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

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

<table>
<thead>
<tr>
<th>TIME</th>
<th>PROGRAM</th>
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<tbody>
<tr>
<td><strong>09:00 - 09:30</strong></td>
<td>Registration</td>
</tr>
<tr>
<td><strong>09:30 – 09:40</strong></td>
<td>Opening Remarks by Mr. Koji Ito, SF1 Chair</td>
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</tbody>
</table>
| **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 |
<p>| <strong>14:45 – 15:00</strong> | <strong>Closing remarks</strong> by Mr. Koji Ito, SF1 Chair                          |</p>
<table>
<thead>
<tr>
<th>TIME</th>
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<tbody>
<tr>
<td>15:00 – 17:30</td>
<td>Opportunity for individual meetings&lt;br&gt;Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants</td>
</tr>
<tr>
<td>17:30 – 19:00</td>
<td>Cocktails (Central Courtyard (back-up Audi-zone Gallery), 1st Floor)</td>
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<tr>
<td>09:00 – 09:30</td>
<td>Registration</td>
</tr>
<tr>
<td>09:30 – 09:40</td>
<td>Opening Remarks by Mr. Jong Hyung Lee, SF2 Chair</td>
</tr>
<tr>
<td>09:40 – 10:20</td>
<td>Session 1: Recap of SF2 discussion by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat&lt;br&gt;- Progress to date&lt;br&gt;- ISO and regional discussion</td>
</tr>
<tr>
<td>10:20 – 10:50</td>
<td>Session 2: Recent development on harmonization and standardization in each member and expert by Members and Experts&lt;br&gt;- Implementation of international standards&lt;br&gt;- Any other issues&lt;br&gt;- Each national member and/or national expert including international expert is expected to update recent development in 10 minutes</td>
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<tr>
<td>10:50 – 11:05</td>
<td>Coffee Break (outside Auditorium ABC)</td>
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<tr>
<td>11:05 – 12:00</td>
<td>Session 2: continues</td>
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<tr>
<td>12:00 – 13:15</td>
<td>Lunch (Executive Dining Room Coffee Lounge, 2nd Floor)</td>
</tr>
<tr>
<td>13:15 – 14:00</td>
<td>Session 3: Lessons from the AMBIF pilot issuance&lt;br&gt;- Issues related with taxation by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat&lt;br&gt;- Presentation by Mr. Yuji Sato, JASDEC</td>
</tr>
<tr>
<td>14:00 – 14:30</td>
<td>Session 4: Tax issues in particular related to interest payment flow including preliminary draft of questionnaire by Dr. Taiji Inui, ADB Consultant</td>
</tr>
<tr>
<td>14:30 – 14:45</td>
<td>Coffee Break (outside Auditorium ABC)</td>
</tr>
<tr>
<td>14:45 – 15:15</td>
<td>Session 5: Outline of Interim Report to TF3 including draft proposal for phase 4 activities by Dr. Taiji Inui, ADB Consultant&lt;br&gt;- Proposing preliminary draft of Phase 4 activities including outline of Interim Report to be submitted to the TF3&lt;br&gt;- Updating cross-border collateral and repo survey</td>
</tr>
<tr>
<td>15:15 – 15:30</td>
<td>Wrap up by Mr. Satoru Yamadera, ADB Secretariat</td>
</tr>
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<td>Closing remarks by Mr. Jong Hyung Lee and Mr. Yuji Sato, SF2 Chairs</td>
</tr>
<tr>
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</tbody>
</table>
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.
  – Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3: ASEAN+3 Bond Market Forum Sub-Forum 2 Phase 3 Report
Progresses to date (2)

- 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)

- **SF1**
  - Support AMBIF
    - Expand participating markets
    - Revision of SSF and Impl GLs

- **SF2**
  - Standardization
    - Support identification of transaction flows and technical specification of cross-border transactions

Establishment of 2 new groups:

- **ABMF**
  - AMBIF Information Platform
  - Cross-border Collateral and Repo Business

- **ABMI**
  - Asian Bond Markets Initiative

- **TF 1**
  - (Supply)

- **TF 2**
  - (Demand)

- **TF 3**
  - (Regulation)

- **TF 4**
  - (Infrastructure)
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
**WG members**

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

**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

- 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.

