



**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   |
|---------------|---|
|               | <b>Sub-Forum 1 (SF1 Session) – 25 January 2016</b>  |
| 09:00 - 09:30 | <i>Registration</i>   |
| 09:30 – 09:40 | <b>Opening Remarks</b> by Mr. Koji Ito, SF1 Chair   |
| 09:40 – 10:30 | <b>Session 1: Review of ABMF SF1 Activities</b> by Mr. Satoru Yamadera, ADB Secretariat <ul style="list-style-type: none"> <li>- <i>Work done and achievements so far</i></li> <li>- <i>Update on SF1 Working Groups:</i> <ul style="list-style-type: none"> <li>- <i>WG on Information Platform (WG-IP)</i></li> <li>- <i>Brief update on Asian Bond Pricing International Seminar by CCDC</i></li> <li>- <i>WG on Cross-Border Collateral and Repo (WG-CBCR)</i></li> </ul> </li> <li>- <i>Q&amp;A</i></li> </ul>   |
| 10:30 – 11:00 | <b>Session 2: ABMF Bond Market Guides 2016</b> by Mr. Matthias Schmidt, ADB Consultant <ul style="list-style-type: none"> <li>- <i>Brief update on status</i></li> <li>- <i>Demonstration of key improvements</i></li> <li>- <i>Opportunity for members to relate latest market developments</i></li> <li>- <i>Q&amp;A</i></li> </ul>   |
| 11:00 – 11:15 | <b>Coffee Break</b> ( <i>outside Auditorium ABC</i> )   |
| 11:15 – 12:30 | <b>Session 3: Update on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)</b> by Mr. Satoru Yamadera, and Prof. Shigehito Inukai, ADB Consultant <ul style="list-style-type: none"> <li>- <i>Review of AMBIF pilot issue in Thailand</i></li> <li>- <i>Lessons from pilot issue for SF1</i></li> <li>- <i>Brief Member updates on AMBIF progress in Indonesia, Korea, Viet Nam</i></li> <li>- <i>Progress of Single Submission Form and Implementation Guidelines</i></li> <li>- <i>Continuous efforts and next steps for AMBIF</i></li> <li>- <i>Q&amp;A</i></li> </ul> |
| 12:30 – 13:30 | <b>Lunch</b> ( <i>Executive Dining Room Coffee Lounge, 2<sup>nd</sup> Floor</i> )   |
| 13:30 – 14:00 | <b>Session 4: ABMI Discussion and Next Steps for SF1</b> by Mr. Satoru Yamadera, ADB Secretariat <ul style="list-style-type: none"> <li>- <i>Update from ABMI Task Force and key messages</i></li> <li>- <i>Focus for SF1 as a result of ABMI and AMBIF</i></li> <li>- <i>Q&amp;A</i></li> </ul>  |
| 14:00 – 14:30 | <b>Session 5: Work Plan for SF1 in 2016 and Next Steps for ABMF</b> by Mr. Satoru Yamadera, ADB Secretariat <ul style="list-style-type: none"> <li>- <i>Proposed meeting schedule and output</i></li> <li>- <i>ABMI and ABMF activities for 2016</i></li> <li>- <i>Q&amp;A</i></li> </ul>   |
| 14:30 – 14:45 | <b>Wrap up</b> by Mr. Satoru Yamadera, ADB Secretariat <ul style="list-style-type: none"> <li>- <i>Includes opportunity for final Q&amp;A session</i></li> </ul>  |
| 14:45 – 15:00 | <b>Closing remarks</b> by Mr. Koji Ito, SF1 Chair   |

| TIME          | PROGRAM   |
|---------------|---|
| 15:00 – 17:30 | <b>Opportunity for individual meetings</b><br>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), 1 <sup>st</sup> Floor)  |
|               | <b>Sub-Forum 2 (SF2 Session) – 26 January 2016</b>  |
| 09:00 – 09:30 | Registration  |
| 09:30 – 09:40 | <b>Opening Remarks</b> by Mr. Jong Hyung Lee, SF2 Chair   |
| 09:40 – 10:20 | <b>Session 1: Recap of SF2 discussion</b> by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat <ul style="list-style-type: none"> <li>- Progress to date</li> <li>- ISO and regional discussion</li> </ul>   |
| 10:20 – 10:50 | <b>Session 2: Recent development on harmonization and standardization in each member and expert</b> by Members and Experts <ul style="list-style-type: none"> <li>- Implementation of international standards</li> <li>- Any other issues</li> <li>- Each national member and/or national expert including international expert is expected to update recent development in 10 minutes</li> </ul> |
| 10:50 – 11:05 | Coffee Break (outside Auditorium ABC)   |
| 11:05 – 12:00 | <b>Session 2: continues</b>   |
| 12:00 – 13:15 | Lunch (Executive Dining Room Coffee Lounge, 2 <sup>nd</sup> Floor)  |
| 13:15 – 14:00 | <b>Session 3: Lessons from the AMBIF pilot issuance</b> <ul style="list-style-type: none"> <li>- Issues related with taxation by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat</li> <li>- Presentation by Mr. Yuji Sato, JASDEC</li> </ul>   |
| 14:00 – 14:30 | <b>Session 4: Tax issues in particular related to interest payment flow including preliminary draft of questionnaire</b> by Dr. Taiji Inui, ADB Consultant  |
| 14:30 – 14:45 | Coffee Break (outside Auditorium ABC)   |
| 14:45 – 15:15 | <b>Session 5: Outline of Interim Report to TF3 including draft proposal for phase 4 activities</b> by Dr. Taiji Inui, ADB Consultant <ul style="list-style-type: none"> <li>- Proposing preliminary draft of Phase 4 activities including outline of Interim Report to be submitted to the TF3</li> <li>- Updating cross-border collateral and repo survey</li> </ul>                             |
| 15:15 – 15:30 | <b>Wrap up</b> by Mr. Satoru Yamadera, ADB Secretariat  |
| 15:30 – 15:40 | <b>Closing remarks</b> by Mr. Jong Hyung Lee and Mr. Yuji Sato, SF2 Chairs  |
| 15:40 – 17:30 | <b>Opportunity for individual meetings</b><br>Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants   |

**DAY 2**  
**(26 January 2016)**

**Sub-Forum 2 (SF2)**  
**Meeting**

# Session 1

# Session 1: Recap of SF2 Discussions



NTT DATA

Prepared for the discussions at ABMF SF2 on 26 January 2016

Taiji Inui, NTT DATA Group

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## Outline of Activities of ABMF-SF2

### Implementation of cross-border STP in ASEAN+3

#### Phase 1

- ① Survey on bond market infrastructures in ASEAN+3
- ② Survey on DVP flows from trade to settlement of government bonds

#### Phase 2

- ① Survey on not only government but also corporate bond
- ② Add interest payment and redemption flows in addition to DVP flows
- ③ Conduct fit & gap analyses with the international standard
- ④ Propose policy recommendation and roadmap

#### Phase 3

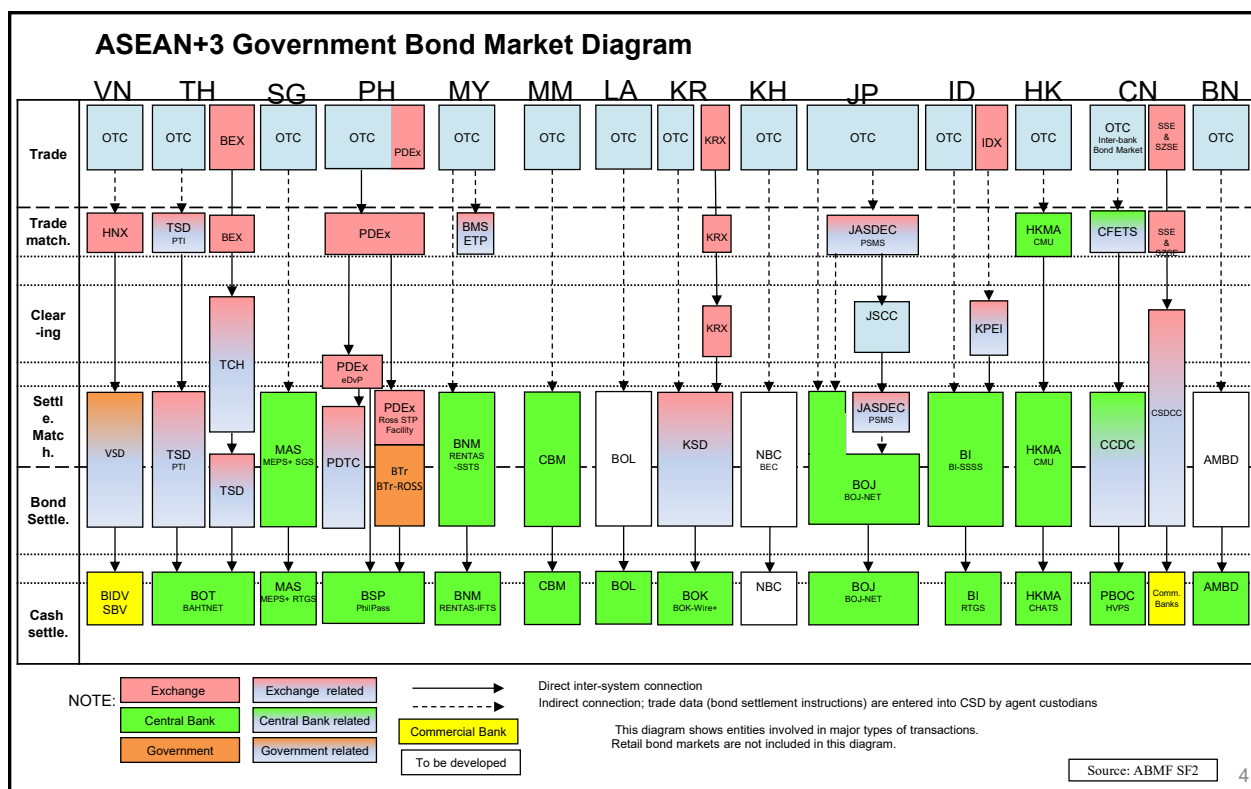
- ① Harmonize and standardize message flows and items for DVP settlement in ASEAN+3
- ② Survey on cross-border DVP, collateral, and repo
- ③ Support for BN, KH, LA, and MM to implement CSD and RTGS systems

Source: ABMF SF2

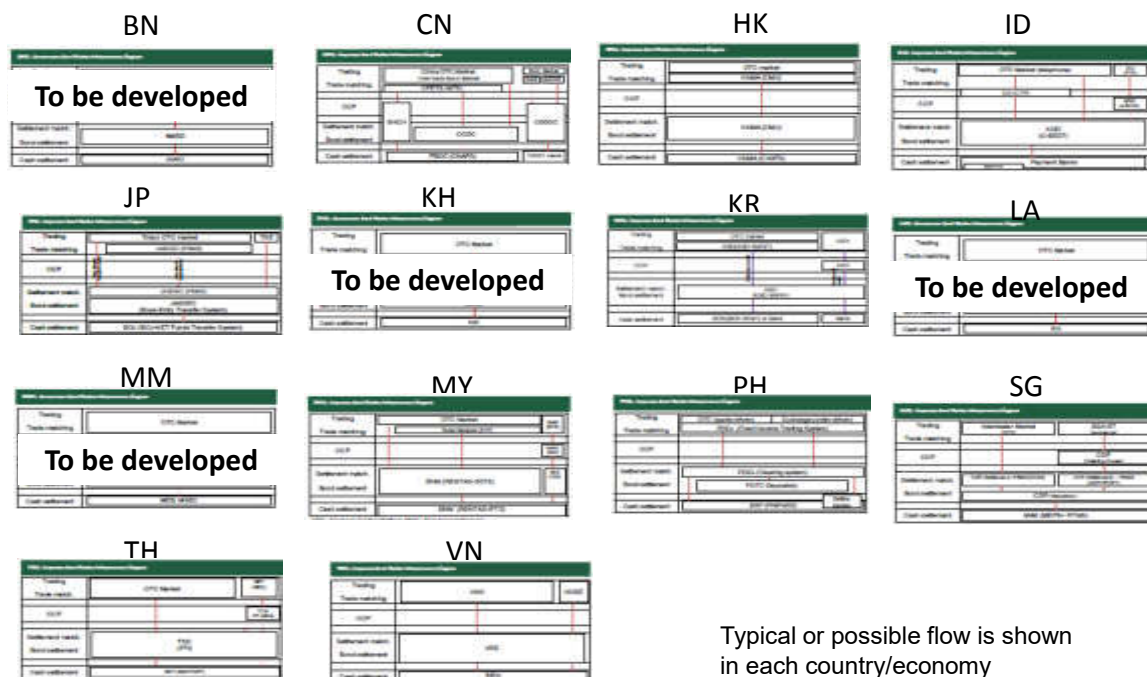
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Figure 1 displays 12 sub-diagrams, each representing a different country/economy (BN, CN, HK, ID, JP, KH, KR, LA, MM, MY, PH, SG). Each sub-diagram illustrates the typical or possible flow of information between various entities (e.g., Training, Trade monitoring, CSOP, Information needs, Social information, Local authorities) and a central '2015 Monitor' or similar entity. The flowcharts are color-coded and include arrows indicating the direction of information flow. The sub-diagrams for KH and LA are marked 'To be developed'.

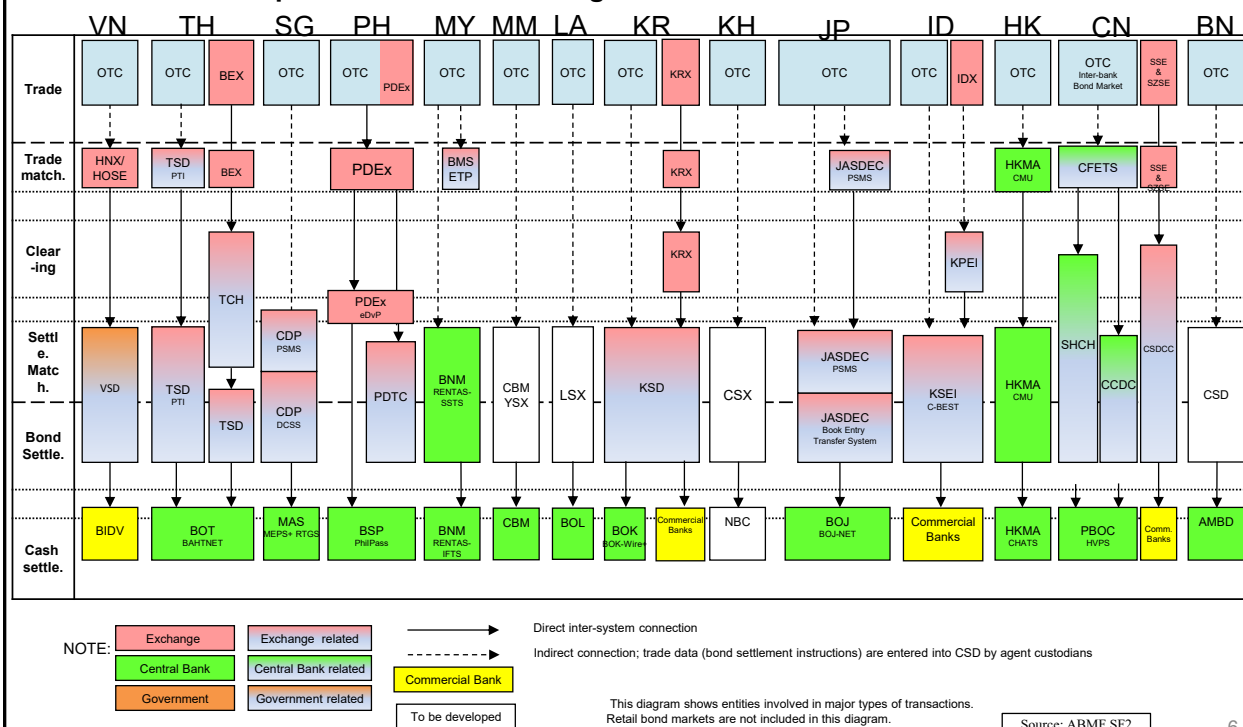
Typical or possible flow is shown  
in each country/economy



