February 2016

Summary of 21st ASEAN+3 Bond Market Forum (ABMF)

25 and 26 January 2016, ADB, Manila, Philippines

I. Highlights of the Meeting

1. The 21st ASEAN+3 Bond Market Forum (ABMF) was held on 25 and 26 January 2016 at ADB Headquarters in Manila, Philippines. The focus of the meeting was on the review of ABMF activities in Phase 3, and the discussion and determination of those subjects that need to be progressed further before Phase 3 can close. The meeting agenda is enclosed as Annex 1. The slides for each meeting session have been uploaded to the ABMF member website, and questions and their responses and other feedback during the meeting are summarised in Annex 2.

(SF1: Review of ABMF SF1 Activities)

2. Mr. Satoru Yamadera, ADB Secretariat, review the ABMF progress to date: the major publications to-date, on AMBIF (concept introduction and implementation) and the Harmonisation and Standardisation of the ASEAN+3 Bond Markets. The AMBIF Implementation Guidelines and the Single Submission Form had become important documents and would be continuously revised to stay in touch with market developments. Importantly the 6 participating markets had accepted the AMBIF concept, and the participating markets will be expanded. The first AMBIF pilot bond was issued by Mizuho Bank in late September 2015 in Thailand. The informal feedback on AMBIF, and the pilot, has been positive.

3. ABMF has also established 2 new working groups (WG) in SF1, to address the need for an information platform (IP), and to study the present business flows of cross-border collateral and repo (CBCR) transactions. The WGs held a number of meetings via conference calls, with some progress made.

(Working Group on Information Platform< WG-IP>)

4. The WG-IP consists of pricing agencies, depositories and authorities as well as international experts, and its focus is on the exchange of bond information across markets, not only for AMBIF bonds. The discussion started in 2H2015 and is expected to generate a proposal in 2016. Given limited time and divergence among the markets in

the region, the WG-IP members have agreed to take a step-by-step approach, starting from common data exchange as well as central web portal to a single information platform in the future. The members would like to start collecting and disseminating bond information – such as prices, yields, and securities details. As the next step, they need to agree on the information to be exchanged, which can be documented as a multilateral MOU (sample version kindly provided by BPAM, and included in handouts). This is achievable within 2016, and the members expect to publish the data through or linked with AsianBondsOnline.

5. In relation to WG-IP, Mr. Yamadera invited Ms. Chaoqun Wang, of the China Bond Pricing Center at CCDC, to provide a summary of the first bond pricing seminar, recently organized in China by CCDC. Ms. Wang mentioned that, after most regional countries developed their bond markets towards the end of the 20th century, third party pricing of the bonds has become increasingly important. The common goals of quality pricing and comparable approaches brought together most of the regional bond pricing agencies as well as commercial providers such as Bloomberg and Interactive Data. For China alone, 4 pricing agencies attended, including CFETS, and SHCH. The format of the seminar allowed participants to introduce their own market, products and services. The impact and position of third-party pricing, quality control and procedures in each market were shared as well. The seminar participants agreed that they played an important role in the stability of the financial markets and can help reduce cost for investment managers and other users. It was also recognized they improve the transparency of the markets. The participants noted that competition among the agencies is high, particularly in China and Korea as they have 4 agencies respectively, but competition actually helped price discovery, especially when markets were fluctuating, and would allow agencies to share the pressure coming from the market. The biggest challenge identified by the participants was poor data availability at input stage, as a result of low transaction volume and low information transparency. Standardization and setting basic principles for bond pricing would be desirable, to ensure fairness and transparency in the market to gain the clients' confidence. The participants also agreed on a greater cooperation among pricing agencies, in line with the work of the WG-IP. One immediate outcome was the start of the valuation by CCDC of RMB-denominated bonds issued in the Thai market.

(Working Group on Cross-border Collateral and Repo business <WG-CBCR>)

6. Following WG-IP, Mr. Yamadera updated the ABMF members of the WG-CBCR activities. WG-CBCR members have conducted 3 conference calls, and conducted a survey among the members to identify the current status of relevant cross-border transactions to draw

further guidance to promote cross-border business in the bond markets. The survey focused on cross-border transactions including USD. This is because existence of local repo market does not necessarily mean that they can trade beyond borders. Two local currency repo markets may not allow cross-border repo between them because of the difference in legal arrangements between the two. In addition, it is expected that local currency repo would be limited due to regulations, thus, comparison with USD transactions would highlights impediments associated with the local currencies.

