for corporate bonds, and the flows for interest payment and redemption of each economy, ii) preliminary findings of the fit and gap (F&G) analysis on the transaction flows and message items, and ii) draft policy recommendations to enhance STP in the region, all of which had been revised following the comments from the members during and after the Bangkok (10th) meeting (Attachment 4).

6. Through repeated consultations with the members, DVP flows and interest payments and redemption flows have been confirmed and no additional significant comments were received during the meeting. The discussion was focused on policy implications and
recommendations, on which consultation with the members has started since the Bangkok (10th) meeting. Various points have been actively raised by many members, mostly by IEs, including the issue of Central Counter Party (CCP) and cross-border collateral (CBC) management:

- As for including a ‘discussion on CCP’ as one of the policy recommendations, reservations were received from several members during the Bangkok (10th) meeting in respect of the current market situation where CCPs for bonds are not much evident in the region, and difficulties in defining the function of a CCP. Although different views were still observed from the members especially regarding the immediate importance of the issue, the members agreed to include CCP as one of the policy implications, but not strong recommendations, considering its importance at least in the future.

- As for the study on CBC that has been proposed as one of the key policy recommendations for a next step, members confirmed the importance of the topic. At the same time, some of the members raised questions on the specific CBC model and topics to be studied. The secretariat responded that the specific model and topics of the study are not yet determined and they should be identified through continued consultation with the members. In relation to study topics, an IE opined that market practice and products, legal and regulatory aspects, and infrastructure aspects hindering efficient CBC transactions could be considered, which was well noted by other members and the secretariat. Another IE voiced that CBC could be studied in conjunction with the equity markets where CBC is more actively transacted.

- Several members argued that there should be a close and clear linkage between fact finding and policy recommendations. As for the criteria of identifying policy implications and recommendations, some members pointed out the need to focus more on the issues directly related to enhancing STP and lowering transaction costs, rather than those related to risk management such as CCP, or product development such as CBC. In this respect, the members acknowledged the policy recommendations on standardizing message flows and items and other market practices as appropriate. As for CBC, members agreed to include it as a policy recommendation considering its importance in market efficiency.

- An IE provided his view that some of the current descriptions on policy implications and recommendation are too detailed and may give the impression of cherry-picking, with specific comments on several topics including standardizing market practices. In response, the secretariat committed its efforts to further refine the descriptions for some of the topics whenever appropriate and possible.

7. The secretariat expressed its sincere appreciation to members for their inputs and comments. The secretariat will further refine the SF2 report and provide it to the members in Mar 2013 for additional reviews, with an aim to finalize the report in the next ABMF meeting on 23-24 Apr 2013 and submit it to AFMGM+3 in early May 2013. In wrapping up, the secretariat (Seung Jae Lee) confirmed with the members that the report will be revised to reflect comments from the members, to make descriptions clearer, and to make policy implications and recommendations easier to understand, while keeping the basic structure of the report as is. As for the next phase (Phase 3) ABMF activities, he sought active discussion and advice on identifying appropriate agenda, including CBC and other issues, during the subsequent meetings in this year.
8. On the sideline of the SF1 and SF2 discussions, information sharing sessions were held on i) Securities markets in Singapore (SGX), ii) Portfolio adjustment of strategic reserves beyond G7 markets (Deutsche Bank), iii) Trends in Asian debt capital markets (Citibank), iv) collateral management (Citibank), v) The new normal for the ASEAN securities services industry (Deutsche Bank), vi) Function of CCP (The Bank of Tokyo-Mitsubishi UFJ), vii) Foreign issuers in LCY bond markets in Malaysia and Thailand (BPAM), and viii) AsianBondsOnline (ABO): current status and cooperation with AMBIF (ADB). All presentation materials for the information sharing sessions are available at the Members Library section of the ABMF website (http://asean3abmf.adb.org).

9. The information sharing session on ABO was organized for the mutual cooperation between ABO and ABMF, considering observed interests of some ABMF members and other market participants. In the session, an ADB representative presented detailed information and data available from the ABO website, the Asian Bond Monitor, and Weekly Bond Highlights (Attachment 5). Some members raised questions relating to how ABO gathers and updates information and data. As for the question on linking individual ABMF member’s website into ABO, the ADB representative opined that public or quasi-public institutions could be positively considered. Some of the members also showed their interest in subscribing to ABO information, such as Weekly Bond Highlights.

III. OTHER ISSUES and FUTURE STEPS

10. SWIFT, as the coordinator of the updating team, presented a plan for updating the Phase 1 reports – ASEAN+3 Bond Market Guide (Attachment 6), and the secretariat reported to members i) the progress on knowledge support for Brunei Darussalam, Cambodia, Lao PDR, Republic of the Union of Myanmar, and Vietnam (BCLMV) and ii) work plan after the Singapore meeting (Table 1 and Attachment 7).

<table>
<thead>
<tr>
<th>Date</th>
<th>Event/Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-6 Feb 2013</td>
<td>11th ABMF Meeting in Singapore</td>
</tr>
<tr>
<td>7 Mar 2013</td>
<td>ABMI TF3 meeting (4th reporting of Phase 2)</td>
</tr>
<tr>
<td>Mar~ 2013</td>
<td>BCLMV knowledge support – on-site visits (Phase 2)</td>
</tr>
<tr>
<td>Apr 2013</td>
<td>Submitting draft report to ASEAN+3 Deputies meeting</td>
</tr>
<tr>
<td>23-24 Apr 2013</td>
<td>12th ABMF Meeting (For venue, see footnote 4)</td>
</tr>
<tr>
<td>Early May 2013</td>
<td>Recommendations approved by AFMGM+3</td>
</tr>
<tr>
<td>Q3–2013</td>
<td>BCLM knowledge support – additional supports (Phase 3)</td>
</tr>
<tr>
<td>25-26 Jul 2013</td>
<td>13th ABMF Meeting in Japan</td>
</tr>
<tr>
<td>Oct/Nov 2013</td>
<td>14th ABMF Meeting in Korea</td>
</tr>
<tr>
<td>2014</td>
<td>Start Phase 3 ABMF activities</td>
</tr>
<tr>
<td></td>
<td>Explore pilot issuance under AMBIF</td>
</tr>
</tbody>
</table>

11. The secretariat sought cooperation from the members in keeping the meeting materials within the members and participants only until finalization of the Phase 2 discussion, and in
limiting the number of invited observers to the subsequent meetings when there is a space concern.

12. The next (12th) ABMF meeting will be held on 23-24 Apr 2013 and the venue will be determined later. In the 12th meeting, it is expected that the report of both SF1 and SF2 focusing on policy recommendations will be finalized by the members for submission to AFMGM+3 in early May.

13. The 13th ABMF meeting will be held on 25-26 Jul 2013 in Japan. The 14th ABMF meeting will be held in late Oct or early Nov 2013 in Korea.

14. 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. 11th ABMF meeting agenda
2. 11th ABMF meeting participants list
3. Presentation material of SF1
4. Presentation material of SF2
5. Presentation material on ABO
6. Updating of Phase 1 reports
7. Work plan and other issues

---

Initially, consultation was in progress with Monetary Authority of Brunei Darussalam (AMBD) to hold the meeting in Brunei but it was found out difficult due to schedule conflicts with other meetings that AMBD is hosting. After the Singapore meeting, the venue has been determined as Jakarta, Indonesia, through consultation with Indonesian ABMF members.
<table>
<thead>
<tr>
<th>DATE &amp; TIME</th>
<th>PROGRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 FEB 2013</td>
<td>DAY 1: ABMF Sub Forum 1(SF1)</td>
</tr>
<tr>
<td>08:30 – 09:00</td>
<td>Registration</td>
</tr>
<tr>
<td>09:00 – 09:10</td>
<td>Welcoming Remarks by Mr. Muthukrishnan Ramaswami, President of SGX</td>
</tr>
<tr>
<td>09:10– 09:20</td>
<td>Opening Remarks by Mr. Shunzo Kayanuma, SF1 Chair</td>
</tr>
<tr>
<td>09:20 – 10:50</td>
<td>Session 1: Key components of AMBIF - SF1 (Part 1) by ADB secretariat</td>
</tr>
<tr>
<td></td>
<td>- Comments from a Regulatory Perspective by Thai Securities and Exchange Commission, Ms. JomkwanKongsakul</td>
</tr>
<tr>
<td>10:50–11:10</td>
<td>Coffee break</td>
</tr>
<tr>
<td>11:10 – 12:30</td>
<td>Session 2: Key components of AMBIF - SF1 (Part 2)Q and A</td>
</tr>
<tr>
<td>12:30– 14:00</td>
<td>Lunch (Level 3, Cassia Room 3311 and Room 3312)</td>
</tr>
<tr>
<td>14:00 – 14:40</td>
<td>Session 3 (Information Session): Securities Market by Singapore Exchange, Mr. NelsFriets</td>
</tr>
<tr>
<td>14:40 – 15:10</td>
<td>Session 4 (Information Session): Portfolio Adjustment of Strategic Reserves beyond G7 Debt by Deutsche Bank, Mr. Joseph Barnes</td>
</tr>
<tr>
<td>15:10 – 15:40</td>
<td>Session 5 (Information Session) : Trends in ASEAN Debt Capital Markets by Citibank, Mr. ShaileshVenkatraman</td>
</tr>
<tr>
<td>15:40 – 16:00</td>
<td>Coffee break</td>
</tr>
<tr>
<td>16:00– 16:40</td>
<td>Session 6: Other issues of SF1</td>
</tr>
<tr>
<td></td>
<td>- Update of Phase 1 reports (SWIFT as the secretariat of Updating team)</td>
</tr>
<tr>
<td></td>
<td>- Work plan after Singapore meeting (ADB secretariat)</td>
</tr>
<tr>
<td>16:40 – 17:00</td>
<td>Wrap up by ADB Secretariat</td>
</tr>
<tr>
<td>17:00 – 17:10</td>
<td>Closing Remarks by Mr. ShunzoKayanuma, SF1 Chair</td>
</tr>
<tr>
<td>17.30 – 19.00</td>
<td>Visit to Gardens by the Bay</td>
</tr>
<tr>
<td>19:15</td>
<td>Dinner (Level 3, Room 3900, Saraca Room)</td>
</tr>
<tr>
<td>Time</td>
<td>Event</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>08:30 – 09:00</td>
<td>Registration</td>
</tr>
<tr>
<td>09:00 – 09:10</td>
<td>Opening Remarks by Mr. Jong Hyung Lee, SF2 Chair</td>
</tr>
<tr>
<td>09:10 – 10:30</td>
<td>Session 7: Key contents of SF2 report – SF2 (Part 1) by ADB secretariat</td>
</tr>
<tr>
<td>10:30 – 10:50</td>
<td>Coffee break</td>
</tr>
<tr>
<td>10:50 – 12:10</td>
<td>Session 8: Key contents of SF2 report – SF2 (Part 2) Q and A</td>
</tr>
<tr>
<td>12:10 – 14:00</td>
<td>Lunch (Level 3, Cassia Room 3311 and Room 3312)</td>
</tr>
<tr>
<td>14:00 – 14:30</td>
<td>Session 9 (Information Session): Collateral Management by Citibank, Mr. Pierre Mengal</td>
</tr>
<tr>
<td>14:30 – 15:00</td>
<td>Session 10 (Information Session): The New Normal for the ASEAN Securities Services Industry by Deutsche Bank, Mr. Mrugank Paranjape</td>
</tr>
<tr>
<td>15:00 – 15:30</td>
<td>Session 11 (Information Session): Function of CCP (The Bank of Tokyo Mitsubishi UFJ) by Mr. Taketoshi Mori</td>
</tr>
<tr>
<td>15:30 – 16:00</td>
<td>Session 12 (Information Session): Foreign Issuers in LCY Bond Markets: Malaysia &amp; Thailand (BPAM &amp; Thai BMA) by Mr. Mohd Shaharul Zain</td>
</tr>
<tr>
<td>16:00 – 16:20</td>
<td>Coffee break</td>
</tr>
<tr>
<td>16:20 – 17:00</td>
<td>Session 13 (Information Session): AsiaBondsOnline (ABO) – current development and cooperation with ABMF by Mr. Thiam Hee Ng, ADB</td>
</tr>
<tr>
<td>17:10 – 17:40</td>
<td>Session 14: Other issues of SF2</td>
</tr>
<tr>
<td></td>
<td>- Update of Phase 1 reports (SWIFT as the secretariat of Updating team)</td>
</tr>
<tr>
<td></td>
<td>- Work plan after Singapore meeting (ADB secretariat)</td>
</tr>
<tr>
<td>17:40 – 17:50</td>
<td>Wrap up by ADB Secretariat</td>
</tr>
<tr>
<td>17:50 – 18:00</td>
<td>Closing Remarks by Mr. Jong Hyung Lee, SF2 Chair</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------</td>
</tr>
<tr>
<td>1</td>
<td>Australia</td>
</tr>
<tr>
<td>2</td>
<td>Brunei Darussalam</td>
</tr>
<tr>
<td>3</td>
<td>Brunei Darussalam</td>
</tr>
<tr>
<td>4</td>
<td>Cambodia</td>
</tr>
<tr>
<td>5</td>
<td>Cambodia</td>
</tr>
<tr>
<td>6</td>
<td>China</td>
</tr>
<tr>
<td>7</td>
<td>China</td>
</tr>
<tr>
<td>8</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>9</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>10</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>11</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>12</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>13</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>14</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>15</td>
<td>India</td>
</tr>
<tr>
<td>16</td>
<td>Indonesia</td>
</tr>
<tr>
<td>17</td>
<td>Indonesia</td>
</tr>
<tr>
<td>18</td>
<td>Indonesia</td>
</tr>
<tr>
<td>19</td>
<td>Indonesia</td>
</tr>
<tr>
<td>20</td>
<td>Indonesia</td>
</tr>
<tr>
<td>21</td>
<td>Indonesia</td>
</tr>
<tr>
<td>22</td>
<td>Indonesia</td>
</tr>
<tr>
<td>23</td>
<td>Indonesia</td>
</tr>
<tr>
<td>24</td>
<td>Indonesia</td>
</tr>
<tr>
<td>25</td>
<td>Japan</td>
</tr>
<tr>
<td>26</td>
<td>Japan</td>
</tr>
<tr>
<td>27</td>
<td>Japan</td>
</tr>
<tr>
<td>28</td>
<td>Japan</td>
</tr>
<tr>
<td>29</td>
<td>Japan</td>
</tr>
<tr>
<td>30</td>
<td>Japan</td>
</tr>
<tr>
<td>31</td>
<td>Japan</td>
</tr>
<tr>
<td>32</td>
<td>Japan</td>
</tr>
<tr>
<td>33</td>
<td>Japan</td>
</tr>
<tr>
<td>34</td>
<td>Japan</td>
</tr>
<tr>
<td>35</td>
<td>Japan</td>
</tr>
<tr>
<td>36</td>
<td>Japan</td>
</tr>
<tr>
<td>37</td>
<td>Japan</td>
</tr>
<tr>
<td>38</td>
<td>Japan</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
</tr>
<tr>
<td>-----</td>
<td>---------</td>
</tr>
<tr>
<td>39</td>
<td>Japan</td>
</tr>
<tr>
<td>40</td>
<td>Japan</td>
</tr>
<tr>
<td>41</td>
<td>Japan</td>
</tr>
<tr>
<td>42</td>
<td>Japan</td>
</tr>
<tr>
<td>43</td>
<td>Japan</td>
</tr>
<tr>
<td>44</td>
<td>Japan</td>
</tr>
<tr>
<td>45</td>
<td>Korea</td>
</tr>
<tr>
<td>46</td>
<td>Korea</td>
</tr>
<tr>
<td>47</td>
<td>Korea</td>
</tr>
<tr>
<td>48</td>
<td>Korea</td>
</tr>
<tr>
<td>49</td>
<td>Korea</td>
</tr>
<tr>
<td>50</td>
<td>Korea</td>
</tr>
<tr>
<td>51</td>
<td>Korea</td>
</tr>
<tr>
<td>52</td>
<td>Korea</td>
</tr>
<tr>
<td>53</td>
<td>Korea</td>
</tr>
<tr>
<td>54</td>
<td>Korea</td>
</tr>
<tr>
<td>55</td>
<td>Lao PDR</td>
</tr>
<tr>
<td>56</td>
<td>Lao PDR</td>
</tr>
<tr>
<td>57</td>
<td>Lao PDR</td>
</tr>
<tr>
<td>58</td>
<td>Malaysia</td>
</tr>
<tr>
<td>59</td>
<td>Malaysia</td>
</tr>
<tr>
<td>60</td>
<td>Malaysia</td>
</tr>
<tr>
<td>61</td>
<td>Malaysia</td>
</tr>
<tr>
<td>62</td>
<td>Myanmar</td>
</tr>
<tr>
<td>63</td>
<td>Philippines</td>
</tr>
<tr>
<td>64</td>
<td>Philippines</td>
</tr>
<tr>
<td>65</td>
<td>Philippines</td>
</tr>
<tr>
<td>66</td>
<td>Philippines</td>
</tr>
<tr>
<td>67</td>
<td>Philippines</td>
</tr>
<tr>
<td>68</td>
<td>Philippines</td>
</tr>
<tr>
<td>69</td>
<td>Philippines</td>
</tr>
<tr>
<td>70</td>
<td>Philippines</td>
</tr>
<tr>
<td>71</td>
<td>Singapore</td>
</tr>
<tr>
<td>72</td>
<td>Singapore</td>
</tr>
<tr>
<td>73</td>
<td>Singapore</td>
</tr>
<tr>
<td>74</td>
<td>Singapore</td>
</tr>
<tr>
<td>75</td>
<td>Singapore</td>
</tr>
<tr>
<td>76</td>
<td>Singapore</td>
</tr>
<tr>
<td>77</td>
<td>Singapore</td>
</tr>
<tr>
<td>78</td>
<td>Singapore</td>
</tr>
<tr>
<td>79</td>
<td>Singapore</td>
</tr>
<tr>
<td>80</td>
<td>Singapore</td>
</tr>
<tr>
<td>81</td>
<td>Singapore</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
</tr>
<tr>
<td>-----</td>
<td>-----------</td>
</tr>
<tr>
<td>86</td>
<td>Singapore</td>
</tr>
<tr>
<td>87</td>
<td>Singapore</td>
</tr>
<tr>
<td>88</td>
<td>Singapore</td>
</tr>
<tr>
<td>89</td>
<td>Singapore</td>
</tr>
<tr>
<td>90</td>
<td>Singapore</td>
</tr>
<tr>
<td>91</td>
<td>Singapore</td>
</tr>
<tr>
<td>92</td>
<td>Singapore</td>
</tr>
<tr>
<td>93</td>
<td>Singapore</td>
</tr>
<tr>
<td>94</td>
<td>Singapore</td>
</tr>
<tr>
<td>95</td>
<td>Singapore</td>
</tr>
<tr>
<td>96</td>
<td>Singapore</td>
</tr>
<tr>
<td>97</td>
<td>Singapore</td>
</tr>
<tr>
<td>98</td>
<td>Singapore</td>
</tr>
<tr>
<td>99</td>
<td>Singapore</td>
</tr>
<tr>
<td>100</td>
<td>Singapore</td>
</tr>
<tr>
<td>101</td>
<td>Singapore</td>
</tr>
<tr>
<td>102</td>
<td>Singapore</td>
</tr>
<tr>
<td>103</td>
<td>Singapore</td>
</tr>
<tr>
<td>104</td>
<td>Singapore</td>
</tr>
<tr>
<td>105</td>
<td>Singapore</td>
</tr>
<tr>
<td>106</td>
<td>Singapore</td>
</tr>
<tr>
<td>107</td>
<td>Singapore</td>
</tr>
<tr>
<td>108</td>
<td>Singapore</td>
</tr>
<tr>
<td>109</td>
<td>Singapore</td>
</tr>
<tr>
<td>110</td>
<td>Singapore</td>
</tr>
<tr>
<td>111</td>
<td>Singapore</td>
</tr>
<tr>
<td>112</td>
<td>Singapore</td>
</tr>
<tr>
<td>113</td>
<td>Singapore</td>
</tr>
<tr>
<td>114</td>
<td>Thailand</td>
</tr>
<tr>
<td>115</td>
<td>Thailand</td>
</tr>
<tr>
<td>116</td>
<td>Thailand</td>
</tr>
<tr>
<td>117</td>
<td>Thailand</td>
</tr>
<tr>
<td>118</td>
<td>Viet Nam</td>
</tr>
</tbody>
</table>
SF1 – Key Components of AMBIF (ASEAN+3 Multi-Currency Bond Issuance Framework)