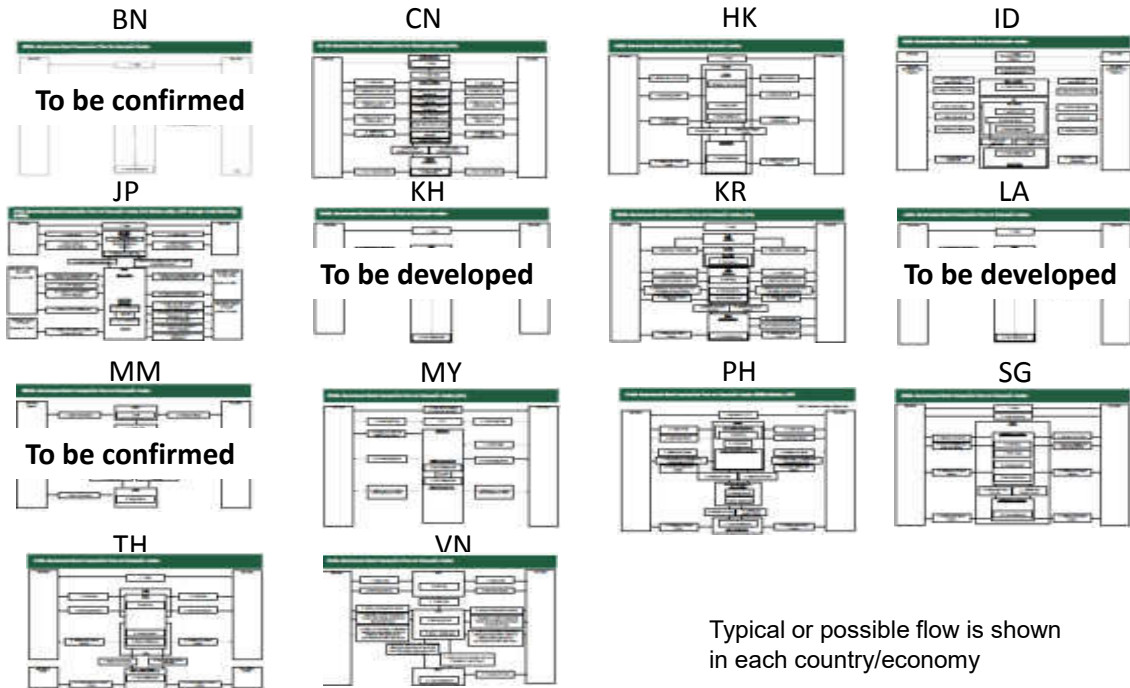
## Corporate Bond Market Infrastructures in ASEAN+3



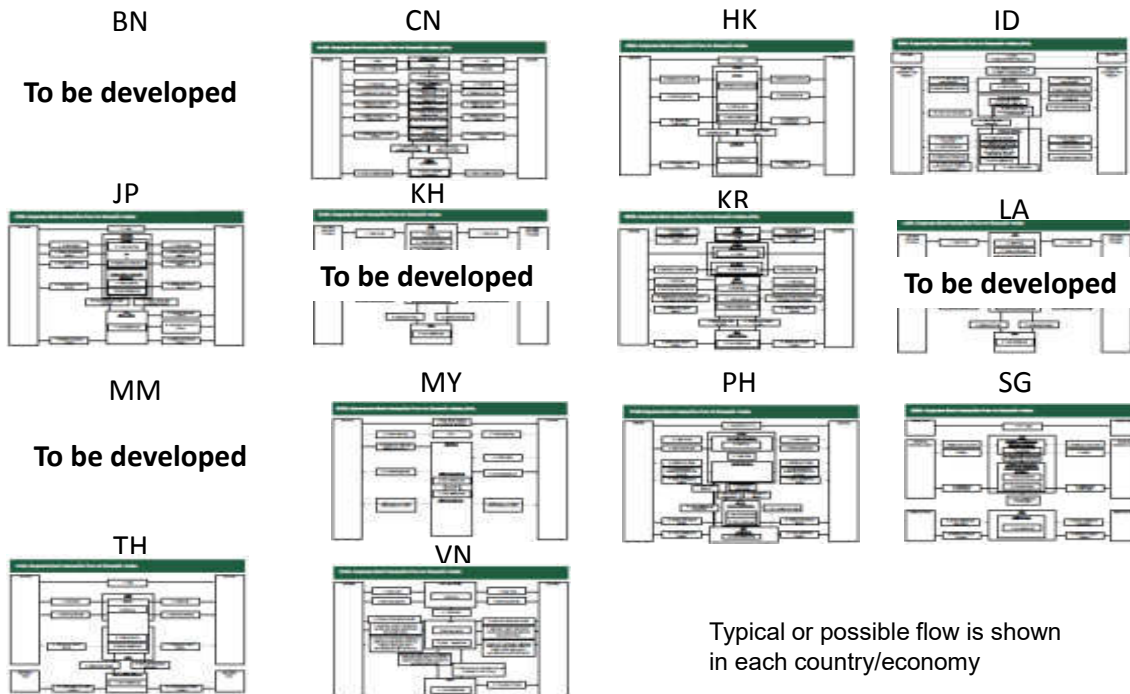
### ASEAN+3 Corporate Bond Market Diagram



Government DVP Flows in ASEAN+3

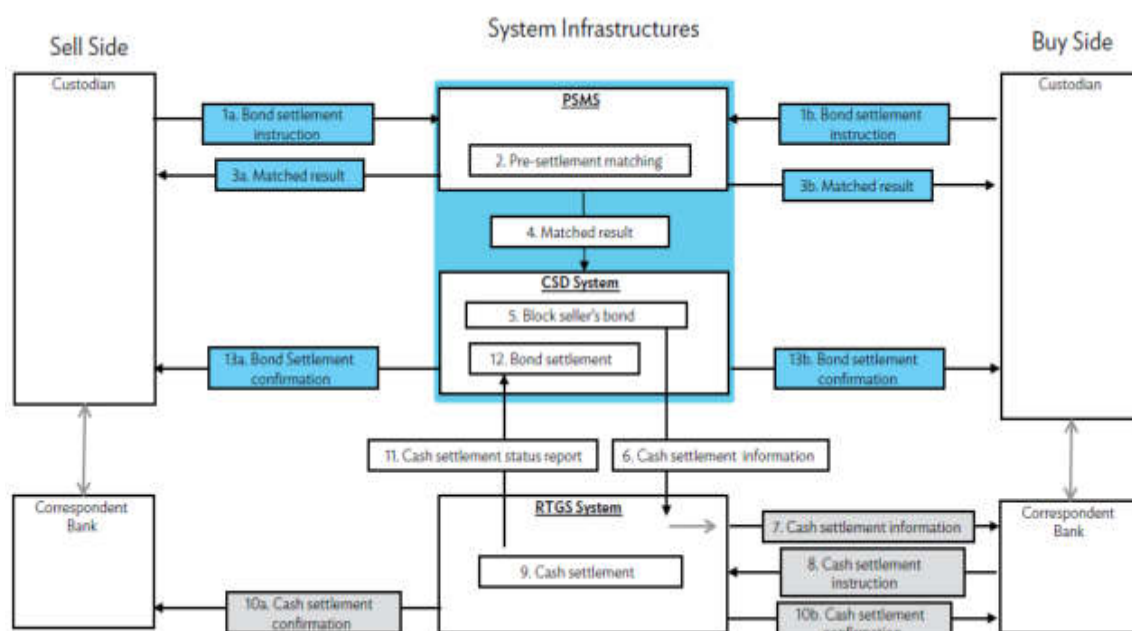


Corporate Bond DVP Flows in ASEAN+3





## Proposed Reference DVP Flow



Source: ABMF SF2

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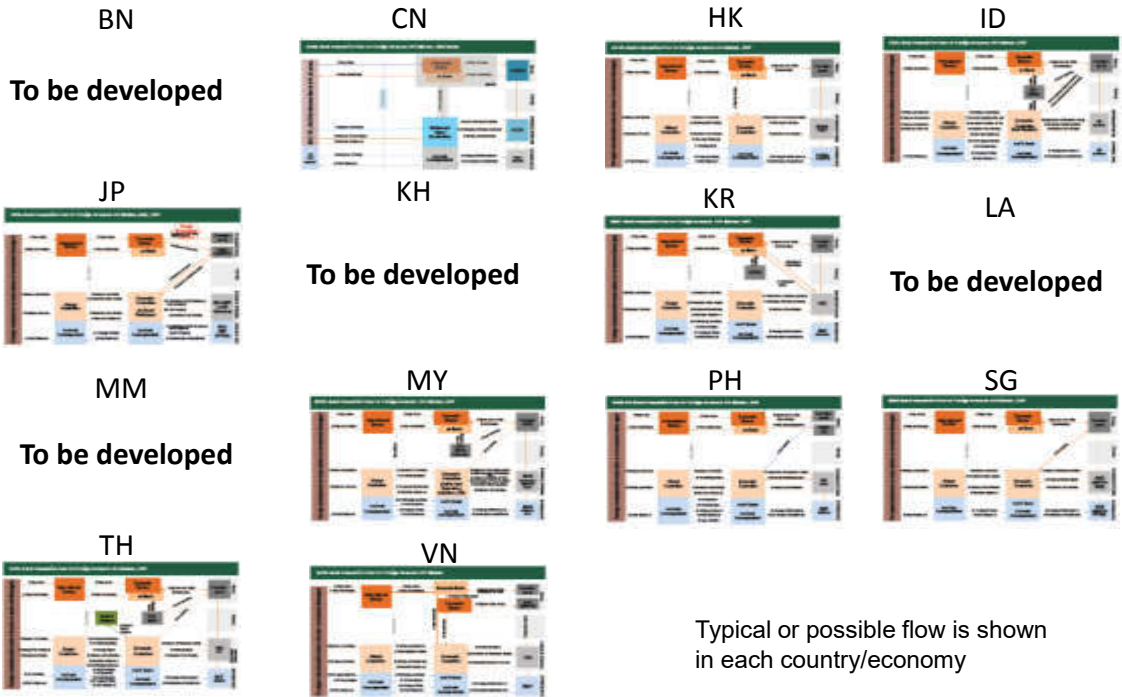
## Proposed Reference DVP Flow

1. Custodians (both sell and buy sides) enter the term "Securities Settlement Transaction Instructions" into a PSMS (or a CSD if PSMS functions are provided by the CSD).<sup>3</sup>
2. Pre-settlement matching needs to be completed 1 day before the settlement date (S-1).
3. Matched results (Securities Settlement Transaction Status Advice) are sent back to the sell side and buy side.
4. Matched results are transferred from a PSMS to a CSD, if the PSMS and CSD are operated in different platforms.
5. The CSD blocks (earmarks) the sell-side bond.
6. The CSD transfers cash settlement information to the RTGS to effect cash settlement for the DVP settlement.
7. The RTGS forwards the cash settlement information to the correspondent bank of the buy side. Although a forwarding message and the subsequent step, cash settlement instruction, is omitted in some markets, it is recommended that credit transfer instructions from the buy side be effected for high-value payments like bond DVP settlement, in particular for cross-border transactions. When omitting steps 7 and 8, a pre-arrangement, such as earmarking the exact amount for the settlement, needs to be secured beforehand.
8. The buy-side correspondent bank sends cash settlement instruction to the RTGS to effect credit transfer for DVP settlement.
9. Cash settlement is effected by transferring funds from the buy-side current account to the sell-side current account in the RTGS.
10. When cash settlement is successfully completed, cash settlement confirmations are sent to both the sell and buy sides.
11. Also, a cash settlement status report is sent from the RTGS to the CSD.
12. The blocked bond is released to the buy-side account in the CSD.
13. Bond settlement confirmations are sent from the CSD to both the sell and buy sides.

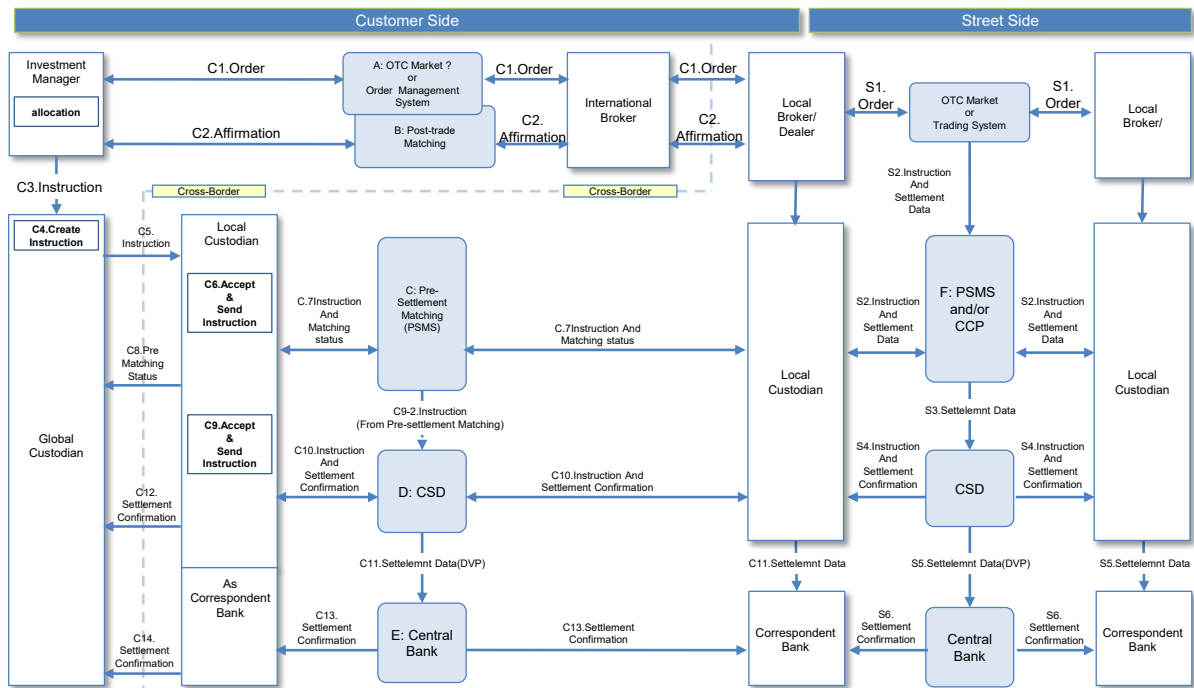
Source: ABMF SF2

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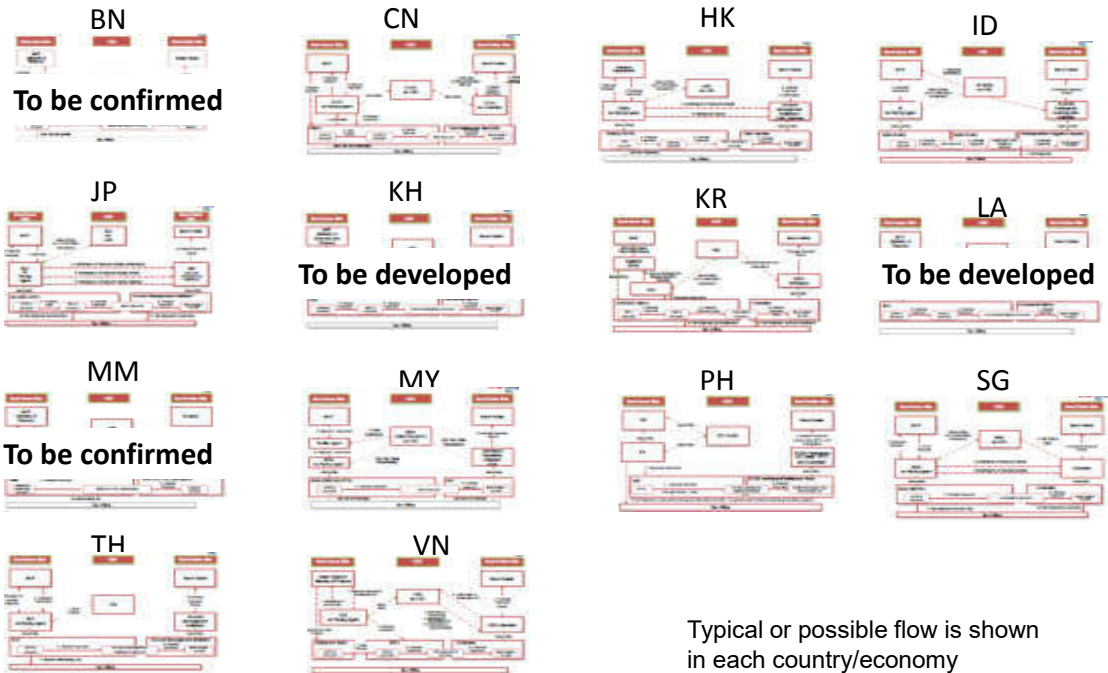
Bond Transaction Flows for Foreign Investors in ASEAN+3