7. Thanks to kind cooperation from the WG-CBCR members, some conceptual understanding had been achieved. In the region, cross-border repo and collateral is still limited; tri-party arrangement is possible and used, but it is not easy to quantify; and the currencies normally used are limited to USD, JPY, and AUD. The survey found that most of transactions are booked outside of the region, thus, cross-border collateral and repo transactions may not be identifiable. Through the discussion with the members, it was recognized that demand for collateral seems growing in the region, but even within the same institution, collateral information may not be fully integrated. Hence, it was recognized that further improvement in data collection and survey methodologies is necessary. For example, we may need to consider face-to-face meetings to collect more anecdotal information to mitigate lack of quantitative data.

8. Mr. Yeow Boon Loong, Co-Chair of SF1, added that repo is an important subject matter for intra-regional bond market development. The members must recognise why the cross-border repo market is growing. With Basel III in place, banks are holding more liquid assets. If banks do not need all these assets all the time, banks will repo them for the time not needed. Hence, liquidity for these assets was crucial and, in turn, repo added to the liquidity. From investors' point of view, repo is the way to increase return. To increase market liquidity, we need to have more diversified investors including foreign institutional investors. Such investors may want to see inclusion of local currency bonds in global bond indexes like Malaysian government securities and sukuk. But in addition, if potential for the use of these assets as collateral or repo transactions is available, the investors will be attracted. Mr. Loong also explained why data on these types of transactions may not be so easily available. Basel III was still fairly new, and banks were starting a reporting, but to the extent to complying with the regulation. Thus, the reporting system may not cover cross-border repo and collateral transactions in general.

(SF1: Bond Market Guides 2016)

9. In 2016, revised Bond Market Guides (BMG) will be our major publication. Mr. Matthias Schmidt, ADB Consultant, highlighted the changes from the original BMG (2012), using for illustration examples for table of contents, charts and screenshots from the draft Malaysia BMG. Reader feedback and the progress in AMBIF implementation made for the need of fine tuning the BMG 2016 structure and level of detail, and the inclusion of additional topics of interest, while statistics and settlement related details and flows would be referenced to AsianBondsOnline and other pertinent websites as well as SF2 Phase 2 Report.

10. Of particular interest to investors were bond trading, repo, securities lending and borrowing, as well as hedging opportunities. The need to include more details on regulatory processes and on costs was driven by the information needs from issuers, which would also be practical in the context of AMBIF. The revised BMGs will be published in 2Q of 2016 and onwards. Member feedback had also included the creation of a 'fact sheet', or 1-2 page summary, for each market, for easier consumption of key information by interested senior parties. Mr. Schmidt showed an example of such fact sheet kindly made available by an international expert.

11. Mr. Schmidt related the BMG process, stressing the significance of the review by the members since readers had come to accept the ABMF BMGs as authoritative and officially sanctioned. With each market presently at a different stage of the BMG process, individual meetings would be held on the side of the ABMF Meeting to address pending questions and necessary clarifications. At the same time, some BMGs were already undergoing edit and ADB Secretariat was hoping to present the edited and layouted documents to the respective members for a final review soon. ADB Secretariat will contact each market's institutions with the required next steps. After detailing the road to publication for the BMGs, Mr. Schmidt and Prof. Inukai thanked the members for their continuous support and strong commitment to the ABMF Bond Market Guides 2016.

(SF1: Update on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF))

12. Mr. Yamadera recounted the lessons learned from the AMBIF pilot issue in Thailand, including some unexpected, more practical issues, such as friction between international and domestic market practices, the need to identify and understand taxation procedures for both investors and issuers, and the use of expected financial reporting standards. At the beginning, the law firm showed reluctance of using Single Submission Form. Thanks to strong support from Thai SEC, they could understand that AMBIF is a regional

initiative, and strongly backed by the regulators, central banks, and the ministries of finance in the region. In addition, due to lack of experiences in the international market, there was a risk of miscommunication. A process which is a common in the international market would not necessarily be required or understood in a domestic market. In other words, it is necessary to make efforts to introduce international market practices in domestic bond markets. The friction could be high where there are established domestic market practices. In this regard, it is necessary to make more efforts for investor education as they may not be familiar with the international market practices. Having said, in general, market participants would want to improve their market, thus, AMBIF could continue to serve as a conduit for such developments. Hence, it was crucial that ABMF could secure a pilot issue in each of the AMBIF markets.

13. Another important lesson was the need to identify and understand taxation procedures for both investors and issuers. ABMF would like to expand the domestic markets with a cross-border dimension; bringing more non-resident issues in domestic bond markets and making more offers of sales of domestic bonds to non-resident investors. Through the process of the pilot issues, it was recognized that this might bring additional tax issues, which have not discussed before. In this regard, SF1 needs the support of SF2 to map the relevant tax procedures for cross-border transactions. Mr. Yamadera referred to details mentioned in Prof. Inukai's speech as well as Mr. Sato's remarks for SF2.