Prof. Shigehito Inukai
with Matthias Schmidt
ADB Consultants
11th ABMF Meeting, Singapore
5 February 2013

Sub-Forum 1 Agenda

1. Feedback on AMBIF Characteristics
2. Summary of AMBIF Characteristics and Benefits
3. Approaches for AMBIF
4. Proposed AMBIF Approval Concept and Process
5. Stakeholder Participation
6. Market Challenges (for reporting to AFMGM+3)
7. Items for Consideration
8. Future Activities and Work Plan
9. Comments from Regulatory Perspective by Thai SEC
10. Questions & Answers and Discussion (in Session 2)
1. Feedback on AMBIF Characteristics

- Clarifications on AMBIF features
- Clarifications on Professional Investors
- Definition of ‘straight bonds and notes’ suggested for avoidance of doubt
- Broadening of potential issuers suggested
- Documentation:
  - Include issuer and issue risk(s) [TBD]
  - Include terms and conditions of instruments
  - 2 years of financial data seen as sufficient
  - Question of supervision of financial statement raised
Feedback from 19 Jan Waseda Forum

- English as common language challenging
- Need for AMBIF approval options
- Due consideration of accounting standards
- ‘Fast Track’ or ‘Expedited’ approval instead of Proxy (Reference is made to expected Thai SEC comments)
- Maybe initial focus on ASEAN+3 issuers
- Practical AMBIF Process suggestions

Important: No Objections recorded with regards to:

- AMBIF (Professional) Investor types
- Potential AMBIF issuers (but additional suggested)
- Issuance in local currency (as a first step)
- Standard documentation [TBD]
Thank you and Progress

• A big thank you to members for their feedback on AMBIF approach and characteristics – changes have been reflected to the extent possible

• In order to be able to submit to AFMGM+3 in May 2013 a comprehensive AMBIF proposal, the focus is now being put on a possible AMBIF process and on stakeholder\(^1\) participation; further details of AMBIF Characteristics will be worked out with member participation in 2H2013

\(^1\)a person, group, organization, member or system who affects or can be affected by an organization’s actions (Wikipedia, ‘Stakeholder’ definition, 2012); please see from p55: Regulatory Authorities, Central Banks / Ministries of Finance, Potential Issuers, Potential Investors, Potential Intermediaries and Listing Place

2. Summary of AMBIF Characteristics and Benefits
The AMBIF Components

AMBIF (Professional) Investors
Selling Restrictions
Accounting Standards & Tax
AMBIF Approval Process
Standard Docs
AMBIF Characteristics reviewed so far...

- AMBIF (Professional) Investors only buying
- Plain bonds and notes
- Issued in local currency/currencies (initially)
- By ASEAN+3 issuers, or multi-national ASEAN+3 issuers, or supra-national issuers
- In professional markets selected by regulators
- Using standard(ised) documentation
- Considering accounting standards and tax
- Maintaining stringent selling restrictions for re-sale to retail investors while deregulating selling restrictions among professional investors within AMBIF markets
Expected Benefits of AMBIF

For Issuers
- Limited disclosure
- Defined documentation
- Single approval
- Improved time to market
- Ability to tap multiple markets
= **Reduced issuance cost**

For Markets and Investors
- Additional LCY issuance
- Broadens and deepens market offerings
- Regulatory comfort as part of AMBIF process

For Industry / Professionals
- Creation of accessible new market
- Feedback into AMBIF before inception

Necessary Benefits from AMBIF
Based on required Distinctions from Present

For Issuers
- Shorter, faster, effectively cheaper issuance process in ASEAN+3 currencies

For Markets and Investors
- Attractive, regular LCY issuance representing common ASEAN+3 approach

For Industry / Professionals
- Innovation on the back of proven of practices
3. Approaches for AMBIF

Rules-based and Principle based

Intention is to suitably combine desire by members to reflect both firm rules and flexible practices (based on common principles) when constructing and implementing AMBIF.
Importance of the Common Core Rules based on the Principles

- AMBIF and AMBIF Characteristics will need to be based on certain principles – in order to allow a wider range of participation by ASEAN+3 markets
- But will need to comply with the rules of each professional market or market segment set at present (since we target not to change laws initially)
- Ultimately,
  - Practices set by professional participants of the AMBIF Market, including ABMF members, based on common principles
  - Practices should be constructed continuously by professional participants of the AMBIF Market
  - Common Core Rules are set by individual markets’ authorities, using a common understanding of common principles
Proposed AMBIF approach

Common Principles

Practices

Core/Rules

Special rules for AMBIF Market in specific jurisdiction to be taken out in the future

Common core rules for AMBIF to be agreed on at the outset
4. Proposed AMBIF Approval Concept and Process

“Approval” explained

The word “approval” includes Clearance or Information Filing in some jurisdictions, and may differ by market at this point in time.
Proposed AMBIF Approval Concept

Bangkok: Proposed “Proxy Approach”

• **To be shared as a common goal:**
  Ultimately, one approval of issuing AMBIF Bonds by AMBIF eligible issuers in an AMBIF Market should be considered valid – hence a proxy approval - for all AMBIF Markets

• **Significant Merit/Benefits:**
  • This key feature does currently not exist in ASEAN+3
  • It would best realise some of the most significant cost and time savings, per issuance and per program
  • Market participants consider markets professional
Proxy Approach would mean

• Regulatory authorities and/or equivalent organizations would have to bring regulators and/or disclosure places in another market into their own approval/decision-making process
• Introduction of suitable terminology, e.g.:
  • **Home Regulator** – in this case relevant for issuer but also possible as consideration for investor
  • **Host Regulator** – at place of issuance

Reality Check on Proxy Approach

• Proxy Approach is the ultimate goal
• Only some regulatory authorities (selected *light touch regimes*) at this stage may be able to accommodate a single or proxy approval or near to proxy approval
• Some markets’ authorities will need to comply with their economies’ respective statutory requirements, if only for eyeballing, signature, clearance, filing needs
• Hence, need to adjust proxy approach
Present Issuance Approval Concept

- Host regulatory authorities and/or disclosure place approval required in (each) market of issuance
- Typically per instance
- Submission of documents via agent in market(s) of issuance
- Governing Laws of place(s) of issuance, basically
- Procedures of place(s) of issuance
- Issuer’s home market bears no relevance (unless issuance in home market as well) except for home regulators’ other regulatory requirements, such as FX and LCY provisions
Proposed AMBIF Approval Concept

- Issuer or intermediary submits request for approval (or equivalent) to Home Regulator
- Home Regulator screens, evaluates, or verifies submitted documents, indicates approval (or equivalent) to Host Regulator
- Requires substituted compliance protocol in place between home and host regulators bilaterally and ultimately, multilaterally
Substituted Compliance

• Term borrowed from recent *Joint Press Statement of Leaders on Operating Principles and Areas of Exploration in the Regulation of the Cross-border OTC Derivatives Market*)

[‘Leaders’ refers to heads of regulatory authorities charged with the supervision of OTC Derivatives, including SFA (HK), FSA (Japan), MAS (Singapore)]

• Represents compromise terminology but also acceptance among regulatory authorities of allowing approval by parties other than one’s own market regulators

*) http://www.cftc.gov/PressRoom/PressReleases/pr6439-12

Precedence: Know Your Customer (KYC)

• KYC is the process of assessment of a potential (non-resident) customer’s credentials for intermediaries and financial institutions

• It is similar to substituted compliance in that institutions accept 3rd party certification, assessment or approval for the discharge of their own statutory obligations

• Originally, operationally cumbersome because execution required familiarity and knowledge of regulations and practices in other markets

• Originally part of a market’s Code of Conduct, KYC is now well established in most markets’ legislation
Proposed AMBIF Approval Process

Proposed AMBIF Process Steps

1. Issuer
2. Home Regulator or disclosure place
3. Host Regulator or disclosure place
4. AMBIF Market 2
5. Underwriter

Substituted Compliance Protocol
Proposed AMBIF Process Steps

- **1** Issuer or intermediary submits to-be-agreed, suitable documentation to Home Regulator or disclosure place
- **2** Home Regulator or disclosure place screens, evaluates, or verifies submitted documents/information
- **3** Home Regulator or disclosure place informs Host Regulator or disclosure place of submission of documents, relays information as needed
- **4** Host Regulator or disclosure place acknowledges, verifies information (in line with minimum statutory requirements)
- **5** Host Regulator or disclosure place informs issuer’s agent/intermediary of decision

- Interaction between Issuer and Underwriter(s)/Intermediaries would not be covered by proposed process and basically left to private sector agreement and market practices

---

Present Regulatory Action for Reference

<table>
<thead>
<tr>
<th>Economy</th>
<th>Market</th>
<th>Action</th>
<th>What</th>
<th>To</th>
<th>For</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Filing</td>
<td>Issue application</td>
<td>NAFMII</td>
<td>Registration</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>HKEx</td>
<td>Submit</td>
<td>Listing Application</td>
<td>HKEx</td>
<td>Listing</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>TOKYO PRO-BOND Market</td>
<td>Submit</td>
<td>Specified Securities Information</td>
<td>TSE</td>
<td>Listing</td>
</tr>
<tr>
<td>Korea</td>
<td>FreeBond, QIB Market</td>
<td>Register</td>
<td>Securities Information</td>
<td>KOFIA</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Excluded Offers (BM Listings only)</td>
<td>Deposit</td>
<td>Information Memorandum</td>
<td>SC MY</td>
<td>Approval</td>
</tr>
<tr>
<td>Philippines</td>
<td>(Public Offering Market)</td>
<td>(Submit)</td>
<td>(Securities Registration Statement (SRS))</td>
<td>(SEC)</td>
<td>(Rendering effective)</td>
</tr>
<tr>
<td>Singapore</td>
<td>(Public Offering Market)</td>
<td>(Lodge)</td>
<td>(Prospectus)</td>
<td>(MAS)</td>
<td>(Approval)</td>
</tr>
<tr>
<td>SGX Listing Market</td>
<td>Submit</td>
<td>Listing Application - Offering Memorandum etc.</td>
<td>SGX</td>
<td>Listing</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Private Placement</td>
<td>Submit</td>
<td>Short for filing and prospectus</td>
<td>Thai SEC</td>
<td>Registration / Disclosure</td>
</tr>
<tr>
<td>OTC Market</td>
<td>Register</td>
<td>Securities Information</td>
<td>ThaiBMA</td>
<td>Registration / Pricing Info</td>
<td></td>
</tr>
</tbody>
</table>
Need to determine among ABMF Members and Regulatory Authorities, exactly

- Who shall be the regulatory authority(ies) in each market
- What Home Regulator or disclosure place will assess/verify so that Host Regulator or disclosure place is able to only apply minimum checks
- What Host Regulator or disclosure place will need to do to comply with own market’s statutory requirements (i.e. those that Home Regulator or disclosure place cannot do)
- Suitable distinction between Home and Host Regulator or disclosure places tasks (avoid replication)
Significant Expected Outcome

That between Home and Host Regulators, the ability would exist to expedite or fast-track the overall approval process (in comparison to normal issues and approvals).

Either as part of substituted compliance, or as a viable alternative.

This would be in line with the expected benefits of AMBIF.

Language Considerations

We recognise:

• Not all economies, regardless of whether their institutions may act as Home Regulator or Host Regulator, would be able to accept and process documentation in English at this stage

• Similarly, some regulatory authorities would not be able to issue opinions, assessments or engage in official communication for the use by other regulatory authorities and market participants

Hence, this is influencing the AMBIF process
Language and Underlying Law

We also recognise:

• The underlying law of an AMBIF issue would influence the language in which submissions and documentation need to be compiled.

• The underlying law is originally intended to protect the investors in its market by making disclosure in its national language mandatory, based on the general assumption that the market is publicly offered and securities are sold to retail sector. This assumption may be reviewed in the future.

• In effect, if investors in that market are targeted by an issuer, observing language requirements becomes a necessary part of doing business.

➢ It is suggested that regulators should ultimately consider exempting AMBIF Investors from national language requirements if English would be acceptable to them.

Proposed AMBIF Approval Process
– Options for Consideration
Option 1: Submit to Home Regulator

AMBIT Market 1

Issuer

AMBIF Market 2

Home Regulator

Underwriter

Host Regulator

Option 1: Possible Scenarios

• Where issuance in home market is intended, either solely or part of AMBIT
• Where home regulations are required to be observed (including FX and LCY provisions if bonds are sold outside of the jurisdiction)
• Where key target investors are in home market (i.e. documentation language no issue)
• Secondary market cross-border selling abroad (if bonds are sold outside of the jurisdiction) requires selling restrictions by host regulators in order to avoid selling to non-AMBIF investors (such as non-professional retail sector investors)
Option 2: Submit to Host Regulator

Option 2: Possible Scenarios

- Where no issuance in home market is intended
- Where home regulations are not required to be observed for issuance (but, exceptions may exist in home market regulations, incl. for FX)
- Where Home Regulator or disclosure place cannot add value (including on subjects of e.g. language, where generally English is used)
Option 3: Submit to 3rd Party

- Where issuer may have previously issued in Guest or Participating Market (AMBIF issue or otherwise) and is known to Guest or Participating Regulator or disclosure place
- Where issuer may be familiar / comfortable with format, procedure, timeline
- Where Home Regulator or disclosure place cannot add value (including on subjects of e.g. language)
Option 4: All of the Above

- Where issuer would need to observe home market regulations (e.g. FX, LCY provisions)
- Where issuer intends to sell in Guest or Participating Market(s)
- Where issuer would need to observe host market regulations
- Where issuer would need to comply with specific provisions that cannot be delegated
Recap of Adopted Terminology

- **Home Regulator** – or disclosure place, for the issuance of bonds and related disclosure at domicile of issuer; determines statutory requirements of issuer or agents regarding AMBIF
- **Host Regulator** – or disclosure place for the issuance of bonds and related disclosure in country of issue; in effect, hosting the issuer’s securities in its own market, and as host, setting rules and regulations for the issue
- **Guest Regulator** – also potentially termed **Participating Regulator** or disclosure place, invited into this process to add value as a result of being an available party to the AMBIF process, but neither Home or Host Regulator
- All regulators mentioned would have agreed to and operate on the basis of AMBIF principles

Issues to be confirmed

- The role of the Home Regulator or disclosure place
- The role of the Host Regulator or disclosure place
- The role of the Guest Regulator or Participating Regulator or disclosure place
Potential Issues to solve/to be confirmed

- Role of the Disclosure Place (exchange, SRO, etc.)
  - Multiple tranches = multiple listings/multiple disclosure?
  - Similarly to regulatory authorities, shared process?
  - Each Disclosure Place has its own proper rules, e.g., requirement of the ratings
- Timeline to be determined
  - Time for each step and combined approval process
- Timeframe to be determined
  - Time to implementation of AMBIF to allow participating economies to adjust process, market feedback
  - Submission of documents via underwriter or intermediary in market(s) of issuance
- Implementation: ‘Step-by-Step’ or ‘Collective’ Approach
  - Initial, intermediate and later participating economies?
  - Or all economies regardless of level of active participation

Timeline Considerations
- Specific detailed case studies will be required

Timeline for Approval Process
- Work on basis of e.g. 80/20 principle?
  - Home Regulator does 80%, core review
  - Host Regulator completes remaining 20%
  - Using concept of ‘express approval’ where already available

Timeline for AMBIF Implementation
- What are the expectations from the regulatory authorities, other stakeholders?
  - End of ABMF Phase 2
  - ABMF Phase 3 or other, specific timeline
Legal Considerations

Underlying law (private sector view)
- Clear in principle for ASEAN+3 home and host markets
- But negotiated among participants or reflecting AMBIF investors' preference in international markets
- ASEAN+3 Governments may have the authority to ask all AMBIF participants to comply to its provisions
  - Economies would have to specify which regulations/rules would need to be maintained under any circumstances

Governance law of the issue
- AMBIF participants (such as issuers or investors) may have their own preference of the governing law of an AMBIF issue and, quite possibly, the development of AMBIF Market practice may become a key factor in deciding this matter

One Key Issue solved

No Approval Process for Investors anticipated
- Foreign Institutional Investors (FII) can access all markets (limitations may apply)
- Home and Host Regulators have done their work already in this regard
- Each economy has (Most Common) AMBIF Investor types, plus more potential investors
5. Stakeholder Participation

AMBIF Stakeholders

• Regulatory Authorities
• Central Banks / Ministries of Finance
• Potential Issuers
• Potential Investors
• Potential Intermediaries
• Disclosure Places (SRO, Exchange, etc.)
• CSDs
Regulatory Authorities would need to

- Decide on candidate AMBIF market
- Give additional and detailed feedback on AMBIF Characteristics
- Give feedback on AMBIF process
  - Agree on common core rules
  - Give feedback on special rules
- Determine substituted compliance abilities
- Drive potential procedural change

Central Banks and/or Ministries of Finance, respectively, would need to

- Consider AMBIF from an FX perspective
  - Inflow of FCY for investment in AMBIF issues
  - Outflow of LCY for investment in AMBIF issues
- Consider concessions on e.g. quotas only in the context of AMBIF
Potential Issuers would need to

• Be made aware of AMBIF as a concept
• Give feedback on AMBIF Characteristics
• Field a possible questionnaire later
  (Q to be proposed by ABMF Secretariat/Prof. Inukai for 2013)

For consideration (tentative)
• Issuers’ forum may be formed in certain jurisdictions (tentative) for receiving practical requests, mainly related to documentation

Potential Investors would need to

• Be made aware of AMBIF
• Give feedback on AMBIF Characteristics
• (Re-)organise their investment activity

For consideration
• ASEAN(+3) institutional investors may value regional focus, ASEAN commitment over rating…
• Issue ‘marketing’ material in 2013, once AMBIF features more firm
• Could AMBIF Investors (Institutional Investors) be all withholding tax exempt investors? – To be confirmed
Potential Intermediaries

- Are able/ready to facilitate AMBIF
- Give feedback on AMBIF characteristics
- But may have to acquire new clients
- And accommodate procedural changes
- May need to establish cross-border or correspondent relationships if not in place
- Need to clarify their legal status

6. Market Challenges and/or Matters to be discussed further (for reporting to AFMGM+3)
Market Challenges and/or Matters to be discussed further (1)

In relation to AMBIF (alphabetical order)

- Accounting Standards
- Cash related, including lack of overdraft
- Fiscal policy (application rather than existence)
- FX regime (e.g. real demand principle) except for HK/JP/MY/SG
- ISIN (lack of at right time, not unique for programs)
- Insufficient credit ratings (both domestic and international), or focus on international where domestic may suffice
- Linkage of CSDs for cross-border settlement, or RSI, required?
- Pricing / valuation of bonds
- Taxation, in particular withholding tax (application rather than existence)

Market Challenges and/or Matters to be discussed further (2)

Points are based on market visit discussions, typically mentioned by multiple parties.