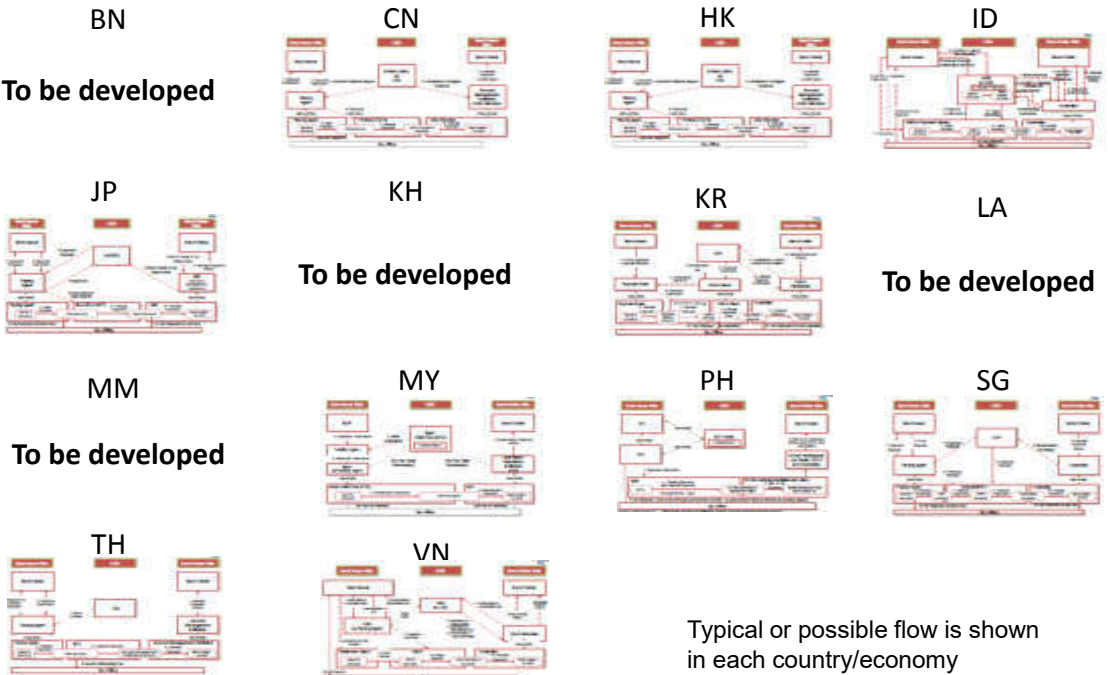
Generic Model of Cross-Border Bond Transaction Flow in ASEAN+3



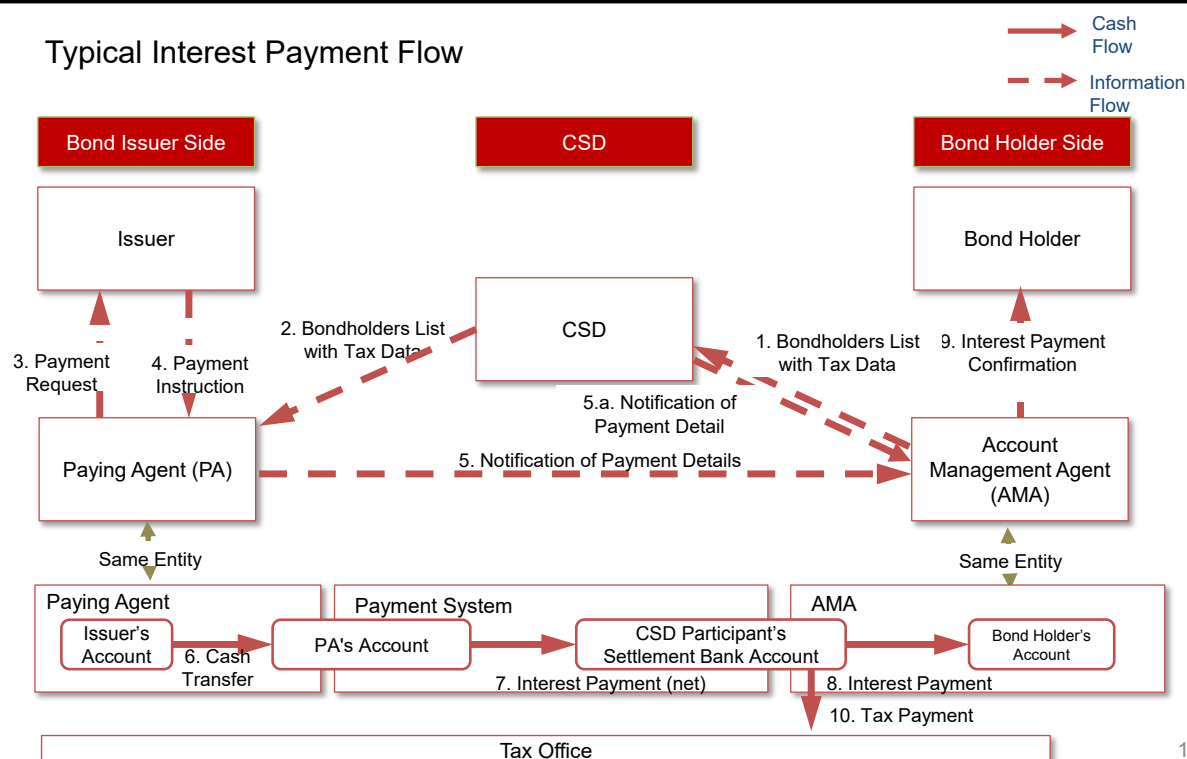
Government Interest Payment Flows in ASEAN+3



Corporate Bond Interest Payment Flows in ASEAN+3



## Typical Interest Payment Flow



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## Government Bond Interest Payment Related Entities in ASEAN+3

|    | CSD  | Name of Bond Settlement System | PA         | Tax for interest payment | TWA for resident | Tax for non-residents | TWA for non-resident |
|----|------|--------------------------------|------------|--------------------------|------------------|-----------------------|----------------------|
| BN | AMBD | NPSS                           | AMBD (TBC) | No                       | None             | No                    | None                 |
| CN | CCDC | CBGS                           | CCDC       | No                       | None             | No                    | None                 |
| CN | CSDC | MNS                            | CCDC       | No                       | None             | No                    | None                 |
| HK | HKMA | CMU                            | HKMA       | No                       | None             | No                    | None                 |
| ID | BI   | BI-SSSS                        | BI         | Yes                      | CSD participant  | Yes                   | CSD participant      |
| JP | BOJ  | BOJ-NET                        | BOJ        | Yes                      | CSD participant  | No                    | None                 |
| KH | NBC  | -                              | NBC (TBC)  | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| KR | KSD  | SSS/SAFE+                      | BOK        | Yes                      | KSD              | Yes                   | CSD participant      |
| LA | BOL  | -                              | BOL (TBC)  | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| MM | CBM  | CBM-NET                        | CBM        | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| MY | BNM  | RENTAS SSTs                    | BNM        | No                       | None             | No                    | None                 |
| PH | BTr  | BTr-ROSS                       | BTr        | Yes                      | BTr              | Yes                   | BTr                  |
| SG | MAS  | MEPS+ SGS                      | MAS        | Yes                      | CSD participant  | No                    | None                 |
| TH | TSD  | PTI                            | BOT        | Yes                      | BOT              | Yes                   | BOT                  |
| VN | VSD  | VSD-BES                        | VSD        | No                       | None             | No                    | None                 |

Source: ABMF SF2

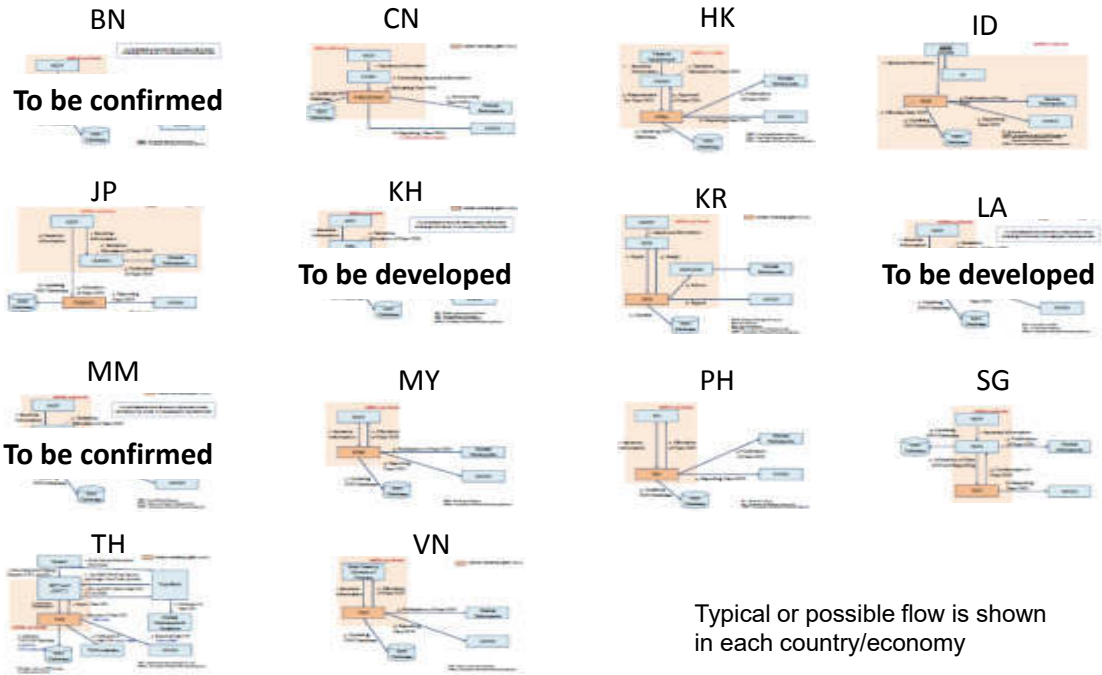
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Corporate Bond Interest Payment Related Entities in ASEAN+3

|    | CSD    | Name of Bond Settlement System | PA              | Tax for interest payment | TWA for resident | Tax for non-resident | TWA for non-resident |
|----|--------|--------------------------------|-----------------|--------------------------|------------------|----------------------|----------------------|
| BN | (TBD)  |                                | (TBC)           | (TBC)                    | (TBC)            | (TBC)                | (TBC)                |
| CN | CCDC   | CBGS                           | CCDC            | Yes                      | Bond holder      | Yes                  | Bond holder          |
| CN | CSDC   | MNS                            | CSDC            | Yes                      | CSDC             | Yes                  | CSDC                 |
| CN | SHCH   | SHCH-SSS                       | SHCH            | Yes                      | Bond holder      | Yes                  | Bond holder          |
| HK | HKMA   | CMU                            | Commercial bank | No                       | None             | No                   | None                 |
| ID | KSEI   | C-BEST                         | KSEI            | Yes                      | KSEI             | Yes                  | KSEI                 |
| JP | JASDEC | BETS                           | Commercial bank | Yes                      | CSD participant  | No                   | None                 |
| KH | CSX    | -                              | (TBC)           | (TBC)                    | (TBC)            | (TBC)                | (TBC)                |
| KR | KSD    | SSS/SAFE+                      | Commercial bank | Yes                      | KSD              | Yes                  | CSD participant      |
| LA | BOL    | -                              | (TBC)           | (TBC)                    | (TBC)            | (TBC)                | (TBC)                |
| MM | CBM    | CBM-NET                        | Commercial bank | (TBC)                    | (TBC)            | (TBC)                | (TBC)                |
| MY | BNM    | RENTAS SSTS                    | Commercial bank | No                       | None             | No                   | None                 |
| PH | PDTC   | PDTC Depository                | Commercial bank | Yes                      | Issuer           | Yes                  | Issuer               |
| SG | CDP    | DCSS                           | Commercial bank | Yes                      | CSD participant  | No                   | None                 |
| TH | TSD    | PTI                            | Commercial bank | Yes                      | CSD participant  | Yes                  | CSD participant      |
| VN | VSD    | VSD-BES                        | VSD             | Yes                      | Issuer           | Yes                  | Issuer               |

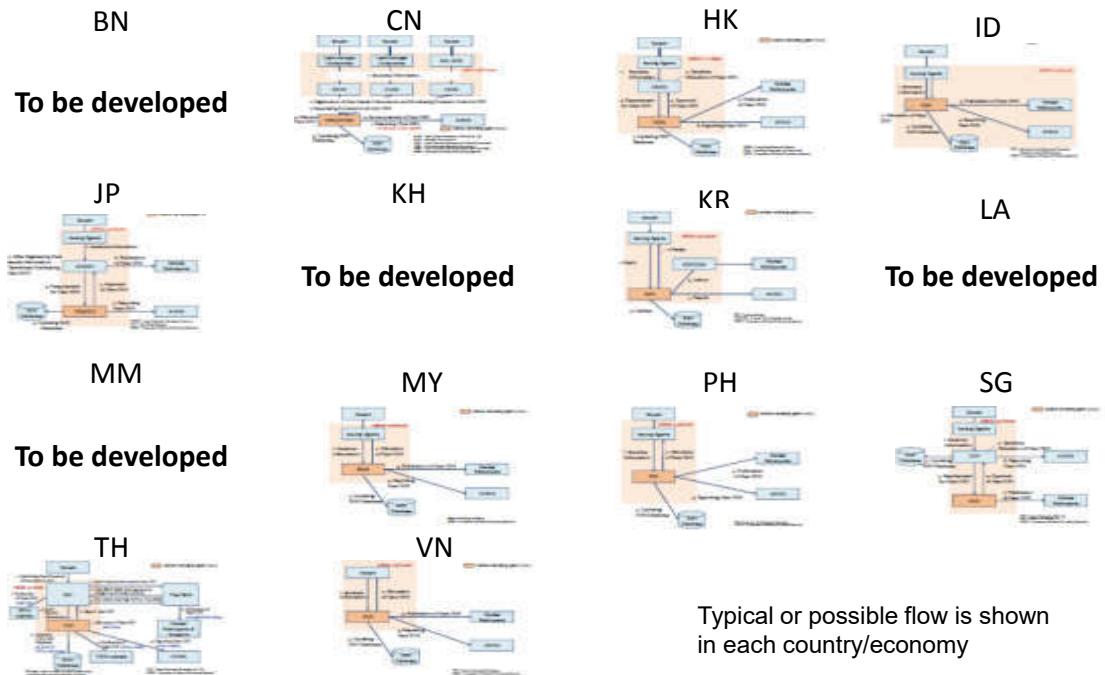
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Government bond ISIN Allocation Flows in ASEAN+3