14. Prof. Inukai reviewed the AMBIF pilot issue in Thailand in greater detail. He expressed his sincere appreciation for Mizuho Bank for undertaking the issuance and the Thai regulatory authorities for their extraordinary support and patience. The Mizuho note was a purely domestic issuance, albeit by a foreign issuer, and the first time that the Single Submission Form (SSF) had been used in a real regulatory process, though it turned out to require two SSF for the Thai market and the listing at TOKYO PRO-BOND Market, respectively, due to the insistence of the Thai law firm on co-using its own, established documentation formats.

15. The pilot issue was a significant effort all around, and required a lot of coordination. As the key lesson, Prof. Inukai stressed the need for awareness of what AMBIF represented and the benefits its features would bring to issuers and other stakeholders alike. Mizuho had an initial intention to use a note issuance program, which, however, was not available to be used by a foreign issuer at the time. The intention to attract Japanese investors in addition to Thai investors, and the issuer being a foreign entity, brought into focus the use of International Financial Reporting Standards (IFRS) and the realization

that ambiguity about the full acceptance of IFRS might remain among interested parties. A key finding was the complication of tax certification in case of Japanese investors, since interest paid on a bond or note by a Japanese issuer abroad is considered as Japan-sourced income from the perspective of the local Japanese tax bureaus. The key question became who could submit such tax certification. In the case of an investor holding their assets with ICSDs, this would typically be provided by the provider. In this case, it was difficult to determine; TSD eventually agreed to the task but it took time to explain and understand the necessary process. In summary, the choice of local or foreign entity as issuer will drive a number of tax and reporting related subjects.

16. As the pilot bond was popular among the Thai investors, the choice of governing law and jurisdictions in the issuance documentation remained as untested. This was of significance for any combination of issuer and investor domicile and also included setting out methods of dispute resolution, such as domestic or foreign courts and arbitration practices, if so defined. Prof. Inukai stressed that further opportunities for pilot issues in other markets existed, pointing to ongoing discussions in the Philippines, among others. While conditions at the bond markets admittedly might not be great at the moment, he appealed to the members in the private sector to actively seek such opportunities and invited their feedback during the Q&A. ADB Secretariat would continue to support pilot issues actively, as required.

17. In line with the progress of AMBIF implementation and the learnings from pilot issues, the SSF and related documents would continue to be periodically updated. Through the Mizuho pilot issue, the SSF had shown the ability to effectively act as an alternative to an established offering memorandum or offering circular. This use of the SSF would ultimately lead to the creation of AMBIF market practices. More markets would also be likely for AMBIF implementation in 2016, beginning with Viet Nam where regulators were now planning to adjust relevant regulations to create a marketplace conducive for AMBIF, with the help and input from SF1. The dialogue with ABMF members in China, Indonesia, and Korea continued to address remaining concerns of all parties involved, with the hope that AMBIF implementation could be achieved soon. While Korea will join soon, discussions with China a ongoing, and are viewed as a good prospect. Indonesia will have to resolve a number of issues within OJK, but the discussion continues and SF1 is supporting. All the discussions mentioned often focused not on what was necessary to create an AMBIF market, but how to go about it in the best and most practical manner.

18. Prof. Inukai shared with the participants some of the ongoing lobbying efforts, such as an article on AMBIF in the Japanese press. The purpose was to create awareness, not only among Japanese issuers and investors, but also in the region at large. ADB Secretariat would continue with these lobbying efforts, since increasing awareness would be key to further AMBIF opportunities. Among the next steps were also market visits to Viet Nam and, potentially, China, Indonesia and Korea, as well as the focus on known impediments or challenges surrounding AMBIF. In this context, Prof. Inukai showed a revised overview of IFRS adaptation in ASEAN+3, based on information on the IFRS Foundation website; not all ABMF markets had info available on an adaptation, yet. He also referred to a number of slides carrying additional detail on the topic of taxation, based on stakeholder feedback during the SF1 market visits.

(SF1: ABMI Discussion and Next Steps for SF1)

19. For SF1, the key focus has been on the AMBIF pilot issues and will continue through the rest of Phase 3. This was part of the evolution of the work under ABMI since is inception, and its conclusion so far. Addressing the double mismatch of foreign funding and currency was identified as the root cause of the Asian Financial Crisis, and much has been achieved since 2003. This was evident in that the Global Financial Crisis did not affect Asia as much as other regions. By then, the emerging bond markets had served as a spare tire, minimizing the impact of the GFC. As such, one objective of ABMI had been achieved.