WG-IP steps

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 “AMBLF 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.
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

### SHARING AND DISSEMINATION OF BOND MARKET DATA ON A PARTNERSHIP BASIS

ASEAN+3 Bond Information Network

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

A simple exchange of website links to be embedded into each network member’s website
### List of information to be exchanged

<table>
<thead>
<tr>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Daily data</strong></td>
</tr>
<tr>
<td>Price of government bond</td>
</tr>
<tr>
<td>Price of corporate bond</td>
</tr>
<tr>
<td>Government bond index</td>
</tr>
<tr>
<td>Corporate bond index</td>
</tr>
<tr>
<td><strong>Occasional data</strong></td>
</tr>
<tr>
<td>Rating actions (upgrade/downgrade)</td>
</tr>
<tr>
<td>New bond issuance</td>
</tr>
<tr>
<td>Market research and commentaries</td>
</tr>
<tr>
<td><strong>AMBIF related announcement</strong></td>
</tr>
<tr>
<td>AMBIF bond prospectus</td>
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</tbody>
</table>

### List of potential information providers

<table>
<thead>
<tr>
<th>Data providers in each economy</th>
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<tbody>
<tr>
<td>BN</td>
</tr>
<tr>
<td>CN</td>
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<tr>
<td>HK</td>
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<td>ID</td>
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<td>TH</td>
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<td>VN</td>
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<tr>
<td><strong>CN</strong> CCDC</td>
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<tr>
<td><strong>HK</strong> IBPA</td>
</tr>
<tr>
<td><strong>JP</strong> JSDA(?) TSE (?)</td>
</tr>
<tr>
<td><strong>KR</strong> KOSCOM</td>
</tr>
<tr>
<td><strong>LA</strong></td>
</tr>
<tr>
<td><strong>MN</strong> BPAM</td>
</tr>
<tr>
<td><strong>PH</strong> PDEEx</td>
</tr>
<tr>
<td><strong>SG</strong> SGX(?)</td>
</tr>
<tr>
<td><strong>TH</strong> ThaiBMA</td>
</tr>
<tr>
<td><strong>VN</strong> HNX</td>
</tr>
</tbody>
</table>
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 writing prior to the execution of this MOU and shall at all times be read together with this MOU.
6. Confidentiality

(a) The Parties shall at all times preserve the confidentiality 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

Satoru Yamadera and Taiji Inui, ADB Secretariat team

Contents

I. WG activities up to now

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
I. Activities up to now

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.
List of the members

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

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.
II. Outline of the survey

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.

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.
Approach to identify current status of the market and business needs

<table>
<thead>
<tr>
<th>CB</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary Policy</td>
<td>· Repo as Open-market operations</td>
</tr>
<tr>
<td>Funding</td>
<td>· Loan with pledged collateral</td>
</tr>
<tr>
<td>Pledging</td>
<td>· overdraft or Lombard loan</td>
</tr>
<tr>
<td>Ensuring liquidity</td>
<td>· regulatory required</td>
</tr>
<tr>
<td></td>
<td>· Securities Lending Facility</td>
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</tbody>
</table>

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.