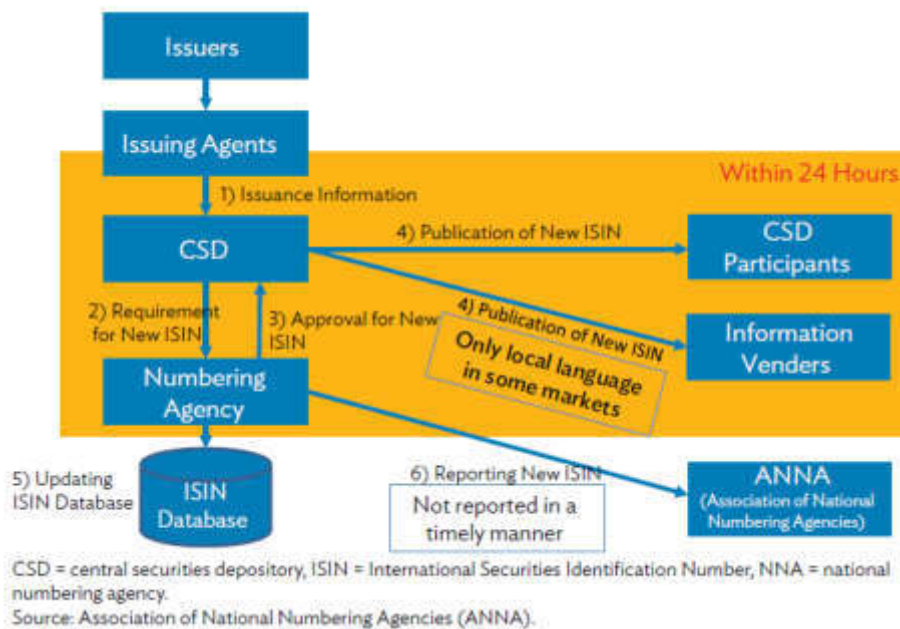


Typical or possible flow is shown in each country/economy

## Corporate bond ISIN Allocation Flows in ASEAN+3

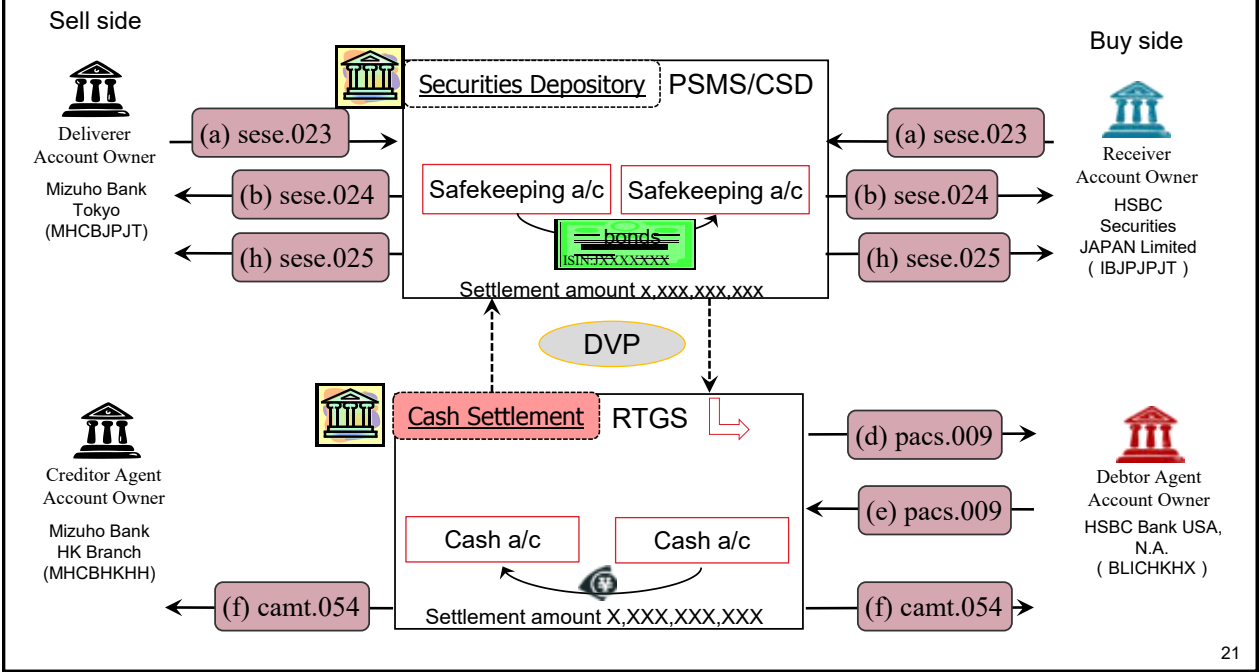


## Typical ISIN Allocation Flows in ASEAN+3





# Example of Standard ISO 20022 Messages and Items



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|                               | ISO15022 and etc.                             |      | ISO20022 Messages   |               |
|-------------------------------|---|------|---|---------------|
| Bond Settlement Instructing   | MT541<br>Receive against Payment              | NEWM | sese.023<br>Securities Settlement Transaction Instruction   | APMT,REC<br>E |
|                               | MT543<br>Deliver against Payment              | NEWM | sese.023<br>Securities Settlement Transaction Instruction   | APMT,DELI     |
| Bond Settlement Confirmation  | MT545<br>Receive against Payment Confirmation |      | sese.025<br>Securities Settlement Transaction Confirmation  |               |
|                               | MT547<br>Deliver against Payment Confirmation |      | sese.025<br>Securities Settlement Transaction Confirmation  |               |
| Matched Result                | MT548<br>Transaction Status Advice            |      | sese.024<br>Securities Settlement Transaction Status Advice |               |
| Cash Settlement Instruction   | MT202<br>Credit Transfer Instruction          |      | pacs.009<br>Cash Settlement Transaction Instruction         |               |
| Cash Settlement Status Report | MT900<br>Confirmation of Debit                |      | camt.054<br>Bank to Customer Debit Credit Notification      | Debit         |
|                               | MT910<br>Confirmation of Credit               |      | camt.054<br>Bank to Customer Debit Credit Notification      | Credit        |

Source: NBB modified by ADB Consultant for ARME SF2

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Essential (minimum) message items to effect DVP settlement are to be standardized in accordance with the international standards in particular ISO 20022.

Message items for securities settlement instruction sese.023

| Message Items                       | Definition  |
|-------------------------------------|---|
| Transaction Identification          | Unambiguous identification of the transaction as known by the instructing party.  |
| Securities Movement Type            | Specifies if the movement on a securities account results from a deliver or a receive instruction (such as DELI or RECE).                             |
| Payment                             | Specifies how the transaction is to be settled, for example, separate settlement or against payment (such as FREE or APMT).                           |
| Settlement Date                     | Date and time at which the securities are to be delivered or received.  |
| Financial Instrument Identification | Financial instrument representing a sum of rights of the investor vis-a-vis the issuer (such as ISIN).  |
| Settlement Quantity                 | Total quantity of securities to be settled (such as face value).  |
| Safekeeping Account                 | Account to or from which a securities entry is made.  |
| Securities Transaction Type         | Identifies the type of securities transaction (such as REPU for repo, TRAD for settlement of trade, etc.)   |
| Delivering Settlement Parties       | Identifies the chain of delivering settlement parties (such as BIC).  |
| Receiving Settlement Parties        | Identifies the chain of receiving settlement parties (such as BIC).   |
| Debtor and/or Debtor Agent          | Party that owes an amount of money to the (ultimate) creditor (such as BIC). Debtor Agent (Financial institution servicing an account for the debtor) |
| Creditor and/or Creditor Agent      | Party to which an amount of money is due (such as BIC). Creditor Agent (Financial institution servicing an account for the creditor)                  |
| Settlement Amount                   | Total amount of securities to be paid or received in exchange for the securities (amount of money in the cash entry).                                 |
| Credit Debit Indicator              | Indicate an entry is a credit or debit (such as CREDIT or DEBIT)  |



## Message items for securities settlement instruction sese.024

| Message Items                       | Definition  |
|-------------------------------------|---|
| Transaction Identification          | Provides unambiguous transaction identification information.  |
| Matching Status                     | Provides the matching status of the instruction (matched or un-matched).                                |
| Safekeeping Account                 | Account to or from which a securities entry is made.  |
| Financial Instrument Identification | Financial instruments representing a sum of rights of the investor vis-a-vis the issuer (such as ISIN). |
| Settlement Quantity                 | Total quantity of securities to be settled (such as face value).  |
| Settlement Date                     | Date and time at which the securities are to be delivered or received.                                  |
| Securities Movement Type            | Specifies if the movement on a securities account results from a deliver or a receive instruction.      |
| Payment                             | Specifies how the transaction is to be settled, for example, against payment (APMT) .                   |
| Receiving Settlement Parties        | Identifies the chain of receiving settlement parties (such as BIC).                                     |
| Delivering Settlement Parties       | Identifies the chain of delivering settlement parties (such as BIC).                                    |

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## Message items for securities settlement instruction sese.025

| Message Items                       | Definition  |
|-------------------------------------|---|
| Transaction Identification          | Unambiguous identification of the transaction as known by the instructing party.  |
| Securities Movement Type            | Specifies if the movement on a securities account results from a deliver or a receive instruction (such as DELI or RECE).                             |
| Payment                             | Specifies how the transaction is to be settled, for example, separate settlement or against payment (such as FREE or APMT).                           |
| Effective Settlement Date           | Date and time at which the securities are to be delivered or received.  |
| Financial Instrument Identification | Financial instrument representing a sum of rights of the investor vis-a-vis the issuer (such as ISIN).  |
| Settlement Quantity                 | Total quantity of securities to be settled (such as face value).  |
| Safekeeping Account                 | Account to or from which a securities entry is made.  |
| Securities Transaction Type         | Identifies the type of securities transaction (such as REPU for repo, TRAD for settlement of trade, etc.)   |
| Delivering Settlement Parties       | Identifies the chain of delivering settlement parties (such as BIC).  |
| Receiving Settlement Parties        | Identifies the chain of receiving settlement parties (such as BIC).   |
| Debtor and/or Debtor Agent          | Party that owes an amount of money to the (ultimate) creditor (such as BIC). Debtor Agent (Financial institution servicing an account for the debtor) |
| Creditor and/or Creditor Agent      | Party to which an amount of money is due (such as BIC). Creditor Agent (Financial institution servicing an account for the creditor)                  |
| Settlement Amount                   | Total amount of securities to be paid or received in exchange for the securities (amount of money in the cash entry).                                 |
| Credit Debit Indicator              | Indicate an entry is a credit or debit (such as CREDIT or DEBIT)  |

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## Message items for securities settlement instruction pacs.009

| Message Items                          | Definition  |
|--|---|
| End to End Identification              | Unique identification, as assigned by the initiating party, to unambiguously identify the transaction.  |
| Transaction Identification             | Unique identification, as assigned by the first instructing agent, to unambiguously identify the transaction that is passed on, unchanged, throughout the entire interbank chain. |
| Interbank Settlement Amount            | Amount of money moved between the instructing agent and the instructed agent.   |
| Debtor and/or Debtor Agent - BICFI     | Financial institution that owes an amount of money to the (ultimate) financial institutional creditor.  |
| Creditor and/or Creditor Agent – BICFI | Financial institution that receives an amount of money from the financial institutional debtor.   |

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Table 6: Message items for securities settlement instruction camt.054

| Message Items               | Definition  |
|-----------------------------|---|
| Notification Identification | Unique identification, as assigned by the account servicer, to unambiguously identify the account notification. |
| Creation Date Time          | Date and time at which the message was created.   |
| Account                     | Unambiguous identification of the account to which credit and debit entries are made.                           |
| Amount                      | Amount of money in the cash transaction.  |
| Credit Debit Indicator      | Indicates whether the entry is a credit or a debit entry.   |
| Status                      | Status of an entry on the books of the account servicer.  |
| Bank Transaction Code       | Set of elements used to fully identify the type of underlying transaction resulting in an entry.                |

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International Standard for Message Items of Securities Settlement (CSD) Systems

|   | CSD     | Name of Bond Settlement System | Inst. | Standardization of Message items (SSS) |          |          |          |                  |               |          | System renewal              |                     |
|---|---------|--------------------------------|-------|--|----------|----------|----------|------------------|---------------|----------|-----------------------------|---------------------|
|   |         |                                |       | ISO                                    |          | ISIN     | BIC      | Charac. Code set | Comm protocol | Overall  | Inauguration current system | Reconstruct. period |
|   |         |                                |       | ISO15022                               | ISO20022 |          |          |                  |               |          |                             |                     |
| BN  | AMBD    | NPSS                           | G     |  | Y (2016) | Y (2016) | Y        | Y                | Y             | Y (2016) |                             | 2016                |
| BN  | (TBD)   |                                | C     |  | Y (201X) | Y (201X) | Y        | Y                | Y             | Y (201X) |                             | 201X                |
| CN  | CCDC    | CBGS                           | G/C   | N                                      | Y        | Y        | Y        | Y                | Y             | Y        | 2013                        |                     |
| CN  | CSDC    | MNS                            | G/C   | N                                      | Y (201X) | Y (201X) | Y        | Y                | Y             | Y (201X) | Nov. 2011                   |                     |
| CN  | SHCH    | SHCH-SSS                       | C     | N                                      | Y (201X) | Y (201X) | Y        | Y                | Y             | Y (201X) | Dec 2011                    |                     |
| HK  | HKMA    | CMU                            | G/C   | Y                                      | N        | Y        | Y        | Y                | Y             | Y        | Mar. 1990                   |                     |
| ID  | BI      | BI-SSSS                        | G     | Y                                      | Y (201X) | Y        | Y        | Y                | Y             | Y (201X) | Mar 2003                    | 2018                |
| ID  | KSEI    | C-BEST                         | C     | Y                                      | Y (2016) | Y        | Y(2016)  | Y                | Y             | Y(2016)  |                             | 2016                |
| JP  | BOJ     | BOJ-NETJGB Service             | G     | N                                      | Y        | Y        | Y        | Y                | Y             | Y        | 1990/Jan 2001               | 2015                |
| JP  | JASDEC  | BETS                           | C     | Y                                      | Y        | Y        | Y        | Y                | Y             | Y        | Jan. 2014                   |                     |
| KH  | NBC     | -                              | G     | N                                      | Y (202X) | Y (202X) | Y (202X) | Y (202X)         | Y (202X)      | Y (202X) |                             |                     |
| KH  | CSX     | -                              | C     | N                                      | (TBC)    | (TBC)    | (TBC)    | (TBC)            | (TBC)         | (TBC)    |                             |                     |
| KR  | KSD     | SSS/SAFE+                      | G/C   | N                                      | Y (201X) | Y        | Y        | Y (201X)         | Y             | Y (201X) | Nov 2011                    |                     |
| LA  | BOL     | -                              | G     | N                                      | Y (2018) | Y (2018) | Y (2018) | Y (2018)         | Y (2018)      | Y (2018) |                             | 201X                |
| LA  | LSX     | -                              | C     | N                                      | (TBC)    | (TBC)    | (TBC)    | (TBC)            | (TBC)         | (TBC)    |                             |                     |
| MM  | CBM     | CBM-NET                        | G     | N                                      | Y (201X) | Y        | Y        | Y                | Y             | Y (201X) | 2016                        | 201X                |
| MM  | CBM/YSX | -                              | C     | N                                      | (TBC)    | (TBC)    | (TBC)    | (TBC)            | (TBC)         | (TBC)    |                             |                     |
| MY  | BNM     | RENTAS SSTS                    | G/C   | Y (2016)                               | Y (2018) | Y        | Y (2017) | Y                | Y             | Y(2018)  | Jul 1999                    | 2018                |
| PH  | BTr     | BTr-ROSS                       | G     | Y (2015)                               | Y (201X) | Y (201X) | Y (201X) | Y                | Y             | Y (201X) | Nov 1996                    | 2015                |
| PH  | PDTIC   | PDTIC Depository               | G/C   | Y (2015)                               | Y (2015) | Y (2015) | Y (2015) | Y                | Y             | Y (2015) | Mar 1995                    | 2015                |
| SG  | MAS     | MEPS+ SGS                      | G     | Y                                      | N        | Y        | Y        | Y                | Y             | Y        | Dec 2006                    |                     |
| SG  | CDP     | DCSS                           | C     | Y (2015)                               | Y        | Y        | Y        | Y                | Y             | Y        | 2015                        | -                   |
| Notes: the above information include results of personal assessment of ADB consultant. Therefore, confirmation by market infrastructure operators is essential. |         |                                |       | Y                                      | Y (201X) | Y        | Y        | Y                | Y             | Y (201X) | 2019                        |                     |
| Source: ABMF SF2.   |         |                                |       | G/C                                    | Y        | Y(201X)  | Y        | Y (201X)         | Y             | Y (201X) | May. 2014                   | 201X                |