Challenges mentioned are principally/generally in line with findings detailed in the GOE Report, 2010.

AMBIF discussions may not address these points in a specific way, however, could aid as conduit for, e.g., step-by-step review of issues.
Detail of Market Challenges

- To be provided by ABMF Meeting in April
- From a practical perspective only
- No intention to ‘lecture’ authorities
- Staying away from contentious subjects

Key Point for Discussion

How and/or to what extent would regulatory authorities want or need ADB/ABMF Secretariat to provide further support?

This is significant for both designing AMBIF Process and AMBIF Implementation, and may have bearing on potential future phases.
7. Items for Consideration in AMBIF Discussion

Regulatory considerations for AMBIF Bonds and AMBIF Investor Market

Regulatory bodies should principally agree, either bilaterally, multiple bilaterally and/or multilaterally:

➢ To facilitate the primary and secondary sale and distribution of bonds for their own AMBIF Investors (= AMBIF Bonds), in the form of "no limit reflux, no resale restrictions and no limit on resale among AMBIF investors and between AMBIF markets."

For this purpose, regulatory authorities and/or policy makers should be expected to improve liquidity and efficiency of trades in their own domestic AMBIF Investor market.

➢ In some jurisdictions, this may, at a later stage, include a focus on deregulating existing domestic selling restrictions and bond transfer regulations in relation to overseas (non-domestic) issuance of bonds, if they feel comfortable.

➢ In some jurisdictions, this may, at a later stage, also include a focus on accommodating changes to foreign exchange and capital flow regulations in the context of AMBIF Market issuances and investments.
8. Future Activities and Work Plan

Discuss and conclude on AMBIF Approval Concept and Process

- Need to ascertain whether/how concept would be feasible and process would be actionable
- Need significant input from Members, in particular the Regulatory Authorities to learn and apply public policy tools to make process workable
- ABMF SF1 to then put forward detailed process flow, definition of tasks and communications plan

- This to arrive at an agreed and workable AMBIF process which can be implemented in participating markets once they are (deemed) ready
Discuss, amend, accept AMBIF Characteristics

- Members, experts and Regulatory Authorities to discuss, amend as necessary, then agree on or accept AMBIF characteristics
- ABMF SF1 to then flesh out in further detail the requirements for AMBIF

- This to arrive at a full set of AMBIF features which can be presented to issuers and investors for stakeholder discussions

Identify “Most Suitable Professional Market (Segments)”

- Regulatory Authorities to identify most suitable ‘Professional Market (Segment)’ for their own economy
- ABMF SF1 to document decisions

- 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 AMBIF characteristic, including showing seeds for future liquidity
Collect External Feedback on AMBIF Characteristics

• Poll potential issuers, investors, intermediaries on AMBIF Characteristics, specific features, timelines
• Take specific note of expectations that could majorly influence acceptance of AMBIF and ease implementation

➤ This to arrive at a broader view of stakeholders, but also to understand market expectations and prepare for more successful implementation of AMBIF

Identify or check on own Market Features vs. AMBIF Characteristics

• National Members to determine to what extent AMBIF characteristics can be fulfilled in own market segment(s)
• This can be done through a national ABMF group, a National Market Practice Group, or an SRO
• Partly facilitated by self-assessment document distributed by Prof Inukai in Bangkok, November 2012 (some responses received)
• Requiring input, acceptance or approval by relevant regulatory authorities

➤ This action is intended to have market participants converge practices and opinions, towards participation in AMBIF; with regulatory ‘blessing’ a key component
Define Gaps to AMBIF for some Markets

- ABMF SF1 to define gaps for market(s) that may have some gaps between own features and proposed AMBIF characteristics
- Work can be done in cooperation with National ABMF Members, NMPGs, or SROs
- To be tabled with relevant regulatory authorities

➢ This to document and develop a plan for each market to consider joining AMBIF at their own pace, but based on a common understanding

Document and detail Phase 2

- ABMF SF1 to then document Phase 2 outcomes, discussions in report level detail, including:
  - Detailed chart work
  - Documentation of underlying laws, regulations
  - Arguments or justification for AMBIF features chosen
  - Assessment of the economies’ decisions on features
- This would lead to final Phase 2 Report
  - Proposed as text document
  - Using PPT diagrams/charts for illustration as needed
  - And AMBIF Characteristics details in appendix
Key Target Outcomes

- Conclude on AMBIF Characteristics and Principles
- Prescribe agreed AMBIF Process
- Sufficient detail of AMBIF features (characteristics and process) for consideration by public sector
- Sufficient detail of AMBIF features (characteristics and process) to present to private sector
- Provide significant underlying information on which features are based
- Begin conceptualising what actual issuance process would require
- Consider feasibility of secondary market making and standards or rules and practices for secondary market making (mentioned in Seoul, September 2012)

Expected Timeline (for the remainder of 2013)

- **SIN 11th ABMF Meeting**: 5-6 Feb
- **12th ABMF Meeting**: 2Q2013 (and beyond)
- **ABMI WG TBD**: April
- **AFMG+3 New Delhi**: April
- **13th ABMF Meeting**: May
- **14th ABMF Meeting**: 3Q2013
- **Tokyo Meeting**: 4Q2013

Adjust and conclude on AMBIF Characteristics, Process Draft AMBIF Components for ABMI consumption Further detail AMBIF proposal Begin detailing AMBIF features, process and implementation proposals Compile Phase 2 Report, w. sufficient level of detail for next phase implementation
### Foreseeable Events for ABMF

<table>
<thead>
<tr>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-6 Feb 2013</td>
<td>11th ABMF Meeting, Singapore; Includes SRO and open regulatory meetings</td>
</tr>
<tr>
<td></td>
<td>AMBIF concept will be further refined</td>
</tr>
<tr>
<td>1Q2013</td>
<td>BCLM Support market visits, and/or beyond, TBD</td>
</tr>
<tr>
<td>Apr 2013</td>
<td>ABMI WG meeting; test audience for AMBIF proposal</td>
</tr>
<tr>
<td>Apr 2013</td>
<td>Finalization of AMBIF proposal</td>
</tr>
<tr>
<td>Apr 2013</td>
<td>12th ABMF Meeting, location to be determined</td>
</tr>
<tr>
<td></td>
<td>AMBIF proposal key components to be approved for submission</td>
</tr>
<tr>
<td>May 2013</td>
<td>Submission to AFMGM+3, and endorsement of AMBIF</td>
</tr>
<tr>
<td>Jun 2013</td>
<td>Work starts to flesh out Phase 2 Report</td>
</tr>
<tr>
<td>4Q2013:</td>
<td>Possible test issue under AMBIF conditions?</td>
</tr>
<tr>
<td>3-4Q2013</td>
<td>Revising work for the ABMF Phase 1 Bond Market Guides</td>
</tr>
</tbody>
</table>

### Next Steps (not in sequence)

- Agree on AMBIF features (including AMBIF characteristics and principles)
- Conclude on AMBIF process and responsibilities
- Further detail AMBIF Proposal
- Incorporate members’ feedback
- Conduct documentation checklist survey among asset managers, other industry participants
- Emphasise on benefits and market impact
- Further detail features comparison tables
- Work with regulators on their comfort level
- Work with SROs on their role/support for AMBIF
Recommended additional Step: Documentation Poll among Professional Investors, e.g.:

<table>
<thead>
<tr>
<th>Documentation Element</th>
<th>Information Available?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Description</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Company Outlook</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Financial Statement (FS)</td>
<td>YES  NO</td>
</tr>
<tr>
<td>FS Audited</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Underwriters of Securities</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Information on Other Securities</td>
<td>YES  NO</td>
</tr>
<tr>
<td>Information on Guarantor</td>
<td>YES  NO</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

Additional important Step

- Need to maintain ABMF Report (Phase 1) Bond Market Guides
  - Proposed for 2H2013, after AFMGM+3
  - In line with final revision of AMBIF Characteristics charts/diagrams
  - Important step since BMGs are being quoted in public domain

- Details to be worked out with SWIFT/updating team to cater to nature of SF1 specific changes
  - Single change (new regulation) could affect text and context in multiple areas and multiple ways
  - Announcement or change may require interpretation, etc.
Submission to AFMGM+3 in May 2013

- Submission to consist of two parts:
  - Proposed Word document, containing AMBIF description
  - Appendices, containing detail matrices and information

- ABMF Secretariat considers Word document (eventually PDF format) to be more conducive to describe AMBIF Characteristics, principles, and processes; in contrast, a set of slides is easily overpowered with too much text, and it would require too many slides to explain.

- AFMGM+3 target audience understood to prefer submissions in text format

Proposed Structure of Document

- Cover Page (1 page)
- Table of Contents (expected: 1 page)
- I. Background and Agreed Focus (expected: 1-2 pages)
- II. Executive Summary (expected: up to 3 pages)
- III. Description of AMBIF (ca. 30-40 pages), including
  - Approaches
  - Characteristics and Principles
  - Proposed Process(es)
  - Actions Required
  - Proposed Timeline/Timeframe
- IV. Request for Approval of AMBIF (expected: 1 page)
- V. Appendix (number of pages as may be necessary)
  - AMBIF Characteristics in detail (charts/diagrams, etc.)
Proposed Word Document

- The proposed document will be the documentation of the outcome of ABMF Phase II for Sub-Forum 1
- The original purpose of this document had been to provide input to the parallel consultations of regulatory authorities, on the current state of ABMF SF1 discussions and additional information
- From inception, this document had been aimed at the decider level of the public sector institutions that would, ultimately, have to sign off on AMBIF

Proposed Appendix

- An appendix, or a number of appendices as the case may be, are proposed to keep the Word document both at reasonable size and easier manageable
- The appendix is proposed to contain
  - Detailed matrices of AMBIF Components
  - Charts and diagrams that explain or support arguments from the main document
  - Supporting samples, such as documentation or formats
- Size will depend on level of detail desired by members
- This structure is expected to be adopted for the SF1 Phase II Report, if supported
9. Comments from Regulatory Perspective by Thai SEC

Comments from Thai SEC

1) Mutually agreed AMBIF characteristics
2) Additional concerns not cover by AMBIF characteristics
3) Hands off vs. expedited review
4) Process and procedure
5) Work of home regulator vs. host regulator
10. Questions & Answers

After the coffee break, we would very much welcome your thoughts, comments and questions!

Prof. Shigehito Inukai
Faculty of Law - Waseda University
1-6-1 Nishiwaseda, Shinjuku-ku
Tokyo 169-8050
Japan

Office  +81 3 32022472
Mobile +81 80 33607551
shige.inukai@me.com

Matthias Schmidt
Asian Development Bank (Consultant)
27 Evelyn Street
Bentleigh, Victoria 3204
Australia

Office  +61 3 95571314
Mobile +61 423 708910
macschmidt@me.com
Appendices

1. Charts of AMBIF characteristics details and its principles
2. Summary of explanation of 5 major approaches (introduced in regulators meeting in BKK, p3-4)

AMBIF Characteristics & Principles
1. AMBIF Characteristics Approach

Distinction to AMBIF Approval Process:

AMBIF Characteristics, each defined through a number of governing principles, are expected to be fully agreed by the time of implementation, on the basis of a bilateral or, if possible, multilateral mutual recognition process among participating economies. These agreed characteristics and process will become the core features, or rules, of AMBIF.
2. Proposed AMBIF Investors

- **Banks**
- **Broker/Dealers, Securities Houses**
- **Insurance companies**
- **Government (and related entities)**
  - For this purpose of classifying investor types, while acknowledging their independence, central bank, statutory boards, development funds and agencies are subsumed under government
- **Provident funds and pension funds [may be government as well]**
- **Investment advisory businesses (and similar entities)**
  - For the purposes of classifying investor types, mutual funds, trust banks, fund managers, private funds, etc. are subsumed under investment advisory businesses
AMBIF Investor Principles

- Professional investors only
- Professional Investors, who have the ability to fend for themselves, and do not need to be protected by the rule-based regulations
- Common professional investors evident in all participating markets, even in markets without designated professional investor scheme
- All AMBIF Investor types are licensed or designated, either explicitly or implicitly, i.e., regulators have already passed judgment on entities

3. Proposed AMBIF Markets (to be concluded)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Type of Market</th>
<th>Candidate Market</th>
<th>Professional Market as a result of Participation</th>
<th>Market governed by</th>
<th>SBI</th>
<th>Accessible to Foreign Institutional Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR China</td>
<td>Issuing &amp; Secondary</td>
<td>Inter-Bank Bond Market (IBBM)</td>
<td>Access/Participation</td>
<td>PRDC / NAIFMI</td>
<td>YES</td>
<td>via QFI</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>GB Market (in SSE)</td>
<td>Regulation</td>
<td>QIBs (6b)</td>
<td>PRDC / NAIFMI</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>Qualified Foreign Institutional Investors</td>
<td>Regulation</td>
<td>QFIs, BEx</td>
<td>CSRC</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing &amp; Secondary</td>
<td>SME Private Placements (in SSE)</td>
<td>Membership</td>
<td>CSRC / SSE</td>
<td>SSE</td>
<td>YES</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Issuing</td>
<td>HKEx</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKEx</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>OTC</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC, HKMA</td>
<td>YES</td>
</tr>
<tr>
<td>Indonesia</td>
<td>MTN Issuing</td>
<td>(Private Placement)</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Issue</td>
<td>Tokyo PRO-BOND / OTC</td>
<td>Law (FEA)</td>
<td>Specified Investors</td>
<td>FSA, TSE</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>(Under preparation)</td>
<td>(Revised-QB Market)</td>
<td>RIPDS</td>
<td>GBEs</td>
<td>FSC</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing</td>
<td>Private Placement</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>FSC</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>OTC</td>
<td>Market Practice</td>
<td>Professional Investors</td>
<td>SFC</td>
<td>YES</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Issuing &amp; Secondary</td>
<td>Exempt Offer</td>
<td>Law (CAPA)</td>
<td>Sophisticated Investors</td>
<td>SC Malaysia</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing</td>
<td>Qualified Buyer (trading only)</td>
<td>Membership</td>
<td>Institutional Investors</td>
<td>Bursa Malaysia</td>
<td>YES</td>
</tr>
<tr>
<td>Philippines</td>
<td>Issuing</td>
<td>Qualified Buyer (10%)</td>
<td>Participation</td>
<td>Qualified Institutional Buyer</td>
<td>SEC, BSP</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>Qualified Foreign Institutional Investors</td>
<td>Regulation</td>
<td>SEC, PSEs</td>
<td>PSEs</td>
<td>YES</td>
</tr>
<tr>
<td>Singapore</td>
<td>Issuing &amp; Secondary</td>
<td>SGX / OTC</td>
<td>Market Practice</td>
<td>Institutional Investors</td>
<td>MAS</td>
<td>YES</td>
</tr>
<tr>
<td>Thailand</td>
<td>Issuing &amp; Secondary</td>
<td>Private Placement</td>
<td>Law</td>
<td>F &amp; HWR</td>
<td>SEC, Thailand</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>Issuing</td>
<td>New Regime</td>
<td>Private Placement</td>
<td>The SEC Regulation</td>
<td>Accredited Investors</td>
<td>SEC, Thailand</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Issuing</td>
<td>Private Placement</td>
<td>Law</td>
<td>Professional Investors</td>
<td>SSC, VAMA</td>
<td>YES</td>
</tr>
</tbody>
</table>
AMBIF Market Principles

- Markets populated by professional investors only
- Or, markets where selling restrictions between professional investors and general investors are strictly prescribed
- Markets that feature FII participation (because non-resident ASEAN+3 investors are FII)

4. Proposed AMBIF Issuers

- Multi-regional corporations
- ASEAN+3 issuers
- Supra-national institutions (ADB, IBRD)
- Banks and financial institutions
- Other suitable parties
AMBIF Issuer Principles

• Must meet issuer qualifications
• Credit rating or credit appetite to be determined by investor base
• …

5. Proposed AMBIF Instruments

• Straight notes and bonds only
• Representing most desired issue forms
• Follows considerations for regulatory concerns on e.g. convertibles
AMBIF Instruments Principles

- Plain bonds and notes
- [Would we need to stipulate tenures?]
- Interest bearing instruments
- No obligations or benefits arising from a conversion
- No hedging or speculative character
  - …

6. Proposed AMBIF Documentation

- Standard documentation to be agreed upon
- In English, where acceptable
- In local language, where required
  - …
AMBIF Documentation Principles

- Based on AMBIF Market practices
- Consisting of agreed components, e.g.
  - Financial Statement: 2 or 3 years
  - Issuer description
  - Use of funds
  - Industry covenants, as maybe applicable
  - Etc...

...
7. Proposed AMBIF Selling Restrictions

- Purchase by professional investors only
- No resale to General Investors (or equivalent term in markets)
- Resale possible to professional investors domiciled in all participating markets

8. Proposed AMBIF Accounting Standard

- International Financial Reporting Standard (IFRS)
- Evident in most ASEAN+3 economies, if in varying forms or adoptions
- Only international format that would allow standardisation of financial reporting across markets
- Intention is to be future proof
Draft Word Document for AFMGM+3
[not in handouts, sent to member via email on 99 Jan 2013]
11th ABMF SF2:
Possible Policy Recommendations including Roadmap on Cross Border Bond Trade and Settlement
(final draft)
6 February 2013 in Singapore

Taiji Inui
NTT DATA Corporation
ADB Consultant - Financial Information Technology Specialist

ver. 1

Table of Contents

1. Introduction
2. Key Findings
3. Observations/Policy Implications
4. Recommendations for Next Phase
5. Roadmap
6. Next Steps and Work Plan

Attachments
A) Comment list
B) Bond Market
Diagrams, flows,
and charts in
ASEAN+3
1. Introduction

① Comments from members and experts are reflected to the draft proposed at the 10 ABMF in Bangkok.

② List of comments are shown as attachment A.

How comments are reflected

1. Introduction

① Misunderstood facts are corrected based on the comments by members and experts reflecting the comments to the draft.

② When there are discrepancies between the comments, the comments are firstly confirmed before reflecting them to the draft. A few remaining still need to be clarified.

③ Different policies from different members and experts are tried to be harmonized and adjusted by ADB secretariat and SF2 consultant.