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

| No. | Type of transaction currently done | Currency paid (USD, JPY, CNH, HKD, etc) | Currency received | Market where a transaction is initiated | Market where the counterparty is located | 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 | Please add if there is a different type |
|-----|-----------------------------------|----------------------------------------|------------------|----------------------------------------|----------------------------------------|----------------------------------------|---------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------|---------------------------------|
| 1   | Cash collateral                   |                                        |                  |                                        |                                        |                                        |                                             |                                               |                                                                                 |                                 |
| 2   | Bond collateral                   |                                        |                  |                                        |                                        |                                        |                                             |                                               |                                                                                 |                                 |
| 3   | Repo for funding                  |                                        |                  |                                        |                                        |                                        |                                             |                                               |                                                                                 |                                 |
| 4   | Reverse repo                      |                                        |                  |                                        |                                        |                                        |                                             |                                               |                                                                                 |                                 |
| 5   | Securities lending                |                                        |                  |                                        |                                        |                                        |                                             |                                               |                                                                                 |                                 |

III. Tentative outcome of the study
<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.

<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.
1-1. Cash collateral (2/2)

**Japanese bank A in JP**

- **Notice of margin amount**
- **Payment instruction**

**FICC**

**Correspondent bank**

- **Execute fund settlement**
  - **Correspondent bank's payment system**
    - Bank A's account
    - Correspondent bank's account

**Correspondent bank's account**

**BONY**

**BONY Payment System**

- **Correspondent bank's account**
  - USD
  - FICC's account

**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.

---

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)
1-2. Cash collateral (2/2)

- **Outline**
  Japanese bank B in JP

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

#### Physical model

1. **Notification of pledging UST as collateral**
2. **Notification of collateral received**
3. **Loan application**
4. **Bond transfer**
5. **Execute bond settlement**
6. **Notification of collateral received**
7. **Execute bond settlement completion**

#### Global custodian

- **Japanese bank D in JP**
- **Japan**
- **U.S.A**
- **Global custodian**

#### BOJ

- **BOJ Collateral System**
  - Bank D's collateral amount

#### BOJ Payment System

- **BOJ account**
- **JPY**
- **Bank D's account**
- **UST amount of BOJ**

#### FED

- **Fedwire Bond Settlement System**
- **FED account**
- **UST**
- **UST amount of BOJ**
- **BOJ account**

### <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

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

Physical model

1. For funding (2/2)
   - select a bond brand and make a contact
   - transaction confirmation
   - decide the way of settlement

2. Japanese bank E in JP
   - Physical model

3. Japanese bank E in USA
   - Global custodian’s Bond Settlement System
   - Bank E’s account
   - Bank E’s account
   - Bond transfer
   - Sub custodian’s account
   - USD
   - Global custodian’s account

4. Sub custodian’s Bond Settlement System
   - Sub custodian’s account
   - USD
   - Global custodian’s account

5. Execute bond & fund settlement (DVP)
   - Global custodian’s Payment System
   - Bank A’s account
   - USD
   - Bank A’s account

6. Singapore bank A in SG

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

Physical model

Japanese bank F in JP

Japanese bank F in HK

U.S.A securities company A in U.S.A

U.S.A

Japan

Hong Kong

CMU

CMU’s Bond Settlement System

bank F’s account

hold securities

settlement instruction

①transaction agreement(OTC)
  - select a bond brand and make a contact
  - transaction confirmation
  - decide the way of settlement