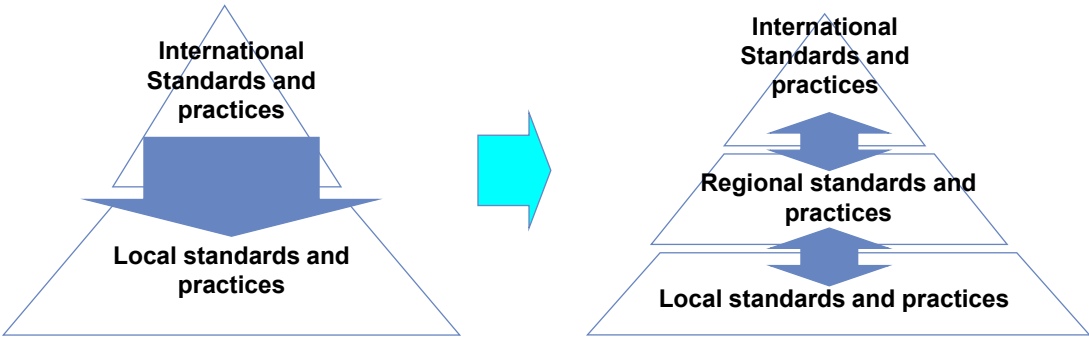
International Standard for Message Items of Cash Settlement (RTGS) Systems

|    | Operator | Name of the System | Standardization of Message Items (RTGS) |          |          |                |                  |          | System renewal              |                       |
|----|----------|--------------------|---|----------|----------|----------------|------------------|----------|-----------------------------|-----------------------|
|    |          |                    | ISO messages                            |          | BIC      | Char. Code set | Commun. protocol | Overall  | Inauguration current system | Reconstruction period |
|    |          |                    | ISO15022                                | ISO20022 |          |                |                  |          |                             |                       |
| BN | AMBD     | -                  | N                                       | Y        | Y        | Y              | Y                | Y        | 2015                        |                       |
| CN | PBOC     | HVPS               | N                                       | Y        | Y        | Y              | Y                | Y        | 2014                        |                       |
| HK | HKMA     | CHATS              | Y                                       | N        | Y        | Y              | Y                | Y        | Dec 1996                    |                       |
| ID | BI       | BI-RTGS            | Y                                       | Y (201)  | Y        | Y              | Y                | Y (2017) | Nov 2000                    | 2017                  |
| JP | BOJ      | BOJ-NET FTS        | N                                       | Y        | Y        | Y              | Y                | Y        | 2015                        | -                     |
| KH | NBC      | -                  | N                                       | Y (201X) | Y (201X) | Y (201X)       | Y (201X)         | Y (201X) |                             | 201X                  |
| KR | BOK      | BOK-Wire+          | N                                       | Y (2021) | Y        | Y              | Y                | Y (2021) | Apr 2009                    | 2021                  |
| LA | BOL      | -                  | Y                                       | Y (201X) | Y        | Y              | Y                | Y (201X) |                             |                       |
| MM | CMB      | CBM-NET            | N                                       | Y (201X) | Y        | Y              | Y                | Y (201X) | 2016                        | 201X                  |
| MY | BNM      | RENTAS IFTS        | Y (2016)                                | Y (2018) | Y (2017) | Y              | Y                | Y (2018) | Jul 1999/2004/2011          | 2019                  |
| PH | BSP      | PhilPaSS           | Y                                       | Y (201X) | Y        | Y              | Y                | Y (201X) | 1995/Dec 2002               | 201X                  |
| SG | MAS      | MEPS plus          | Y                                       | N        | Y        | Y              | Y                | Y        | Dec 2006                    | 201X                  |
| TH | BOT      | BAHTNET            | Y                                       | Y (2019) | Y        | Y              | Y                | Y (2019) | 2013                        | 2019                  |
| VN | SBV      |                    | N                                       | Y (2019) | Y (2019) | Y (2019)       | Y (2019)         | Y (2019) | 2010                        | 2019                  |

Notes: the above information include results of personal assessment of ADB consultant. Therefore, confirmation by market infrastructure operators is essential. Source: ABMF SF2.

Vision of ABMF SF2

Asia should engage standard setting more closely and should lead discussions in the international forum

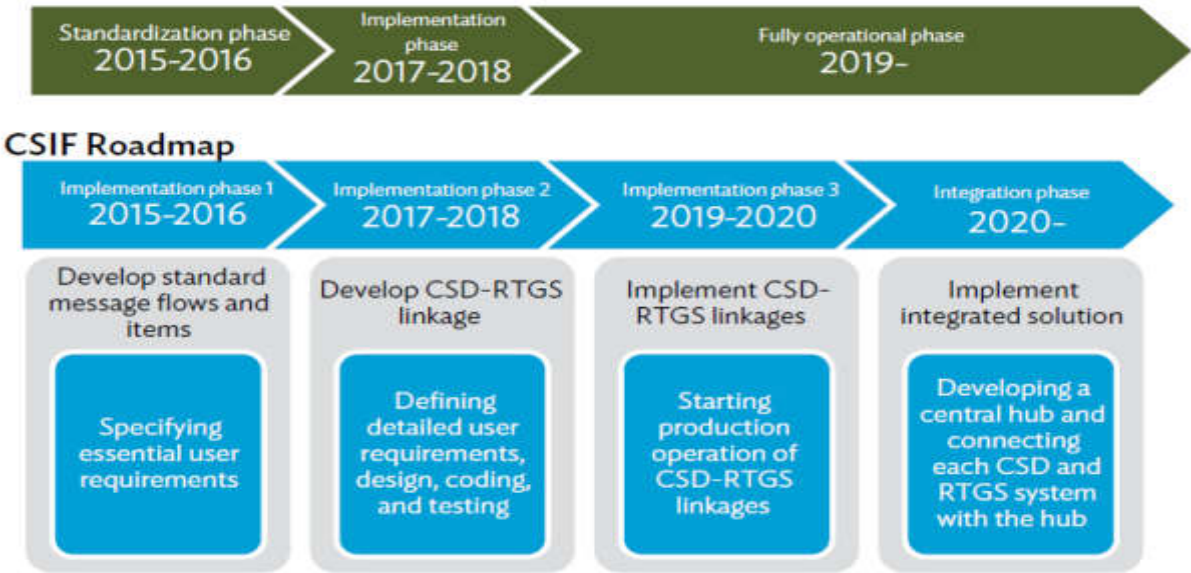


International standards (such as ISO20022) will be the focal point and hub of local standards

Source: ABMF SF2

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Roadmap



CSD = central securities depository, CSIF = Cross-Border Settlement Infrastructure Forum, RTGS = real-time gross settlement.  
Source: ABMF SF2.

# Next Steps

1. Agreeing “Reference DVP flow”
2. Agreeing essential message items based on ISO 20022
3. Adopting ISIN and allocation of ISIN in accordance with ANNA recommendation
4. Further surveying market practice to harmonize including tax related issues
5. Further surveying cross-border collateral and cross-currency repo
6. Supporting BN, KH, LA, and MM to foster bond market infrastructures
7. Supporting CSIF activities as well as ABMF SF1
8. Further discussing change management of ISO 20022 messages including contributions of RA for submitting BJ and CR

References: could you visit the sites, please?



ASEAN+3 Bond Market Guide: January 2012

<http://www.adb.org/publications/asean3-bond-market-guide>



ASEAN+3: Information on Transaction Flows and Settlement Infrastructures: December 2013

<http://www.adb.org/publications/asean3-information-transaction-flows-and-settlement-infrastructures>



Basic Principles on Establishing a Regional Settlement Intermediary and Next Steps Forward: May 2014

<http://www.adb.org/publications/basic-principles-establishing-regional-settlement-intermediary-next-steps>



Progress Report on Establishing a Regional Settlement Intermediary and Next Steps: May 2015

<http://www.adb.org/publications/progress-report-establishing-regional-settlement-intermediary-and-next-steps>



Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3; August 2015

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

## Preaching to Buddha



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# Thank you for your attention !

This PowerPoint slides are made solely for discussions at the 21<sup>st</sup> ABMF SF2 on 26 January 2016. Views expressed are those of the presenter and do not necessarily reflect those of ADB, NTT DATA Corporation or any other organizations.

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# Session 2

## Session 2: Recent development on harmonization and standardization: feedback from members and experts



NTT DATA

Prepared for the discussions at ABMF SF2 on 26 January 2016

Taiji Inui, NTT DATA Group

1

### ISO20022 adoption in Europe Overview



October 2015

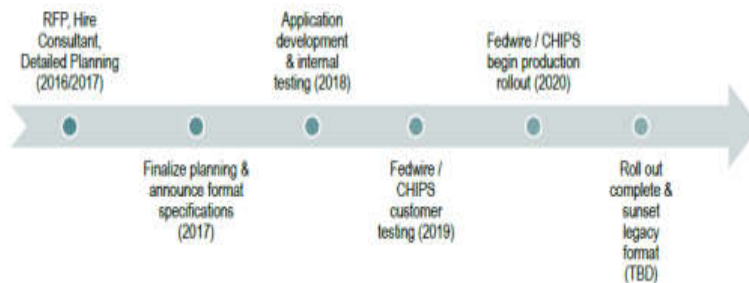
Source: Deutsch Bundesbank

Jochen Metzger

2



## ISO 20022 for U.S. Wire Transfer Systems Preliminary High-Level Timeline



### Detailed Planning Activities

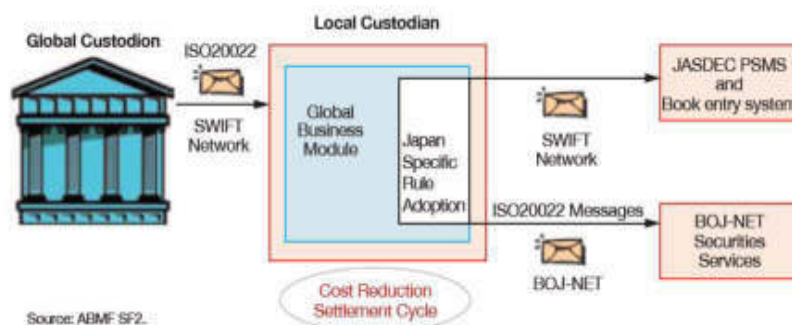
- Define detailed project plan & timeline
- Ensure ISO 20022 can accommodate everything needed for Fedwire Funds Service & CHIPS
  - Could provide opportunity to streamline processes or eliminate messages with little or no usage
  - May identify change requests that need to be approved/implemented by ISO
- Define the specific ISO 20022 messages and fields that will be needed for Fedwire Funds Service & CHIPS
- Determine if implementation will be "like for like" or include enhancements
- If enhancements are to be included, identify and prioritize the enhancements based on industry feedback
- Define format specifications/message implementation guide & validate with industry

Source: ISO 20022 U.S. Stakeholder Group

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**Cross-border STP ⇒ increase efficiency and decreasing cost**

### Seamless cross-border trade and settlement



出典: ABMF SF2

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## ABMF SF2 Policy Recommendations

### Adoption of international standards

- a. ISO 20022 for message standard
- b. ISO 9362 (BICFI) for financial institution identification
- c. ISO 6166 (ISIN) for securities numbering
- d. ISO 3166-1 for country code (MM for Myanmar)
- e. ISO 4217 for currency code (MMK for Myanmar kyat)

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## Institutional framework

1. Establish National Numbering Agency (NNA) for ISIN allocation in each country
2. Establish TC68 mirror committee in each country/economy, if not (and become ready)
3. Join Payment Standard Evaluation Group (PSEG) and Securities Standard Evaluation Group (SSEG), if not (and become ready)
4. Discuss regional framework to maintain ISO 20022 messages in the region

6

## Policy Recommendations

1. Harmonization of Message Flow
  - Agreeing “Reference DVP Flow”
2. Adoption of International Standards
  - ISO 20022, ISO 9362 (BICFI), ISO 6166 (ISIN), ISO 3166 (country code), and ISO 4217 (currency code)
3. Standardization of Message Items based on ISO 20022
  - Messages based on sese.023, sese.024, sese025, pacs.009, and camt.054 for DVP flows
4. Institutional framework for standardization in ASEAN+3
5. Establishing NNA
6. Surveying repo

### ISO 20022 Institutional Framework

|    | ISO member                      | TC68 member        | RMG  | PSEG  | SSEG  |
|----|---------------------------------|--------------------|--|---|---|
| BN | Correspondent member (ABCI)     |                    |  |   |   |
| CN | Full member (SAC)               | Participant member | Member (PBOC)                                  |   |   |
| HK | Correspondent member (ITCHKSAR) | Observing member   |  |   |   |
| ID | Full member (BSN)               |                    |  |   |   |
| JP | Full member (JISC)              | Participant member | Member (BOJ)                                   | Member (BOJ, Zenginkyo, NTT Data, JPMC, BTMUEJ) | Member (BOJ, JASDEC, Mizuho CB, BTMUEJ, NTT Data) |
| KH | Correspondent member (ISC)      |                    |  |   |   |
| KR | Full member (KATS)              | Participant member | Member (KFTC and KATS)                         | Member (KFTC)                                   |   |
| LA | Subscriber member (DISM)        |                    |  |   |   |
| MM | Correspondent member (MSTRD)    |                    |  |   |   |
| MY | Full member (DSM)               | Observing member   |  |   |   |
| PH | Full member (BSP)               | Observing member   |  |   |   |
| SG | Full member (SPRING SG)         | Observing member   | Member (Standard Chartered Bank, Deutsch Bank) |   | Member (Standard Chartered Bank)                  |
| TH | Full member (TISI)              | Participant member |  |   |   |
| VN | Full member (STAMEQ)            |                    |  |   |   |

### National Numbering Agencies in ASEAN+3

| ASEAN+3      |   |                |
|--------------|---|----------------|
| Country Code | National Numbering Agency                       | Market Segment |
| BN           | (Pending NNA appointment)                       | -              |
| CN           | China Securities Regulatory Commission          | Regulator      |
| HK           | Hong Kong Exchanges and Clearing Ltd            | Stock Exchange |
| ID           | KSEI - Indonesian Central Securities Depository | CSD            |
| JP           | Tokyo Stock Exchange                            | Stock Exchange |
| KH           | (Pending NNA appointment)                       | -              |
| KR           | Korean Exchange – KRX                           | Stock Exchange |
| LA           | Lao People's Democratic Republic                | -              |
| MM           | (Pending NNA appointment)                       | -              |
| MY           | (Pending NNA appointment)                       | Stock Exchange |
| PH           | Securities and Exchange Commission              | Regulator      |
| SG           | Singapore Exchange Limited                      | Stock Exchange |
| TH           | Thailand Securities Depository                  | CSD            |
| VN           | Vietnam Securities Depository                   | CSD            |

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Could you share your policy for adoption and implementation of international standards including ISO 20022 in your financial institution, please?