④ Findings, observations, and recommendations here are mainly focusing on bond market infrastructures. Therefore, those for intermediaries, trading systems and other areas are in principle out of scope of this survey.
2. Key Findings

2.1 ASEAN+3 Bond Market Diagram
2.2 Fit & Gap Analysis of DVP Flows
2.3 Fit & Gap Analysis of Message Items
2.4 Cross-border DVP flows
2.5 Interest Payment & Redemption
2.6 Other Issues

2.1 ASEAN+3 Bond Market Diagram
ASEAN+3 Government Bond Market Diagram

Trade match.

Clearing, Bond Settle.

Cash settle.

NOTE:

Exchange, Exchange related
Central Bank, Central bank related
Commercial Bank

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

* This diagram shows entities which is involved in major types of transactions.

ASEAN+3 Government Bond Market Diagram

CN HK ID JP KR MY PH SG TH VN

Trade OTC EX OTC OTC OTC EX OTC OTC EX OTC OTC OTC

Clearing TBC N TBC Y Y* TBC N N N N

Bond Settlement Central bank Related CSD ** Central bank Related CSD Central bank Related CSD Exchange Related CSD Central bank Related CSD Central bank Related CSD Exchange Related CSD Central bank Related CSD Exchange Related CSD

Cash Settlement Central bank money Central bank money Central bank money Central bank money Central bank money Central bank money Central bank money Central bank money Commer
cial bank money

Note: EX (Exchange)

*: CCP exists an exchange function. But, transaction volume/value through exchange is negligibly small.
**: There is an exchange related CSD. But, transaction volume/value through exchange is negligibly small.
### ASEAN+3 Corporate Bond Market Diagram

**NOTE:**
- Direct inter-system connection
- Indirect connection

**Exchange Market Related**
- Central Bank Owned CSD
- Exchange Related CSD

**Commercial Bank Related**
- Central Bank Owned CSD
- Exchange Related CSD

---

<table>
<thead>
<tr>
<th>CN</th>
<th>HK</th>
<th>ID</th>
<th>JP</th>
<th>KR</th>
<th>MY</th>
<th>PH</th>
<th>SG</th>
<th>TH</th>
<th>VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
<td>OTC</td>
</tr>
</tbody>
</table>

| Clearing | TBC | N | TBC | N | Y* | TBC | N | N | N |

<table>
<thead>
<tr>
<th>Bond Settlement</th>
<th>CB and EX Related CSD</th>
<th>Central bank Owned CSD</th>
<th>Exchange Related CSD</th>
<th>Exchange Related CSD</th>
<th>Central bank Owned CSD</th>
<th>Exchange Related CSD</th>
<th>Exchange Related CSD</th>
<th>Exchange Related CSD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercia and Central bank money</td>
<td>Central bank money</td>
<td>Commercia bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
<td>Central bank money</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Settlement</th>
<th>Commercia and Central bank money</th>
<th>Commercia bank money</th>
<th>Central bank money</th>
<th>Commercia and Central bank money</th>
<th>Central bank money</th>
<th>Commercia bank money</th>
<th>Central bank money</th>
<th>Commercia and Central bank money</th>
</tr>
</thead>
</table>

**Note:**
- EX (Exchange)

*CCP exists an exchange function. But, transaction volume/value through exchange is negligibly small.*
Key Findings (ASEAN+3 Bond Market Diagram)

1. Bond Market
   - Most of bonds (both government and corporate bonds) are traded in OTC markets in ASEAN+3 (where bond market exist).
   - Significant volume of bonds are traded in exchange (order driven) markets only in KR and PH.
   - Regarding bond trades, most of the trades are ordered and executed domestically.
   - Post-trade matching systems and/or trade repository systems are not always connected with pre-settlement matching systems and/or CSD systems.
   - Trading systems including post-trade matching systems are not covered by the ABMF SF2 survey.

2. Clearing and Central Counter-Party (CCP)
   - CCP is in general to be established in order to mitigate counterparty risk.
   - CCPs have been established in some economies (CN, ID, JP, KR and MY) for bond trades. MY has just announced that Bursa Malaysia will have function as CCP. CN (SHCH) and JP (JGBCC) are CCPs for OTC market. CN (CSDCC), ID (KPEI), KR (KRX), and MY (Bursa Malaysia) are for exchange market.

Key Findings (ASEAN+3 Bond Market Diagram) cont.

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.

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 mainly 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 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 4 markets (CN, ID, KR and VN). In CN, central bank money is mainly used but commercial bank money is used when bonds are settled in exchange related CSD.

2.2 Fit & Gap Analysis of DVP Flows

- DVP flows of government bond and corporate bond in each economy are compared with typical DVP flow in ASEAN+3
- Government bond DVP flows are analyzed. Corporate bond DVP flows will be analyzed later.
An Example of DVP Flow (Key Elements)

Key Findings of DVP Flow 1/4 Gov. Bond

1. Pre-settlement Matching
   - JP has already implemented automated pre-settlement matching system.
   - Pre-settlement matching is done by future dated transactions in some economies such as CN, HK, and KR.
   - Most of the pre-settlement matchings in ASEAN+3 are done manually using telephone, facsimile, e-mail, etc.

2. Bond settlement
   A) “Settlement Instruction Data” are transferred from up-stream system such as Pre-settlement Matching System or other systems including Trade (capturing) System from the view point of STP.
      - In CN, KR, JP, PH and VN, book entry system receives settlement instruction or trade data (on-line) from other system.
      - In other economies, sell side and/or buy side enter the data.
   B) After receiving “Settlement Instruction Data” from other system, they are forwarded to sell side and buy side for affirmation.
      - If CSD receives settlement instruction data from other systems, CSD also forwards the data to sell side and buy side except in KR and VN.
Key Findings of DVP Flow 2/4  Gov. Bond

2. Bond settlement
   C) After receiving “Settlement Instruction Data” from CSD, both sides need to affirm.
      ➢ If sell side and buy side receive settlement instruction data, they affirm it and send them back to CSD in all economy.
   D) Central matching or local matching?
      ➢ HK, ID, KR, TH and VN adopt central matching. On the other hand, JP, MY and PH adopt local matching. CN and SG adopt both types of matching.
      ➢ Central matching CSDs (CN, HK, ID, KR, PH, SG, TH, and VN) send matching notice to sell side and buy side. Local matching CSDs (JP and MY) functionally do not have such confirmation.
   E) “Settlement Confirmation” notices need to be sent or not.
      ➢ CSDs send settlement confirmation except in PH and VN.
   F) Locking of seller’s bond need to be done or not. What is the definition of locking, earmarking, blocking, etc.?
      ➢ Not available.

Key Findings of DVP Flow 3/4  Gov. Bond

2. Bond settlement
   G) What kind of DVP model does CSD adopt?
      ① BIS DVP Model 1 is adopted in CN(OTC), HK(OTC), ID, JP, KR(OTC), MY, PH, SG and TH
      ② BIS DVP Model 2 is adopted in CN (EX).
      ③ BIS DVP Model 3 is adopted in HK(OTC), KR(EX), and VN.
3. Cash settlement
   A) Which entity sends “Cash Settlement Instruction Data” to RTGS, CSD or sell side and/or buy side.
      ➢ In almost all economy except JP and MY, CSDs send cash settlement instruction data to cash settlement system. In JP and MY, securities settlement system and RTGS are running on a same platform.
   B) If RTGS receives “Cash Settlement Instruction Data” from CSD, RTGS forwards them to sell side and/or buy side or not.
      ➢ Only in KR, RTGS forwards cash settlement instruction data to sell side and buy side.
   C) Buy side needs to affirm them and sends them back to RTGS, both sides need to do so, or neither side needs to do so.
      ➢ Only in KR, RTGS forwards cash settlement instruction data to sell side and buy side.
   D) “Cash Settlement Confirmations” need to be sent to sell side and buy side or not.
      ➢ In almost all economy except MY and VN, RTGS sends cash settlement confirmation. In MY, bond and cash settlement confirmation are same message. In VN, there is no cash settlement confirmation.

2.3 Fit & Gap Analysis of Message Items
   ➢ Message format (ISO 20022, ISO 15022, or proprietary) of each CSD is surveyed.
   ➢ Message items of 10 common elements proposed by SMPG for settlement instruction (sese.023.001.03) and settlement confirmation (sese.025.001.03) are chosen as a preliminary study of FIT&GAP Analysis
Current status of migration to ISO 20022

<table>
<thead>
<tr>
<th>Economy</th>
<th>CSD</th>
<th>Initiative</th>
<th>Proprietary</th>
<th>RI 15022 &amp; RTI</th>
<th>ISO 20022</th>
</tr>
</thead>
<tbody>
<tr>
<td>CH</td>
<td>CCBC</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CN</td>
<td>CSDC</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CN</td>
<td>SECH</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HK</td>
<td>HKEX</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>B1</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>KSEI</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JP</td>
<td>BOJ</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td>FY2015</td>
</tr>
<tr>
<td>JP</td>
<td>JASDEC</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td>FY2014</td>
</tr>
<tr>
<td>KR</td>
<td>KSD</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MY</td>
<td>BM (BENTAS)</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PH</td>
<td>Bt (cSS)</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PH</td>
<td>PSFC</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SG</td>
<td>MAS</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SG</td>
<td>CBP</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TH</td>
<td>TSD</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VN</td>
<td>VSD</td>
<td>G/C</td>
<td>○</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

G: government bond  
C: Corporate bond

Note: Migration projects to ISO 20022 which already announced implementation year are included in the table.
Key Findings of Message Items (some examples)

1. In ISO15022 and ISO20022, Instruction Identification means Sender’s message reference but there are some exceptions. For instance, in PDEx, CSD of Philippines, trading system numbers instruction identification and in BOJ-Net, market infrastructure numbers Torihiki-number as instruction identification. (New BOJ-Net will adopt new Torihiki ID in accordance with ISO standards.) Message reference number is essential (mandatory) to identify individual messages.

2. Regarding Trade Date, some CSDs (KSD, PDEx, MAS, TSD and VSD) specify that Trade Date is mandatory. But the Trade Date is not even regarded as input item for BOJ. Trade Date is not necessary at least in settlement, but is necessary to acquire details of transaction and tax related matter.

3. Settlement Date is mandatory for all CSDs except VSD, but VSD calculates the settlement date within their system on the basis of Trade Date. To do without Settlement Date a specific reason or authorization is required.

4. Place of settlement (PSET) is mandatory for PDEx, MAS and TSD, but not for BOJ, KSD and VSD. If a bond infrastructure is not connected with other systems, PSEN may not be entered. But, PSET may be necessary for cross-border STP perspective.

2.4 Cross-border DVP Flows
Typical Cross-border Bond Flow (tentative draft)

Key Findings (Cross-border DVP flows)

1. Trading Report [A of previous slide]
   - Domestic broker or bank should send trade detail to authority in order to ensuring transparency (ID, KR, MY, TH).

2. Tax Information [B of previous slide]
   - Extra messages may need to be exchanged in order to calculate appropriate capital gain tax (ID).

3. Remittance of Funds [C of previous slide]
   - Foreign institutional investors may need to remit funds before settlement in CN and VN due to pre-funding requirement (CN, VN).

4. FX Instruction & Confirmation [D of previous slide]
   - Global custodian and local custodian should send FX related instruction corresponding to FX regulations (ID, KR, MY, PH, TH, VN).

5. Registration Document [E of previous slide]
   - Domestic custodian should issue remittance document, certifying foreign currency inflow for ability to repatriate at later stage without consideration of FX limitations (PH).
## Barriers Related FX and Cash Management

<table>
<thead>
<tr>
<th>Country</th>
<th>FX Trades with Underlying Investment</th>
<th>Pre-funded</th>
<th>Prohibition of Third-party FX</th>
<th>FX Reporting</th>
<th>Prohibition of Overdraft by Non-residents</th>
<th>Prohibition of Offshore FX Trading for Investment</th>
<th>Limitation on Repatriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>HK</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>ID</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>JP</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>KR</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
<tr>
<td>MY</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>PH</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>SG</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>TH</td>
<td>Y/N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>VN</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y/N</td>
</tr>
</tbody>
</table>

Revised

---

### 2.5 Interest Payment
**Government Bond Interest Payment Related Entities**

<table>
<thead>
<tr>
<th>PA of Issuer</th>
<th>CSD</th>
<th>Payment system</th>
<th>AMA of Bond Holder</th>
<th>TWA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>CCDC</td>
<td>CCDC</td>
<td>CSD partic.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>CCDC</td>
<td>CCDCCC</td>
<td>CSD partic.</td>
<td>None</td>
</tr>
<tr>
<td>HK</td>
<td>HKMA</td>
<td>HKMA</td>
<td>CSD partic.</td>
<td>None</td>
</tr>
<tr>
<td>ID</td>
<td>BI</td>
<td>BI</td>
<td>CSD partic.</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>JP</td>
<td>BOJ</td>
<td>BOJ</td>
<td>CSD partic.</td>
<td>BOJ/CSD partic. (*)</td>
</tr>
<tr>
<td>KR</td>
<td>BOK</td>
<td>KSD</td>
<td>CSD partic.</td>
<td>KSD’s bank</td>
</tr>
<tr>
<td>MY</td>
<td>BNM</td>
<td>BNM</td>
<td>CSD partic.</td>
<td>None</td>
</tr>
<tr>
<td>PH</td>
<td>BTr</td>
<td>BTr</td>
<td>CSD partic.</td>
<td>BTr</td>
</tr>
<tr>
<td>SG</td>
<td>MAS</td>
<td>MAS</td>
<td>CSD partic.</td>
<td>CSD partic. (*)</td>
</tr>
<tr>
<td>TH</td>
<td>BOT</td>
<td>TSD</td>
<td>CSD partic.</td>
<td>BOT</td>
</tr>
<tr>
<td>VN</td>
<td>VSD</td>
<td>VSD</td>
<td>CSD partic.</td>
<td>None</td>
</tr>
</tbody>
</table>

① PA (Paying Agent), AMA (Account Management Agent), TWA (Tax Withholding Agent)

② CSD participant includes a corresponding bank (which has an account in the payment system) designated by a bond holder.

③ BOJ and CSD participant are withholding Agents for national tax and local tax, respectively, in Japan.

④ (*) denotes no WHT for non-residents.
Summary of Interest Payment Process of Government Bond

1. When issuers pay interest to investors, paying agents (PA), which are designated by issuers, transfer money to the accounts of account management agents (AMA)s which are appointed by investors.

2. In the case of government bonds, central banks play a role of PA except China, Philippines, and Vietnam. In Philippines, there is no agent, but Bureau of Treasury operates on its own behalf.

3. CSD participants or correspondent banks of CSD participants act as AMA for bond holders. From the view point of no-residents' transaction, custodians play a role as AMA.

4. Tax withholding agents (TWA) pay withholding tax to tax office on behalf of investors. In China, Hong Kong, and Malaysia there is no withholding tax of government bond, In Japan and Singapore, no WHT for non-residents. In Japan, PA pays national tax and AMA pays local tax.

Revised

Corporate Bond Interest Payment Related Entities

<table>
<thead>
<tr>
<th>PA of Issuer</th>
<th>CSD</th>
<th>Payment system</th>
<th>AMA of Bond Holder</th>
<th>TWA</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>CSDCC</td>
<td>CSDCC</td>
<td>Com. Bank system</td>
<td>CSD partic.</td>
</tr>
<tr>
<td></td>
<td>SHCH</td>
<td>SHCH</td>
<td>CNAPS</td>
<td>CSD partic.</td>
</tr>
<tr>
<td></td>
<td>CCD</td>
<td>CCD</td>
<td>CNAPS/Com. Bank Sys</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>HK</td>
<td>Commercial Bank</td>
<td>HKMA</td>
<td>CHATS</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>ID</td>
<td>KSEI</td>
<td>KSEI</td>
<td>KSEI's Bnk system</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>JP</td>
<td>Commercial Bank</td>
<td>JASDEC</td>
<td>BOJ-Net</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>KR</td>
<td>Commercial Bank</td>
<td>KSD</td>
<td>BOK-Wire+ Com. Bank system</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>MY</td>
<td>Commercial Bank</td>
<td>BNM</td>
<td>RENTAS-IFTS</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>PH</td>
<td>Commercial Bank</td>
<td>PDDTC</td>
<td>PhilPaSS</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>SG</td>
<td>Commercial Bank</td>
<td>CDP</td>
<td>MEPS+</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>TH</td>
<td>Commercial Bank</td>
<td>TSD</td>
<td>BAHTNET</td>
<td>CSD partic.</td>
</tr>
<tr>
<td>VN</td>
<td>VSD</td>
<td>VSD</td>
<td>BIDV system</td>
<td>CSD partic.</td>
</tr>
</tbody>
</table>

① PA (Paying Agent), AMA (Account Management Agent), TWA (Tax Withholding Agent)
② CSD participant includes a corresponding bank (which has an account in the payment system) designated by a bond holder.
③ PA and CSD participant are withholding Agents for national tax and local tax, respectively, in Japan .
④ (*) denotes no WHT for non-residents.
Summary of Interest Payment Process of Corporate Bond

1. In the case of corporate bond, CSDs play a role as paying agent (PA) in China, Indonesia and Vietnam. In the other 7 economies, commercial banks are designated as PA.
2. AMA, which is designated by bond holders, are CSD participants, including corresponding banks.
3. There is no withholding tax in Hong Kong, and Malaysia. In Japan and Singapore, no WHT for non-residents.
4. In Japan, PA pays national tax and AMA pays local tax.
5. In China, bond holders pay tax to tax office directly in as SHCH and CCDC. CSDCC pays tax to tax office by itself. In Indonesia, Korea and Philippines, CSD or CSD’s bank is designated as TWA. In Japan, PA pays national tax and AMA pays local tax. In Vietnam, bond issuers pay tax.

