ADB

ASIAN BOND MARKETS INITIATIVE
ASEAN+3 Bond Market Forum (ABMF)

21st ASEAN+3 Bond Market Forum (ABMF) Meeting

Auditorium A, B & C, HQ Asian Development Bank HQ
Manila, Philippines / 25-26 January 2016

TIME	PROGRAM
	Sub-Forum 1 (SF1 Session) – 25 January 2016
09:00 - 09:30	*Registration*
09:30 – 09:40	**Opening Remarks** by Mr. Koji Ito, SF1 Chair

09:40 – 10:30	**Session 1: Review of ABMF SF1 Activities** by Mr. Satoru Yamadera, ADB Secretariat
	- *Work done and achievements so far*
	- *Update on SF1 Working Groups:*
	  - *WG on Information Platform (WG-IP)*
	  - *Brief update on Asian Bond Pricing International Seminar by CCDC*
	  - *WG on Cross-Border Collateral and Repo (WG-CBCR)*
	- *Q&A*

10:30 – 11:00	**Session 2: ABMF Bond Market Guides 2016** by Mr. Matthias Schmidt, ADB Consultant - *Brief update on status* - *Demonstration of key improvements* - *Opportunity for members to relate latest market developments* - *Q&A*
11:00 – 11:15	*Coffee Break (outside Auditorium ABC)*
11:15 – 12:30	**Session 3: Update on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)** by Mr. Satoru Yamadera, and Prof. Shigehito Inukai, ADB Consultant - *Review of AMBIF pilot issue in Thailand* - *Lessons from pilot issue for SF1* - *Brief Member updates on AMBIF progress in Indonesia, Korea, Viet Nam* - *Progress of Single Submission Form and Implementation Guidelines* - *Continuous efforts and next steps for AMBIF* - *Q&A*
12:30 – 13:30	*Lunch (Executive Dining Room Coffee Lounge, 2nd Floor)*
13:30 – 14:00	**Session 4: ABMI Discussion and Next Steps for SF1** by Mr. Satoru Yamadera, ADB Secretariat - *Update from ABMI Task Force and key messages* - *Focus for SF1 as a result of ABMI and AMBIF* - *Q&A*
14:00 – 14:30	**Session 5: Work Plan for SF1 in 2016 and Next Steps for ABMF** by Mr. Satoru Yamadera, ADB Secretariat - *Proposed meeting schedule and output* - *ABMI and ABMF activities for 2016* - *Q&A*
14:30 – 14:45	**Wrap up** by Mr. Satoru Yamadera, ADB Secretariat - *Includes opportunity for final Q&A session*
14:45 – 15:00	**Closing remarks** by Mr. Koji Ito, SF1 Chair

TIME	PROGRAM
15:00 – 17:30	**Opportunity for individual meetings** Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants
17:30 – 19:00	*Cocktails (Central Courtyard (back-up Audi-zone Gallery), 1st Floor)*
	Sub-Forum 2 (SF2 Session) – 26 January 2016
09:00 – 09:30	*Registration*
09:30 – 09:40	**Opening Remarks** *by Mr. Jong Hyung Lee, SF2 Chair*
09:40 – 10:20	**Session 1: Recap of SF2 discussion** *by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat* - *Progress to date* - *ISO and regional discussion*
10:20 – 10:50	**Session 2: Recent development on harmonization and standardization in each member and expert** *by Members and Experts* - *Implementation of international standards* - *Any other issues* - *Each national member and/or national expert including international expert is expected to update recent development in 10 minutes*
10:50 – 11:05	*Coffee Break (outside Auditorium ABC)*
11:05 – 12:00	**Session 2: continues**
12:00 – 13:15	*Lunch (Executive Dining Room Coffee Lounge, 2nd Floor)*
13:15 – 14:00	**Session 3: Lessons from the AMBIF pilot issuance** - Issues related with taxation by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat - Presentation by Mr. Yuji Sato, JASDEC
14:00 – 14:30	**Session 4: Tax issues in particular related to interest payment flow including preliminary draft of questionnaire** *by Dr. Taiji Inui, ADB Consultant*
14:30 – 14:45	*Coffee Break (outside Auditorium ABC)*
14:45 – 15:15	**Session 5: Outline of Interim Report to TF3 including draft proposal for phase 4 activities** *by Dr. Taiji Inui, ADB Consultant* - *Proposing preliminary draft of Phase 4 activities including outline of Interim Report to be submitted to the TF3* - *Updating cross-border collateral and repo survey*
15:15 – 15:30	**Wrap up** *by Mr. Satoru Yamadera, ADB Secretariat*
15:30 – 15:40	**Closing remarks** *by Mr. Jong Hyung Lee and Mr. Yuji Sato, SF2 Chairs*
15:40 – 17:30	**Opportunity for individual meetings** Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants

DAY 1
(25 January 2016)

Sub-Forum 1 (SF1) Meeting

Session 1

Session 1: Review of ABMF activities

20th ABMF Meeting

Satoru (Tomo) Yamadera,
Principal Financial Sector Specialist,
SDCC, ADB

Progresses to date

- ASEAN+3 Bond Market Forum (ABMF) reports published.
  - Implementation of the ASEAN+3 Multi-Currency Bond Issuance Framework: ASEAN+3 Bond Market Forum Sub-Forum 1 Phase 3 Report

    http://www.adb.org/publications/implementation-ambif-asean3-bond-market-forum-sf1-p3
  - Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3: ASEAN+3 Bond Market Forum Sub-Forum 2 Phase 3 Report

    http://www.adb.org/publications/harmonization-and-standardization-bond-market-infrastructures-asean3

Progresses to date (2)

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- AMBIF first pilot issue
  - Mizuho bank issued THB 3 Billion on 28 Sept
- Implementation of ISO standards
  - BOJ launched the New BOJ-Net in Oct 2015

Progresses to date (3)

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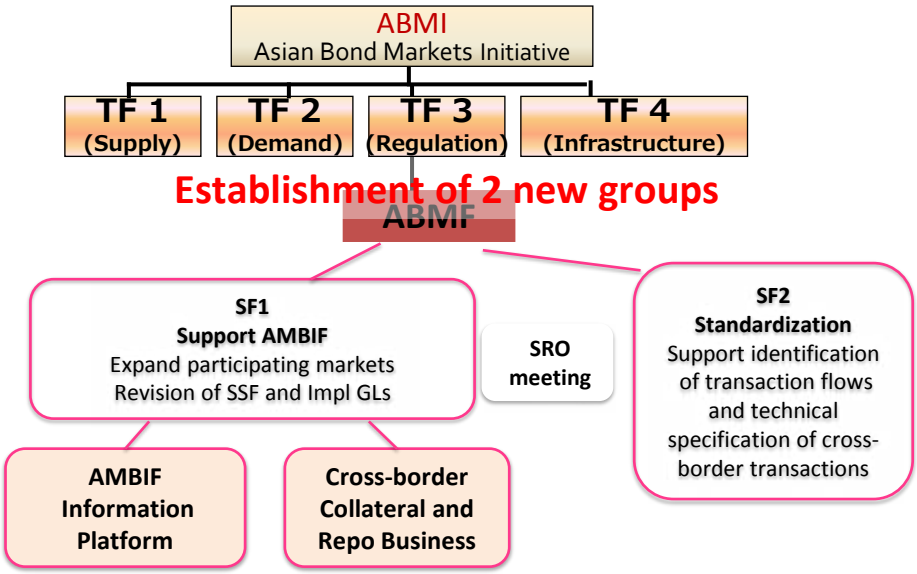

WG-IP

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WG on AMBIF Information Platform

- Objective

  1-1. Discuss how information technology can support AMBIF bond issuance and trading

  1-2. Discuss possible technological solution to support AMBIF bond issuance and trading

  1-3. Identify necessary technical specifications to be considered in case a common information platform is considered, and/or in case the exchange of information between individual information platforms is considered

  1-4. Propose steps to be considered in case a common information platform and or the connection of individual information platforms shall be implemented in the future

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WG members

Securities and Exchange Commission of Cambodia (SECC)	Ministry of Strategy and Finance, Korea
China Central Depository & Clearing Co., Ltd. (CCDC)	The Ministry of Finance, Lao PDR
National Association of Financial Market Institutional Investors (NAFMII)	Bond Pricing Agency Malaysia
Clearstream Banking S.A	Bloomberg Philippines
Euroclear Bank	PDS GROUP
State Street Asia Limited	Strate Street Global Advisors
Bank of Japan	Citibank NA
Bank of communications Seoul Branch	SWIFT
KIS PRICING, INC	Bank of Thailand
Korea Exchange	Securities and Exchange Commission - Thailand
Korea Securities Depository (KSD)	Thai Bond Market Association (ThaiBMA)
KOSCOM	Hanoi Stock Exchange

Original workplan

17 August
ABMF meeting at which the TOR of the WG will be reported
Aug-Oct
Brainstorming among WG members to discuss how IT can support AMBIF
Sharing info on the current regulatory framework of AMBIF participating countries.
Building consensus what is necessary to support the initial stage of AMBIF
Agreeing on a broad picture and deliverables by May 2016

16 Oct
ABMF meeting at which idea of possible deliverable will be reported and agreed.
27-28 Oct
ABMI TF meeting
Nov-Dec
Technical work based on the agreement among the WG members
Jan 2016
ABMF meeting at which the deliverable will be reported
March 2016
ABMI TF meeting
May 2016
ASEAN+3 Finance Ministers and Central Bank Governors Meeting
June-Dec 2016
Additional work such as identifying technical specifications and roadmap to be considered in line with the development of AMBIF. The work of the WG for this stage is expected to be completed by the end of 2016.

Outcome of the WG-IP discussion

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- We can consider a stepwise approach, given limited time and divergence among the markets in the region.
- We can start from a small initial step. But in the future we may be able to consider developing a platform which connects all markets in the region.

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WG-IP steps

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Step 1: Find out an entity in each market to form a network of information platforms

Step 2: Obtain all inputs, decide on direction

Step 3: Appoint project leader, have a standard MoU for content share, and appoint technical reps in each participating entity

Step 4: agree on a common "AMBIF page", design and develop

Step 5: link up all the pages, go-live, promotion and publicity etc

Step 6: Continuous enhancements and improvements as market evolves.