1. Global policy of adoption of International standards
2. Local policy in each country /economy

Thank you

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# Session 3

## Sub Forum 2 / Session 3

# Lesson from the AMBIF pilot issuance

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Jan. 26, 2016

Japan Securities Depository Center, Inc.

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## AGENDA

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1. Case Study : Mizuho Bank Ltd.
2. Classification
3. Key Considerations

## 1. Case Study : Mizuho Bank

Issuance of THB denominated Bonds under the AMBIF

<Summary of issuance>

Issue amount : THB 3 billion (approx. JPY10billion)

Issue date : September 28, 2015

Duration : 3 years

Interest : 2.33%

Issuing place : Thailand domestic bond market

Listing : Tokyo Pro-Bond Market

### <<Points to remember>>

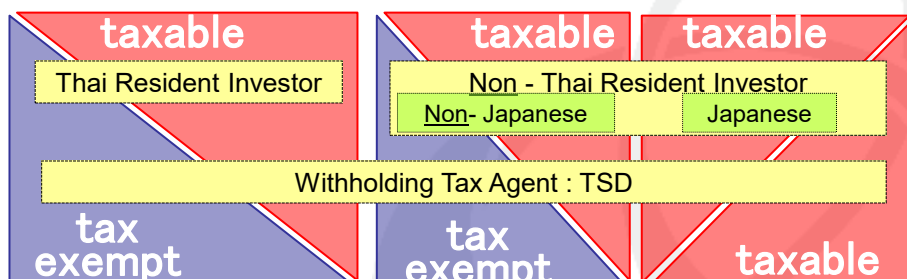
- ✓ Issuing Market : **Thailand** (domestic bond market)
- ✓ Country where the issuer belongs to : **Japan**

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## 1. Case Study : Mizuho Bank

1. Withholding tax regime under the issuing market (i.e.Thai) taxation system  
→> Tax Exemption Scheme for Foreign Investors : **Not Exist**
2. Withholding tax regime under the country where the issuer belongs to (i.e.Japan)  
→> Only Japanese resident investors will be imposed

Withholding tax regime under the Thai bond market taxation system



Withholding tax regime under the Japanese taxation system which the issuer belongs to

3

## 2. Classification

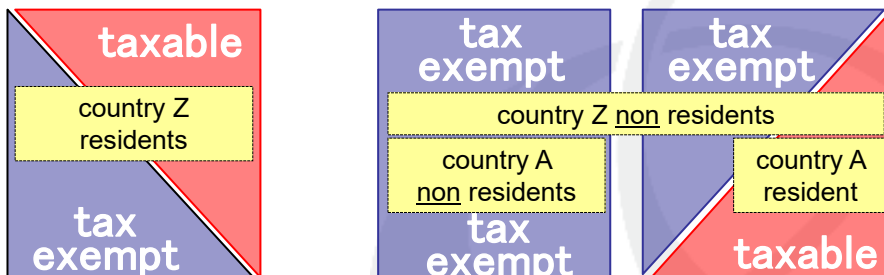
|  |                                  | <u>Taxation system under the issuing market</u> |                       |           |
|--|----------------------------------|---|-----------------------|-----------|
|  |                                  | Withholding tax regime                          |                       |           |
|  |                                  | Exist   |                       | Not Exist |
|  |                                  | Tax Exemption Scheme for Foreign Investors      |                       |           |
|  |                                  | Exist   | Not Exist             |           |
| <u>Taxation system under the country where the issuer belongs to</u> | Withholding tax regime Exist     | Type A  | Type B<br>e.g. MIZUHO | Type C    |
|  | Withholding tax regime Not Exist | Type D  | Type E                | Type F    |

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### Type A (country where issuer belongs to : A) (issuing market : Z)

1. Withholding tax regime under the issuing market (country Z) taxation system  
→> Tax Exemption Scheme for Foreign Investors (country Z non residents) : **Exist**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→> Only resident of country A investors will be imposed

Withholding tax regime under the country Z taxation system



Withholding tax regime under the country A taxation system which the issuer belongs to

5

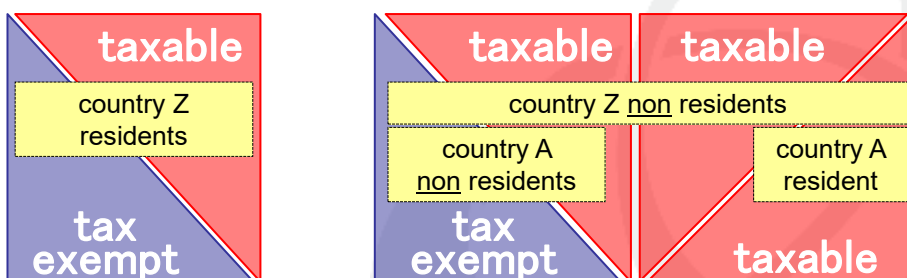


## Type B (country where issuer belongs to : A) (issuing market : Z)



1. Withholding tax regime under the issuing market (country Z) taxation system  
→>> Tax Exemption Scheme for Foreign Investors : **Not Exist**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→>> Only resident of country A investors will be imposed

Withholding tax regime under the country Z taxation system



Withholding tax regime under the country A taxation system which the issuer belongs to

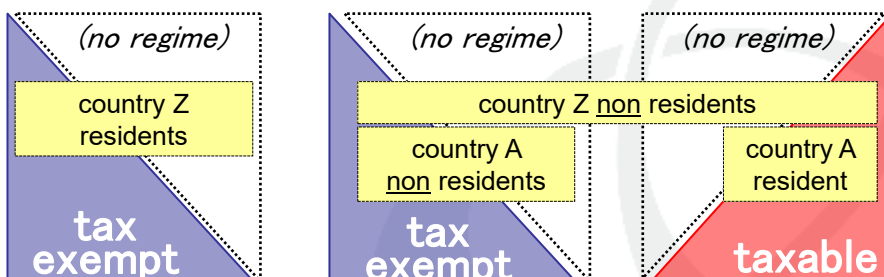
6

## Type C (country where issuer belongs to : A) (issuing market : Z)



1. Withholding tax regime under the issuing market (country Z) taxation system  
→>> **NOT EXIST**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→>> Only resident of country A investors will be imposed

**NO** withholding tax regime under the country Z taxation system



Withholding tax regime under the country A taxation system which the issuer belongs to

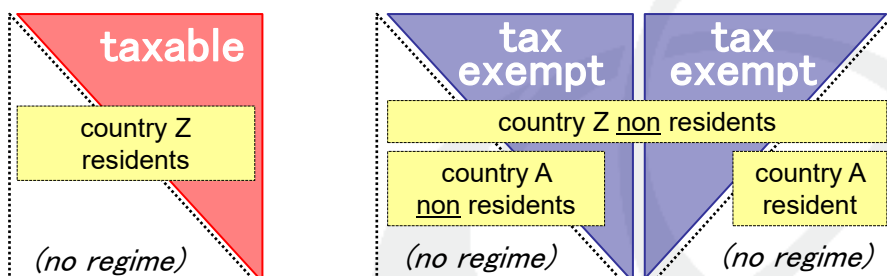
7

## Type D (country where issuer belongs to : A) (issuing market : Z)



1. Withholding tax regime under the issuing market (country Z) taxation system  
→> Tax Exemption Scheme for Foreign Investors (country Z non residents) : **Exist**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→> **NOT EXIST**

Withholding tax regime under the country Z taxation system



**NO** withholding tax regime under the country A taxation system  
which the issuer belongs to

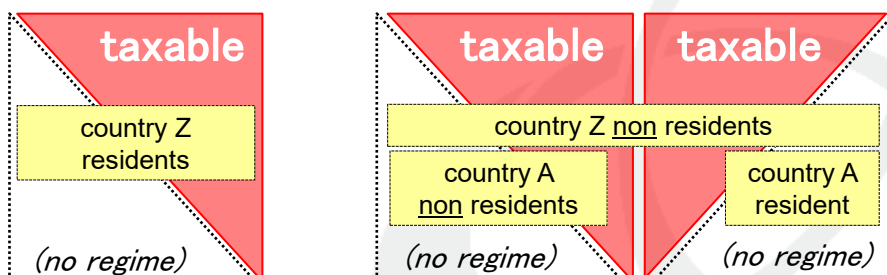
8

## Type E (country where issuer belongs to : A) (issuing market : Z)



1. Withholding tax regime under the issuing market (country Z) taxation system  
→> Tax Exemption Scheme for Foreign Investors : **Not Exist**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→> **NOT EXIST**

Withholding tax regime under the country Z taxation system



**NO** withholding tax regime under the country A taxation system  
which the issuer belongs to

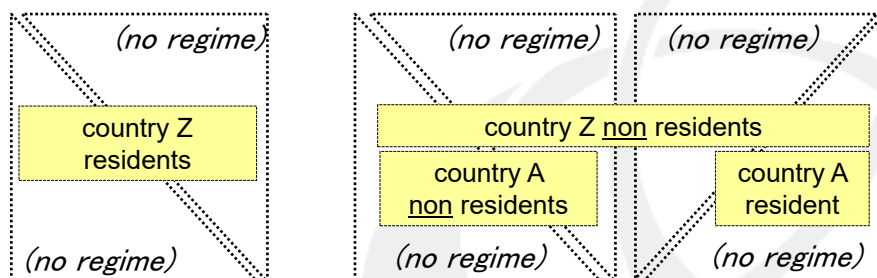
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## Type F (country where issuer belongs to : A) (issuing market : Z)



1. Withholding tax regime under the issuing market (country Z) taxation system  
→> **NOT EXIST**
2. Withholding tax regime under the country where the issuer belongs to (country A)  
→> **NOT EXIST**

**NO** withholding tax regime under the country Z taxation system



**NO** withholding tax regime under the country A taxation system  
which the issuer belongs to

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## 3. Key Considerations



Double Tax Treaty  
Capital Gain Tax  
Omnibus Account or Segregated Account  
Interest Payment Flow  
Tax Refund  
Withholding Tax Agent  
Reporting  
.....

⇒⇒⇒ Questionnaire !

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# **Thank you for your attention**

**Yuji SATO**  
**Senior Manager**  
**Office of International Research and Relations,**  
**Corporate Strategy Department**

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# Session 4

**ADB**

**Session4:**

**Tax issues in particular related to interest payment flow including preliminary draft of questionnaire**

**The 21<sup>st</sup> ABMF SF2 on 26 Jan.2016**

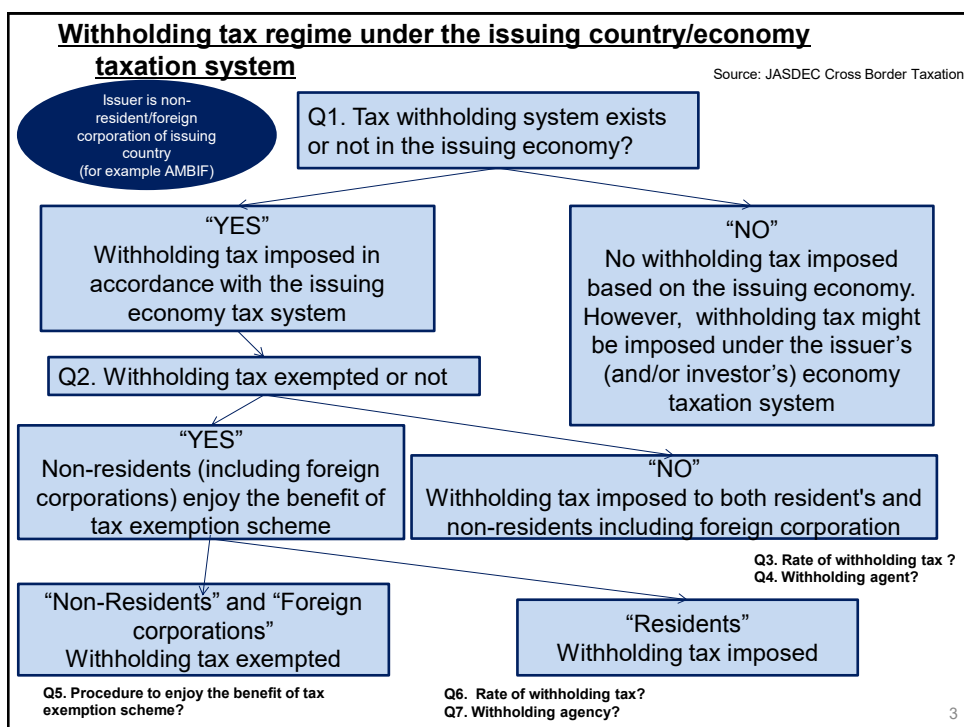
Taiji Inui, ADB Consultant for ABMF SF2, NTT DATA Corporation and NTT DATA Institute of Management Consulting

**NTT DATA**

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### Contents

1. Categorization of withholding tax regime
  - under the issuing economy taxation system
2. Bong interest payment related entities
3. Some examples of cross-border interest payment flow (to be confirmed)
4. Double tax treaties (agreement)
5. Model tax convention
6. Possible questions (to be discussed)



**Interest Payment Flow with examples**

Government Bond Interest Payment Related Entities in ASEAN+3

|    | CSD  | Name of Bond Settlement System | PA         | Tax for interest payment | TWA for resident | Tax for non-residents | TWA for non-resident |
|----|------|--------------------------------|------------|--------------------------|------------------|-----------------------|----------------------|
| BN | AMBD | NPSS                           | AMBD (TBC) | No                       | None             | No                    | None                 |
| CN | CCDC | CBGS                           | CCDC       | No                       | None             | No                    | None                 |
| CN | CSDC | MNS                            | CCDC       | No                       | None             | No                    | None                 |
| HK | HKMA | CMU                            | HKMA       | No                       | None             | No                    | None                 |
| ID | BI   | BI-SSSS                        | BI         | Yes                      | CSD participant  | Yes                   | CSD participant      |
| JP | BOJ  | BOJ-NET                        | BOJ        | Yes                      | CSD participant  | No                    | None                 |
| KH | NBC  | -                              | NBC (TBC)  | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| KR | KSD  | SSS/SAFE+                      | BOK        | Yes                      | KSD              | Yes                   | CSD participant      |
| LA | BOL  | -                              | BOL (TBC)  | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| MM | CBM  | CBM-NET                        | CBM        | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| MY | BNM  | RENTAS SSTS                    | BNM        | No                       | None             | No                    | None                 |
| PH | BTr  | BTr-ROSS                       | BTr        | Yes                      | BTr              | Yes                   | BTr                  |
| SG | MAS  | MEPS+ SGS                      | MAS        | Yes                      | CSD participant  | No                    | None                 |
| TH | TSD  | PTI                            | BOT        | Yes                      | BOT              | Yes                   | BOT                  |
| VN | VSD  | VSD-BES                        | VSD        | No                       | None             | No                    | None                 |

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## Interest Payment Flow with examples