Key Findings (Interest Payment)

1. Interest payment flows differ economy by economy.
2. 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 7 economies (HK, JP, KR, MY, PH, SG and TH). CSDs are PA in 3 economies (CN, ID, and VN).
3. Account Management Agent (AMA) of bond holder (investor) for interest payment and redemption
   - Regarding government bonds, CSD participants are AMA of bond holders.
   - Regarding corporate bonds, CSD participants are AMA of bond holders.
3. Tax Withholding Agent (TWA) for interest payments and redemptions
   - Regarding government bonds, no WHT (withholding tax) is imposed in 4 economies (CN, HK, MY and VN). In JP and SG, only non-residents are exempt from WHT. TWAs in other economies are different economy by economy.
   - Regarding corporate bonds, no WHT is imposed in 2 economies (HK and MY). No WHT is imposed only for non-residents in JP and SG. TWAs in other economies are different economy by economy.
2.6 Numbering and coding (including other Issues)

Standards (numbering and coding)

Attachment 6

ISO 20022 needs to support proprietary practices
### Numbers and Codes

<table>
<thead>
<tr>
<th>Region</th>
<th>Securities Numbering</th>
<th>Financial Institution Identification</th>
<th>Securities Account</th>
<th>Cash Account</th>
<th>Encoding Scheme and Language</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Unicode (UTF-8) EBCDIC</td>
</tr>
<tr>
<td>HK</td>
<td>ISIN and Proprietary (CMU issue)</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Code supported by SWIFT</td>
</tr>
<tr>
<td>ID</td>
<td>ISIN and Proprietary</td>
<td>BIC and Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td></td>
</tr>
<tr>
<td>JP</td>
<td>Proprietary Code ISIN (*)</td>
<td>BIC and Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Unicode (UTF-8)</td>
</tr>
<tr>
<td>KR</td>
<td>ISIN and Proprietary</td>
<td>Proprietary (account number)</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>KSC6601 for Korean</td>
</tr>
<tr>
<td>MY</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td></td>
</tr>
<tr>
<td>PH</td>
<td>Proprietary</td>
<td>Proprietary (PDS-assigned firm)</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Unicode (UTF-8)</td>
</tr>
<tr>
<td>SG</td>
<td>ISIN and SGX proprietary stock code (4 character alphanumeric)</td>
<td>proprietary</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Unicode (UTF-8)</td>
</tr>
<tr>
<td>TH</td>
<td>ISIN</td>
<td>BIC</td>
<td>Proprietary</td>
<td>Proprietary</td>
<td>Unicode (UTF-8)</td>
</tr>
<tr>
<td>VN</td>
<td>ISIN and proprietary</td>
<td>N/A</td>
<td>Proprietary</td>
<td>N/A</td>
<td>Unicode (UTF-8)</td>
</tr>
</tbody>
</table>

(*) ISIN for new systems

### Settlement Cycle

<table>
<thead>
<tr>
<th>Economy</th>
<th>Domestic</th>
<th>Cross-Border</th>
</tr>
</thead>
<tbody>
<tr>
<td>CN</td>
<td>T+1 (negotiable, market practice)</td>
<td>T+1 (market practice)</td>
</tr>
<tr>
<td>HK</td>
<td>T+2 (negotiable, market practice)</td>
<td>According to the standard cycle of the respective markets</td>
</tr>
<tr>
<td>ID</td>
<td>Gov. T+2 (negotiable, market practice)</td>
<td>T+2</td>
</tr>
<tr>
<td></td>
<td>Corp. T+3 (negotiable)</td>
<td>T+3 (negotiable)</td>
</tr>
<tr>
<td>JP</td>
<td>Gov. T+2</td>
<td>T+2 – T+4</td>
</tr>
<tr>
<td></td>
<td>Corp. T+3</td>
<td>T+2 – T+4</td>
</tr>
<tr>
<td>KR</td>
<td>T+1 (negotiable, market practice)</td>
<td>T+1-T+3 (in-bound transaction) depend on the settlement cycle of designation country for investment. (out-bound transaction)</td>
</tr>
<tr>
<td>MY</td>
<td>T+1/T+2 (negotiable, market practice)</td>
<td>T+2</td>
</tr>
<tr>
<td>PH</td>
<td>T+1 (negotiable, market practice)</td>
<td>T+1 ( same as domestic transaction )</td>
</tr>
<tr>
<td>SG</td>
<td>T+3 (negotiable, market practice)</td>
<td>T+1 (government bond), T+3 (corporate bond)</td>
</tr>
<tr>
<td>TH</td>
<td>T+2 (negotiable, market practice)</td>
<td>T+3 (US investor)</td>
</tr>
<tr>
<td>VN</td>
<td>T+1 (T=trade capture date)</td>
<td>No cross-border transaction</td>
</tr>
</tbody>
</table>
### Operating Hours

<table>
<thead>
<tr>
<th>Country Code</th>
<th>CSD</th>
<th>Operating Hour based on local time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Open</td>
</tr>
<tr>
<td>CN (+1)</td>
<td>CCDC</td>
<td>8:30</td>
</tr>
<tr>
<td></td>
<td>CSDCC</td>
<td>8:30</td>
</tr>
<tr>
<td>HK (+1)</td>
<td>CMU</td>
<td>8:30</td>
</tr>
<tr>
<td></td>
<td>BI</td>
<td>6:30</td>
</tr>
<tr>
<td></td>
<td>KSEI</td>
<td>4:00</td>
</tr>
<tr>
<td>JP (+2)</td>
<td>BOJ</td>
<td>9:00</td>
</tr>
<tr>
<td></td>
<td>JASDEC</td>
<td>9:00</td>
</tr>
<tr>
<td>KR (+2)</td>
<td>KSD</td>
<td>9:00</td>
</tr>
<tr>
<td>MY (+1)</td>
<td>MyClear</td>
<td>8:00</td>
</tr>
<tr>
<td>PH (+1)</td>
<td>BTr-RoSS</td>
<td>9:30</td>
</tr>
<tr>
<td></td>
<td>PDTC</td>
<td>8:00</td>
</tr>
<tr>
<td>SG (+1)</td>
<td>MAS</td>
<td>5:00</td>
</tr>
<tr>
<td></td>
<td>CDP</td>
<td>8:30</td>
</tr>
<tr>
<td>TH (0)</td>
<td>TSD</td>
<td>7:00</td>
</tr>
<tr>
<td>VN (0)</td>
<td>VSD</td>
<td>8:00</td>
</tr>
</tbody>
</table>

Note: Time difference from Jakarta time is shown after country code. To be revised

### Key Findings (Numbering and coding)

1. ISIN (International Securities Identification Number) is not actually used in many economies. Also, numbering conventions and operational processes of ISIN is not standardized, yet.
2. BIC is not actually used in many economies, yet in stead, local proprietary codes are used.
3. Securities account structure is proprietary one in all economies in ASEAN+3.
Key Findings (Other issues)

1. Settlement cycle is not regarded as a rule of each market (but agreed through negotiation) except in Japan.

2. Operating hours are overwrapping each other. But, market practices such as cut-off time are different CSD by CSD.
   ➢ Cut-off time shall be the deadline decided by market participants prior to the closing time for the purpose of recognizing fails etc. aimed at completing all settlements on the day.

3. Physical certificate remains in many markets in particular for corporate bonds.

4. Post-trade (clearing and settlement) infrastructures in ASEAN+3 are fragmented. Also, cross-border STP is not yet realized.

5. Cost of cross-border transactions is perceived as higher than that of other region such as EU and US.

3. Observations/Policy Implications

Observations and policy implications related to cross-border STP in ASEAN+3 based on the survey results of Phase 1 and Phase 2 are summarized as follows. Comments from ABMF SF2 members and experts are reflected to the draft presented at the 10th ABMF SF2 in Bangkok.

➢ Principles for financial market infrastructures of CPSS-IOSCO published in April 2012 needs to be observed.
3.1 Bond Market Infrastructure

1. Cross-border STP Survey to include Trading Systems
   Trading systems may be surveyed from the viewpoint of cross-border STP when market size and transaction volume of the securities market are expected to become big enough. Business case needs to be considered.

2. Price discovery and transparency
   Trade repositories may also be surveyed from the viewpoint of securing price transparency and improving information flows in the market when market size and transaction volume of the securities market are expected to become big enough.

3. Development of Pre-settlement matching Infrastructures
   Automated pre-settlement matching system (PSMS) is not yet developed except in JP in ASEAN+3. Matching infrastructures are expected to be developed in the region with standardized manner which will make cross-border STP more realistic in the region.
   - Considering the market practice, legal framework, etc., utilizing Local Matching System as well as Central Matching System is essential.
   - As utilizing PSMS is conducive to STP, PSMS usage should be expanded. Automated PSMS could decrease the workload and time of manual processes as well as fails. Therefore, the automated PSMS could reduce operational risk and settlement cycle.
3.1 Bond Market Infrastructure

4. Discussion on CCP
Bond transaction volume (and value) of bond trade and settlement in ASEAN+3 are not very large compared to other markets such as EU and US, yet, for the time being though the volume (and value) has been growing drastically. CCPs for securities trading are far less necessary compared to that for OTC derivatives. Therefore, discussions on CCP may start later after bond trade volume increase significantly.

- In terms of risk reduction, CCP for securities transactions on a BIS Model 1 (DVP) is of limited significance, but may contribute to streamlining operating procedures. It is necessary to consider whether operating a CCP which costs significantly is financially feasible.
- Discussions on CCPs are currently focused on the OTC derivatives clearing following G20 commitment. Discussions on CCP for cash bond trading are not major focus given current volume and value of trade and settlement in ASEAN+3 with exception of a few markets.

5. Involvement of Central Banks
Since many of CSD and RTGS systems are owned and operated by central banks, it may be advisable for relevant departments of the central bank of each economy to join the ABMF discussion on standardization of messages and cross-border STP in the region.

6. Bond Settlement using Central Bank Money
Central bank money is used to settle government and corporate bond settlement in most of the economies because it is risk free money.
3.2 DVP Flow

1. STP of Flows related to CSD
   Entering settlement instruction data to CSD is not automated yet in many economies. CSDs are to be connected with upstream infrastructures such as pre-matching system in order to promote STP in each economy. Also, the transferred data from the upstream system are to be forwarded to sell side and buy side for affirmation.
   - CSDs are to be connected with an upstream system such as PSMS, and trading system to automatically input settlement instruction data from STP perspective.
   - Quality of data needs to be secured.

2. Standardization of DVP Flow
   Since DVP flows are different market by market or even CSD by CSD, best practices of flows is to be discussed. A reference model may be proposed.
   - Impacts to the core infrastructures such as SSS (securities settlement system) and RTGS (Real Time Gross Settlement) system should be minimized. At the same time, conversions at intermediaries are also to be minimized. A model flow in ASEAN+3 may be discussed.
   - Standardizing DVP flows into an unique model is practically unfeasible since infrastructure, legal system and tax system vary among countries. Therefore, a reference model with possible variations may be proposed.
3.3 Message Item

1. Migration to ISO 20022
   In ASEAN+3, a few bond market infrastructures have already migrated (or decided to migrate) to ISO 20022 though many of them still adopt ISO15022 or proprietary messages. Considering the trend of ISO 20022 in major bond market infrastructures including EU and US, the year around 2015-2016 could be a turning point to migrate to ISO 20022.

2. The definitions of message items are different economy by economy. In order to facilitate cross-border STP, standardization of essential messages including settlement instruction and settlement confirmation is desirable.

3.4 Cross-border DVP

1. Enhancing Local Currency Availability and Liquidity
   Except Hong Kong, Japan and Singapore, there remain some FX and cash controls for bond trade and settlement in ASEAN+3. Obtaining and maintaining local currency balances is critical to non-resident investors, for the purpose of cross-border bond investments. Some impact from FX and funding requirement limitations influence timing and cost of transaction processing. Since regulations concerning FX and cash controls aim not for bond trade but for other reasons, it may be difficult and inappropriate to simply abolish or change the regulations. Thus, it will be meaningful to discuss some measures such as cross-border collateral to enhance LCY (local currency) availability and liquidity for non-residents in the markets which will lead to risk mitigation.
3.4 Cross-border DVP

2. There are barriers related to FX and cash control from cross-border STP perspective though they may be introduced based on other objectives.

- FX Trade with Underlying Investment
  - FX regulation or Quota may be removed gradually as they cause disruption to STP, a process which promotes efficiency and promptness. In case when regulation is continued, flexible management on regulation frameworks may be conducted in order to implement STP as much as possible.
- Off-shore Trade
  - Off-shore trade may be eased gradually and should be accepted pursuant to market development of individual country.
- Prefunding
  - Prefunding rule may be removed to improve fund efficiency of investors and to enhance fund management.
- Third party FX
  - Third party FX may be eased.
- FX reporting
  - It may be preferred to abolish Reporting, however, first, FX reporting may be simplified or summarized. Reporting frequency may be Weekly, Monthly, etc.
- Overdraft
  - Overdraft may be accepted as it will bring smooth and efficient settlement. For example, usage of Securities such as Collateral or Pledge, etc. may be considered as well as introducing Overdraft.

3.5 Interest Payment Flow

1. Roles of PA, AMA, and TWA

In the process of interest payment from issuers to investors, paying agents (PA) which are designated by issuers, transfer interests to account management agents (AMA). In general, tax withholding agents (TWA) pay tax for bond holders to tax office. Central banks, commercial banks, CSDs and Bureau of Treasury, act as TWA. The basic roles of PA, AMA, TWA need to be clarified to find out the common matters and gaps in order to make cross-border interest payment more efficiently.

- Roles of PA, AMA and TWA or legal system or infrastructure vary in each country. The different roles cannot be defined uniformly.
3.5 Interest Payment Flow

2. Standardization of Interest Payment Flow
Interest payment flows are different market by market or even CSD by CSD. Differences of interest payment flows may be discussed from the viewpoint standardization.

- Information flows related interest payment are different in ASEAN+3. For instance, in some economies, there are the process of sending bond holder lists with tax data and notice of payment details.
- Impacts to the core infrastructures such as SSS (securities settlement system) and RTGS (Real Time Gross Settlement) system should be minimized. At the same time, conversions at intermediaries are also to be minimized. A model flow in ASEAN+3 may be discussed.
- Standardizing flows of interest payment and redemption which incurs changes in legal system, taxation, etc. seems to be difficult.

3.6 Numbering and Coding

1. Common Rules on ISIN
ISIN is recommended to be used as a unique number to identify bond in each economy. Also, common rules may be needed about numbering and notification of ISIN.

- For example after receiving bond information, CSDs need to number ISIN assigned by numbering agency and notifies trustees and CSD participants on the same day.

2. Promotion of BIC
Some market infrastructures still use proprietary code for financial institution identification. BIC will be adopted taking the opportunity of reconstruction of their systems. In addition, it is desirable that each economy has common recognition about numbering, notification and maintenance of BIC.
3.6 Numbering and Coding

3. Discussion on Investor Identification
   It is important to ensure the uniqueness of identification of investors in cross-border transaction.
   - Each economy may have a method that each investor has unique ID and market infrastructures disclose it timely and clearly. If an economy has the method, it must be recognized by other economies. ASEAN+3 economies may try to harmonize and standardize the method.

3.7 Business Practice

1. Market Practice
   - Market practices such as cut off time, fail rule and settlement cycle may be discussed for the purpose of common recognition and harmonization. SROs may lead the discussion.
   - Necessity of standardization of market practices may firstly be discussed.

2. Account Structure
   - Due to differences of a bond holder’s right to claims on assets, there are some types of account: own account, customer account, pledge account, trustee account and so on. In addition, taxation has influences on account structures: non-taxable account and taxable account. In consideration of the above, it is desirable to discuss the flexibility of account structures. Entitlement may also be discussed.
   - It is difficult to standardize account structure which is stipulated according to laws and regulations or tax system of respective countries. Necessity to establish a segregated account for customer protection may also need to be discussed.
3.7 Business Practice

3. Language and code scheme for bond settlement infrastructures
   - English may or may not be available for all cross-border transaction.
   - Latest materials about Regulations concerning Bond Book-Entry System may be shared in English.
   - Disclosure of information in English may be necessary worth while to discuss.

4. Recommendations for Next Phase
4.1 Standardize message flows

1. Through the discussion of best practices of DVP flows, ABMF SF2 may propose a reference model of DVP flows.
   - Scope of DVP flow to be proposed as the reference model is to be from pre-settlement matching to bond and cash settlement.
   - Principles such as PFMI published by CPSS/IOSCO will be followed.

2. Commonalities and differences of interest payment flows in ASEAN+3 may be discussed from the viewpoint of cross-border STP.
   - Impact of tax withholding agent on cross-border STP will also be discussed.
   - Principles such as PFMI published by CPSS/IOSCO will be taken in to account.

4.2 Standardize message items

ABMF SF2 will discuss the standardization of the basic message items of critical messages such as settlement instruction and settlement confirmation. ISO 20022 is to be recommended. When market infrastructures have a chance to re-construct their systems, it is recommendable that they will migrate from ISO15022 or proprietary to ISO20022.

- Message items of bond trade and settlement infrastructures are to be studied to have a common understanding of each message.
4.3 Recognizing Best Market Practices including numbering and coding

Mutual understanding of market practices including cut off time, fail procedures, settlement cycles, account structures, and ISIN admitting the differences each other in ASEAN+3. Standardization of market practices may be discussed where possible.

- International Standards are to be followed. Also, principles such as PFMI published by CPSS/IOSCO will be taken into account.
- Bond account structures may be discussed by comparing the differences of CSDs in ASEAN+3 though standardization of account structure may not be feasible in the region.

4.4 Survey of cross-border collateral, repo, and DVP

For the purpose of ensuring local currency liquidity and expecting growth of demands in collateral, cross-border collateral flows in ASEAN+3 could be discussed. Flows about cross-border DVP, cross-border collateral and cross-border repo connecting bond market infrastructures will be discussed together.
4.5 Involvement of Bond Market Infrastructure Players

Central banks operate majority of CSD and RTGS systems and also play a role as paying agent for interest payment and redemption processes in many economies. It is meaningful that relevant departments of central banks participate in ABMF SF2 discussions about cross-border collateral, repo, and DVP.

- CSDs and intermediaries are also essential members and experts of ABMF SF2 as it is now.

5. Roadmap

Roadmap to implement the policy recommendations will be shown as follows:
5.1 Roadmap: Short Term (2013)

1. Preliminary studies about standardization of message flows and message items
2. Preliminary studies about numbering & coding standardization
3. Preliminary studies about business practice standard
4. Preliminary studies about standard flows of cross-border DVP and cross-border collateral
   - Current practices of collateral management and intraday liquidity facility will be surveyed.
5. Participation of relevant central bank departments
6. Drafting plans of institutional framework for discussing standardization

5.2 Roadmap: Medium Term (2014-2015)

ASEAN+3 Standard STP Flows
1. Propose possible reference models of message flows
2. Propose ISO 20022 migration of message items
3. Propose possible standards of numbering & coding
4. Propose possible standards of business practices
5. Propose possible standard flows of cross-border DVP and cross-border collateral
6. Draw roadmap of each member
5.3 Roadmap: Long Term (After 2015)

Implementation of International Standard

1. Reconstruction of financial market infrastructures and migration to ISO20022
   - Government and corporate bond market infrastructures may be reconstructed in accordance with International standard suitable for cross-border STP.

2. Standardization of business practices
   - Cut off time, fail procedures, settlement cycles, account structures, ISIN and other issues may be standardized.

3. Linkage of financial market infrastructures (cross-border DVP, cross-border collateral, and cross-border repo) could be developed subject to appropriate business cases.
   - Bilateral linkages may be practical solution in the near future among several possible models of such linkages.

6. Next steps and work plan
Next steps and work plans

Feb. 2013: 11th ABMF
➢ Draft contents of the report to ABMI TF3 will be presented
➢ Future issues based on the roadmap will be decided

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

May 2013: ASEAN+3 Finance Ministers and Central Governors Meeting
➢ Propose Policy Recommendations and Roadmap

Dec. 2013: Finalize ABMF SF2 Phase 2 Activities
➢ Preliminary study of ASEAN+3 Standard Cross-border STP Initiative
➢ ABMF SF2 Phase 2 Report

Facts to be clarified

1. Clearing and CCP (comment # 1, 16, and 17)
   ① Owner, operator, functions, and processes for government bond CCP/clearing in CN, ID, MY.
   ② Owner, operator, functions, and processes for corporate bond CCP/clearing in CN, ID, MY.