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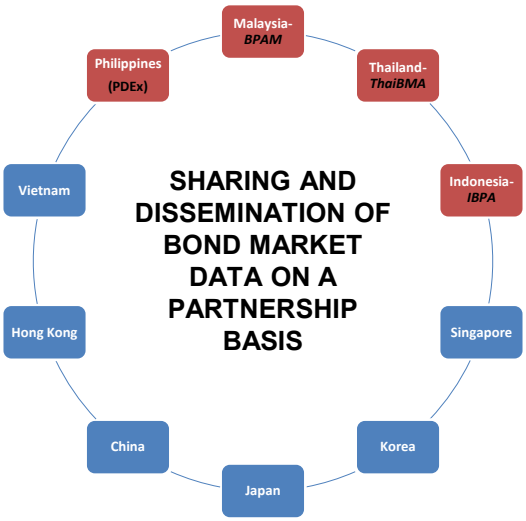
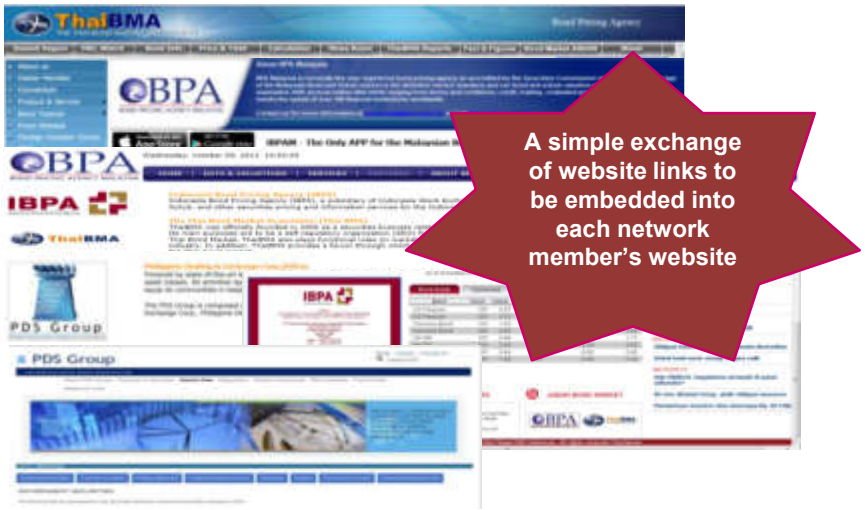
ASEAN+3 Bond Information Network



OBJECTIVE
Build awareness on Asian currency bond across the region
To support and educate the public on the nature of regional bond markets
To promote cross border issuance, trading and investment in ASEAN +3 fixed income markets
To promote the respective bond markets
Build the profile of each organization in neighboring markets

ASEAN+3 Bond Information Network

Sample of ASEAN+3 Collaboration with IBPA, ThaiBMA & PDEx



List of information to be exchanged

ADB

Data
Daily data
Price of government bond
Price of corporate bond
Government bond index
Corporate bond index
Occasional data
Rating actions (upgrade/downgrade)
New bond issuance
Market research and commentaries
AMBIF related announcement
AMBIF bond prospectus

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List of potential information providers

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	Data providers in each economy
BN	
CN	CCDC
HK	
KH	
ID	IBPA
JP	JSDA(?) TSE (?)
KR	KOSCOM
LA	
MN	
MY	BPAM
PH	PDEx
SG	SGX(?)
TH	ThaiBMA
VN	HNX

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BPA
BOND PRICING AGENCY MALAYSIA

THIS MEMORANDUM OF UNDERSTANDING (hereinafter referred to as the **"MOU"**) is made and entered into on this **[date],** by and between:

1. **[Party 1]**, a limited liability company established and existing under the laws of the *[Country of Party 1*], having its registered office at **[address]** (hereinafter referred to as ***"[Party 1]")*** of the one part

AND

2. **BOND PRICING AGENCY MALAYSIA Sdn Bhd (Company No.667403-U)**,a company incorporated in Malaysia under the Companies Act 1965, whose principal place of business is at No.17-8 & 19-8, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia (hereinafter referred to as "**BPAM**") ; and

[Party 1] and **BPAM** collectively referred to as the **"Parties"**, individually referred to as the **"Party"**.

WHEREAS

The Parties wish to provide a mechanism for a long term co-operation to facilitate the development of channels of communication and to foster a continuing relationship between the Parties for the respective benefit of the financial services industry in Malaysia and *[Country of Party 1*], and to assist in the maintenance of orderly markets in securities in each state, and accordingly have reached the following understanding.

The Parties, believing that international cooperation between the Parties can facilitate the development of both securities markets ("Markets") and sharing the goal of protecting investors and fostering fair, transparent, orderly and efficient Markets, have reached an agreement on mutual cooperation and business collaboration that may include but are not limited to, the following:

(a) BPAM, a bond pricing agency, is principally engaged in providing bond pricing and bond information services for the Malaysian bond market;

(b) [Party 1's description – nature of business]

(c) The Parties have had several meetings and exploratory discussions on their respective businesses and have identified and agreed in principle the areas in which cooperation and information exchange between the Parties will be mutually beneficial.

(d) The Parties now wish to enter into this Memorandum of Understanding (hereafter referred to as 'MOU') to define their respective roles and responsibilities and the parameters for the content exchange between the Parties.

Now, therefore, the Parties agree as follows:

1. Responsibilities under this MOU

(a) The parties agree to provide the Contents as described in clause 2 and 3 below.

2. "Contents" to be provided by BPAM:

BPAM agrees that in consideration for the Contents to be provided by [*Party 1],* as listed in Clause 3 below, BPAM shall provide *[Party 1]* with the following:

(a) BPAM's microsite links to *[Party 1]* website; (This microsite link shall be placed on *[Party 1]*'s website)

(b) Logo and write up on BPAM for posting on *[Party 1]* website;

(c) Appropriate credits and publicity to BPAM where relevant;

3. "Contents" to be provided by *[Party 1]:*

[Party 1] agrees that in consideration for the Contents to be provided by BPAM, as listed in Clause 2 above, *[Party 1]* shall provide BPAM with the following:

(a) *[Party 1]'s* microsite links to BPAM website; (This microsite link shall be placed on BPAM's website)

(b) Logo and write up on *[Party 1]* for posting on BPAM website;

(c) Appropriate credits and publicity to *[Party 1]* where relevant;

4. Non-Exclusivity

(a) The Parties agree that nothing in this MOU shall be deemed to constitute a partnership between the Parties nor will anything be construed as creating any exclusive relationship between the Parties.

(b) BPAM and *[Party 1],* at all times reserve the right to comment and provide reports on the bond market to any other third party from time to time.

5. Detail and Specifics

The details of this MOU and/or terms and conditions of the specific arrangements between the Parties shall be specified in a Content Specification Document. This Content Specification Document shall be mutually agreed to in writting prior to the execution of this MOU and shall at all times be read togather with this MOU.

6. Confidentiality

(a) The Parties shall at all times preserve the confidentially of any data and information received in relation to this MOU whether oral, written or in model form made available by the supplying Party, which shall include but not limited to business and market information, trade secret, inventions, proprietary information, know-how, show-how, confidential technology, plans and any such other information in relation to this MOU and the supplying Party. Any such data and information supplied by the supplying Party shall be deemed as Confidential Information.

(b) The Parties hereby acknowledge and agree that all Confidential Information and all other documents, papers and property which may have been made or prepared by the supplying Party for the receiving party ("Receiving Party") is and shall remain the property of supplying Party.

(c) Each Party agrees that there will be no disclosure of any such Confidential Information to any third party without the prior written consent of the supplying Party.

(d) The Parties agree that its officers, employees, staff or any member of Parties's Access to the Confidential Information shall be on a need to know basis only.

7. Contact

Each Party shall from time to time appoint a contact to be responsible for facilitating and coordinating co-operation between the Parties. The principal point of contact for the Parties shall be:

For [Party 1]	:	Mr. _____, (_____), or his designee
For BPAM	:	Mr. Meor Amri Meor Ayob, Chief Executive Officer, or his designee

8. Duration of this MOU

This MOU is drawn up in 2 (two) original copies and has the same legal force after duly signed by authorized representatives of each Party. This MOU shall be effective for a period of one (1) year from the date of this MOU and shall be automatically renewed for successive 1 year periods, unless either party elects not to renew by giving not less than 30 days' prior written notice before the expiry of the MOU, to the other party. This MOU may be reviewed and periodically amended at any time by mutual written consent of the respective Parties.

In Witness Whereof, the Parties by and through its duly authorized representatives agree on this [date] day of [date] to subscribe to the provisions of this MOU.

Signed by and on behalf of

[Party 1]	**BOND PRICING AGENCY MALAYSIA SDN BHD**
[Name] *[Designation]*	**Meor Amri Meor Ayob** *Chief Executive Officer*

CONTENT SPECIFICATION DOCUMENT

Bond Pricing Agency Malaysia

And

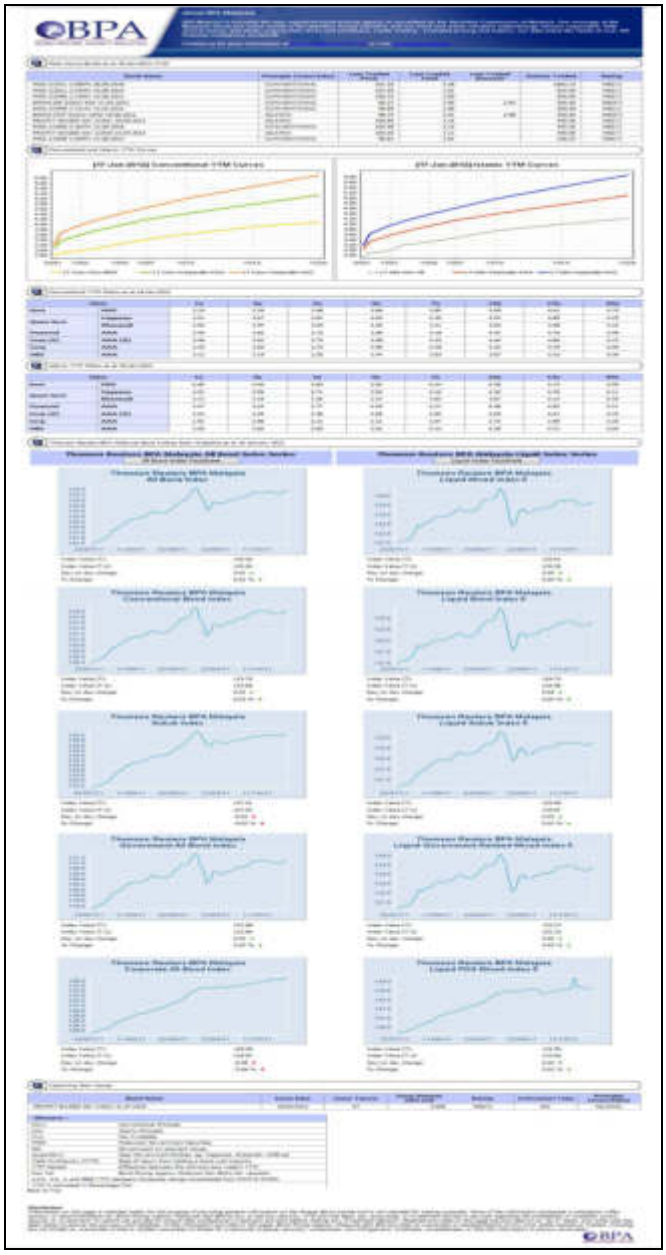
[PARTY 1]

[Party 1 to provide logo]

This document is to be read in line with the Memorandum of Understanding (hereinafter referred to as the "MOU") made and entered into on [date], by and between [Party 1] **and Bond Pricing Agency Malaysia Sdn Bhd ('BPAM').**

The Content provided by [Party 1] and BPAM as refer to Clause 2 and 3 in the MOU are as per the specification below:

1.) Specification and Sample Content from BPAM



2.) Specification and Sample Content from [Party 1]

[to be provided by [Party 1]]

WG – CBCR Discussion framework and key steps

25.Jan.2016

Satoru Yamadera and Taiji Inui, ADB Secretariat team

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II. Outline of the survey

- Steps of the study: how to proceed
- Conceptual understanding of collateral and repo business
- Approach to understand the current status and business needs

III. Tentative outcome of the survey

IV. Next steps

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I. Activities up to now

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TOR of the WG-CBCR

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I. Objective

The Working Group on Cross-Border Collateral and Repo shall:

1-1. Identify the current status of cross-border collateral, repo, and securities lending business in ASEAN+3. The result will be reported to the ASEAN+3 Bond Market Forum (ABMF).

1-2. Identify impediments for cross-border collateral, repo, and securities lending business, which has not been identified in the existing studies.

1-3. Find out potential business cases if cross-border collateral, repo, and securities lending are made possible or easier. This may need to consider impact of recent regulatory changes such as OTC derivatives and liquidity management.

1-4. Recommend a preferable approach to enable cross-border collateral and repo in the region more easily, and provide necessary regulatory consideration to ABMF in relation with bond market developments and intra-regional cross-border transactions.