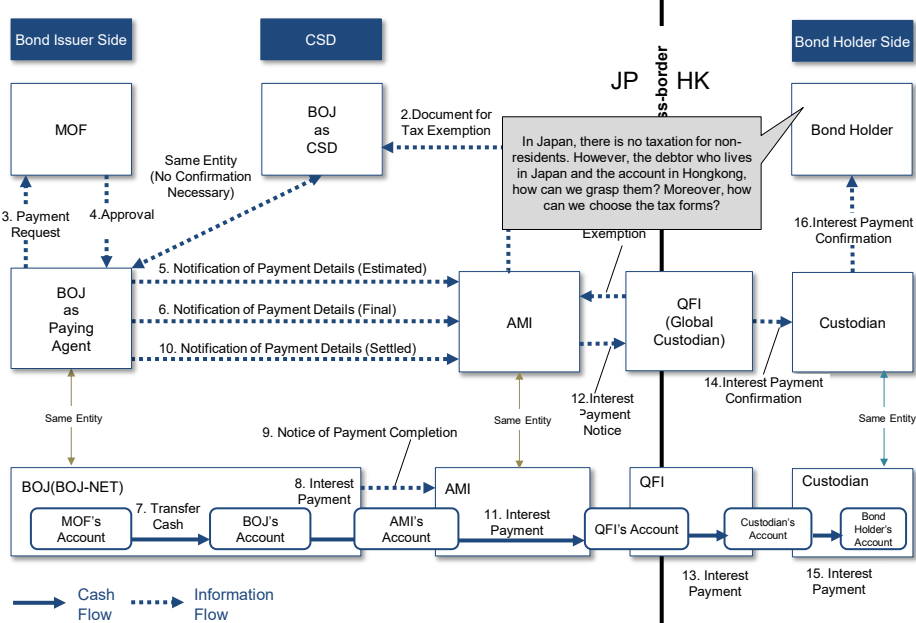
Corporate Bond Interest Payment Related Entities in ASEAN+3

|    | CSD    | Name of Bond Settlement System | PA              | Tax for interest payment | TWA for resident | Tax for non-residents | TWA for non-resident |
|----|--------|--------------------------------|-----------------|--------------------------|------------------|-----------------------|----------------------|
| BN | (TBD)  | -                              | (TBC)           | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| CN | CCDC   | CBGS                           | CCDC            | Yes                      | Bond holder      | Yes                   | Bond holder          |
| CN | CSDC   | MNS                            | CSDC            | Yes                      | CSDC             | Yes                   | CSDC                 |
| HK | SHCH   | SHCH-SSS                       | SHCH            | Yes                      | Bond holder      | Yes                   | Bond holder          |
| ID | HKMA   | CMU                            | Commercial bank | No                       | None             | No                    | None                 |
| JP | KSEI   | C-BEST                         | KSEI            | Yes                      | KSEI             | Yes                   | KSEI                 |
| KH | JASDEC | BETS                           | Commercial bank | Yes                      | CSD participant  | No                    | None                 |
| KR | CSX    | -                              | (TBC)           | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| LA | KSD    | SSS/SAFE+                      | Commercial bank | Yes                      | KSD              | Yes                   | CSD participant      |
| MM | BOL    | -                              | (TBC)           | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| MY | CBM    | CBM-NET                        | Commercial bank | (TBC)                    | (TBC)            | (TBC)                 | (TBC)                |
| PH | BNM    | RENTAS SSTS                    | Commercial bank | No                       | None             | No                    | None                 |
| SG | PDTC   | PDTC Depository                | Commercial bank | Yes                      | Issuer           | Yes                   | Issuer               |
| TH | CDP    | DCSS                           | Commercial bank | Yes                      | CSD participant  | No                    | None                 |
| VN | TSD    | PTI                            | Commercial bank | Yes                      | CSD participant  | Yes                   | CSD participant      |

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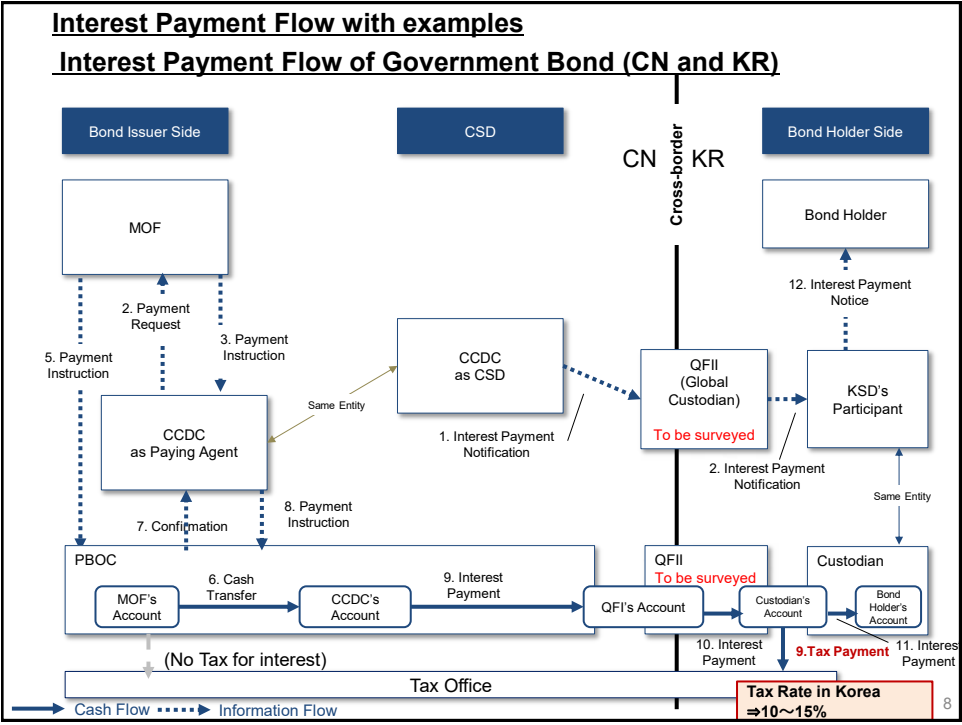
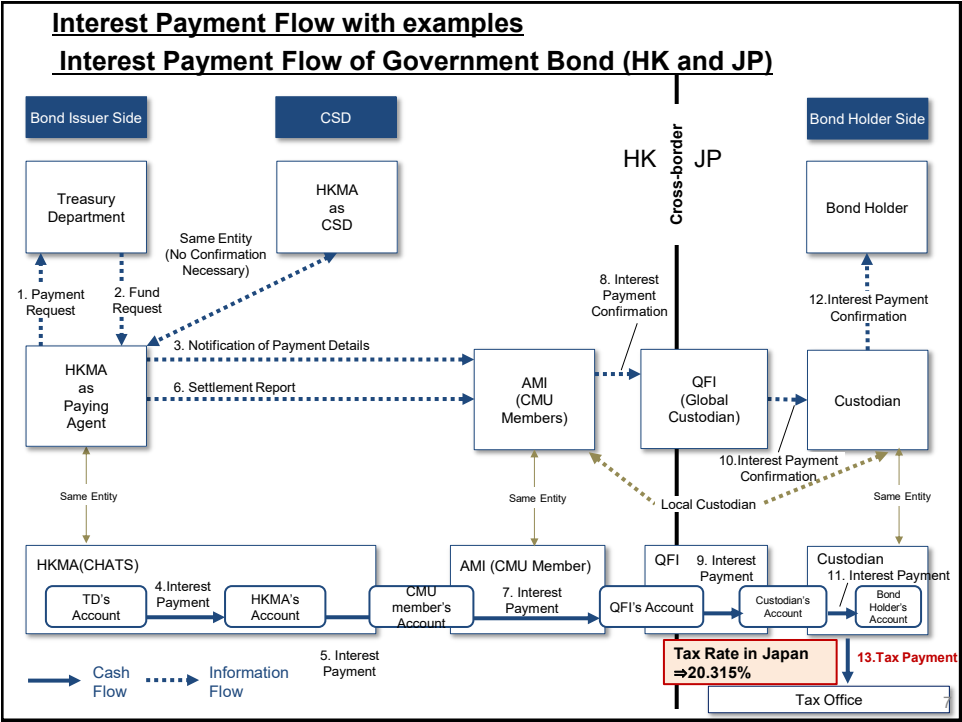
## Interest Payment Flow with examples

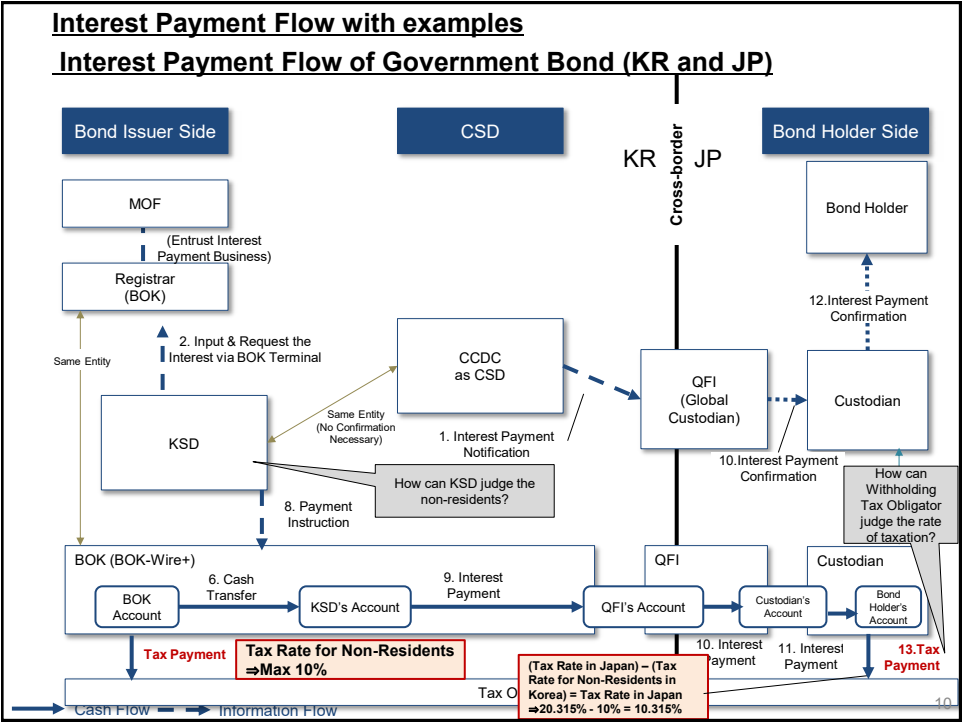
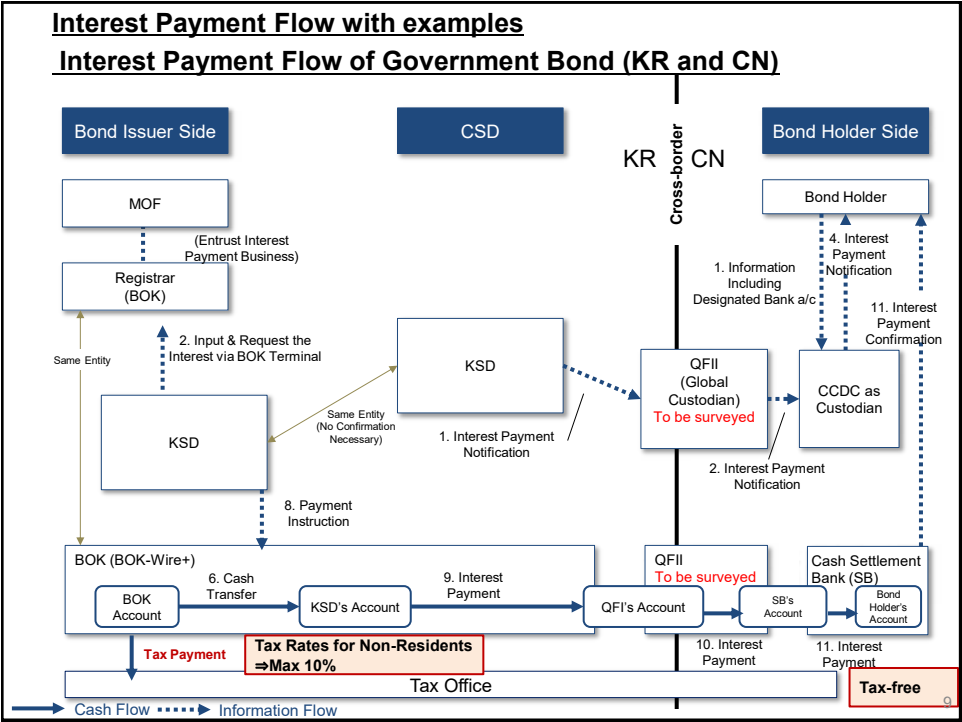
### Interest Payment Flow of Government Bond (JP and HK)

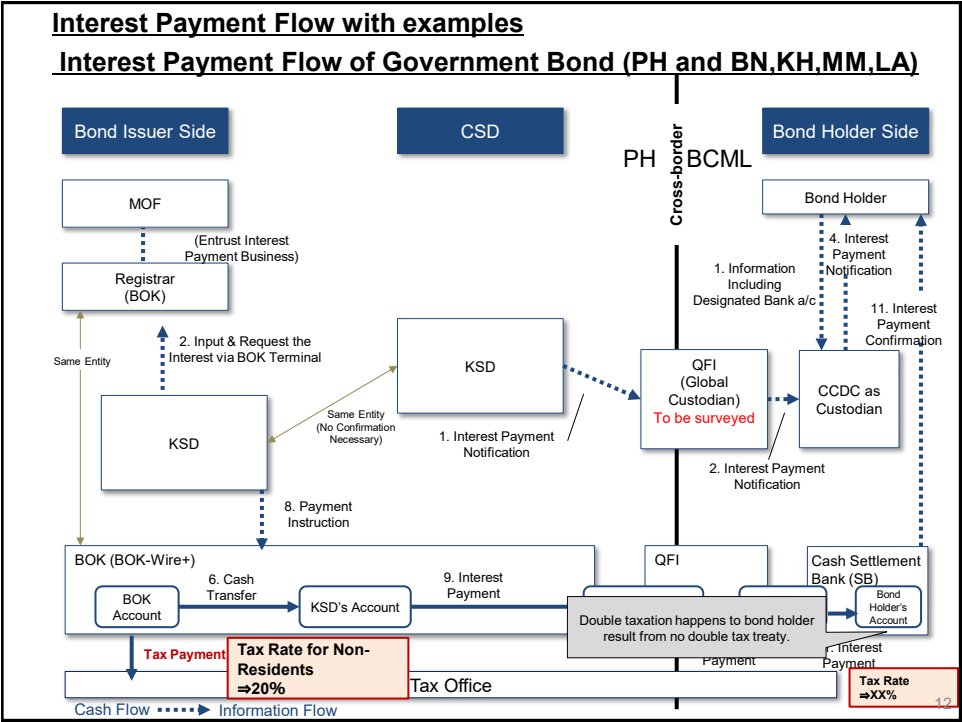
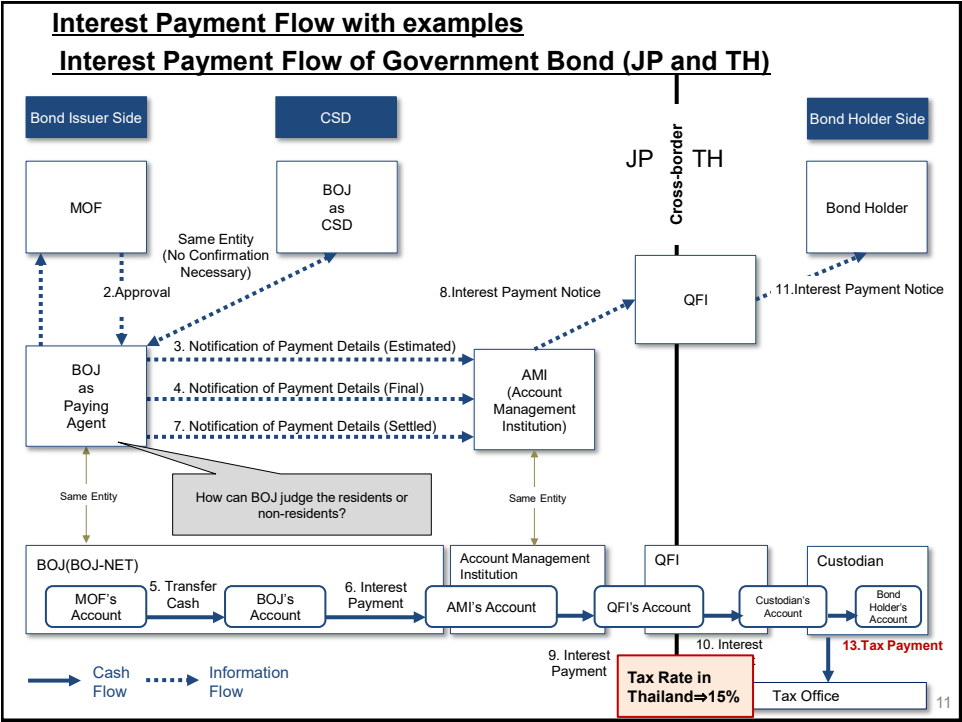