2. WHT (withholding tax) and WTA (withholding tax agent) in Thailand (comment # 8 and 9)
   ① WHT of government bond for residents
   ② WHT of government bond for non-residents
   ③ WHT of corporate bond for residents
   ④ WHT of corporate bond for non-residents
   ⑤ WTA for government bond
   ⑥ WTA for corporate bond

3. Limitation on repatriation in Viet Nam (comment # 37)
Things to be discussed

1. Standard flows of interest payment need to be discussed or not.
2. Issues to be discussed for cross-border collateral, cross-border repo, and cross-border DVP
Thank you so much
<table>
<thead>
<tr>
<th>#</th>
<th>Commenter/Institution</th>
<th>Material/Topic</th>
<th>Comment</th>
<th>Answer</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. Mori/BJMU</td>
<td>p8. China@diagram for infrastructure</td>
<td>To the best of my knowledge, from the market guide point of view, SSE and SZSE are in the position of CCP, but I think it’s CSDC. (Mori) For the Exchange market, CSDC is CCP of the exchange market bond transactions. For the OTC market, government bond market doesn’t have CCP, but corporate bond market have a CCP which is SHCH. For the government bond diagram, CCP of the exchange market should not be as it is in the diagram now, it’s CSDC. For the corporate bond market diagram, there is a same problem. (Song)</td>
<td>If you refer to ABMF phase 1 report, CSDDSS is regarded as a CCP as shown in the report. But, based on a comment from CSDDC, ABMF SP2 consultat revised it to the current form which shows that SSE and SZSE are CCP. As such, could you explain the flow and process from the viewpoint of CCP including how novation is effected, please? Process flow of CCP needs to be clarified.</td>
<td>TBC</td>
</tr>
<tr>
<td>2</td>
<td>Mr. Alton Chan/Clearstream</td>
<td>CCP</td>
<td>Should we discuss the CCP issue right now? Is that just a hook in discussion stage?</td>
<td>The reason why I raised the CCP issue is that we got some questions and comments on CCP during the country visits. I’m not sure that ABMF is the right body to discuss the CCP issue. We just raise it as a issue because someone maybe want to discuss CCP issue. Could you confirm this with CSDDC, please? Therefore, key recommendation does not include the CCP issue. We will add the definition of CCP in the PMI recommendation to the final report.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Mr. Jonathan/State Street</td>
<td>10 Common Elements/slide 32</td>
<td>Just observation. When look at the 10 common elements, I imagine it's may not seem completes in some markets because there are more elements. Some markets may have such elements which seem to be fundamental, but actually implied on using the other element or the message type they use. Is that correct? When we look at 10 common elements, saying that it's the framework to do the FIT&amp;GAP, I would imagine there are circumstances when there is another element that is commonly used in the market, and seems quite fundamental.</td>
<td>We know that 10 common elements are not sufficient to compare, just take it as basic first step. We will have further discussion about the scope of message items. Also, we have to recheck what message type or instruction we will discuss.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mr. Alex Koch/SWIFT</td>
<td></td>
<td>Positive comments on cross-border collateral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mr. Patrick/HSBC</td>
<td>Interest Payment &amp; Redemption slide 15</td>
<td>Regarding interest payment &amp; redemption, I thought that in most markets assets are held at CSD, then CSD notifies the coupon payments, not paying agent does it directly, to the members of the CSD. No S payment notification is coming from CSD, in most of markets.</td>
<td>The flow of interest &amp; redemption payment differs from market to market. Even though in the same market, there’s a discrepancy between the understandings of participants. We’ll revise the chart as you noted. Could you check the revised version just for making sure?</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Mr. Patrick/HSBC</td>
<td>Network</td>
<td>How instructions come into CSD either through proprietary messaging system or swift network in the swift format? Did you also collect such kind of information?</td>
<td>We just identified the message types, not focused on the network.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Matthias; Mr. Patrick/HSBC and Alton Chan/Clearstream</td>
<td>Paying Agent</td>
<td>Comment on the function of PA and CSD.</td>
<td>The chart distinguishes the functions and roles of each entities./Matthias</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Ms. Pataravasee/SET</td>
<td>Interest Payment &amp; Redemption slide 16,17</td>
<td>TSD is registrar of government bond and tax withholding agent. Is the function of registrar needed in the chart? For government bond, BOT acts as PA, registrar and tax withholding agent. For corporate bond, PA is commercial bank, and some issuers use commercial banks as registrar, some others use TSD.</td>
<td>We’ll revise the chart as you corrected. The chart doesn’t have to include registrar function.</td>
<td>TBC</td>
</tr>
<tr>
<td>Page</td>
<td>Name</td>
<td>Topic</td>
<td>Content</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>-------</td>
<td>---------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Mr. Niwat Kanjanaphoomvee/ThaiBMA</td>
<td>Interest Payment &amp; Redemption slide 18</td>
<td>For government bond, if we are talking about cross-border transaction from foreign investor, government bond in Thailand do not have any tax, it's tax exempt. But if they are resident investor, that's taxable. No withholding tax doesn't mean tax exempt, vice versa. Should we put it as &quot;tax exempt or taxable&quot;, or not?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Ms. Cella Orbeta/Deutsche Bank</td>
<td>2.2 Interest Payment &amp; Redemption</td>
<td>For consistency, I think the following chart should also say &quot;Interest/Redemption Payment Flow&quot;. It's to be revised.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Mr. Tagai/J.P. Morgan Chase Bank</td>
<td>Typical Cross-Border Bond Flow</td>
<td>On the top, &quot;domestic broker or bank&quot;, I think it may be better to put &quot;trading member&quot;. Below domestic custodian, &quot;As cash correspondent bank&quot;, probably domestic custodian is also cash correspondent. What is the difference between cash correspondent bank and cash settlement bank? &quot;trading members&quot; is to be added. Regarding this chart, the difference between cash correspondent bank and cash settlement bank is related to standardization of terminology and needs to be discussed together with standard flows.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Mr. Tagai/J.P. Morgan Chase Bank</td>
<td>Key Findings/slide23</td>
<td>On the last bullet. What do you mean by &quot;the cost of cross-border transaction *** fragmented like silo&quot;? Because I think we're talking about two things here, clearly different policy recommendations. Fragmentation means that each economy has different infrastructure. Silo means that all the arrows in the chart are flowing vertically, and there are no diagonal arrows, or means that there aren't multiple CSDs or multiple CCP in one country competing with each other, so that price comes down. They seem to be separate issues because when you talk about fragmentation, policy recommendation could lead to further standardization or harmonization things like that. On the other hand, when you talk about silo, it could imply that you don't want to misguide policy recommendation saying that in each economy, we need multiple CSDs, multiple CCP, competing with each other because competition brings lower price. So, those things should be separate. In terms of transaction cost, probably the larger reason for transaction cost being higher at the time of the GoE study was because in some economy the volume was low and low transaction cost did not justify the existing business model of the particular market infrastructure. Today, the picture could be different because we know that the local currency bond market has been growing over the last five years. May be market model and all those things could be different.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Mr. Kawah/A2B</td>
<td>Cost of transaction</td>
<td>About the cost issue, during this phase1 and phase2, we have not done much of our study. So, I'm not feeling comfortable to talk in details about cost of transaction. Let us consider how to refer this cost issue once again. Fully noted.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Page</td>
<td>Speaker</td>
<td>Type</td>
<td>Text</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>------</td>
<td>------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Mr. Mori/BTMU</td>
<td>LEI</td>
<td>It's really important clarification that the investor is entity, not identify the individual. The discussion about investor identification or some those processed is taking place at global level is unrelated to LEI process. The scope is counterparties, financial institution and corporate. Individuals is not in the scope right now. The important connection between the LEI goes to the point two that people are looking at infrastructures to harmonize codes that counterparty identifier should be consider to be adopted these common code, but individual investor code is completely different matter. There is the difference between counterparty identification for the purpose of settlement, in the settlement scene and LEI for identification for the purpose of regulatory reporting as one of the reasons. BIC is really a part of the identifier for processing point of view. Points of LEI on counter parties rather than on individuals has been well noted. LEI related expression have been revised into BIC part, not to bring confusion.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>[Sorry we aren't sure of a name]/Indonesia</td>
<td>Diagram for Infrastructure slide 10,11</td>
<td>In Indonesia, we have exchange market of government bond even though there are no transactions till now. Please put the exchange market in the diagram. The diagram only shows the major part of transactions. We will happy to include the exchange when the volume grows up.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>[Sorry we aren't sure of a name]/Indonesia</td>
<td>Diagram for Infrastructure slide 10,11</td>
<td>In the chart, KPEI should be placed as CCP. Process flow of CCP needs to be clarified. TBC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>[Sorry we aren't sure of a name]/Malaysia</td>
<td>Diagram for Infrastructure slide 8</td>
<td>Regarding Malaysia, Malaysia has just announced the implementation of exchange trading of bonds. You will find Brusa Malaysia as CCP. This was announced couple of month ago. Process flow of CCP needs to be clarified. TBC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Mr. Tagai/J.P. Morgan Chase Bank</td>
<td>CCP</td>
<td>There are some comments on CCP. When you finalize this report, it’s important to clarify what do you mean by CCP. CCP is going to become the centerparty of the trade. It’s involves credit risk management and additional features that for maintain infrastructure very costly. But when CCP means central point for reporting, calculating netted position and not does become the counterparty of the trade, that has totally different risk features. It could be better to clarify what we mean by CCP in this diagram. Definition of CCP is based on PFMI (novation is the important characteristics)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Ms. Sagi/SNMGE</td>
<td>LEI</td>
<td>Question and confirmation about identification of investor. LEI part has been revised to avoid confusion.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Ms. Cella Orbeta/Deutsche Bank</td>
<td>LEI</td>
<td>Regarding indentifying investor, there are two factors of policy recommendation. One is the identification for transaction settlement, another one is for regulation. ABMF SF2 discusses only from the view point of message flows (transaction settlement).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Mr. Tagai/J.P. Morgan Chase Bank</td>
<td>Cross-border STP survey including trading system</td>
<td>I think when you say FMI, Tradin systems is trying to refer to trading venues like exchanges, trade capture or market places and not refer to each individual vender provides exchange, trade capture things like that. Just try to make clear what FMI means. I think CPSS-IOSCO principles does not include trading venues in the FMI, but it make sense to include exchanges and such in this ABMF study because you’d have been surprised, like &quot;why does the NYSE have to broke down for two days because clearing settlement system down. But it should be clarify whether you’re talking about trading venue or exchange? We think trading environment is also important. However, our coverage is mainly on the settlement systems.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Mori/BTMU</td>
<td>-</td>
<td>The priority is most important. We need to clarify what is the important issue and what is just information.</td>
<td>Agreed. We will provide draft prioritization in the revised PPT.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Alton Chan/ACEXstream</td>
<td>Linkage of CSD for cross-border collateral.</td>
<td>Just for the comment on the roadmap. I see that we got collateral and cross-border collateral as one of the long term direction. And from our view, collateral is becoming more and more important. What I think is that objective here, collateral, probably needs to be prioritized higher. In the past, settlement moves custody. Nowadays, collateral moves custody.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Yamada/BOJ</td>
<td>Cross-Border collateral</td>
<td>Comment on effectiveness of cross-border collateral. Cross-border collateral is one of the most important issue.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Shu-pui Li/HKMA</td>
<td>-</td>
<td>Positive comments on cross-border collateral</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ms. Dagdago/OMGEO</td>
<td>ISO20022</td>
<td>It is desirable that each economy will adopt ISO20022 actively.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Lee/ADB</td>
<td>-</td>
<td>There is a need for thorough review and comments for the proposed policy recommendations including inviting the central banks to ABMF to discuss issues relating to settlement infrastructure, and discussion on focus of after Phase 2 ABMF activities including CB collateral. We should have more quick and intensive discussion about CB-collateral.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Tagai/JP Morgan Chase Bank</td>
<td>RoadMap/slide72</td>
<td>“Standardization of business practices” seems to be too much strong phrase. “Find out best business practices” is more appropriate.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Tagai/JP Morgan Chase Bank</td>
<td>CCP</td>
<td>1. Just to make sure the meaning of CCP 2. Finding best business practices including numbering and coding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Shin/Chung-Ang University</td>
<td>RSI</td>
<td>TF4 is now discussing RSI. So please refer to our report when we will publish it, and let’s cooperate each other. (after the meeting)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Jong-Hyung Lee/KSD</td>
<td>Key Findings/slide13</td>
<td>Cash settlement is also conducted via commercial banks for exchange transaction of corporate bond.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiji Inui/ADB (NTTD) FIT&amp;GAP DVP Flow</td>
<td>-</td>
<td>We should add “settlement matching notice” to FIT&amp;GAP issues. (after the meeting)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiji Inui/ADB (NTTD) Cross-Border DVP Flow</td>
<td>-</td>
<td>“Authority” is not appropriate here. It should be replaced by “Trade Repository, SRO or ETC.” (after the meeting)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Shoji Kawai</td>
<td>-</td>
<td>FMI is to be changed to “Bond Market Infrastructure” in the titles of slides 57, 58, and 59</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Jonathan Dodde/State Street</td>
<td>57-10thABMF-SF2-30.pptx</td>
<td>Slide 19 item 3 – as it contains a “double negative”, I suggest re-phrasing the sentence “No WHT is imposed only for non-residents in JP and SG” to “In JP and SG, only non-residents are exempt from WHT”.</td>
<td>Revised</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Name and Email</td>
<td>File Details</td>
<td>Issue/Revision Details</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>------------</td>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>1/10thABMF-SF2-36.pptx</td>
<td>Slide 44 and 47 – the word Rolls should be Roles.</td>
<td>To be revised</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>01-10thABMF-SF2-36.pptx</td>
<td>Limitation on Repatriation - Cell B4 for Vietnam indicates No, though there are documentation requirements described which may hinder repatriation efficiency, and VND cash management. Maybe this is intentional because the requirements do not constitute a regulatory restriction.</td>
<td>To be discussed how to interpret it.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>01-10thABMF-SF2-36.pptx</td>
<td>However I then note that cell B4 for Philippines indicates Yes, and in the summary 01-10thABMF-SF2-36.pptx page 41 it says N for Philippines – perhaps that is a small mapping error?</td>
<td>To be revised</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>06_FIT&amp;GAP_FXandCashManagement_04.xlsx</td>
<td>Limitation on Repatriation - Cell 8K for Vietnam indicates No, though there are documentation requirements described which may hinder repatriation efficiency, and VND cash management. Maybe this is intentional because the requirements do not constitute a regulatory restriction.</td>
<td>To be discussed how to interpret it.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>06_FIT&amp;GAP_FXandCashManagement_04.xlsx</td>
<td>Limitation on Repatriation - Cell 8K for Vietnam indicates No, though there are documentation requirements described which may hinder repatriation efficiency, and VND cash management. Maybe this is intentional because the requirements do not constitute a regulatory restriction.</td>
<td>To be discussed how to interpret it.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Detail Settlement Instruction: cell 3B Identification s/be Identification</td>
<td>To be revised</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>MSX Message format and message items</td>
<td>To be revised</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>48</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
<tr>
<td>49</td>
<td>06_FIT&amp;GAP_Messv2.xlsx</td>
<td>Operating hours of CSD</td>
<td>Operating hour of KSEI is informed. To be reflected.</td>
<td>Revised</td>
<td></td>
</tr>
</tbody>
</table>
| Mr. Bingru Zhou / CSDCC | Additional comment about pros and cons | [Pros & Cons of that CSDs deal with both government bond and corporate bond.]
|---|---|---
| 50 | Pros:
1. Both issuers and bond holders have unified method to dispatch and receive cash with regard to both government bond and corporate bond.
2. Acting as an agent payer, CSD saves the time and cost that would have occurred if issuers pay the money themselves directly.
3. With regard to corporate bond, paying through CSD to clearing participants guarantees the withholding tax collected efficiently and successfully.
4. Investors can easily get financed through repo transactions when CSD registers and clears bonds.
| Cons:
1. Bonds usually contains huge risk potential due to their large transaction volumes. Therefore, CSD must have efficient risk management facility to monitor and manage bond price fluctuations.
2. CSD clearance does not have advantage when the transaction volume is large and the number of investors is small, which is the exact characteristic of both government bond and corporate bond. |

--- |---|---
| Mr. Bingru Zhou / CSDCC | Additional comment about pros and cons | [Pros & Cons of that CSDs act as paying agent.]
|---|---|---
| 51 | Pros:
1. Issuers can easily and efficiently dispatch interests and/or principals to bond holders through CSD’s clearing and settlement facilities.
2. Investors can get their interests and/or principals directly from clearing participants, which are members of CSD.
3. The whole market is benefited by paying through CSD, because the cost of remitting and contacting directly from issuers to holders is lowered or even cancelled.
| Cons:
1. Although there are always proxy contracts between issuers and CSD stipulating the responsibility of CSD as a paying agent, bond holders usually think CSD should pay the money if issuers don’t, which will jeopardize the clearing soundness of CSD.
2. CSD will have to allocate large amount of human resources to deal with interest paying daily operations.
3. Issuers will pay for the services provided by CSD, which won’t be an issue if they choose to dispatch the interests and/or principals by themselves. |

--- |---|---
| Ms. Le Thi Thuy Hang / VSD | Taxation | Currently, no tax is applied to government bond interest in Vietnam.
|---|---|---
| 52 | | To be revised
| Ms. Le Thi Thuy Hang / VSD | Taxation | Issuer, on behalf of investors, is tax withholding agent for corporate bond interest.
|---|---|---
| 53 | | To be revised
| Ms. Le Thi Thuy Hang / VSD | Settlement Cycle | For Bond: T+1 (for share: T+3) in Vietnam. Currently, there has been no cross-border transaction in Vietnam.
|---|---|---
| 54 | | Definition of T needs to be confirmed.
| Mr. Boon-Hiong Chan / Deutsche Bank | 10th ABMF SF2: Update of Phase 2 Activities (preliminary draft) | Page 12
1. (Point 3) What is meant by “central matching” and “local matching”?
|---|---|---
| 55 | Could you refer to the ABMF SF2 Phase 1 Report Part 1, 6.2.1 Central Matching and Local Matching, please?
Since settlement matching is a very important issue for bond trade, I would like to discuss this more into detail. Also, could you let me know definitions, preference, internal flows, and matching items as well as thresholds and allowances in each market from DB operational procedures and practices perspective, please? | ---
56. Proprietary means not standardized. Regarding the securities account, it will be very important but difficult issue to be standardized in particular tax related structures as I sometimes mentioned during past meetings. I believe there are several aspects (level) of discussions such as omnibus or segregated, participant's account or customer account, and more about account categories and structures. I believe even each CSD has its own account structure and category. If securities account structure of each CSD in the region can be compared, it will be helpful to discuss cross-border STP. Also, experiences in Europe are also very useful for us. Could you also let me know DB's experience of this matter, please?

57. Could you refer to the Tagai-san's comments (Nos. 12), please? Also, "fragmented" and "silo" are sometimes used to explain deficiency of PMIs. According to our phase 1 survey including country visits results, we have very little cross-market bond transaction volume.

58. Cross-border STP implies some issues. STP via intermediaries is one of the most important ways to realize cross-border STP. Direct linkage of CSD is also an important future way of cross-border STP, I believe. Standardization of message flows and items will be one of the most important issues to realize them. Even though, there will be many other aspects to be considered, my proposal is to start from the key recommendations. My proposal is to discuss standard DVP flow, first. Standard interest payment flow may not be discussed since it may not be feasible to get a consensus from all the members. Indeed, tax compliance and FX control will be very important issues. FX and cash control related issues may be included to the recommendation.