20. By now, the focus is on regional cooperation, even integration, with the purpose to build a safety net for the next crisis. Within this objective, ABMF needs to consider how bond markets can help or support this focus. The need to support infrastructure development and recycle regional savings continues. In this context, ABMF promotes standards and new technologies, such as ISO20022 and its inherent capabilities. Opportunities also lie in these developments: infrastructure finance, the advent of big data, as well as supply chain finance. As such, everything that ABMF is doing under the ABMI mandate is increasingly coming together, and much will flow into the discussion on an ABMF Phase 4. But first, ABMI wants to see the outcome of the last 3 years of ABMF work. ABMI likes the regional platform concept of ABMF and may want to include other topics that are pressing under ASEAN+3. ABMF should, hence, maximize this given platform in its activities and member contributions continue to be crucial. ABMI itself is also working on a new roadmap for how it organises its own activities.

21. Mr. Yamadera recalled the presentation given to ABMI in August 2015, focusing on the work of ABMF, both SF1 and SF2, and the targets of their efforts, towards an integrated AMBIF market. Many of these efforts would culminate in proposed Phase 4 activities, but ABMF had not yet quite finished with the objectives it set itself for Phase 3. It is necessary to examine tax as a major influencing factor for regional markets and cross-border investment, to create more awareness of AMBIF in the communities, and to increase the AMBIF pilot issues to cement that awareness. ABMF will continue with the working group discussions and will continue to develop an information platform concept in line with developments in the markets.

22. The work has come a long way since the days of the Group of Experts (GOE, 2008-2010) discussions, and it was time to make additional proposals for regional initiatives, to be covered in Phase 4. If more AMBIF issuances would be realized, this would make for more convincing arguments for stakeholders. At the same time, there was a need to identify the remaining impediments in our markets, and to draw the support from the authorities to address those. The authorities have been welcoming AMBIF and are happy to support, but the burden was on ABMF to justify this support on an ongoing basis. Recent market volatility may have resulted in FII being hesitant to invest, but it may have also highlighted more opportunities on local currency funding options and domestic investors are ready to step up – perhaps we can find more interest parties in the local markets. Now, we have to identify how we can turn these opportunities into actual issuances, including the selling to local investors and the attraction of foreign issuers. Mr. Yamadera then asked members to what extent they saw the demand from domestic or international issuers; member contributions can be found in Annex 2.

(SF2: Recap of SF2 Activities)

23. Dr. Taiji Inui, ADB Consultant, presented to participants a recap of the SF2 activities throughout Phase 3. He highlighted supporting BCLMV markets for the implementation of CSD and RTGS infrastructure. For example, Brunei implemented an RTGS light system in 2015, and is now looking at a CSD system for government bonds; CSX (Cambodia Stock Exchange) is in the process of assessing bond capabilities. Overall, the market infrastructure charts for government and corporate bonds displayed by Dr. Inui showed that ASEAN+3 would have robust market infrastructure by 2020, across all markets.

24. SF2 had also proposed a DVP model flow as a standard approach for all markets, as shown on the slides, with some markets intending to adopt this model when implementing their necessary infrastructure. The mapping of a generic cross-border

transaction flow indicated that global custodians, or the international service providers to the asset owners, might take a risk when no DVP was applied in the settlement process. SF2 has also mapped the interest payment flows across the markets, identifying the entities involved and their roles and responsibilities, and was trying to propose a standard flow for interest payments. In this context, the treatment of and processing related to tax – such as withholding tax (WHT) – was very important and needed to be better understood before a model flow could be finalised. For example, in Thailand, commercial banks were shown as typical paying agent, however, the AMBIF pilot showed that this may also be TSD. This suggests that further checks are necessary.

25. In turn, the allocation of ISIN was important for the flow of a bond or note issuance, as were the proposed standard message items – and the ISO20022 message types – for efficient and cost-effective DVP transaction settlement across the regional markets. For illustration, Dr. Inui compared the message types under ISO1502 and ISO20022, and detailed the standard message items in the favoured ISO20022 message types. The status of the use of international standards in CSD and RTGS systems indicated a readiness for almost all markets by 2020. Dr. Inui was able to add Cambodia, Lao PDR and Myanmar to the overview tables, due to recent or planned developments. When the surveying of the use of standards had started, most indicators were yellow (to be confirmed), while by now most of the indicators are green (implemented or date of planned implementation known). In fact, for RTGS, all economies will be green by 2020, or 2021 at the latest.

26. While SF2 was promoting ISO20022, it was by and large a European standard at present, by virtue of the participation in the discussion how it evolved. ASEAN+3 or Asian markets were, for the most part, not part of the decision-making. As such, we need to be part of the process, which was important to achieve the goals set for ABMF's work. The roadmap showed these goals for SF2, broken into the standardisation phase until 2016, an implementation phase covering 2017 and 2018, and the fully operational phase starting from 2019. Among the next steps on this roadmap, the members are meant to agree on the reference DVP flow and essential message items, fully adopt ISIN in accordance with ANNA recommendations and further discuss how to be part of the change management process for ISO20022 messages, including contributions of registration authorities for submitting change requests and their business justifications, as required. Dr. Inui also pointed to the SF2 publications during the ABMF phases as practical reference material on all the mentioned initiatives, for the members and stakeholders alike.