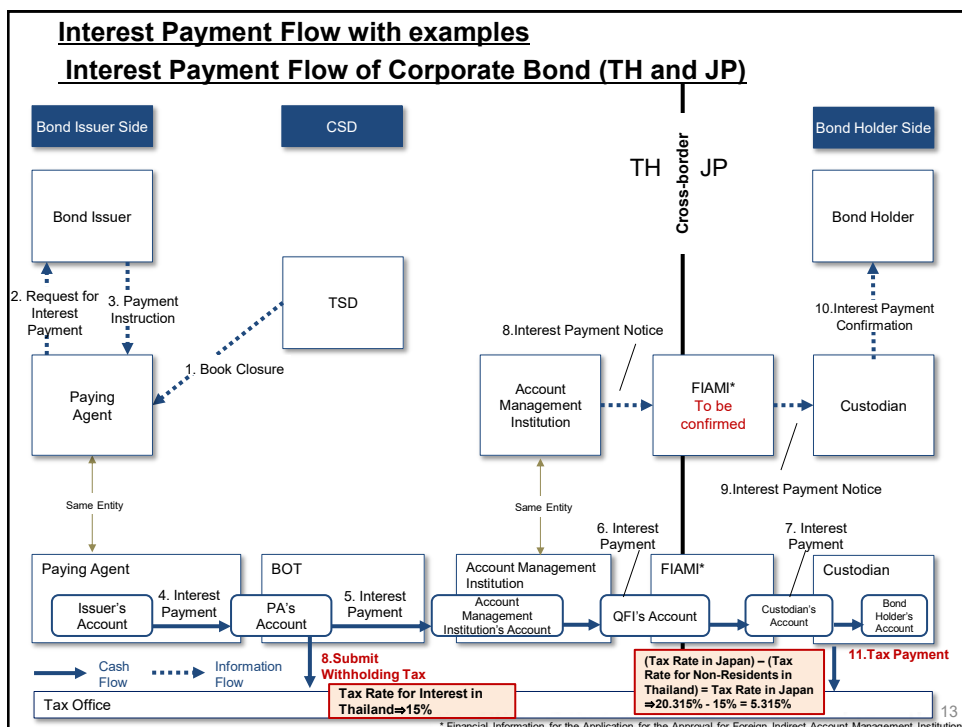
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**Interest Payment Flow with examples**

**Examples of Interest Payment Flow of Government Bond**

|                    | Tax for interest payment | TWA for resident | Double Tax Treaty |
|--------------------|--------------------------|------------------|-------------------|
| JP-HK              | Yes                      | No               | Yes               |
| HK-JP              | No                       | No               | Yes               |
| CN-KR              | No                       | No               | Yes               |
| KR-CN              | Yes                      | Yes              | Yes               |
| KR-JP              | Yes                      | Yes              | Yes               |
| JP-TH              | No                       | No               | Yes               |
| PH, BN, KH, MM, LA | (TBC)                    | (TBC)            | No                |

**Examples of Interest Payment Flow of Corporate Bond**

|       | Tax for interest payment | TWA for resident | Double Tax Treaty |
|-------|--------------------------|------------------|-------------------|
| TH-JP | Yes                      | No               | Yes               |

## **Model Tax Convention (OECD)**

### **Article 11 INTEREST**

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, interest arising in a Contracting State may also be taxed in that State according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 percent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.
3. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.
5. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the State in which the permanent establishment is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Source: ARTICLES OF THE MODEL CONVENTION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

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## **Model Tax Convention (UN Model)**

### **General Considerations**

Article 11 of the United Nations Model Convention reproduces the provisions of Article 11 of the OECD Model Convention with the exception of paragraphs 2 and 4, in which substantive changes have been made and with respect to paragraphs 4 and 5 which refer to independent personal services from a fixed base.

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed \_\_\_ per cent (the percentage is to be established through bilateral negotiations) of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.
3. The term "interest" as used in this Article means income from debt claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, 18 Articles 11 and 12 income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt claim in respect of which the interest is paid is effectively connected with (a) such permanent establishment or fixed base, or with (b) business activities referred to in (c) of paragraph 1 of Article 7. In such cases the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Source: United Nations Model Double Taxation Convention between Developed and Developing Countries

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## New Japanese Bond Income Tax Exemption Scheme (J-BIEM)

<Outline of the system before the 2010 Tax Reform>

- „Interest on JGBs and local government bonds in book-entry form received by nonresidents, etc. was exempt from tax, subject to certain procedural requirements. However, interest on corporate bonds, etc. in book-entry form received by nonresidents, etc. was subject to withholding tax at the rate of 15%.
- The procedure for tax exemption was troublesome in practice. For example, written applications for tax exemption were filed to the head of the local tax authority for each issuer of JGBs and local government bonds in book-entry form to which the tax exemption scheme was expected to apply.

<Outline of the 2010 Tax Reform>

- „Widening of the scope of non-taxable bonds :
  - Interest and profits from redemption of corporate bonds, etc. in book-entry form (issued on or before March 31, 2013) received by non-residents, etc. shall be exempt from tax, subject to certain procedural requirements. However, interest and profits from redemption of profit-linked bonds among corporate bonds, etc. in book-entry form, and interest and profits from redemption of corporate bonds, etc. in book-entry form received by entities in a special relationship with the issuer are outside the scope of the tax exemption scheme.
- „Simplification of the procedure for tax exemption :
  - The procedure for tax exemption shall be largely simplified.
- „Widening of the scope of non-taxable entities :
  - The scope of non-taxable entities (qualified foreign securities investment trusts) shall be widened.

Source: New Japanese Bond Income Tax Exemption Scheme (J-BIEM)

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## Interest Payment Flow with examples

### Double Tax Treaty in ASEAN+3

|    | BN   | CN   | HK   | ID   | JP   | KH   | KR   | LA   | MM   | MY   | PH   | SG   | TH   | VN   |
|----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| BN |      | Y    | Y    | Y    | Y    | None | None | Y    | None | Y    | None | Y    | None | Y    |
| CN | Y    |      | Y    | Y    | Y    | None | Y    | Y    | None | Y    | Y    | Y    | Y    | Y    |
| HK | Y    | Y    |      | Y    | Y    | None | None | None | None | Y    | None | None | Y    | Y    |
| ID | Y    | Y    | Y    |      | Y    | None | Y    | None | None | Y    | Y    | Y    | Y    | Y    |
| JP | Y    | Y    | Y    | Y    |      | None | Y    | None | None | Y    | Y    | Y    | Y    | Y    |
| KH | None | None | None | None | None |      | None | None | None | None | None | None | None | None |
| KR | None | Y    | None | Y    | Y    | None |      | None | Y    | Y    | Y    | Y    | Y    | Y    |
| LA | Y    | Y    | None | None | None | None | Y    |      | Y    | Y    | None | None | Y    | Y    |
| MM | None | None | None | None | None | None | Y    | Y    |      | Y    | None | Y    | Y    | Y    |
| MY | Y    | Y    | Y    | Y    | Y    | None | Y    | Y    | Y    |      | Y    | Y    | Y    | Y    |
| PH | None | Y    | None | Y    | Y    | None | Y    | None | None | Y    |      | Y    | Y    | Y    |
| SG | Y    | Y    | None | Y    | Y    | None | Y    | None | Y    | Y    | Y    |      | Y    | Y    |
| TH | None | Y    | Y    | Y    | Y    | None | Y    | Y    | Y    | Y    | Y    | Y    |      | Y    |
| VN | Y    | Y    | Y    | Y    | Y    | None | Y    | Y    | Y    | Y    | Y    | Y    | Y    |      |

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## Questionnaire related to tax for cross-border bond issuance, trade, and settlement

Could you check the following questions, please?

### 1. Scope and concept of the questionnaire

- a. Tax related to the cross-border bond trade and settlement including interest and redemption is to be surveyed.
- b. Firstly, tax related to cross-border interest payment flow is to be surveyed.
- c. As such, “separate withholding taxation at source” is to be surveyed mainly.  
Comprehensive (aggregated) taxation and separate self-assessment taxation are not handled until they are really regarded as necessary to be surveyed.

## 2. Withholding tax related issues

Could you explain the followings, please?

- a. Details on withholding tax system for residents for interest payment and redemption including capital gain of bond trade.
- b. Exemption of withholding tax including taxpayer category
- c. Withholding agent for domestic interest payment and redemption
- d. Details on withholding tax system for non-residents and foreign corporations for interest payment and redemption

## 3. Fundamental information

Could you also provide us any information related to the followings, please?

- a. Classification of taxpayers (investors) for cross-border bond trade and settlement related taxation
- b. Also, categorization of taxpayers (investors) who are exempt from withholding tax for cross-border interest payment and redemption (including capital gain) such as non-residents and foreign corporation as well as practical procedures including application form



### 3. Fundamental information

- c. Categorization taxpayers who are exempt from withholding tax such as financial institutions and domestic corporations with more than a certain level of capital for domestic transactions
- d. Procedure and institutions who inform attributes (information such as domicile) of investors to withholding agents.
- e. Also, name of the institutions (for example QFI (Qualified Foreign Intermediary) for government bond and FIAMI (Foreign Indirect Account Management Institution) and specific role of the institution.

### 4. Paying Agent (PA)

Could you explain role of paying agent, please?

- a. Payment requests for issuer
- b. Interest & redemption payment on behalf of issuer
- c. Receiving bond-holders list from CSD for the purpose of taxation
- d. Interest calculation

## 5. Time line

Could you explain timeline for interest payment and redemption for government bond and corporate bond, please?

## 6. Tax status data

- a. When do you send tax status data? Do you have to send every time?
- b. What items is in tax status data?
- c. Do you have a scheme for sending tax status data to Paying agent from CSD?

## Schedule of survey (preliminary)

26 January 2016 (21th ABMF SF2): explain preliminary draft questionnaire

By middle of February: commenting and improving the questionnaire by members and experts

By the middle of March: correcting the questionnaire by ADB consultant

End of March: Sending the questionnaire

By the middle of April: Collecting answer

By the middle of May: Compile the answer

June: draft results

Thank you so much



This PowerPoint slides are made solely for the discussions of the 21<sup>st</sup> ABMF SF2 on 26 January 2016. Views expressed are those of the presenter and do not necessarily reflect those of the Asian Development Bank or any other organizations.

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# Session 5

## Session 5: Outline of Progress Report to TF3



**Prepared for the discussions at ABMF SF2 on 26 January 2016**

Taiji Inui, NTT DATA Group

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### Contents

1. Introduction
2. Recap of ABMF SF2 Activities
3. Current Activities
4. Possible Draft Policy Recommendations
5. Next Steps (possible candidates)

## 1. Introduction

The purpose of this progress report is to report current activities of ASEAN+3 Bond Market Forum Sub-Forum 2 (ABMF SF2) to Asian Bond Markets Initiative (ABMI) Task Force 3 (TF3) by sharing information such as possible policy recommendations and next steps forward as well as “Recap of ABMF SF2 activities up to now”. Since ABMF SF2 published “Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3 (the third report)” in August 2015 from Asian Development Bank (ADB), this progress report includes salient points of the third report and some activities after publishing the third report.

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## 2. Recap of ABMF SF2 Activities

(to be drafted based on the session 1 and Phase 3 report published in August 2015)

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### 3. Current Activities

- a. Continuing to promote “harmonization and standardization of bond market infrastructures to foster cross-border STP in the ASEAN+3, more specifically supporting to adopt international standards especially ISO 20022
- b. Supporting countries/economies which are trying to develop bond markets including related payment and settlement infrastructures in ASEAN+3
- c. Establishing institutional framework to adopt and maintain international standards in particular ISO 20022 and ISO 6166 (ISIN) in ASEAN+3
- d. Supporting CSIF: (i) Surveying withholding tax system and withholding agents related to interest payment and redemption in ASEAN+3 considering cross-border transactions, and (ii) Proposing message items for cross-border transactions
- e. Supporting SF1: (i) Draft questionnaire and compile the results for WG-CBCR, and (ii) Surveying taxation mainly withholding taxation system related to ABMIF

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### 4. Possible Draft Policy Recommendations

ABMF SF2 has been promoting adoption of international standards related to bond market infrastructures in the region, which has been supported by the Asian Bond Markets Initiative Task Force 3. ABMF SF2 members and experts are grateful for understanding and support by the authorities. The following policy recommendations are in line with Asian Bond Markets Initiative objectives.

- a. Harmonization of Message Flow
- b. Adoption of International Standards
- c. Standardization of Message Items
- d. Facilitating Institutional Framework for Adopting International Standards
- e. Establishing National Numbering Agency (NNA) in the countries developing bond markets in ASEAN+3
- f. Survey on Cross-border Collateral and Repo Services

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#### a. Harmonization of Message Flow

DVP Model 1 of the Bank for International Settlements (BIS) definition shall be adopted for bond settlement in ASEAN+3, when the market infrastructures in each economy, such as CSD and RTGS systems, undergo reconstruction. A bond shall be blocked (earmarked) first.

After the transfer of funds, which means after completing cash settlement, the blocked bond shall be released to effect (complete) DVP settlement, considering that bonds are less liquid than cash.

#### b. Adoption of International Standards

International standards shall be adopted when the market infrastructures, such as CSD and RTGS systems, undergo reconstruction and/or total refurbishment. The following are examples of the international standards to be adopted:

- i. message standard: ISO 20022,
- ii. financial institution identifier: ISO 9362 (BICFI),
- iii. securities numbering: ISO 6166 (ISIN),
- iv. country code: ISO 3166-1, and
- v. currency code: ISO 4217.



### c. Standardization of Message Items

Essential and minimum message items to effect DVP settlement shall be standardized based on ISO 20022. The following messages and their items are proposed on a preliminary basis for further discussion:

- i. bond settlement instruction: sese.023,
- ii. matched results: sese.024,
- iii. bond settlement confirmation: sese.025,
- iv. cash settlement information and instruction: pacs.009, and
- v. cash settlement confirmation: camt.054.

### d. Facilitating Institutional Framework for Adopting International Standards

It is advised that each economy that does not have an ISO 20022 T68 national mirror committee consider establishing the committee by joining TC68 as a participating member when the economy is ready to contribute to the decision-making processes related to ISO 20022.

Establishing SSEG and PSEG in the region may also be discussed.

e. Establishing National Numbering Agency (NNA) in the countries developing bond markets in ASEAN+3

ABMF SF2 has been promoting ISO 6166 (ISIN) as the standard securities numbering in ASEAN+3. Also, considering the importance of the standardization of securities numbering for cross-border STP, ABMF SF2 advises that those economies that do not yet have NNA establish one once the economy reaches the stage of issuing a significant amount of bonds.

f. Survey on Cross-border Collateral and Repo Services

ABMF SF2 recommends adopting a repurchase agreement (sell and buy-back type repo), which is a standard repo transaction in line with the GMRA. It is also recommended that transaction flows related to collateral and repo services be surveyed.

## 5. Next Steps (possible candidates)

- a. Agreeing "Reference DVP flow"
- b. Agreeing essential message items based on ISO 20022
  - Further discussing change management of ISO 20022 messages including contributions of RA for submitting BJ and CR
- c. Adopting ISIN and allocation of ISIN in accordance with ANNA recommendation
- d. Further surveying market practice to harmonize including tax related issues
- e. Further surveying cross-border collateral and cross-currency repo
- f. Supporting BN, KH, LA, and MM to foster bond market infrastructures
- g. Supporting CSIF activities
- h. Supporting ABMF SF1 activities

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# Thank you

This PowerPoint slides are made solely for discussions at the 21<sup>st</sup> ABMF SF2 on 26 January 2016 in Manila. Views expressed are those of the presenter and do not necessarily reflect those of ADB, NTT DATA Corporation or any other organizations.

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**End of SF2 Session**

**Thank you**