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List of the members

1	Securities and Exchange Commission of Cambodia (SECC)	14	Bank of communications Seoul Branch
2	China Central Depository & Clearing Co., Ltd. (CCDC)	15	Korea Exchange
3	National Association of Financial Market Institutional Investors (NAFMII)	16	Korea Securities Depository (KSD)
4	Citibank NA	17	Ministry of Strategy and Finance, Korea
5	Clearstream Banking S.A	18	CIMB Investment Bank
6	Deutsche Bank A.G. Hong Kong Branch	19	Murex
7	PWC consulting Hong Kong	20	PDS GROUP
8	Euroclear Bank	21	Securities and Exchange Commission of the Philippines
9	JPMorgan Chase Bank N.A.	22	ING
10	State Street Asia Limited	23	SWIFT
11	Deloitte Touche Tomatsu	24	Bank of Thailand
12	Mizuho Bank, Ltd.	25	Hanoi Stock Exchange
13	Sumitomo Mitsui Banking Corporation	26	Vietnam Securities Depository

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Original workplan

August

First WG conference call

17 August ABMF meeting at which the TOR of the WG will be reported

Aug-Oct

Discuss and agree on a preferable approach to identify the current status and potential business cases

16 Oct

ABMF meeting at which the progress of discussion will be reported

27-28 Oct

ABMI TF meeting

Jan 2016

ABMF meeting at which the progress of discussion will be reported

March 2016

ABMI TF meeting

May 2016

ASEAN+3 Finance Ministers and Central Bank Governors Meeting

June-Dec 2016

Additional study will be conducted if necessary. The work of the WG is expected to be completed by the end of 2016.

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II. Outline of the survey

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Objectives of the WG- CBCR survey

We have three objectives:

1. Understanding the current status of cross-border bond transactions, focusing on collateral, repo and securities lending.

2. Understanding business needs of CBCR and find out potential business cases, together with identification of business flows to realize the needs

3. Identify barriers and impediments to realize the business cases and flows.

The survey was sent to the members on 13 Nov 2015

Steps of the survey: how to proceed

The survey was planned to be conducted in the 3 steps;

<Step1> Identify the current market status and extracting Business needs

- Survey will be conducted in the following ways;
  1. Map existing information to understand the current status.
  2. Preliminary questions will be sent to the WG members. If necessary, questions will be sent to wider market participants.
  3. Extract potential needs of CBCR from the survey. The needs can be a wish list of market participants.

<Step2> Defining the business flow

- Based on the needs, business flows to realize the needs will be identified.
- The flows may face various regulatory barriers. These will be identified in detail.
- We will consider CCBM and PVP as models of trading.

<Step3> Definition of the task to realize the flows and mitigating barriers

- Based on the flow, how to tackle the barriers will be considered. Some barriers may be technical and procedural while the other may be linked with policies.
- Merits and demerits of maintaining the barriers will be examined.

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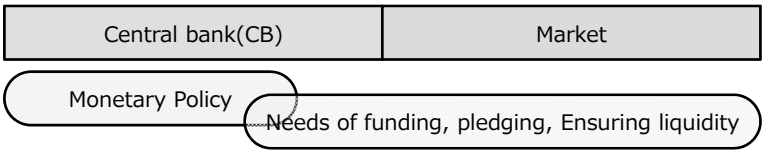
Conceptual understanding collateral and repo business

There are two major parties in collateral and repo transactions:
One is central banks (CBs) and the other is market players.

Transactions are categorized based on objectives and counterparties.
Transactions are made on various objectives, i.e., funding, pledging and ensuring liquidities.



	CB	Market
Monetary Policy	・Repo and loan as open-market operations	
Funding Pledging Ensuring liquidity	・overdraft or Lombard loan ・regulatory required ・・Securities Lending Facility	・Repo (GC) ・pledged collateral (e.g.,CCP) ・Repo (SC)

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Approach to identify current status of the market and business needs

	CB	Market
Monetary Policy	・Repo as Open-market operations ・Loan with pledged collateral	
Funding Pledging Ensuring liquidity	・overdraft or Lombard loan ・regulatory required ・・Securities Lending Facility	・Repo (GC) ・pledged collateral (e.g.,CCP) ・Repo (SC)

AS WG-CBCR focuses on cross-border, we will focus on market transactions first since transactions with CB are normally confined by its jurisdiction.

- We collect information on the cases where foreign currencies and foreign securities are used in these transaction types, funding, pledging, and special repo.

(Request to the members)

Please check the conceptual framework above.

- Is categorization of transaction type agreeable?
- Is there any transaction missing from the table?
- Is there any angle to be added.

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Questions on cross border collateral and repo business - identification of current business – (image)

No.	Type of transaction currently done Please add if there is a different type	Currency paid (USD, JPY, CNH, HKD, etc)	Currency received	Market where a transaction is initiated	Market where a counterparty is	Market where the transaction is booked	Which bonds? (UST, JGB, KTB, corporate, international, etc)	Trade volume (per month) / amount(monthly average)	Characteristics of transactions such as purpose of the transaction, seasonality (for example, weekly pattern or monthly pattern), other information	the explanation of transaction
	1.Cash collateral									
	2.Bond collateral									
	3.Repo for funding									
	4.Reverse repo									
	5.Securities lending									

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Questions on cross border collateral and repo business - identification of future business - (image)

No.	Type of transaction currently done Please add if there is a different type	Currency paid (USD, JPY, CNH, HKD, etc)	Currency received	Market where a transaction is initiated	Market where a counterparty is	Market where the transaction is booked	Which bonds? (UST, JGB, KTB, corporate, international, etc)	Trade volume (per month) / amount(monthly avarage)	Characteristics of transactions such as purpose of the transaction, seasonality (for example, weekly pattern or monthly pattern), other information	the explanation of transaction
	1.Cash collateral									
	2.Bond collateral									
	3.Repo for funding									
	4.Reverse repo									
	5.Securities lending									

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III. Tentative outcome of the study

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Outcome of "STEP2"

<Step2> Defining the business flow

- **We are now trying to visualize current and future cross-border collateral and repo business flow to understand current status and transaction.**
- **At first, We made current transaction flows in each business cases(Cash collateral, Bond collateral, Repo for funding, Reverse repo, Securities lending) which are given as examples on the survey sent to members in November.**
- **We consider it is a point to make each flow that we should specify and embody "relative institutions in a series of transaction", "main messages"(except simple notice messages), "changed or updated accounts".**
- **From next slides, we show draft proposals of the flow which we made.**

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<STEP2>Visualization of current collateral and repo business 1-1.Cash collateral(1/2)

- **Outline**

Japanese bank A(head office) collateralizes USD as a forward margin after receiving notice from CCP at U.S.A.

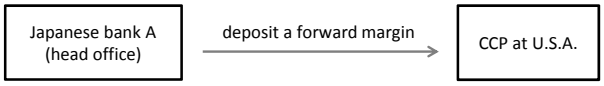
- **Requirement**

1.Japanese bank A has become a participant of the CCP.

- **Purpose & characteristics**

FICC demands to deposit a forward margin to participants, because of avoiding a risk of bond value change from starting settlement guarantee until settlement date.

Logical model



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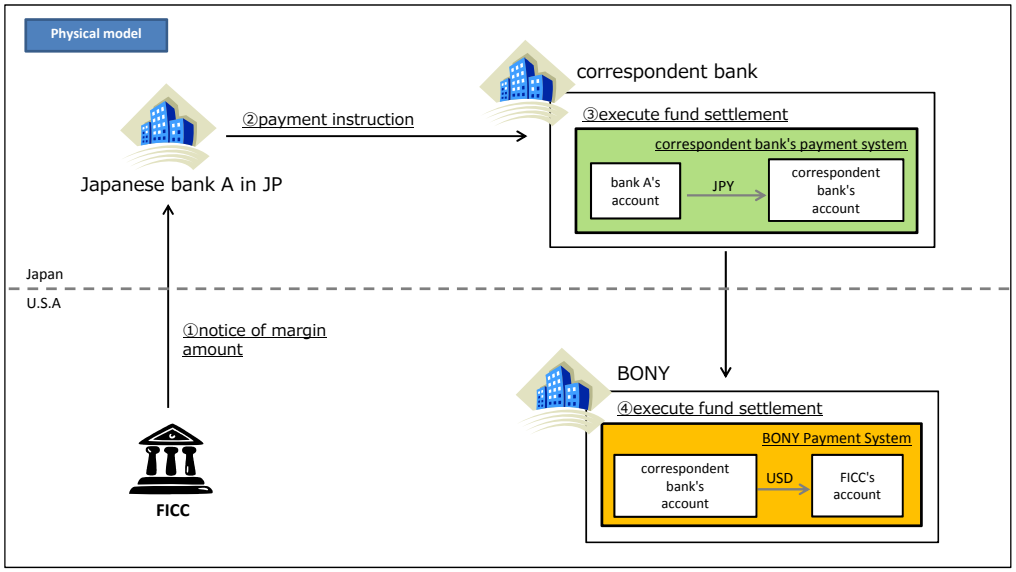
<STEP2>Visualization of current collateral and repo business 1-1.Cash collateral(2/2)



Note: Since FICC can not have an account in Fed, FICC assigns Bank of New York Mellon and JP Morgan Chase (they have accounts in Fed) as the clearing bank.

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<STEP2>Visualization of current collateral and repo business 1-2.Cash collateral(1/2)

- **Outline**

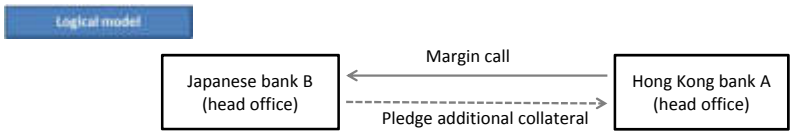
Japanese bank B (head office) is demanded collateral of HKD for margin call from Hong Kong bank A.

- **Requirement**

1. Japanese bank B(head office) and Hong Kong bank A(head office) are engaging in tri-party repo inner Euroclear.
2. As a result of a marking to market, the bond value declines and Japanese bank B pledges additional collateral to Hong Kong bank A.

- **Purpose & characteristics**

Euroclear has a custodian's function that is the management of repo transaction.(e.g. margin calls, hair cuts, setting current market price)



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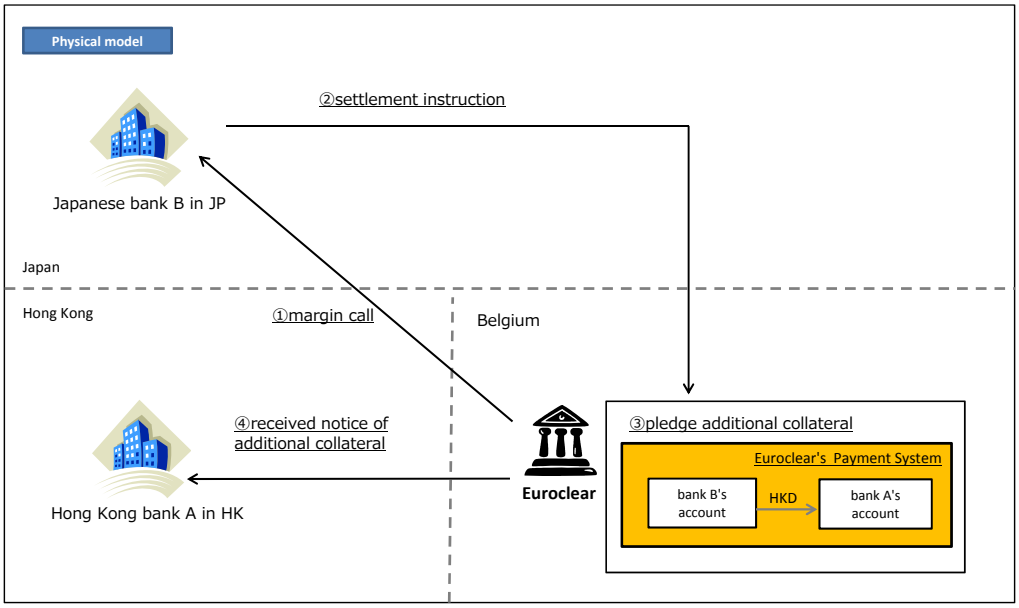
<STEP2>Visualization of current collateral and repo business 1-2.Cash collateral(2/2)



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<STEP2>Visualization of current collateral and repo business 2-1.Bond collateral(1/2)

- **Outline**

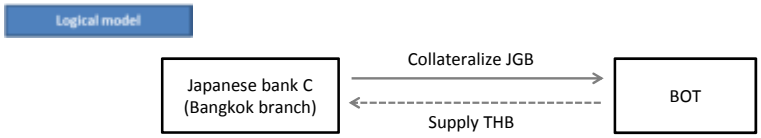
Japanese bank C(Bangkok branch) is supplied with THB from BOT via BOJ by collateralizing JGB.