27. Mr. Yamadera reiterated that in 5 years of SF2 activities, members had come to agree on the use of international standards for market infrastructure, and had started implementing those, which is a remarkable achievement. Now, the markets need to follow through with necessary or remaining implementations along the initiatives promoted by SF2. Naturally, issues remained: for example, in the interest payment flow, we would need to better understand the roles, such as who actually pays the interest and withholds tax – as we learned from the AMBIF pilot experience. The application of tax for government bonds is clearer since often they are exempted, but corporate bonds typically attracts withholding tax. The comparison and understanding of the flows will help identify the complexity and impediments in the region; here, global custodians and ICSDs play an important role in the cross-border transactions in this region. We need to focus on these flows and revisit the info shown in the overview tables.

28. On the ISIN allocation, if a bond is only issued and traded domestically, an ISIN may not be needed; but AMBIF is trying to introduce international market practices and, hence, we need support in our markets for the international standards that are available. Our aim is to create ISIN procedures in line with international practice; hence, we need to see an (efficient) allocation process in all markets. Our markets may have their own message and other practices, but we would like to provide standards for all markets to adhere to, in order to, ultimately, enhance the interoperability between our markets and with other regions. While not all members agreed, this is imperative for our markets, and the ability to attract more cross-border business. Likewise, it is currently not easy to get our voice heard in the ISO management process – this is not because Europe or the US do not want Asia to be involved, but simply due to the very limited participation from this region (currently only CN, JP, KR). It is, hence, important to increase our voice and be part of the discussion and direction for ISO initiatives. The introduction of ISO20022 represents a shift in capabilities for participants, but this has not been fully recognised at senior level. Hence, it is important to be involved in ISO discussions from the outset. ISO20022 enables the use and linking of new architecture – here, the EU is the first implementer with T2S, and this resulted in the participation of major stakeholders. We appreciate that the members consider how this can be facilitated and implemented in each market.

(SF2: Recent Developments on Adoption and Implementation of Standards in each Member Jurisdiction)

29. Dr. Inui displayed recent or current ISO20022 developments in Europe (e.g. T2S, SEPA) and the US (wire transfer systems), and emphasised the increased efficiency, and decrease in cost, for cross-border transactions with the example of the recent

ISO200222 implementations in Japan. While SF2 had been discussing the adoption of ISO20022 for major market infrastructures, like RTGS and CSD systems, it might also have to discuss on the plans and readiness of market participants. He asked the members and experts to share their domestic, regional or global policies for adoption of international standards, and their recent or planned developments in this regard. The SF2 policy recommendations for international standards include ISO 20022 as message standard, ISO 9362 for BICFI, ISO 6166 for ISIN, as well as ISO 3166-1 for the official country code (not the same as ADB country code) and ISO 4217 for the currency code. Dr. Inui also referred to the institutional framework proposed by SF2, including the establishment of a National Numbering Agency for ISIN, a local TC68 mirror committee in each market, and for (more) members to join the Standard Evaluation Groups (SEG) for payment and/or securities. Individual member contributions can be found in Annex 3.

30. Following the roundtable on adoption of ISO20022 and international standard implementation (please see Annex 3 for member contributions in detail), Dr. Inui commented that he will correct the information for Korea, and asked members to advise in case any other information was incorrectly reflected in the overview tables. He commented that while SWIFT users and non-SWIFT users may not be able to message directly, there was the chance of using a gateway, which may help address either side's shortcomings. ISO20022 itself is not perfect, in that users may need to convert to different iterations of the standard. At the same time, if we were to connect market infrastructures in future, we may also need to think about user authentication. There may not be too many remaining issues to solve, but still there will be points to work through. For that, ISO20022 provides a good framework. Mr. Yamadera also highlighted that regulatory reporting was increasingly being prescribed in XML format. Hence, while there was no prescription of a standard in this regard, this was maybe an implied adoption of ISO20022. For market participants to comply with these and any other increasing requirements, it was indeed best to be on an expandable platform.

(SF2: Lessons learned from the AMBIF Pilot Issue)

31. Mr. Yamadera provided a brief recap of the AMBIF pilot issue in Thailand, with a focus on the unexpected experience with tax procedures and practices. As one lesson from the pilot, it was best to think ahead, and focus on finding out the relevant tax procedures across all ABMF markets, to support future AMBIF issuances. This was also practical in relation to Phase 4, to make findings known and to achieve more transparency going forward.