59. Since we do not have any international standard of DVP flow, we will discuss what best practice for DVP transaction is from bond trade and settlement perspective. "Standardization of DVP flow" may be too strong wording. "Reference model of DVP flow" may be proposed. Regarding message items, ISO 20022 will be the standard to be referred as a base of standard. ISO 20022 related issues including "how to apply it and how to contribute to ISO activities" will be discussed. Market practices such as fail management may also be included to recommendations.

60. I agree with you. We need to define terminologies.

61. Trade repository is one of the PMIs. As such it may be included. I hope we will discuss this issue later. But, I believe priority of it is not very high compared to other PMIs in particular CSD and RTGS.

62. Implementation of pre-settlement matching system is to be recommended when trade volume increased. Scope of activities will be discussed.

63. Standardization of messages between intermediaries and CSD/RTGS will be targeted instead of those between IM and intermediaries.
<table>
<thead>
<tr>
<th>Mr. Alexandre Kech /SWIFT</th>
<th>DVP Flow related recommendations (slide 61)</th>
<th>In order for cross-border investors, within ASEAN + 3 or elsewhere in the world, to be able to invest easily in each of the ASEAN + 3 economy, harmonization and standardization of the flows and must be done even if progressively. We strongly support this recommendation.</th>
<th>We will discuss best practice flows and try to propose a reference model of DVP flow.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Alexandre Kech /SWIFT</td>
<td>Message Item Related Recommendations (slide 62)</td>
<td>Place of settlement in a cross-border environment is a must have. Markets can work without locally but as soon as you go cross-border with market participants holding securities in CSB 1 and delivering to party in CSB 2 (though a link between the two (SbS for example), receiving and delivering depository information must be present.</td>
<td>Standardization of CSB related message items will be discussed with higher priority.</td>
</tr>
<tr>
<td>Mr. Alexandre Kech /SWIFT</td>
<td>Migration to ISO 20022</td>
<td>We support this recommendation. In the meantime, SWIFT can support the community as far as interoperability between standards is concerned through mapping between ISO 15022 and ISO 20022 and if, applicable, proprietary messages. The AABP membership should acknowledge though that mapping between communication protocols is not always possible as standards such as ISO 20022 are often richer in functionality than ISO 15022 or proprietary standards. We recommend the interoperability approach to be done as part of a longer term plan for ISO 20022 migration that can be linked to the renewal of a country market infrastructure.</td>
<td>Noted and thanks a lot for your support.</td>
</tr>
<tr>
<td>Mr. Alexandre Kech /SWIFT</td>
<td>Interest Payment Flow Related Recommendations (slide 65)</td>
<td>Standardization of Interest Payment Flow is relatively well advanced in Europe, for example. Would recommend the APAC markets to look at what has been done and reuse anything that first their needs. The multi year effort at SWIFT level can be leveraged for ASEAN + 3.</td>
<td>Information on SMPG work results will be very much appreciated.</td>
</tr>
<tr>
<td>Mr. Alexandre Kech /SWIFT</td>
<td>Numbering and Coding related recommendations (slides 66).</td>
<td>On the usage of BIC for party identification, it is often important to couple it with its account at the CSB or the custodian as a party identified by one BIC may have multiple accounts at a CSB or a custodian. Cross-matching will be avoid this way. It is also to be noted that contrary to what is often said, the creation of a BIC for party identification purposes (BIC1 as we name them at SWIFT) is free of charge.</td>
<td>Party identification needs to be discussed.</td>
</tr>
<tr>
<td>Mr. Alexandre Kech /SWIFT</td>
<td>Key Summary Policy Recommendations (slide 68)</td>
<td>ABMF SF2 will discuss the standardization of the meaning of basic message item: settlement instruction, settlement confirmation and other message types based on ISO 20022. We would like to make two comments: 1) it is important to agree on the need for common data elements for trading, clearing and settlement of bonds in ASEAN + 3 (in line with SMPG). It is not though that important to agree on the exact same definition of terms. The ISO 20022 definitions can be used as a base and, the same way that the legal terms can be different as far as AMBF is concerned, the terms and definitions of the data elements at country level can be different (and in local language). As long as there is a clear correspondence of terms and definition to the ISO 20022 data dictionary elements, STP is enabled. 2) Beyond the 10 common elements, SWIFT would like to invite the NMPs (National Market Practice Groups existing or to be created in each economy) to document these additional elements/requirements and link them to the ISO 20022 data dictionary. SWIFT Standards is happy to help with this exercise the same way it has done it for European countries in the late 90th and continue to do in APAC and the Americas through the SMPG. NMPs in 2013 should have two objectives among others: facilitate the maintenance of the market guides and document country specific requirements (starting with settlement and maybe interest/redemption CA events). Information on SMPG work results will be very much appreciated.</td>
<td>Mandatory and optional message items will be discussed. Definition of message items will try to be harmonized.</td>
</tr>
<tr>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities 4.1.1 item 1.</td>
<td>It is better to set up Trading System (&quot;TS&quot;) but TS is not indispensable if market site and transaction volume of the securities market are already big enough. When it comes to trading with overseas companies or overseas trading, TS is not essential and it is in fact impossible to cover the cross-border trades.</td>
<td>To be revised</td>
</tr>
<tr>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities 4.1.1 item 2.</td>
<td>In utilizing PSRI is conducive to STP, PSRI usage should be expanded. Considering the market practice, legal framework, etc., utilizing Local Matching System as well as Central Matching System is essential.</td>
<td>To be revised</td>
</tr>
<tr>
<td>Page</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>Item</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>73</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.1 item 4</td>
</tr>
<tr>
<td>74</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.2 item 1</td>
</tr>
<tr>
<td>76</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.3 item 1</td>
</tr>
<tr>
<td>77</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.4 item 1</td>
</tr>
<tr>
<td>79</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.5 item 1</td>
</tr>
<tr>
<td>80</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.4 item 2 to be added.</td>
</tr>
<tr>
<td>81</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.5 item 1</td>
</tr>
<tr>
<td>82</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.5 item 2.</td>
</tr>
<tr>
<td>83</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.6 item 1.</td>
</tr>
<tr>
<td>84</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.6 item 3.</td>
</tr>
<tr>
<td>85</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>10th ABMF SF2: Update of Phase 2 Activities</td>
<td>4.1.7 item 1.</td>
</tr>
<tr>
<td>Page</td>
<td>Speaker</td>
<td>10th ABMF SF2: Update of Phase 2 Activities 4.1.7 item 2.</td>
<td>Observation</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>--------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>86</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>⇒It is difficult to standardize account structure which is stipulated according to laws and regulations or tax system of respective countries. All we need is only to establish a segregated account for customer protection.</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>87</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>4.1.7 item 3. Disclosure of information in English is necessary.</td>
<td>Sited</td>
</tr>
<tr>
<td>88</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>⇒The far we go through the discussion regarding standard DVP and interest payment flows, the more unfocused the discussion becomes. And it seems unproductive. ⇒Regarding standardization of message, it is necessary to distinguish and study correlation between Investor and Account Servicer or between Account Servicer and CSD specifically in order to achieve satisfactory outcomes.</td>
<td>Sited</td>
</tr>
<tr>
<td>89</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>4.1.9 item 2. Regarding Account Structure, all we need is segregation management of customer A/Cs and facilitation of utilizing ISIN Code. There is no need for standardizing the other items.</td>
<td>Sited</td>
</tr>
<tr>
<td>90</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>4.1.9 item 3. Cross-boarder STP should be an important point for the subsequent conferences. We should discuss how to streamline settlement process of cross-boarder transactions with cross currency, by linked Bonds and Central banks.</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>91</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>4.1.9 item 4. Participation of central banks is a welcome, but discussion on streamlining securities settlement process/enhancing STP should be prioritized over interest payment related issues.</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>92</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others Trading System (TS) Countries where OTC trading is already increasing, it is difficult to cover all of the trading in TS. Also it will increase cost, therefore careful consideration is necessary to mandate the system. Especially cross-boarder trade is very difficult to utilize TS due to time difference</td>
<td>Sited</td>
</tr>
<tr>
<td>93</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others PINS PSA contribution to settlement efficiency and STP, therefore usage of PSA should be increased. In some countries, local matching will be necessary other than Central matching, therefore there is no need to stick to central matching</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>94</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others Book Entry System Usage of Book Entry System should be encouraged.</td>
<td>Sited</td>
</tr>
<tr>
<td>95</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others SWP We recommend SWP Model 1. In case of SWP Model 2 or 3, Margin Control is necessary, and it is necessary to consistently consider in dealing with Insolvency.</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>96</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others Forward Settlement Instruction Introduction of Forward Settlement Instruction is preferred.</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>97</td>
<td>Mr. Taketoshi Mori/BTMU</td>
<td>Others Message Items Regarding Message, required item is different by Investor, Account Servicer (Intermediary) and CSD, therefore, it is necessary to consider the message per each position, and to whom the direction or communication will be given. Messages of bond market infrasturctures are focused on here.</td>
<td>Revised</td>
</tr>
<tr>
<td>98</td>
<td>Mr. Mike Tagai</td>
<td>CCP Since discussion on CCP is not an essential issue for ABMF SF2, “Clearing.” in Bond Market Diagram will better be changed to just “Clearing.”</td>
<td>To be reflected.</td>
</tr>
<tr>
<td>99</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Others Pros &amp; Cons of that CSBs deal with both government bond and corporate bond</td>
<td>Revised</td>
</tr>
<tr>
<td>100</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Others Pros &amp; Cons of that CSBs act as paying agent.</td>
<td>Revised</td>
</tr>
<tr>
<td>101</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Others Corporate bond Interest payment related entities In the case of CDCC serving as the CSA, there are 2 ways of making payment: CNAPS and Commercial Banks.</td>
<td>To be revised.</td>
</tr>
<tr>
<td>Page</td>
<td>Name</td>
<td>Section</td>
<td>Text</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>102</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Message items</td>
<td>please find attached message items of CCDC, which is in accordance with your forms in slide 5 and 6. To be revised</td>
</tr>
<tr>
<td>103</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Operating hours of CSD</td>
<td>For operating hours, CCDC systems open at 8:30, cut-off time is 17:00, and the closing time is about 1-2 hours later than cut-off time. Definition of cut-off time needs to be confirmed.</td>
</tr>
<tr>
<td>104</td>
<td>Mr./Mrs. Ruixing/CCDC</td>
<td>Numbering and Coding</td>
<td>Our Encoding Scheme and Language is EBCDIC. The rest are all proprietary codes. To be revised</td>
</tr>
<tr>
<td>105</td>
<td>Taiji Inui/NTT DATA</td>
<td>Goverment bond interest payment related entities</td>
<td>CSD partic./SB of HK is to be CSD/partic. Correspondent banks and settlement banks are included to CSD participants</td>
</tr>
<tr>
<td>106</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>107</td>
<td>Taiji Inui/NTT DATA</td>
<td>Operating hours</td>
<td>Operating Hours (table) to be filled based on available information To be revised</td>
</tr>
<tr>
<td>108</td>
<td>Mr. Yuji Sato/JASDEC</td>
<td>Pre-settlement matching</td>
<td>Pre-settlement matching system is requested to be discussed as a part of DVP flow fit &amp; gap analysis To be included</td>
</tr>
<tr>
<td>109</td>
<td>Mr. Hiroshi Noguchi/ Mizuho Corporate</td>
<td>ASEAN+3 Corporate Bond Market Diagram (table)</td>
<td>Bond settlement of ID, JP, and SG should be Exchange Owned CSD. To be revised</td>
</tr>
<tr>
<td>110</td>
<td>Mr. Mike Tagai/J.P. Morgan</td>
<td>Key Findings (ASEAN+3 Bond Market Diagram). 2. Clearing and Central Counter-Party</td>
<td>Background idea and purpose to establish CCP may better be mentioned as follows: &quot;CCP is in general to be established in order to mitigate counterparty risk.&quot; To be revised</td>
</tr>
<tr>
<td>111</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Key Findings (ASEAN+3 Bond Market Diagram). 2. Clearing and Central Counter-Party</td>
<td>Bursa Malaysia should be Bursa Malaysia To be revised</td>
</tr>
<tr>
<td>112</td>
<td>Taiji Inui/NTT DATA</td>
<td>Summary of interest payment process of corporate bond for reference</td>
<td>In China, bond holders pay tax to tax office directly in cas SHCH and CCDC. CSDCC pays tax to tax office util. To be revised</td>
</tr>
<tr>
<td>113</td>
<td>Taiji Inui/NTT DATA</td>
<td>Operating Hours</td>
<td>Definition and meaning of &quot;cut off time&quot; and &quot;closing time&quot; need to be clarified. Operating hours of CCDC, MyClear, and PSD are added. To be revised</td>
</tr>
<tr>
<td>114</td>
<td>Taiji Inui/NTT DATA</td>
<td>Key Findings (Other issues)</td>
<td>Except in Japan, “is to be added to 1. To be revised</td>
</tr>
<tr>
<td>115</td>
<td>Dr. Jason Lee, Mr. Shinji Kawai, and Mr. Mike Tagai</td>
<td>Key Findings (Other issues)</td>
<td>Add following: &quot;Cost of cross-border transactions is perceived as higher than that of other regions such as Eu and Us. To be revised</td>
</tr>
<tr>
<td>116</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Observations</td>
<td>&quot;Principles for Financial market infrastructures of CPSS-IOSCO publised in April 2012 needs to be observed.&quot; is to be added. To be revised</td>
</tr>
<tr>
<td>Page</td>
<td>Author/Mailer</td>
<td>Section</td>
<td>Observation/Proposal</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
<td>---------</td>
<td>----------------------</td>
</tr>
<tr>
<td>117</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Bond Market Infrastructure Related Observations</td>
<td>Trading Systems should be changed to Trading Venues</td>
</tr>
<tr>
<td>118</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Bond Market Infrastructure Related Observations</td>
<td>Price discovery and transparency needs to be added.</td>
</tr>
<tr>
<td>119</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Bond Market Infrastructure Related Observations</td>
<td>CCP description needs to be modified.</td>
</tr>
<tr>
<td>120</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>DVP flow related observations</td>
<td>Systemic infrastructures such as trading system, trade repository (database), matching system should be revised without having trading system, trade repository.</td>
</tr>
<tr>
<td>121</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Message item related observation</td>
<td>Migration to ISO 20022 needs to be rephrased.</td>
</tr>
<tr>
<td>122</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Survey of cross-border collateral, repo, and DVP</td>
<td>Connecting of bond market infrastructures should be moved to the second bullet.</td>
</tr>
<tr>
<td>123</td>
<td>Mr. Mike Tagai/ J.P. Morgan</td>
<td>Roadmap short term (2013)</td>
<td>Completing of current (phase 2) survey and report</td>
</tr>
<tr>
<td>124</td>
<td>Taiji Inui/NTT DATA</td>
<td>Central bank involvement</td>
<td>Specific department name is changed to relevant department.</td>
</tr>
<tr>
<td>125</td>
<td>Mr. Jong Hyung Lee/KSD</td>
<td>Pre-settlement matching</td>
<td>Automated pre-settlement matching is to be encouraged to be implemented.</td>
</tr>
<tr>
<td>126</td>
<td>Mr. Jong Hyung Lee/KSD</td>
<td>C. 1. 9</td>
<td>Editorial advice to make the purpose of recommendations more clear</td>
</tr>
<tr>
<td>127</td>
<td>Mr. Jong Hyung Lee/KSD and Mr. Mike Tagai</td>
<td>CCP</td>
<td>Benefit and business case of CCP need to be mentioned.</td>
</tr>
<tr>
<td>128</td>
<td>Mr. Shinji Kawai/ ADB</td>
<td>Trading system</td>
<td>Trading system may be mentioned from the viewpoint of key findings.</td>
</tr>
<tr>
<td>129</td>
<td>Mr. Shinji Kawai/ ADB</td>
<td>Pre-settlement matching</td>
<td>Should be more specific of “Such matching infrastructures are ...”</td>
</tr>
<tr>
<td>130</td>
<td>Mr. Shinji Kawai/ ADB</td>
<td>FX and cash control</td>
<td>Barriers related to FX and cash control need to be mentioned more specifically.</td>
</tr>
<tr>
<td>Id</td>
<td>Name</td>
<td>Content</td>
<td>Status</td>
</tr>
<tr>
<td>----</td>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>131</td>
<td>Mr. Shinji Kawai/ADB</td>
<td>Roadmap (long term) MRG may need to think about when discussing long-term roadmap.</td>
<td>To be revised</td>
</tr>
<tr>
<td>132</td>
<td>Mr. Yuji Sato/JASDEC</td>
<td>Numbers and Codes: Unicode (UTF-8) for JP</td>
<td>To be revised</td>
</tr>
<tr>
<td>133</td>
<td>Mr. Yuji Sato/JASDEC</td>
<td>Settlement Cycle: cross-border: T+2 - T+4</td>
<td>To be revised</td>
</tr>
<tr>
<td>134</td>
<td>Mr. Yuji Sato/JASDEC</td>
<td>Out of time: 16:30 (typical case): JASDEC</td>
<td>To be revised</td>
</tr>
<tr>
<td>135</td>
<td>Taiji Inui/NTT DATA</td>
<td>Out of time: 14:00 BO</td>
<td>To be revised</td>
</tr>
<tr>
<td>136</td>
<td>Mr. Mike Tagai/J.P. Morgan</td>
<td>Trading system: Need to mention as follows: Gregory of Trading Systems to STP are not assessed yet.</td>
<td>To be reflected</td>
</tr>
<tr>
<td>137</td>
<td>Taiji Inui/NTT DATA</td>
<td>Settlement Cycle: Settlement cycle in Indonesia for corporate bond is T+3 (negotiable) for both domestic and cross-border.</td>
<td>To be confirmed</td>
</tr>
<tr>
<td>138</td>
<td>Taiji Inui/NTT DATA</td>
<td>Fit &amp; gap analysis of DVP Flow: Settlement matching notice is added to fit &amp; gap analysis of DVP flow</td>
<td>To be reflected</td>
</tr>
<tr>
<td>139</td>
<td>Taiji Inui/NTT DATA</td>
<td>Strong wordings are revised: Siro is deleted, Diet is removed.</td>
<td>To be reflected</td>
</tr>
<tr>
<td>140</td>
<td>Dr. Mike Tagai/J.P. Morgan</td>
<td>Globally accepted principles and guidelines: SBM principles such as P360 of CPSS/IOSCO need to be followed.</td>
<td>To be reflected</td>
</tr>
<tr>
<td>141</td>
<td>Dr. Jason Lee/ADB</td>
<td>Table of contents: Observation → Observation/Policy Implication</td>
<td>To be revised</td>
</tr>
</tbody>
</table>
Introduction

- ABO is part of Asian Bond Market Initiative (ABMI) Task Force 2 (Facilitating demand for local currency bonds in ASEAN+3)
- Data hub for local currency bond markets
- Deepen engagement with institutional investors
- Facilitate information exchanges developments in the local currency markets
- Broaden interaction with market regulators
AsianBondsOnline website

- Clearinghouse for information on sovereign and corporate bonds in ASEAN+3 markets
- Track developments about the region’s developing bond markets
- Provides data on current market development, legal and regulatory framework, and monitors government policies and initiatives
AsianBondsOnline Data

- Market Watch
  - Yield Curves
  - Policy Rates
  - Inflation
  - Exchange Rate
AsianBondsOnline Data

- Bond Market Indicators
  - Size and Composition
  - Market Liquidity
  - Yield Returns and Volatility
  - Liquidity Survey
AsianBondsOnline Data

- Bond Market Indicators
  - Size and Composition
  - Market Liquidity
  - Yield Returns and Volatility
  - Liquidity Survey
AsianBondsOnline Data

- Credit Risk Watch
  - Credit Default Swaps
  - Credit Ratings
  - Banking System Data
Asia Bond Monitor

- Provides near-term outlook for the LCY bond markets in the ASEAN+3 countries
- Provides data and analysis of major new developments in bond market growth and structure
- Also includes data on bond issuance, money market trends, maturity structure, holdings of contractual savings institutions, and foreign investment inflows
- Highlights most recent regulatory developments
- Presents results of ABO’s Annual Bond Market Liquidity Survey
Global economy remains weak with uncertain prospects.