- **Requirement**

1. BOJ corresponds as BOT's custodian by operation without opening BOT's account in BOJ-NET system.
2. BOT permits JGB as a eligible collateral.
3. Japanese bank C(Bangkok branch) has an account in BAHT-NET system.

- **Purpose & characteristics**

Financial institutions can get an additional channel which they can receive the money supply from BOT even if the local financial market falls into an unstable situation.



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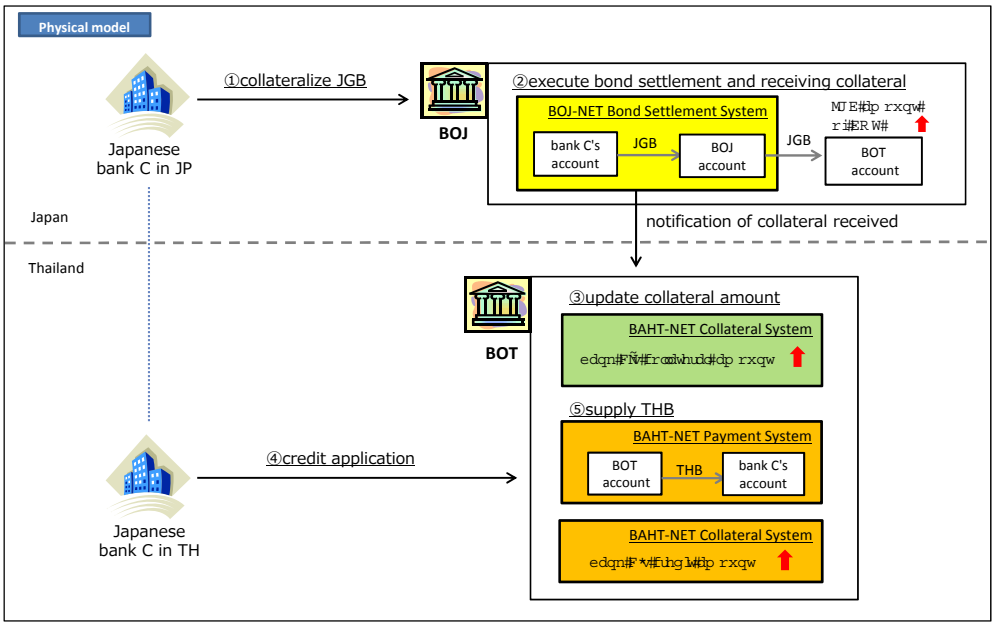
<STEP2>Visualization of current collateral and repo business 2-1.Bond collateral(2/2)



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<STEP2>Visualization of current collateral and repo business 2-2.Bond collateral(1/2)

- **Outline**

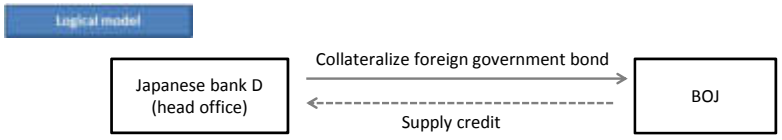
Japanese bank D(head office) is provided a loan from BOJ by collateralizing foreign government bond.(e.g. UST)

- **Requirement**

1. Bank D is a FED's indirect participant.

- **Purpose & characteristics**

To improve monetary control more smoothly and collateral treatment more efficiently in response to a situation of the financial market.



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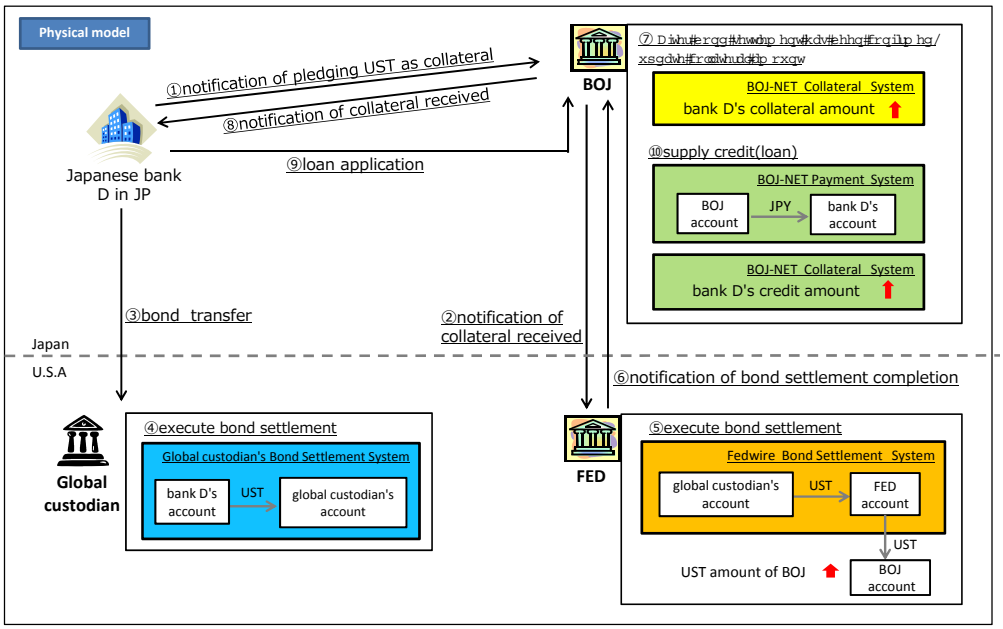
<STEP2>Visualization of current collateral and repo business 2-2.Bond collateral(2/2)



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<STEP2>Visualization of current collateral and repo business 3-1.Repo for funding(1/2)

- **Outline**

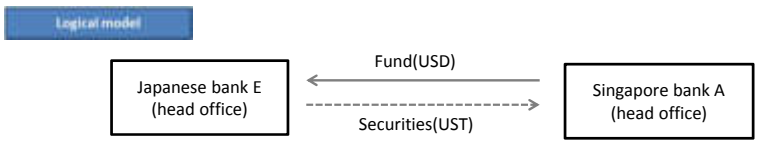
Japanese bank E(head office) receives USD from Singapore bank A(head office) by UST.

- **Requirement**

1. Japanese bank E and Singapore bank A trade in a tri-party repo.
2. The UST that is a target of transaction is managed in Fed, and the transaction involves securities transfers from Fed to a global custodian.
3. Japanese bank E(NY branch)and Singapore bank A(head office) have account in the same global custodian.

- **Purpose & characteristics**

To get USD



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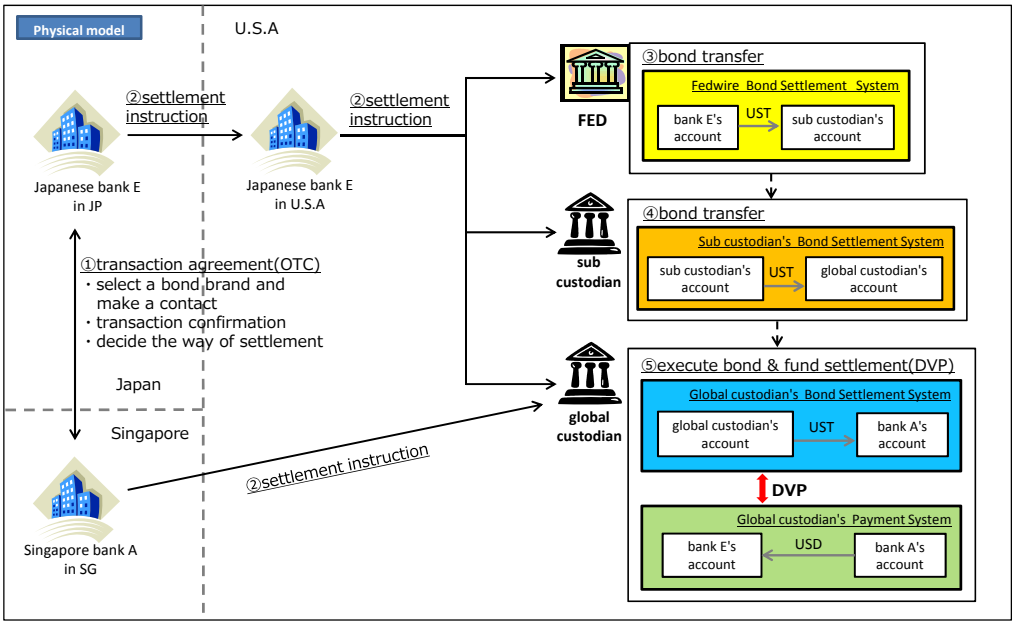
<STEP2>Visualization of current collateral and repo business 3-1.Repo for funding (2/2)



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<STEP2>Visualization of current collateral and repo business 3-2.Repo for funding(1/2)

- **Outline**

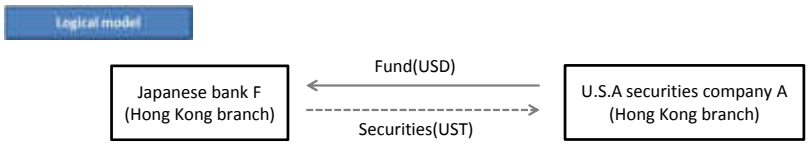
Japanese bank F(Hong Kong branch) receives USD from U.S.A securities company A(Hong Kong branch) by UST.

- **Requirement**

Japanese bank F and U.S.A securities company A are participants of CMU and USD-CHATS.

- **Purpose & characteristics**

To get USD.



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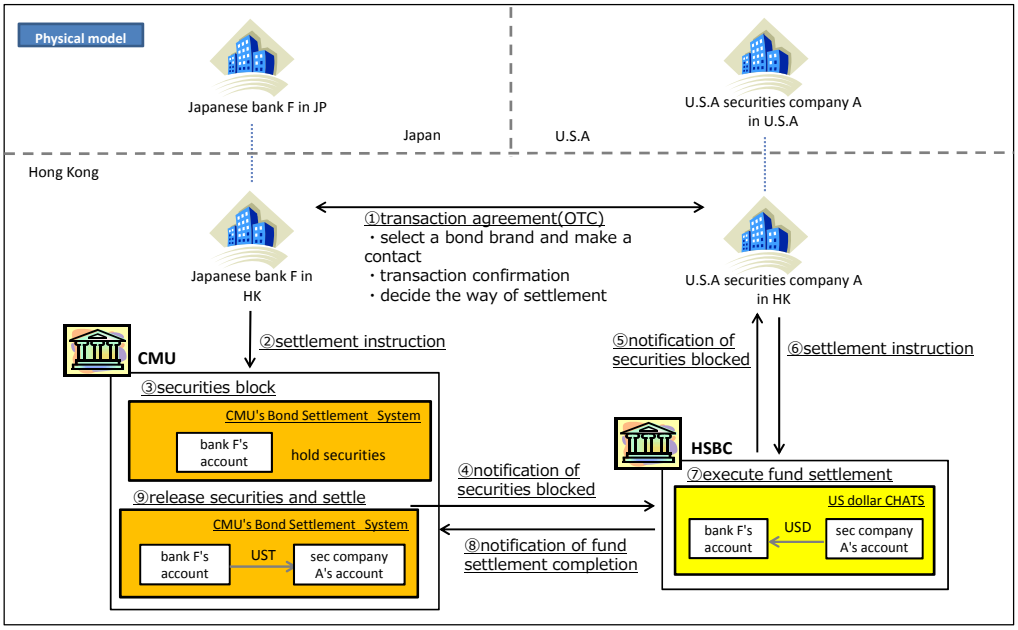
<STEP2>Visualization of current collateral and repo business 3-2.Repo for funding (2/2)



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<STEP2>Visualization of current collateral and repo business 4-1.Reverse repo(1/2)

- **Outline**

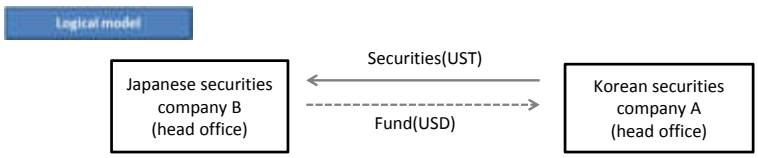
Japanese securities company B receives UST from Korean securities company A at their global custodian accounts by USD.