32. Mr. Sato, of JASDEC, and Co-chair of SF2, elaborated on the tax related experience and admitted it was complicated and challenging subject which, however, cannot be avoided in cross-border bond transactions. The subject of tax, in particular cross-border taxation, was very broad and took several rounds of meetings among the SF2 team to fully capture the complexity. Mr. Sato gave the example of the Mizuho case, in which a Japanese issuer issued bonds in the Thai market. While local and foreign investors in Thailand would be subject to withholding tax (WHT) in Thailand, potential Japanese (resident) investors would also be subject to WHT in their home market Japan, because the issuer was a Japanese company. Hence, it was significant to remember the 2 dimensions applicable here, to not only look at the market of issuance, but also whether the domicile of the issuer brought to bear other taxation treatment, if only for a particular type of investors.

33. With all investors subject to WHT in Thailand, the job of TSD to apply WHT was easy. Any potential concessions would be dealt with on an investor basis, and through their local agent. However, TSD had to be conscious, in its role as paying agent and WHT agent, of the provisions for those investors subject to own domicile taxation treatment. Since here the income for Japanese investors was considered Japan-sourced – the issuer being Japanese – the Japanese investors needed to file tax relevant documentation with their respective Local Finance Bureau; for this, they would require tax documentation to be produced by the paying agent/WHT agent. In effect, it is a challenge for TSD to also consider the impact on investors from other tax jurisdictions.

34. Mr. Sato introduced a classification of cases, into types A to F, representing the maximum number of combinations of tax treatment between domestic and foreign institutional investors (FII) at the place of issuance and in their home markets. The Mizuho case is a Type B. Type A is a slightly simpler variation, with tax exemption for non-Japanese investors. In turn, Type C means no WHT in the issuing market, but where one needs to be conscious of taxable FII in their domicile. Type D refers to WHT being applicable in the issuing market only, while Type E has no WHT for FII, and none at the FII's domicile. Finally, Type E refers to a case where no WHT is applicable at all.

35. To apply this classification but also for the mapping of tax procedures between the regional markets, SF2 is planning to take into consideration any applicable double taxation agreements (DTAs), the existence of capital gains tax (CGT), the applicable ownership concepts – omnibus or segregated accounts – the present interest payment flows and tax refund practices as they may exist, plus a determination of the WHT agent

and any necessary reporting to be performed by a party involved. SF2 is now trying to reflect all such considerations into the tax questionnaire, and will send it to the members, asking for their submission of the required information, and hoping for their strong support. Mr. Sato then prompted the members for their initial reaction to this topic; the member feedback is reflected in Annex 2.

(SF2: Tax Issues for Interest Payment Flow / Preliminary Draft Questionnaire)

36. Dr. Inui related challenges in determining the tax issues for interest payment flows, and even in designing an appropriate questionnaire (Q) for this subject. Dr. Inui introduced a logic chart, which provided some guidance on navigating a market's withholding tax regime, and showing the possible permutations, as well as the entities involved in interest payment flows for each of the markets, for both government and corporate bonds. He illustrated and explained the flows using the example of cross-border transactions involving Japan and other markets, but stressed that the flow may be different in every market. For Thailand, it may be necessary to confirm or change the information, following the conclusions from the AMBIF pilot, and for other countries as well. However, the intention is to focus on the most common transactions across markets. Dr. Inui referred to the OECD model tax convention - where a WHT of 10% was agreeable and concessions subject to DTAs - which was widely followed in major markets; however, many of the ASEAN+3 markets are not the members of the OECD and may not use this model for guidance. He also showed the Japanese withholding tax exemption scheme, known as J-BIEM, and an overview of the current DTAs between the ASEAN+3 markets.

37. As for the tax Q, Dr. Inui explained the proposed scope and concept. The Q will contain a number of questions on the withholding tax regime in each market, as well as request for some fundamental information on the classification or categorisation of the investors into each market as taxpayers. The key questions would be who relates what information on the tax status of the investors to the tax authorities or the parties to apply the tax, and would it need to be sent for every interest payment, or only on a periodical basis. In turn, the role of the paying agent in each market would need to be explained in greater detail, to also match this investor data/tax status to the actual application of withholding tax. The members are also asked to explain the timeline for the tax application and processing, and for any documentation to be submitted by what time. Dr. Inui hopes to have reflected all comments into the Q in the course of February and to send the Q by the end of March. He was hoping for responses from mid-April and to start compiling the findings from the middle of May, for a draft result by June. Mr. Yamadera added that this is a complex

subject, thus, the members might need to digest it first, and maybe could start from the logic chart shown. The chart itself is intuitive and could be used to explain any given market. If it did not fit a market's practices, one would need to discuss alternatives.