②settlement instruction

CMU’s Bond Settlement System

bank F’s account

UST

sec company A’s account

notification of fund settlement completion

③securities block

bank F’s account

UST

sec company A’s account

notification of securities blocked

④notification of securities blocked

日本證券公司 B 与韩国证券公司 A 在全球托管账户中使用日元管理 UST。

HK

CMU

CMU’s Bond Settlement System

bank F’s account

UST

sec company A’s account

notification of fund settlement completion

⑤notification of securities blocked

⑥settlement instruction

⑦execute fund settlement

日本银行 F 在 HK

日本银行 F 在 JP

日本银行 F 在 HK

美国证券公司 A 在 U.S.A

美国证券公司 A 在 U.S.A

日本银行 F 在 JP

日本银行 F 在 HK

美国证券公司 A 在 U.S.A

美国证券公司 A 在 U.S.A

日本银行 F 在 JP

日本银行 F 在 HK

美国证券公司 A 在 U.S.A

美国证券公司 A 在 U.S.A

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

● Outline

日本证券公司 B 从韩国证券公司 A 接收 UST 并通过日元托管账户管理。

● Requirement

1. 日本证券公司 B 和韩国证券公司 A 在全球托管账户中使用日元管理 UST。

2. UST 是交易目标，管理在 Fed，交易涉及证券从 Fed 到全球托管账户的转移。

3. 韩国证券公司 A (NY 分支) 和日本证券公司 B (总部) 在同一个全球托管账户中。

● Purpose & characteristics

为了获取 UST
**STEP 2** Visualization of current collateral and repo business

### 4-1. Reverse Repo (2/2)

- **Outline**
  - Japanese securities company A in the U.S.A.
  - Korean securities company A in Korea.

- **Requirement**
  - Japanese securities company A in U.S.A.
  - Korean securities company A in Korea.

- **Purpose & characteristics**
  - To get KTB.

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

**4-2. Reverse repo (2/3)**

**Physical model**

Japan

Japanese securities company B in JP

Hong Kong

Japanese securities company B in HK

Korea

Korean securities company A in KR

日本

日本証券会社 B in JP

香港

香港証券会社 B in HK

韓国

韓国証券会社 A in KR

**Settlement instruction**

**KSD**

KSD's Bond Settlement System

KSD's Bond Settlement System

KSD's Bond Settlement System

KSD's Bond Settlement System

**CMU**

CMU's account

CMU's account

CMU's account

CMU's account

**HSBC**

HSBC's account

HSBC's account

HSBC's account

HSBC's account

**US dollar CHATS**

US dollar CHATS

US dollar CHATS

US dollar CHATS

US dollar CHATS

**Q A**

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?
● 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**

Global custodian/ICSD (e.g. Euroclear)  \[\longleftrightarrow\] Collateral  \[\rightarrow\] Securities  \[\rightarrow\] Japanese securities company C (head office)

---

**Physical model**

- Global custodian/ICSD (e.g. Euroclear)
- Euroclear’s lending pool
- Each participant’s securities
- Euroclear’s account
- To avoid a settlement fail, the system automatically allocates securities from a lending pool (transaction agreement)
- Euroclear’s Bond Settlement System
- Euroclear’s Collateral Management System
- Each participant’s account
- Sec company C’s account
- Sec company C’s credit amount
- Japan
- Japanese securities company C
- Germany
- U.S.A
- U.K.
- China
- Hong Kong
- Custodian
- Institutional investor

---

Submit a registration request for participating the program and pledge collateral.
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.

### IV. Next steps
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!

Thank you
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
- PROC, MOF, ICBC, CDB
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

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
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

- **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

- 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
Session 2 – ABMF Bond Market Guides 2016

21st ABMF Meeting
Prof Shigehito Inukai, Matthias Schmidt
ADB Consultants, ADB Secretariat
Manila, 25 January 2016

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
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”

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 – for practical reasons
  - 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
2. BMG Process – For Reference

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

2. BMG Process – Crucial Steps

- ABMF Member Input is necessary and appreciated!
- ABMF Member Review is paramount and time-sensitive!
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]
4. Illustration of Changes 2012–2016

Using the Example of the Malaysia Bond Market Guide

Use of AsianBondsOnline charts to illustrate subjects

Use of selected market specific charts, diagrams or screenshots in context (with kind permission)
5. BMG – ABMF Member Suggestions

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

<table>
<thead>
<tr>
<th>2016 Malaysia</th>
<th>T+2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulators:</td>
<td></td>
</tr>
<tr>
<td>• SC Malaysia</td>
<td>FIL</td>
</tr>
<tr>
<td>• Bank Negara</td>
<td></td>
</tr>
</tbody>
</table>

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?