- **Requirement**

1. Japanese securities company B and Korean securities company A trade in a tri-party repo.
2. The UST that is a target of transaction is managed in Fed, and the transaction involves securities transfers from Fed to a global custodian.
3. Korean securities company A(NY branch) and Japanese securities company B(head office) have account in the same global custodian.

- **Purpose & characteristics**

To get UST



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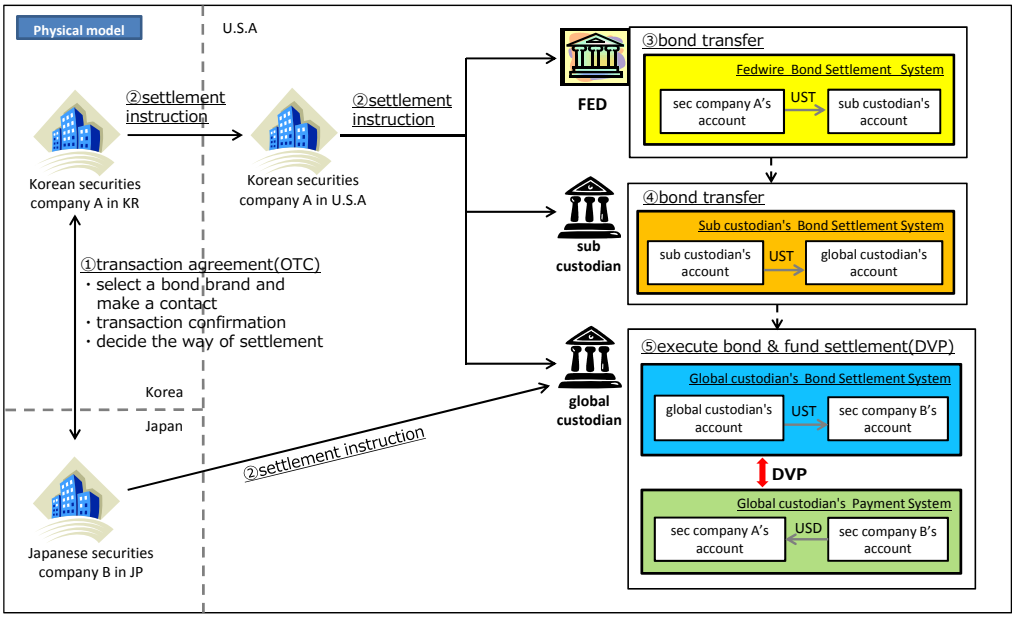
<STEP2>Visualization of current collateral and repo business 4-1.Reverse repo (2/2)



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<STEP2>Visualization of current collateral and repo business 4-2.Reverse repo(1/3)

- **Outline**

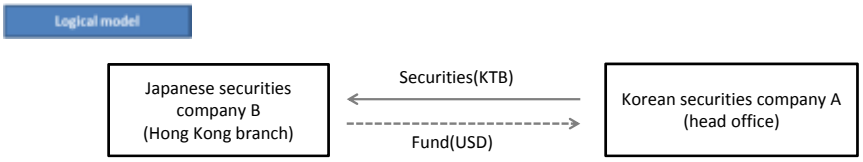
Japanese securities company B (Hong Kong branch) which is participant of CMU receives KTB from Korean securities company A by USD.

- **Requirement**

Japanese securities company B(Hong Kong branch) and Korean securities company A(head office) are participants of USD-CHATS.

- **Purpose & characteristics**

To get KTB.



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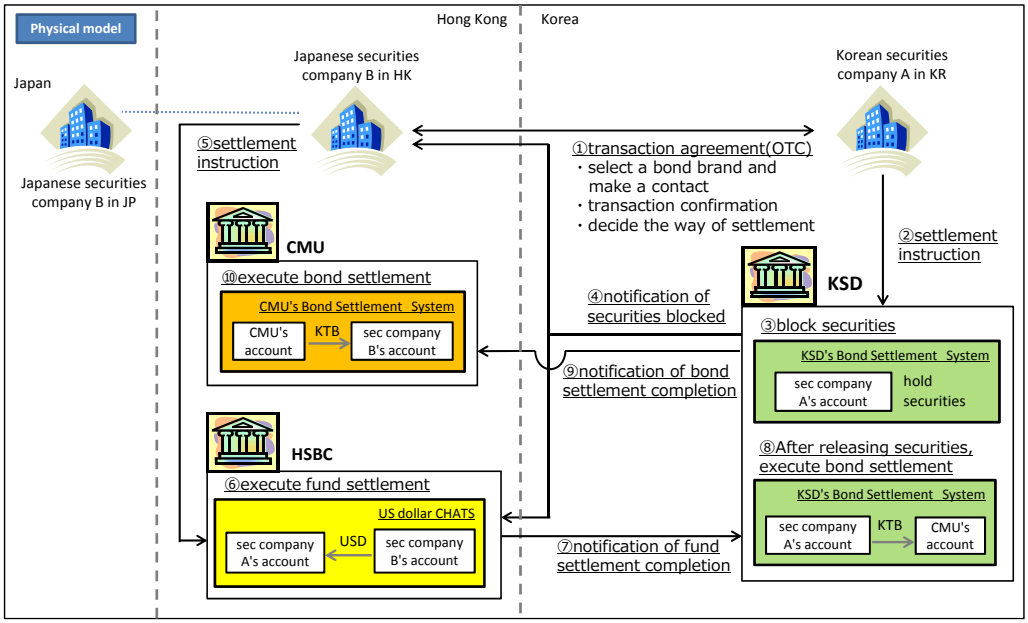
<STEP2>Visualization of current collateral and repo business 4-2.Reverse repo(2/3)



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<STEP2>Visualization of current collateral and repo business 4-2.Reverse repo(3/3)

- **QA**

1. After fund settlement(⑥), Is it tolerated that securities company B takes a risk exposure one-sidedly until the completion of executing bond settlement(⑩)?

2. From documents published by HKMA, we only find the fact that there is a link between HKMA and KSD. But we couldn't find any information about a way of link. In addition, we couldn't confirm whether CMU is KSD's participant although KSD is a CMU's participant. Is it possible that CMU has its account in KSD's system?

3. In this flow, KSD and CMU realize cross-border CSD linkage and exchange ⑨ message(notification of bond settlement completion) between them. But in fact, we couldn't understand whether this message exchange is possible. If not so, does CMU execute bond settlement(⑩) by confirming an increase in its account in KSD?

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<STEP2>Visualization of current collateral and repo business 5-1.Securities lending(1/2)

- **Outline**

Japanese securities company C borrows UST for securities settlement from a global custodian/ICSD.

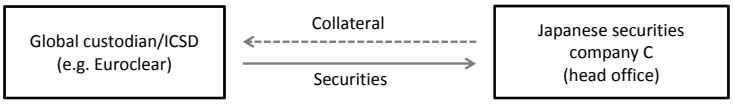
- **Requirement**

1. Japanese securities company C has participated the lending and borrowing of securities program in advance.
2. Japanese securities company C has pledged collateral in advance to participate the program.

- **Purpose & characteristics**

A lender can get securities lending fee safely (and no administrative) and improve yield on investment, a borrower can solve lack of securities to avoid a settlement fail.

Logical model



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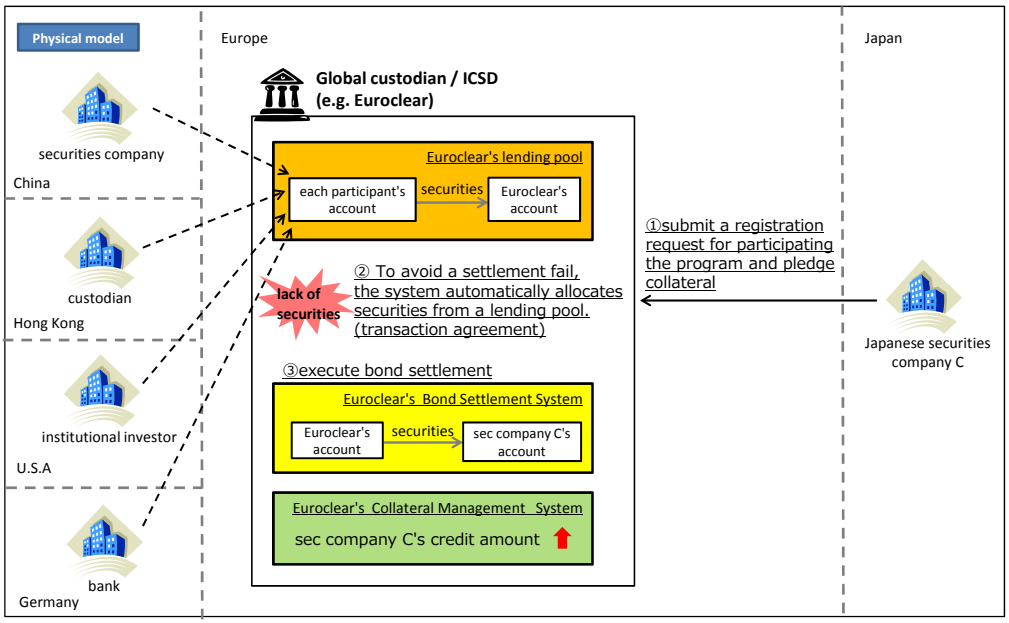
<STEP2>Visualization of current collateral and repo business 5-1.Securities lending (2/2)



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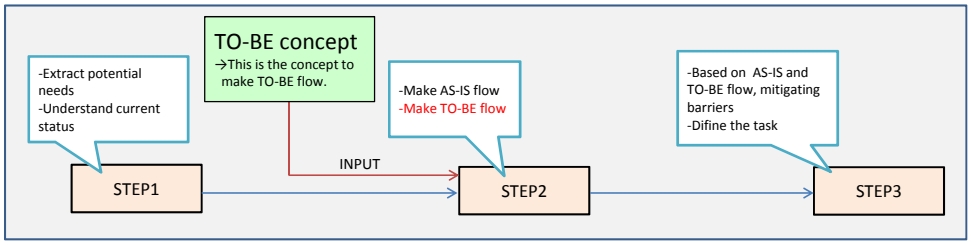
TO-BE Concept

We are planning to think about CBCR's future(TO-BE) flow from now on.
For that, we need to make some process requirements clear against TO-BE flow.



TO-BE concept

1. Open market

-All participants who have trade needs can establish transaction agreements and execute settlement easily.

2. Low cost

-The cost relating to cross-border repo is low.

3. Safe and Efficiency

- To aim high finality settlement and less liquidity by ensuring liquidity.
- Since the implementation of STP leads settlement process efficient, and settlement fail by business operation doesn't occur.