(SF2: Update to TF3 / Outline of Interim Report)

38. Dr. Inui mentioned that an update to TF3 will be done at the next ABMI meeting, but no comprehensive report will be written this time. Instead, Mr. Yamadera will represent the status and progress of SF2 to TF3. The update will include the recap of the SF2 activities in Phase 3, the current activities, the possible draft recommendations, as well as the proposed next steps. Dr. Inui encouraged the members to let him know of other items that may be worth including under the reported subjects mentioned in the update to TF3. Mr. Yamadera added that while there would be no significant SF2 publication this year, this does not mean that SF2 will work less. In fact, there was more to do, as the members could see from the various topics discussed. Hence, the focus will be on completing the surveys and studies under the current activities.

II. Actions required by Members and Experts

39. ABMF Members and Experts have been requested to act on the following items:

a. Identify and support opportunities for AMBIF pilot issues in participating markets.
b. Review draft Bond Market Guides 2016, where completed, or continue to provide input for BMGs where compilation of drafts is ongoing. Respond quickly to correspondence from SF1 team on necessary clarifications, and allow for swift final review turnaround of the edited and layouted versions – **starts with side meetings around ABMF Meeting and continues until 3Q2016 (approx.).**
c. Participants in the WG-CBCR to continue provide input or responses to SF2 team, in particular to clarifications arising from recent discussions – **from now until end 2016**.
d. Participants in the WG-IP to continue working towards sharing bond information on a regional basis, using the proposed MMOU approach. In addition, to actively participate in the new discussions on cooperation among pricing agencies – **from now until end 2016.**
e. To respond to the survey on taxation treatment once distributed by SF2 (tentatively by end March) – **responses expected in April 2016**.

III. Next Steps of ABMF

40. SF1 will continue its work on AMBIF with the continuous support for pilot issuances, and consider more market visits to include additional markets. Efforts in the Working Groups will continue to focus on identifying underlying business cases and possible impediments (for CBCR) and efforts to provide key bond information through regional cooperation, with a focus on step-by-step approaches. Work on the Bond Market Guides will continue on a market-by-market basis, and BMGs will be published when they are ready, with the intention to publish the first batch in 2Q 2016. SF1 will report on the progress at the next ABMF meeting.

41. SF2 will ask the members to answer questionnaires on taxation and information flow in cross-border transactions, and will continue to work on the implementation of standards in ASEAN+3. SF2 is also supporting the work on cross-border collateral and repo by collecting necessary data on the types of transactions currently evident in the region, for further analysis.

IV. Next ABMF Meetings and Reporting

42. The next reporting to ABMI TF3 is at the end of February, with a further update to be provided in time for the Finance Ministers and Central Bank Governors Meeting in early May.

43. The next (22nd) ABMF face-to-face meeting is scheduled on 7-8 June 2016: SF1 on 7 June and SF2 on 8 June, at the premises of ADB Institute in Tokyo. Until then, further update on ABMF will be provided to the members via email or conference call.

44. Additional sideline events will be organized on 6 June or 10 June. Further detail will be provided later.

45. Tentatively, 23rd ABMF Meeting is scheduled in the week starting 3 October 2016, to be held at ADB HQ in Manila. This meeting is expected to review and close the ABMF proceedings for Phase 3, and discuss and put forward recommendations derived from ABMF Phase 3 to stakeholders and the next ABMI meeting in late October or November.

<u>Enclosed</u>

Annex 1 – 21st ABMF Meeting Agenda

Annex 2 – Q&A Sessions and Feedback from Participants

Annex 3 – Member Contributions to Roundtable on Adoption of ISO20022/Int'l Standards

Annex 1

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

Auditorium Zone ABC, Asian Development Bank HQ
Manila, Philippines / 25-26 January 2016

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

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

TIME	PROGRAM
	- Q&A
14:30 – 14:45	**Wrap up** by Mr. Satoru Yamadera, ADB Secretariat - *Includes opportunity for final Q&A session*
14:45 – 15:00	**Closing remarks** by Mr. Koji Ito, SF1 Chair
15:00 – 17:30	**Opportunity for individual meetings** Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants
17:30 – 19:00	*Cocktails (Central Courtyard ,1st Floor)*
	Sub-Forum 2 (SF2 Session) – 26 January 2016
09:00 – 09:30	*Registration*
09:30 – 09:40	**Opening Remarks** *by Mr. Jong Hyung Lee, SF2 Chair*
09:40 – 10:20	**Session 1: Recap of SF2 discussion** *by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat* - *Progress to date* - *ISO and regional discussion*
10:20 – 10:50	**Session 2: Recent development on harmonization and standardization in each member and expert** *by Members and Experts* - *Implementation of international standards* - *Any other issues* - *Each national member and/or national expert including international expert is expected to update recent development in 10 minutes*
10:50 – 11:05	*Coffee Break (outside Auditorium Zone ABC)*
11:05 – 12:00	**Session 2: continues**
12:00 – 13:15	*Lunch (Executive Dining Room Coffee Lounge, 2nd Floor)*
13:15 – 14:00	**Session 3: Lessons from the AMBIF pilot issuance** - Issues related with taxation by Mr. Satoru Yamadera, Dr. Taiji Inui, ADB Secretariat - Presentation by Mr. Yuji Sato, JASDEC
14:00 – 14:30	**Session 4: Tax issues in particular related to interest payment flow including preliminary draft of questionnaire** *by Dr. Taiji Inui, ADB Consultant*
14:30 – 14:45	*Coffee Break (outside Auditorium ABC)*
14:45 – 15:15	**Session 5: Outline of Interim Report to TF3 including draft proposal for phase 4 activities** *by Dr. Taiji Inui, ADB Consultant* - *Proposing preliminary draft of Phase 4 activities including outline of*