Emerging East Asia’s LCY bond market remain robust and bonds outstanding grew 3.5% quarter-on-quarter (q-o-q) and 11.0% year-on-year (y-o-y) to reach US$6.2 trillion in 3Q12, driven by a combination of strong growth in both the government and corporate bond sectors.
122 responses on government bonds and 92 responses on corporate bonds.

Bid–ask spreads for both government and corporate bonds tightened in most markets in 2012, while average trading sizes also increased in most markets.

Liquidity improved for most instruments in a number of markets.

Greater investor diversity as the most important structural change needed to improve market liquidity. Foreign investors have continued to expand their share of bond holdings in most markets. Retail investors are also increasing their shares in some local bond markets.
<table>
<thead>
<tr>
<th>Metric</th>
<th>PRC</th>
<th>HK</th>
<th>IN</th>
<th>ID</th>
<th>KR</th>
<th>MY</th>
<th>PH</th>
<th>SG</th>
<th>TH</th>
<th>VN</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Typical Bid-Ask Spread</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>2.7</td>
<td>6.4</td>
<td>0.6</td>
<td>6.6</td>
<td>0.6</td>
<td>2.7</td>
<td>2.1</td>
<td>3.1</td>
<td>3.2</td>
<td>30.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Count</td>
<td>19</td>
<td>7</td>
<td>5</td>
<td>21</td>
<td>11</td>
<td>11</td>
<td>16</td>
<td>9</td>
<td>13</td>
<td>5</td>
<td>117.0</td>
</tr>
<tr>
<td>SD</td>
<td>1.3</td>
<td>2.5</td>
<td>0.5</td>
<td>2.0</td>
<td>0.2</td>
<td>1.2</td>
<td>2.3</td>
<td>0.8</td>
<td>1.5</td>
<td>9.4</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Typical Bid-Ask Spread</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4.5</td>
<td>8.1</td>
<td>2.7</td>
<td>11.6</td>
<td>1.0</td>
<td>4.6</td>
<td>11.7</td>
<td>3.6</td>
<td>5.9</td>
<td>40.5</td>
<td>9.4</td>
</tr>
<tr>
<td>Count</td>
<td>16</td>
<td>6</td>
<td>5</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>16</td>
<td>7</td>
<td>13</td>
<td>5</td>
<td>102.0</td>
</tr>
<tr>
<td>SD</td>
<td>2.7</td>
<td>4.1</td>
<td>1.2</td>
<td>5.4</td>
<td>0.3</td>
<td>2.2</td>
<td>8.6</td>
<td>1.9</td>
<td>2.0</td>
<td>12.0</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>Accepted LCY Bond</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>23.2</td>
<td>7.3</td>
<td>1.7</td>
<td>1.8</td>
<td>6.5</td>
<td>10.0</td>
<td>3.0</td>
<td>7.9</td>
<td>4.7</td>
<td>2.4</td>
<td>6.9</td>
</tr>
<tr>
<td>Count</td>
<td>20</td>
<td>6</td>
<td>5</td>
<td>17</td>
<td>11</td>
<td>12</td>
<td>16</td>
<td>9</td>
<td>13</td>
<td>5</td>
<td>114.0</td>
</tr>
<tr>
<td>SD</td>
<td>22.0</td>
<td>3.2</td>
<td>1.7</td>
<td>1.2</td>
<td>4.6</td>
<td>6.4</td>
<td>2.8</td>
<td>6.4</td>
<td>8.4</td>
<td>1.2</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Accepted LCY Bond</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>18.5</td>
<td>5.4</td>
<td>1.7</td>
<td>5.3</td>
<td>8.4</td>
<td>7.3</td>
<td>1.4</td>
<td>7.6</td>
<td>2.1</td>
<td>2.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Count</td>
<td>16</td>
<td>5</td>
<td>5</td>
<td>13</td>
<td>10</td>
<td>11</td>
<td>16</td>
<td>8</td>
<td>13</td>
<td>5</td>
<td>102.0</td>
</tr>
<tr>
<td>SD</td>
<td>20.0</td>
<td>2.3</td>
<td>1.7</td>
<td>11.2</td>
<td>3.1</td>
<td>4.6</td>
<td>0.6</td>
<td>6.2</td>
<td>1.7</td>
<td>1.8</td>
<td>5.1</td>
</tr>
</tbody>
</table>

bps = basis points; HK = Hong Kong, China; ID = Indonesia; IN = India; KR = Republic of Korea; LCY = local currency; MY = Malaysia; PH = Philippines; PRC = People's Republic of China; SD = standard deviation; SG = Singapore; TH = Thailand; VN = Viet Nam.

Note: The bid-ask spreads for Indonesian treasury bonds presented above are expressed in terms of yield or basis points to make them comparable with bid-ask spreads in other Asian markets. Bid-ask spreads for government bonds are most often expressed in terms of "cents" in the Indonesian market. In the 2012 survey, the average treasury bond bid-ask spread was 38.8 cents.

Source: Asia Bond Monitor
## Liquidity Survey - LCY Corporate Bond Market Quantitative Indicators

<table>
<thead>
<tr>
<th></th>
<th>PRC</th>
<th>HK</th>
<th>IN</th>
<th>ID</th>
<th>KR</th>
<th>MY</th>
<th>PH</th>
<th>SG</th>
<th>TH</th>
<th>VN</th>
<th>Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical Issue Size of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bonds (US$ million)</td>
<td>Average</td>
<td>415.8</td>
<td>46.7</td>
<td>48.1</td>
<td>103.6</td>
<td>94.3</td>
<td>285.9</td>
<td>146.0</td>
<td>158.5</td>
<td>98.2</td>
<td>73.0</td>
</tr>
<tr>
<td>Typical Bid-Ask Spread for</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>new Corporate Issues (bps)</td>
<td>Average</td>
<td>10.4</td>
<td>21.3</td>
<td>6.1</td>
<td>18.7</td>
<td>1.9</td>
<td>9.4</td>
<td>34.5</td>
<td>15.9</td>
<td>10.3</td>
<td>138.3</td>
</tr>
<tr>
<td>Count</td>
<td>15</td>
<td>4</td>
<td>4</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td>14</td>
<td>5</td>
<td>11</td>
<td>3</td>
<td>79.0</td>
</tr>
<tr>
<td>SD</td>
<td>4.3</td>
<td>19.8</td>
<td>3.8</td>
<td>10.4</td>
<td>0.6</td>
<td>4.6</td>
<td>14.6</td>
<td>10.3</td>
<td>8.7</td>
<td>141.1</td>
<td>40.3</td>
</tr>
<tr>
<td>Typical Transaction Size of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCY Corporate Bonds (US$ million)</td>
<td>Average</td>
<td>7.1</td>
<td>2.9</td>
<td>2.0</td>
<td>0.6</td>
<td>9.0</td>
<td>2.4</td>
<td>0.5</td>
<td>1.1</td>
<td>1.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Count</td>
<td>17</td>
<td>4</td>
<td>4</td>
<td>11</td>
<td>8</td>
<td>5</td>
<td>15</td>
<td>5</td>
<td>11</td>
<td>3</td>
<td>83.0</td>
</tr>
<tr>
<td>SD</td>
<td>5.0</td>
<td>2.6</td>
<td>1.9</td>
<td>0.3</td>
<td>0.0</td>
<td>1.4</td>
<td>0.4</td>
<td>0.3</td>
<td>0.8</td>
<td>1.1</td>
<td>2.9</td>
</tr>
</tbody>
</table>

bps = basis points, HK = Hong Kong, China; ID = Indonesia; IN = India; KR = Republic of Korea; LCY = local currency; MY = Malaysia; PH = Philippines; PRC = People's Republic of China; SD = standard deviation; SG = Singapore; TH = Thailand; VN = Viet Nam.

Source: Asia Bond Monitor
Ongoing Publications and Research of ABO

- Weekly Debt Highlights (WDH) – A newsletter, sent every Monday which features and summarizes important news during the week in the ASEAN+3 bond markets and provides data on bond issuance, bond yields, CDS, interest rates and inflation trends.

- Asia Bond Market Monitor (ABM) – A quarterly publication which tracks recent developments in emerging East Asian local currency bond markets, and provides a near-term outlook.

- Market Summaries – A quarterly write-up/analysis on bond market developments for individual markets we cover in emerging East Asia. An expanded analysis of the corporate bond market is now included.

- AsianBondsOnline Annual Bond Market Liquidity Survey – An annual survey which assesses the current state of liquidity of local currency bond markets in emerging East Asia. The 2012 annual liquidity survey attracted over 100 participants.
Goals

- Data hub for local currency bond markets
- ABO becomes the recognized market Information Aggregator
- Promote development of investment in the region
- Integrate data and practices of all local currency bond markets
- ABO is recognized as the authoritative source on Asian local currency markets by investors, governments, and researchers
Looking forward, ABO plans to...

- Incorporate extensive data sets on investor profile
- Monitor new product developments in the government and corporate bond markets (inflation-linked bonds, bonds issued by local governments, perpetual bonds)
- Provide more granularity on corporate bonds
- Include statistics on the banking sector
Key web retrieval statistics comparing data in 2010, 2011, and 2012 are provided below:

- Site hits and number of visitors climbed 19.9% and 29.1%, respectively in 2011 compared with 2010.

- In 2012, site hits and number of visitors climbed 14.3% and 39.6%, respectively compared with 2011.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2012 y-o-y change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hits</td>
<td>9,674,093</td>
<td>11,597,752</td>
<td>13,250,953</td>
<td>14.25%</td>
</tr>
<tr>
<td>Unique Visitors</td>
<td>65,472</td>
<td>84,506</td>
<td>118,005</td>
<td>39.64%</td>
</tr>
<tr>
<td>Visits</td>
<td>528,971</td>
<td>627,179</td>
<td>797,558</td>
<td>27.17%</td>
</tr>
<tr>
<td>Page Views</td>
<td>1,879,713</td>
<td>2,294,895</td>
<td>2,490,148</td>
<td>8.51%</td>
</tr>
</tbody>
</table>
Thank You

Thiam Hee Ng
thiamng@adb.org
Already discussed process and structure
Updating Cycle

- Periodic updates (proposal is 1 to 2 updates per year)
- Ad hoc updates depending on the nature and urgency of the change

Updating Process – Submission by AMBF National Members (1)

(Case1)

1. National Members make changes in respective individual market guide or relevant part in the ASEAN+3 Bond Market Guide (the Guide), and submit it to Updating Team.

2. Updating Team reviews the changes and provides the additional revisions when needed

3. Updated document is sent to the respective National Member for confirmation

4. Once the document is confirmed by the respective National Member, document is final and published on the ADB website
Updating Process – Submission by AMBF National Members (2)

1. National Members submit change request to Updating Team by using ‘Change request template’

2. Updating Team applies the necessary changes to the document

3. Updated document is sent to the respective National Members for confirmation

4. Once the document is confirmed by respective National Member, the document is final and published on the ADB website

Updating Process – Submission by AMBF National and International Experts (2)

1. National Experts and International Experts submit change request to Updating Team by using ‘Change request template’

2. Updating Team applies the necessary changes to the document

3. Updated document is sent to the respective National Members for confirmation

4. Once the document is confirmed by respective National Member, the document is final and published on the ADB website
Updating Process – Submission by Country NMPG Chair

1. Country NMPG chair submits change request to Updating Team by using ‘Change request template’

2. Updating team sends change request to respective National Member for prior review and validation

3. National Members send approval for the change request to Updating Team

4. Updating team applies changes to the document

5. Updated document is sent to the National Members for confirmation

6. Once the document is confirmed by respective National Member, the document is final and published on the ADB website

Change Request Template Proposal

- Requesting institution type: (ABMF national member, National Expert, International expert, NMPG, or others)
- Name of requesting institution: (Full name)
Thank you
Work Plan and Other Issues

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

11th ABMF Meeting
Singapore, 4-5 FEB 2013

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

Outline

1. Updating Phase 1 reports
2. Knowledge support for BCLMV
3. Work plan after Singapore meeting
   * Remarks on reporting to AFMCGM+3
Updating Phase 1 reports

- Presentation by SWIFT on behalf of Updating Team, as coordinator of the team
- Active participation by National Members will be critical

Knowledge support for BCLMV

- Approach: Phased supports based on actual demands
  - **Phase 1**: Kick-off seminar to address fundamental issues and challenges in developing bond market (5-6 Dec 2012)
  - **Phase 2**: Market visits on demand basis (Q1 2013)
    ✓ Provide tailor-made knowledge support considering specific demands from each economy
    ✓ Collect market information both on SF1 and SF2
  - **Phase 3**: Follow up support for market development (optional, Q2 2013~) (ex: standalone project/program)
Knowledge support for BCLMV

Key findings of the Kick-off seminar

Table 1: Key challenges in developing bond market and demands for knowledge support

<table>
<thead>
<tr>
<th>Economy</th>
<th>Issues and challenges identified by BCLMV</th>
<th>Demands for knowledge support</th>
</tr>
</thead>
</table>
| Brunei  | • Lack of legislations and infrastructure  
          • Large companies’ bank dependence and lack of understanding on Sukuk  
          • Limited issuance size and maturity  
          • Absence of secondary market  
          • Lack of investor base  
          • Limited (domestic) investment opportunity | • Support for further developing government Sukuk market  
                                           • Education of corporate sector on benefits of bond market |

Knowledge support for BCLMV

<table>
<thead>
<tr>
<th>Country</th>
<th>Issues and challenges</th>
<th>Demands for knowledge support</th>
</tr>
</thead>
</table>
| Cambodia | • Not yet a high priority of government  
           • Lack of human capacity  
           • Limited public awareness  
           • Dollarized economy | • Expand kick off seminar for other issues including financial stability  
                                     • Developing secondary market including infrastructure for repo transactions, hair cut issues, and central bank operations  
                                     • Capacity on public debt management  
                                     • Capital flow monitoring  
                                     • Study on feasible model for market development (ex. TH, ID)  
                                     • Credit rating issues  
                                     • Study on central bank bond issuance (ex: KR) |
| Lao PDR | • Lack of comprehensive regulatory framework  
           • Limited cash and debt management  
           • Limited human resources  
           • Limited choice of product  
           • Limited investor base | • Developing comprehensive legal framework for bond market  
                                     • Organizing training course and workshop for a wider staff in MOF and central bank  
                                     • Assistance on repo framework |
Knowledge support for BCLMV

- **Myanmar**
  - Improvement in primary market
  - Enhancing liquidity in secondary market.
  - Introduction of scripless bond system
  - Introduction of bond pricing system
  - Developing bond issuance methods
  - Training on the issues identified
  - Support for establishing central securities depository (CSD)¹

- **Vietnam**
  - Frequent auction (once a week)
  - Same tenors offered at auction which discourage market trading
  - Not transparent information disclosure and trade reporting system
  - Absence of credit rating agency
  - Repos are conducted as sell-buy back transaction
  - Lack of benchmark yield curve
  - Pricing convention that is sometimes different from other markets
  - Support for planned introduction of primary dealer (PD) system in 2013
  - Support for information reporting system, credit rating agency, revision of repo agreement, and others
  - Legal framework / Dealing and settlement systems / Training on derivatives markets / Support for joining AMBIF² / Developing corp. bond market including market rules, investor base, custody, and settlement banks³

**Note:** 1. Demands for knowledge support that were identified before the kick off seminar through bilateral consultation with ABMF members of respective economies

---

Future work plan

- Confirmation of the demand : Feb 2013
- Consultation with other initiatives (TACT, AFDC, JACIA, Public Debt Management Forum) : Feb 2013
- Phase 2 support (demand based on-site knowledge support and market visits) : Mar 2013 ~
- Consideration on Phase 3 support : Q3 2013 ~
Work Plan after Singapore Meeting

- 11th ABMF meeting (4-5 Feb 2013, Singapore)
  - (SF1) Discussed draft key features of AMBIF
  - (SF2) Discussed draft recommendations
    * 4nd regulatory bodies meeting on 3 Feb 2013
- Progress reporting to ABMI working group meeting (Brunei Darussalam, 7 Mar 2013, TBC)
- Starting on-site knowledge supports for BCLMV and market visits (Mar 2013 ~)

Work Plan after Singapore Meeting

- 12th ABMF meeting (23-24 Apr 2013, Venue TBC)
  - Discuss and finalize Phase 2 reports to AFMCGM+3 (focusing on policy recommendations)
- AFMCGM+3 (early May 2013, New Delhi)
  - Recommendations are expected to be approved
- 2nd half of 2013
  - Follow up on the implementation of recommendations
  - Finalize Phase 2 full report (by the end of 2013)
  - 1st update of Phase 1 reports (by the end of 2013)
# Work Plan after Singapore Meeting

- **13th ABMF meeting**: 25-26 Jul 2013, Tokyo (TBC)
  - Discuss Phase 2 full reports
  - Discuss Phase 3 activities

- **14th ABMF meeting**: late Oct or early Nov 2013, Seoul (TBC)
  - Continue discussing Phase 2 full reports
  - Follow up on updating Phase 1 reports
  - Agree on key areas and focus of Phase 3 activities

- **2014**
  - Start Phase 3 ABMF activities
  - Pilot issuance under AMBIF

## Remarks on reporting to AFMCBM+3

- Reports consists of two parts
  - 1: Main report in word document summarizing key findings and policy recommendations
  - 2: Attachments containing detailed findings of SF1

- Need agreement by the ABMF members for the contents and format of the report!!
Remarks on reporting to AFMCBM+3

Structure of SF1 report (Tentative)
- Executive Summary (2~3 pages)
- Introduction and Background (1~2 pages)
- Description on AMBIF (30~40 pages) including:
  - Approaches
  - Characteristics and principles
  - Proposed Process
  - Actions required
  - Proposed Timeline
- Conclusion (1~2 pages)
- Appendix (no page limits)
  - Details of AMBIF including charts and diagrams

Remarks on reporting to AFMCBM+3

Structure of SF2 report (Tentative)
- Executive Summary (2~3 pages)
- Introduction and Background (1~2 pages)
- Description on AMBIF (30~40 pages) including:
  - Key findings on the flows
  - Key findings of Fit and Gap analysis
  - Observations and policy implications
  - Recommendations for next phase
  - Roadmap
- Conclusion (1~2 pages)
- Appendix (no page limits)
  - Details of SF2 findings including charts and diagrams
Thank You

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

For further information
Dr. Seung Jae Lee, Advisor: sjlee@adb.org
Mr. Shinji Kawai, Senior Financial Sector Specialist: skawai@adb.org