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

---

6. Road to BMG 2016 Publication

<table>
<thead>
<tr>
<th>Event</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>21st ABMF Meeting (Manila)</td>
<td>25/26 Jan 2016</td>
</tr>
<tr>
<td>ABMI TF3 Meeting (tbc)</td>
<td>Mid-March 2015</td>
</tr>
<tr>
<td>Finance Ministers and Central Bank Governors Meeting (tbc)</td>
<td>Early May 2016</td>
</tr>
<tr>
<td>After FMCBG Meeting (Manila etc.)</td>
<td>From May 2016</td>
</tr>
</tbody>
</table>

- Update and Individual Meetings with Members on BMG Status / Subjects
- Present sample and get confirmation for BMG publications
- Support in Official Statement; potentially coinciding with press release
- Press release; posting to ABO, mirror sites

Realistically:
- Requires one final or close to final product (incl. edit and layout)
- Requires 6 (AMBIF) markets to be ready for publication within weeks
- Requires one BMG to be published per month (or when ready)
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

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!
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

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
1. Update on AMBIF

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

AMBIF Pilot Issue [Excerpt from ADB Press Release]
AMBIF Pilot Issue [SEC Thailand News Release]

SEC News Release

No. 083/2015

Friday 25 September 2015

Filer 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 Insurance Framework (AMBIF) cooperation.

AMBIF, an initiative of ASEAN Bond Market Forum (AMBIF), 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 issues will be enabled to raise funds through multi-jurisdictional offerings to non-retail investors with a standard term form prepared in English language.

Rapee Sucharitkul, 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 Association of that 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://www.seccomotion.com/documents/ambif_implementation_guide_tha.pdf, respectively.

AMBIF Pilot Issue [Excerpt from Mizuho Bank Announcement]

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

September 28, 2015
Mizuho Bank, Ltd.

Mizuho Bank, Ltd. (MHBK, Nobuhisa 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

Issuer name: Mizuho Bank, Ltd.
Issue date: September 28, 2015
Tenor amount: THB 3 billion (approximately JPY 10 billion)
Tenor: 3 years
Interest: 2.35%

Developing bond markets in the Asian region is a very important part of the infrastructure from the viewpoint of funding 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.
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*

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…
## 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

## 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?
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!

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”
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

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
AMBI 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

AMBI in Korea (proposed)

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

- How to best define AMBI 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
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]
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

Financial Reporting Overview - Revised

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

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.”
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

Tax – Illustration of Complexity

Mizuho’s SSF on Taxation related Description (pages 90-98):
http://www.jpx.co.jp/english/equities/products/jpbm/announcements/detail/b5b4pj00000000000edf6-att/b5b4pj0000000000qup.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
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

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!
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Institution</th>
<th>Address</th>
<th>Office Phone</th>
<th>Mobile Phone</th>
<th>Email</th>
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</table>
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>
- Global Financial Crisis
- Bond markets as a spare tire of banking systems
- Addressing the problem of double mismatch
- Stronger economic linkages and synchronization of markets
- Linking the segmented markets for a more resilient regional market
- AMBIF Inter-operable market infrastructures
- More integrated financial markets
- ASEAN financial integration
  + PRC, JPN, KOR
- CSD-RTGS Linkages
- AMBIF+
- More advanced financial infrastructures
- XML
- Big data

2

1
Integrated AMBIF market (AMBIF+)

**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

**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

**ISO 20022 and advanced IT to enable complex transactions**

**Next step of SF1 and SF2**

**SF1 AMBIF**
- Increase awareness of AMBIF
- Increase participating markets
- Establishing new market practices in domestic markets

**SF2**
- Examining taxation related with AMBIF

**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

**More AMBIF pilot issues**

**ISO 20022 and advanced IT to enable complex transactions**

**SF1 AMBIF IP to be developed along with the AMBIF market developments**

**SF1 WG-CBCR**
End of SF1 Session
Thank you