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IV. Next steps

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Next steps

- Review of survey structure
  - Scope of respondents
  - Questions
  - Market visits if necessary
- Find the reasons behind lack of transactions
- Preliminary outline of the report (by March 2016)

Feedbacks from ABMF members are welcome !

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Thank you

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CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD.

Asia Bond Pricing Seminar

Presented By:
Chaoqun Wang
ChinaBond Pricing Center
CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD.(CCDC)

January, 2016

Asia Bond Pricing Seminar

- 14th–15th January 2016, China, initiated by CCDC
- PBOC, MOF, ICBC, CDB

KIS PRICING
ThaiBMA The Thai Bond Market Association
BPA BOND PRICING AGENCY MALAYSIA
IBPA Indonesia Bond Pricing Agency
Interactive Data
Bloomberg
中证指数有限公司 CHINA SECURITIES INDEX CO., LTD
上海清算所 SHANGHAI CLEARING HOUSE
中央国债登记结算有限责任公司 CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD.

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Asia Bond Pricing Seminar

2015.8
- 19th AMBF
- Proposed the seminar

2015.9
- Warmly responded by pricing agencies in WG-IP

2016.1
- Mr. Satoru Yamadera attended the seminar and made keynote addressing

Content of Asia Bond Pricing Seminar

- Market, Product and Service Introduction
- Panel Discussions
  - Impacts of the Third-Party Pricing on Financial Stability
  - Development Environment for Third-Party Pricing
  - Principles and Quality Control of Third-Party Pricing

Outcome of Asia Bond Pricing Seminar

- Third-party pricing plays an important role in financial stability
  - ✓ Improve the transparency of market price, and reduce the asymmetry of make information
  - ✓ Reduce the costs of investment management
    - Bargaining Cost
    - Information-searching Cost
    - Management Cost
  - ✓ Improve the efficiency of asset management

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Outcome of Asia Bond Pricing Seminar

- Competition
  - Competition is a developing trend
  - Benefits from competition
    - ✓ Pricing from different agencies could be compared among each other, which is good for price discovery process
    - ✓ Share pressure from market
    - ✓ Stimulate quality improvement, innovation, and clients' feedback
    - ✓ widely using of third-party pricing application
  - Diversifying products in competition
    - ✓ Bond yield curve, valuation, index
    - ✓ Valuation for other assets
    - ✓ Other product

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Outcome of Asia Bond Pricing Seminar

- Input Data
  - Poor data quality is common in most Asian bond market
    - ✓ Low liquidity
    - ✓ Low information transparency
  - Regulating authorities
    - ✓ execute measures to improve the market liquidity
    - ✓ require higher information transparency in market
    - ✓ Ensure data availability for third-party pricing agencies
  - Pricing agencies
    - ✓ Data filtration and inspection
    - ✓ Model optimization

Outcome of Asia Bond Pricing Seminar

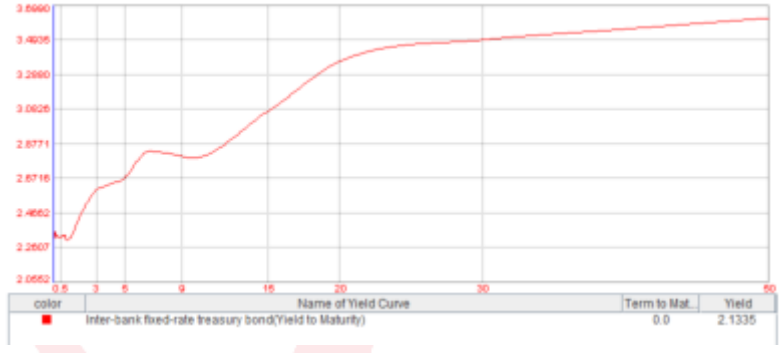
- Standards and Principles of Third-party Pricing
  - ✓ Ensure the **fairness and transparency** of pricing
    - – foundation and key element of third-party valuation
  - ✓ Provide principles for agencies in the industry to follow, avoid vicious competition
  - ✓ improve clients' confidence
  - ✓ Higher standard means higher costs, which is a tradeoff

Outcome of Asia Bond Pricing Seminar

- Cooperation between Asian third-party pricing agencies
  - ✓ BPAM&CCDC: plan to exchange web-links and embed it into respective website/homepage

Outcome of Asia Bond Pricing Seminar

- Cooperation between Asian third-party pricing agencies
  - ✓ ThaiBMA&CCDC: plan to supply ChinaBond treasury yield curve data for Renminbi bonds valuation registered in Thailand bond market



Thanks for your time

Chaoqun Wang
Director of Financial Engineering Department
ChinaBond Pricing Center
Tel：0086-10-88170615
Email: wangcq@chinabond.com.cn

Session 2

V9 19/1/2016

ADB

Session 2 – ABMF Bond Market Guides 2016

21st ABMF Meeting

Prof Shigehito Inukai, Matthias Schmidt
ADB Consultants, ADB Secretariat

Manila, 25 January 2016

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Session 2 Agenda

1. New Focus for 2016
2. BMG Status – For Reference
3. BMG Structure for Reference
4. Illustration of Changes 2012 -> 2016
5. ABMF Member Suggestions
6. Next Steps
7. Questions & Answers

2

1. New Focus for 2016

- Since SF1 Phase 3 Report was issued in August 2015, the ABMF Bond Market Guides will be the significant official output of Sub-Forum 1 for 2016
- Hence, we will need to publish!
- Hence, "ABMF Bond Market Guides 2016"

3

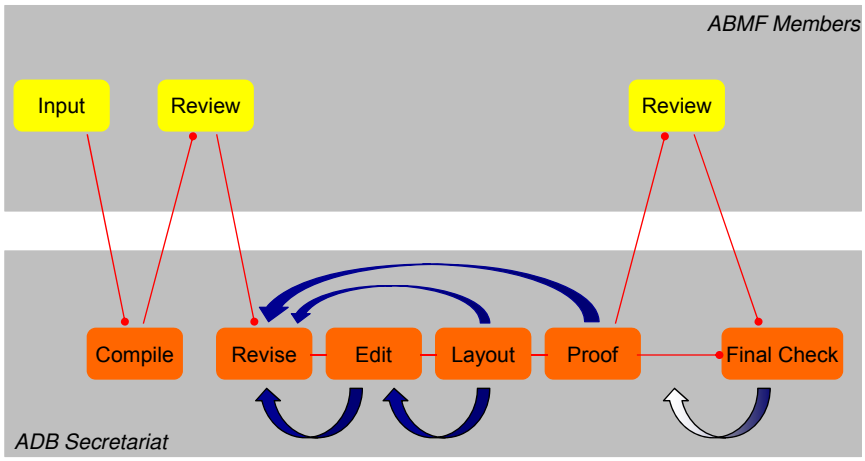
2. BMG Status – For Reference

- Too much to do – too little time!!!

- Most markets at different stages of BMG update work
- Focus on AMBIF Markets – <u>for practical reasons</u>
  - Hong Kong (review complete, revision next)
  - Japan (input doc being finalised, to be edited soon)
  - Malaysia (being edited)
  - Philippines (being compiled)
  - Singapore (pending review)
  - Thailand (being edited)
- Separate meetings around 21st ABMF Meeting to review, obtain additional information, or clarification of subjects

4

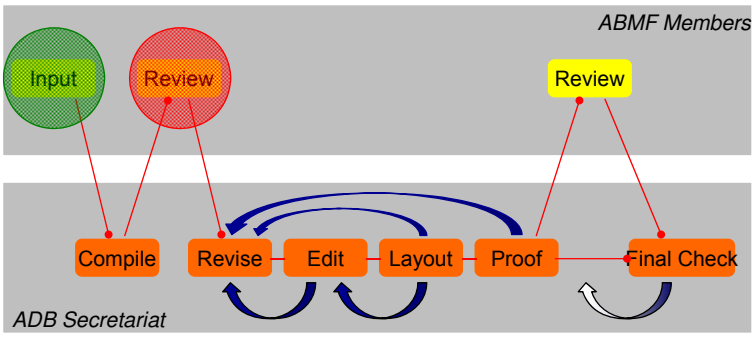
2. BMG Process – For Reference



5

2. BMG Process – Crucial Steps

- ABMF Member Input is necessary and appreciated!
- ABMF Member Review is paramount and time-sensitive!



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3. BMG Structure for Reference

Cover (by Market, individual artwork/photo)
Contents (by Market)
Boxes, Figures and Tables
Foreword [by ADB]
Acknowledgement [for each Market]

I. Introduction
II. Legal and Regulatory Framework
III. Characteristics of the [Market] Bond Market
IV. Trading of Bonds and Notes and Trading Market Infrastructure
V. Description of the Securities Settlement System [reference only]
VI. Bond Market Related Costs and Taxation
VII. Market Size and Statistics [reference only]
VIII. Presence of an Islamic Finance Market
IX. [Market] Bond Market Challenges and Opportunities
X. Recent Developments and Future Direction

Appendix 1: G30 Compliance [for each Market]
Appendix 2: Practical References [for each Market]
Appendix 3: Abbreviations, Acronyms, Exchange Rate, and Technical Terms [for each Market]

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3. BMG TOC (Just for Reference)

Table of Contents

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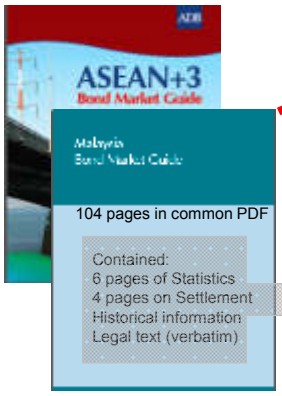
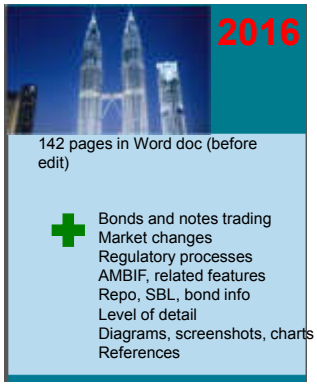
4. Illustration of Changes 2012→2016

Using the Example of the Malaysia Bond Market Guide



2012 Original



2015 Update

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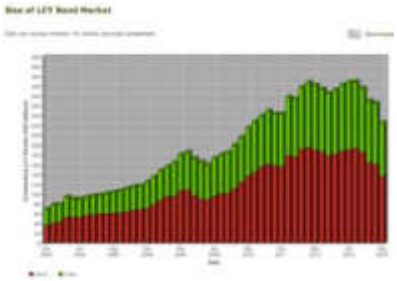
4. Illustration of Changes 2012→2016



Use of AsianBondsOnline charts to illustrate subjects

Use of selected market specific charts, diagrams or screenshots in context (with kind permission)

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5. BMG – ABMF Member Suggestions

- Create 1-page summary 'Fact Sheet' (*mock-up shown*)

2016 Malaysia

T+2

FII ✔

Regulators:
- SC Malaysia
- Bank Negara

Infra
Gov.Bonds = RENTAS
Corp.Bonds= RENTAS
Depository= MyClear
…
Listing = Bursa Malaysia
Profile = Exempt Regime
Pricing = BPAM
…
Market Size MYR 999bn

5. BMG – Fact Sheet Sample

With kind permission from Deutsche Bank AG, Philippines

5. BMG – ABMF Member Suggestions

Proposed information on 'Fact Sheet' could include:

- Investment restrictions
- Regulatory authorities
- Type of issuances
- AMBIF Elements: currency, CSD, profile listing
- Settlement cycle
- Pricing, rating infrastructure information
- Presence of SBL, repo, interest rate futures facilities
- Key numbers: market size, e.g. using ABO chart

- 'Branding': country flag, ADB logo, ABMF mention, AMBIF mention
- If considered suitable, can be used by each market's intermediaries

➢ What (other) suggestions do ABMF Members have?

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5. BMG – ABMF Member Suggestions

➢ Are there any other ideas or suggestions from ABMF Members and Experts that can still - and easily - be accommodated in the BMG 2016?

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6. BMG Update – Next Steps

Work in parallel:

- Complete input files for AMBIF Markets
- Compile input files for remaining markets
- Obtain final info, clarification for all markets

- Achieve quick turnaround for edit, layout work
- AMBIF discussions may continue to influence contents (more on this in Session 3)

➢ Please support us in getting to the finish line!

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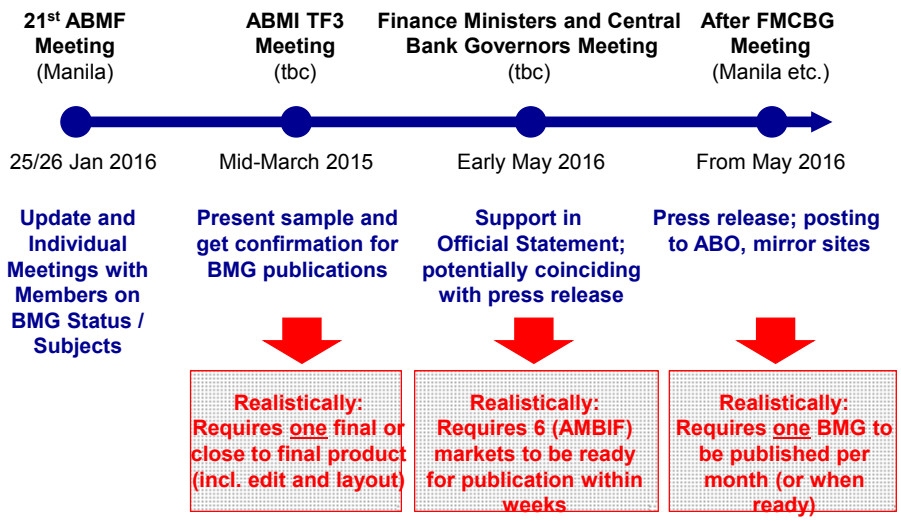
6. Road to BMG 2016 Publication



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- Thanks very much to all ABMF Members and Experts for their active contributions, questions and suggestions, and time spent for research, engaging the SF1 team, and document reviews!

ADB Secretariat

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7. Questions & Answers

BMG 2016 is the official output for SF1 in 2016. We would really appreciate for ABMF Members and Experts to actively share their thoughts and suggestions on this topic today.

Or via phone or email (please see contact details at the end).

- Many thanks for your active participation!

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Session 3

Session 3 - Update on AMBIF and Next Steps for SF1

21st ABMF Meeting

Mr. Satoru Yamadera, Principal Financial Sector Specialist, SDCC, ADB

Prof Shigehito Inukai, Matthias Schmidt

ADB Consultants, ADB Secretariat

Manila, 25 January 2016

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Session 3 Agenda

1. Update on AMBIF
2. Impact on SSF, Implementation Guidelines
3. Next Steps for AMBIF
4. Next Steps, Key Focus Areas for SF1
5. Questions & Answers

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1. Update on AMBIF

- AMBIF Pilot issue (28 Sep 2015, Mizuho Bank, Ltd.)
- Learnings from Pilot Issue
- Opportunities for further AMBIF pilots

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AMBIF Pilot Issue [Excerpt from ADB Press Release]

ADB ASIAN DEVELOPMENT BANK

ADB Welcomes First Cross-Border Bond Under ASEAN+3 Bond Framework

Media Contact

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AMBIF Pilot Issue [SEC Thailand News Release]

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No. 105 / 2015 **Friday 25 September 2015**

Pilot issue of local currency bonds under AMBIF launched in Thailand

Bangkok, September 28, 2015 – The SEC approved the Mizuho Bank, Ltd. offering of THB 3 billion baht-denominated bond, the first issue under the ASEAN +3 Multi-Currency Bond Issuance Framework (AMBIF) cooperation.

AMBIF, an initiative of ASEAN Bond Market Forum (ABMF), aims to boost product quantity and variety and the growth of bond market in ASEAN + 3 in response to demand of fundraisers and investors in the region. Bond issuers will be enabled to raise funds through multi-jurisdictional offerings to non-retail investors with a standard filing form prepared in English language.

Rapee Sucharitakul, SEC Secretary-General said, "With the Mizuho Bank, Ltd. pilot issuance of baht-denominated bonds in Thailand under AMBIF, bond market development in ASEAN +3 region has reached another milestone. This also reflects international recognition on solid foundation of Thai capital market. In addition, AMBIF initiative will help widen access to a variety of financial options for Thai businesses while staying cost competitive, whereas provide Thai investors with more choices of investment and better diversification."

For details on issuance and offering of local currency-denominated bonds under AMBIF, please visit https://asianbondsonline.adb.org/regional/abmf.php and https://asianbondsonline.adb.org/documents/abmf_ambif_implementation_guide_tha.pdf, respectively

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AMBIF Pilot Issue [Excerpt from Mizuho Bank Announcement]

September 28, 2015
Mizuho Bank, Ltd.

Issuance of THB-denominated Bonds under the ASEAN+3 Multi-Currency Bond Issuance Framework

Mizuho Bank, Ltd. (MHBK; Nobuhide Hayashi, President and CEO) has determined conditions to issue THB-denominated bonds in the Thai domestic market based on the ASEAN+3 Multi-Currency Bond Issuance Framework* (AMBIF), which was approved by the Ministry of Finance of the Kingdom of Thailand. In addition, MHBK applied to list the issuance on the Tokyo Pro-Bond Market, and it was approved today. This is the first issuance of bonds under the AMBIF, as well as the first listing of THB-denominated bonds on the Tokyo Pro-Bond Market.

Summary of the issuance

Issue amount	: THB 3 billion (approximately JPY 10 billion)
Issue date	: September 28, 2015
Duration	: 3 years
Interest	: 2.33%

Developing bond markets in the Asian region is a very important part of the infrastructure from the viewpoint of utilizing savings in the region to respond to major financing needs, which are expected as the regional economy further develops. MHBK intends to contribute to further development of bond markets within the region through bond issuance based on the AMBIF.

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AMBIF Pilot Issue in Detail

- Issuer: Mizuho Bank, Ltd., Tokyo, Japan
- Issue Date: 28 Sep 2015
- Tenure: 3 years
- Interest Rate: 2.33%
- Issue Amount: THB 3 billion
- Use of Proceeds: Financing of Thai banking operations
- Issued under: Thai Baht Bond (foreign issuer) program
- Documentation: Single Submission Form(s)
- ISIN: TH681103S903
- Investors: Considered fully subscribed by Thai investors
- Settlement: Thai Securities Depository
- Listing: TOKYO PRO-BOND Market

Note: Items in blue font represent AMBIF Elements

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Learnings from AMBIF Pilot Issue

General impressions:

- Great support by Thai regulatory authorities
  - Bank of Thailand
  - Ministry of Finance (Public Debt Management Office)
  - Securities and Exchange Commission
  - Thai Bond Market Association
- Significant coordination required
- Domestic intermediaries and professional firms – including local banks and lawyers – came across AMBIF, and prescribed documentation (SSF), for the first time…

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Learnings from AMBIF Pilot Issue

Specific subjects to be considered for the future:

- Awareness, education on bond market features – and on AMBIF Market features – is important
- Differences in international vs. domestic market practice
- SSF as a concept (still) unfamiliar to domestic intermediaries, even professional market participants
- Desire of issuers for note issuance program remains
- Financial reporting standards, periodical disclosure
- Taxation represents a significant point of interest but also brings challenges, often from a practical perspective

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Opportunities for further AMBIF Pilots

SF1/ADB Secretariat is involved in a number of ongoing discussions on opportunities for additional AMBIF issuances, including:

- Opportunities in the Philippines
- How to invite foreign issuers to individual markets
- Exploring viability – e.g. project, infrastructure financing
- Creating awareness among potential issuers, investors

➢ What other opportunities do ABMF Members have in mind?

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2. Impact on SSF and Impl GLs

- SSF, Implementation Guidelines are living documents
- SSF, Implementation Guidelines published as PDF
- Word Documents available for periodical member review
- Draft Implementation Guidelines for proposed markets

- SSF/Impl GL to keep pace with market developments
- Need to review SSF against additional markets' features
- Review need to adjust SSF from pilot issue experience?

- Proof of concept: SSF (in an AMBIF Market) can be considered most practical and efficient alternative to Offering Memorandum / Offering Circular!

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3. Next Steps for AMBIF

- Increase participating markets, e.g. [please see details]
  - Viet Nam
  - PR China, Indonesia, Korea
- Apply lessons from pilot issue(s) and new markets
  - Address specific impediments, challenges
  - Regulatory engagement (support markets)
  - Creating awareness among professional firms involved in AMBIF will require additional effort
  - Revise SSF, AMBIF Implementation GLs, and FAQs as required
- Create (more) conducive environment for AMBIF
  - Determines focus of SF1 work items including, e.g., awareness among intermediaries, documentation, credit rating, taxation
- Ultimately, help establish "AMBIF market practices"

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Additional AMBIF Markets

- AMBIF Market Visits to Viet Nam done in Sep, Nov 2015
- Ongoing dialogue with Viet Nam (proposed within 2016)
- Ongoing dialogue with Indonesia
- Ongoing dialogue with Korea

- Proposed continuous discussion with PR China

➢ Conclusion: longer-term approach needed

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AMBIF in Viet Nam (proposed)

Viet Nam remains a candidate for AMBIF Implementation in 2016, with active discussions in progress.

- 2 rounds of market visits (Sep, Nov 2015) resulted in better understanding and identification of AMBIF Elements
- Draft Implementation Guidelines issued as proposal, and now reflecting market visit findings and further comments received
- Regulatory authorities have started review of regulations to meet AMBIF requirements, identified probable changes
- Objective: introduce a conducive definition of professional investors, to replace existing 'institutional investors' for AMBIF, other purposes
- HNX actively studying possibility of profile listing
- Agreement on further education of market participants
- Subjects for further discussion include
  - Effective ring-fencing of professional market, selling restrictions

➢ Brief comments invited from the perspective of HNX

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AMBIF in Indonesia (proposed)

Indonesian ABMF Members and ADB Secretariat agreed on longer-term approach, but good progress made:

- Proposal for ring-fencing of professional market provided
- Implementation Guidelines issued in draft form
- Discussions held with OJK, KSEI, IDX, law firm
- Subjects for further discussion identified
  - Accelerate recognition of domestic professional market
  - Will English SSF, disclosure items suffice or be supplemental only?
  - Need to establish awareness of selling restrictions as a concept
  - No domestic profile listing possible, but alternatives available

➢ Brief comments invited from the perspective of Indonesian ABMF Members and Experts

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AMBIF in Korea (proposed)

With AMBIF Elements principally in place, regulatory authorities are in the process of shaping a suitable market place for AMBIF, with discussions focusing on subjects as:

- How to best define AMBIF professional market segment (with professional investor definition already existing)
- Use of English language for SSF, disclosure items
- How to best establish profile listing regime and related market practices

➢ Progress expected in the course of 2016

➢ Brief comments invited from the perspective of Korean ABMF Members and Experts

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Lobbying Additional AMBIF Issuers

経済教室

ASEAN経済統合の行方③

官民連携で域内資金活用

日系企業の活動支援

現地通貨調達 新型債券で

Article on AMBIF in Nikkei Shimbun (日経新聞) Newspaper, 8 Dec 2015

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4. Next Steps – SF1 Focus Areas

- Market Visits to proposed AMBIF Markets *(in 2016)*
  - Viet Nam, possibly Indonesia, Korea, PRC
- Support (pilot) issues continuously (on a need basis)
- Support for pilot issues *(through 2016)*
  - Identify impediments, practical difficulties, positive aspects
  - Address, escalate subjects to relevant stakeholders
  - Apply learnings to AMBIF, GLs, SSF and FAQs
- 'Marketing' and Participant Awareness
  - Identify potential issuers
  - Use ABMF visits, meetings to create more awareness
- Focus on impediments, challenges emerging through AMBIF Implementation [see next subjects]

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Focus on Financial Reporting

Background: Regional issuers intending to issue in ASEAN markets, including through their domestic entities, may prefer to apply IFRS (or US GAAP, etc. familiar to issuer's HQ and professional investors) for disclosure items, instead of local domestic financial reporting standards, to be consistent across debt issuances and attract the same investor universe.

- While e.g. IFRS adoption rapidly increasing, clarification may be required – Phase 2 IFRS Overview already outdated! (SF1 Secretariat recently updated and revised)
- Lack of clarity may lead to missed opportunities
- Flexibility in the use of Generally Accepted FRS other than domestic could lead to openness of markets, AMBIF opportunities
- SF1 will continue to discuss further with regulators, market participants, and update official materials accordingly

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Financial Reporting Overview - Revised

Jurisdiction	Commitment to global accounting standards	Commitment to IFRS	Status of Adoption
Cambodia	Yes	Yes	has adopted IFRS and the IFRS for SMEs.
PR China	Yes	Yes	has adopted national accounting standards that are substantially converged with IFRSs.
Hong Kong	Yes	Yes	fully converged with IFRS
Indonesia	Yes	Yes	has not adopted IFRSs.
Japan	Yes	Yes	Voluntary application of IFRS for consolidated financial statements by companies that meet certain criteria has been permitted since March 2010
Korea	Yes	Yes	has already adopted IFRSs for all listed companies and some unlisted companies
Malaysia	Yes	Yes	has already adopted IFRS and the IFRS for SMEs for all companies
Myanmar	Yes	Yes	has adopted the 2010 version of IFRS for all publicly accountable entities
Philippines	Yes	Yes	has adopted full IFRS as Philippine Financial Reporting Standards (PFRS) with several limited modifications to IFRS
Singapore	Yes	Yes	has adopted all effective IFRS, except for IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments, etc.
Thailand	Yes	Yes	in process of adopting IFRS as Thai Financial Reporting Standards in full
Viet Nam	No	No	has not adopted IFRS or the IFRS for SMEs

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Focus on Tax Related Matters

- Feedback from ABMF Phases 1 through 3
- Feedback in the course of AMBIF Implementation
- Illustration of Complexity
- Proposed Approach for SF1

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Taxation – Feedback Phase 1-3

From the SF1 Phase 2 Report, April 2014 (page 45):

"Taxation remains one of the most often cited topics for investors and by extension for issuers and even intermediaries as well.

The topic of taxation in fact covers two particular subjects:

(i) The existence of specific tax types levied on bond market participants; and

(ii) The actual application of said taxes, in terms of calculation, payments, and the related documentation procedures."

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Tax – Key Feedback Phase 1-3

Feedback from Members and market participants, through market visits, questionnaire responses and correspondence:

- Withholding tax is part of consideration to invest; but also
- Withholding tax is part of doing business
- Tax has different significance for issuers and investors
- Difference in tax related documentation across markets
- Differences in documentation required in single markets
- Significance of tax documentation/process for efficiency
- Existence of concessions differs greatly across markets

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Tax – Illustration of Complexity

Mizuho's SSF on Taxation related Description (pages 90-98):
http://www.jpx.co.jp/english/equities/products/tpbm/announcement/detail/b5b4pj000000mo56-att/b5b4pj000000qlup.pdf

- Japan tax aspects
  - Treatment (applicable taxes, relative to possible exemptions)
  - Non-resident investors - Considering income tax treaties (*)
  - Resident investors
- Thailand tax aspects
  - Income Tax
    - Residents
      - Individuals / Corporates or Juristic Partnerships
    - Non-residents, … (*)
  - Specific Business Tax
  - Stamp Duty

(*) Reduced rate or exemption of withholding tax based on income tax treaties

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Proposed Approach for SF1

Premise: in the process of AMBIF implementation or general work (e.g. markets visits or BMG), SF1 will continue to encounter issues related to taxation; these are often generic issues which, however, influence the stakeholders to take or not take certain actions in the context of bond issuance. At the same time, specific subjects may arise (see pilot issue) that are not anticipated.

- How do we approach these subjects, also with regards to division of work between SF1 and SF2

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5. Questions & Answers Session

We would encourage Members to ask questions or provide feedback on all of today's topics, including:

- Pilot Issue and lessons learned
- State of AMBIF
- Next steps for AMBIF
- Proposed work on FRS, approach on tax related matters

Or via phone or email (please see contact details next).

- All feedback is welcome. Thank you very much!

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Prof. Shigehito Inukai
ADB Consultant
Waseda University
1-21-1 Nishiwaseda, Shinjuku-ku
Tokyo 169-0051

Office +81 3 5286 1994
Mobile +81 80 3360 7551
shige.inukai@me.com

Matthias Schmidt
ADB Consultant

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

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Session 4

Session 4: ABMI Discussion and Next Steps for SF1

Satoru Yamadera
SDCC
Asian Development Bank

ABMI Evolution

CMIM ($120 Billion) – AMRO <Macroeconomic stability>

Asian Currency Crisis

Addressing the problem of double mismatch

Promoting development of domestic markets

ABO

CGIF

Global Financial Crisis
Bond markets as a spare tire of banking systems

Stronger economic linkages and synchronization of markets

Linking the segmented markets for a more resilient regional market

AMBIF

Inter-operable market infrastructures

Regional safety net

More integrated financial markets

ASEAN financial integration

+ PRC, JPN, KOR

CSD-RTGS Linkages

AMBIF+

More advanced financial infrastructures

XML | Big data

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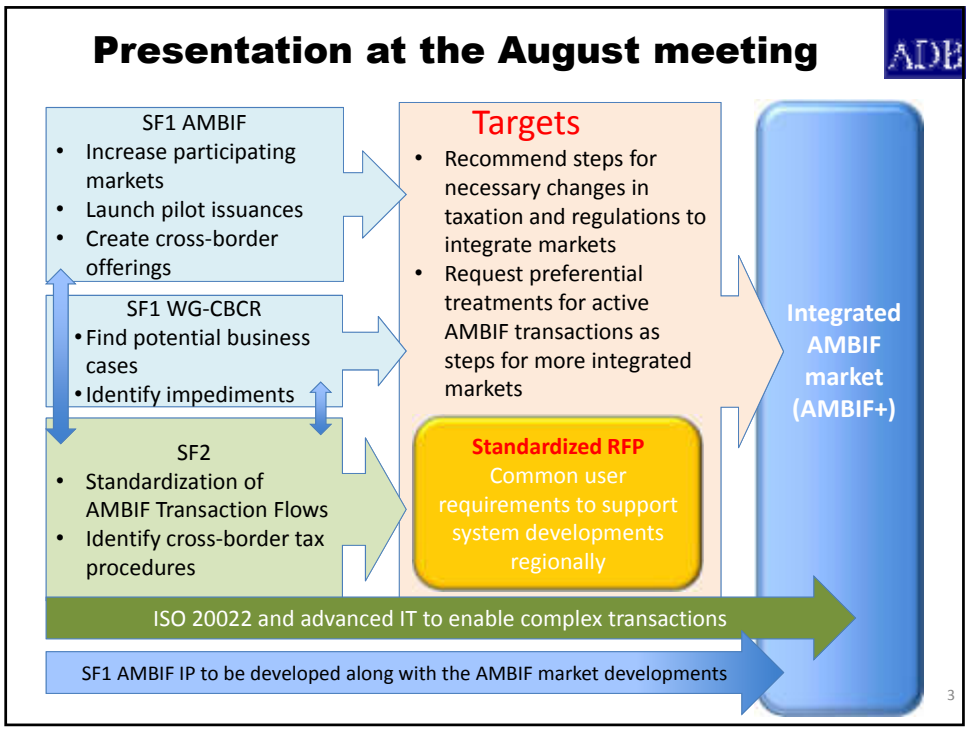
Presentation at the August meeting
ADB
SF1 AMBIF
• Increase participating markets
• Launch pilot issuances
• Create cross-border offerings
SF1 WG-CBCR
• Find potential business cases
• Identify impediments
SF2
• Standardization of AMBIF Transaction Flows
• Identify cross-border tax procedures
Targets
• Recommend steps for necessary changes in taxation and regulations to integrate markets
• Request preferential treatments for active AMBIF transactions as steps for more integrated markets
Standardized RFP
Common user requirements to support system developments regionally
Integrated AMBIF market (AMBIF+)
ISO 20022 and advanced IT to enable complex transactions
SF1 AMBIF IP to be developed along with the AMBIF market developments
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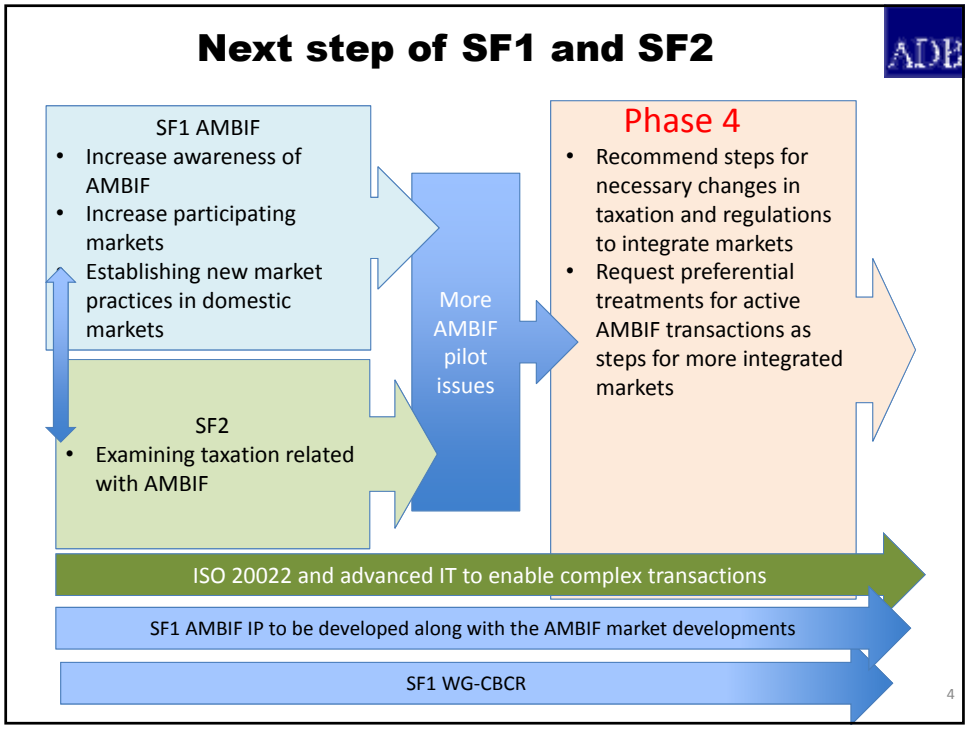
Next step of SF1 and SF2
ADB
SF1 AMBIF
• Increase awareness of AMBIF
• Increase participating markets
Establishing new market practices in domestic markets
SF2
• Examining taxation related with AMBIF
More AMBIF pilot issues
Phase 4
• Recommend steps for necessary changes in taxation and regulations to integrate markets
• Request preferential treatments for active AMBIF transactions as steps for more integrated markets
ISO 20022 and advanced IT to enable complex transactions
SF1 AMBIF IP to be developed along with the AMBIF market developments
SF1 WG-CBCR
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End of SF1 Session

Thank you