TIME	PROGRAM
	Interim Report to be submitted to the TF3 - *Updating cross-border collateral and repo survey*
15:15 – 15:30	**Wrap up** *by Mr. Satoru Yamadera, ADB Secretariat*
15:30 – 15:40	**Closing remarks** *by Mr. Jong Hyung Lee and Mr. Yuji Sato, SF2 Chairs*
15:40 – 17:30	**Opportunity for individual meetings** Separate meetings on AMBIF, Bond Market Guide 2016 updates, ISO, and CBCR with ADB Secretariat, or among Participants

Questions & Answers, or Feedback from SF1 and SF2 Sessions

Question or Feedback related to	Response from ADB Secretariat or other ABMF Members
SF1 / AMBIF and subjects raised in the discussion (IFRS, taxation, CSIF)	
There was no info on the trading of the pilot issue – what can you tell us about that?	**ADB Sec**: the Mizuho pilot issue was completely sold to domestic investors, and no trading has been observed in the secondary market. There was also no (trading in a) 'when issued' market, showing that the ISIN allocation, though tedious, was no problem in or for the market.
Were there no Japanese investors?	**ADB Sec**: The Mizuho bond was issued under the Thai market framework, and was popular with Thai investors, thus, no Japanese investors. The profile listing on the TOKYO PRO-BOND Market was made as a test for a future case.
ThaiBMA: liquidity is a general issue for corporate bonds, also those issued by foreign entities; the Mizuho bond had not been traded, yet. The investors in this case were typically AI (Accredited Investors), including HNWI and insurance firms, who tend to hold to maturity. However, ThaiBMA is still calculating the price regularly.	**ADB Sec**: thank you for the extra information.
PDS: Was the accounting / financial reporting for the Mizuho pilot issue the same as other 'listed' bonds? And did it have to appoint a local agent?	**ADB Sec**: The Mizuho pilot issue is not listed, but registered with the ThaiBMA, which is the practice in Thailand. As a foreign issuer, Mizuho was required to appoint a contact person in Thailand, to front investor and regulatory queries. Thailand adopts the IFRS (for financial instruments) so the use of IFRS by Mizuho was no issue. Whether the PH financial reporting standard will be accepted in a Thai issuance remains to be checked. **Thai SEC**: At present, the SEC supports IFRS as well as US-GAAP for issuance documentation and disclosure. Other local standards in ASEAN+3 would have to be approved separately.
How would the AMBIF pilot issue settle in comparison, before and after the implementation of CSIF linkage?	**ADB Sec**: At present, like any other bond or note, settlement will be done through custodian. In future, after establishing the linkage, for example, between JASDEC and TSD,

	Japanese investors buying such bond would be able to settle through an account at JASDEC. Details still needs to be discussed.
For this new CSIF framework, do the members have to invest huge amounts? Would it not be better to ask the ICSDs to provide such service? They have invested a lot of money into their infrastructures?	**ADB Sec**: there is no specific proposition for investment by the members. Many issues still have to be discussed before CSIF can actually invest.
Comments on Korea: A Qualified Institutional Buyer (QIB) Market exists, but is focused only on SME issuances; The FSS/FSC continue to introduce international standards, and the FSC just announced a draft rule change that foreign issuers may issue in Korea. KOFIA will change its rules by 2H2016, and provide details on its bond information website. After 2H2016, foreign issuers can then raise funds in the Korean bond market.	**ADB Sec**: thank you for information/update. Korea can be part of AMBIF by the end of 2016 – that is very promising.
SF1 / Discussion on Opportunities for AMBIF Pilot Issues	
Opportunities should exist in PH; there is high liquidity. But market infrastructure has to be supportive. Would have to involve institutional investors, especially the asset managers. There has to be a secondary market, in line with investor expectations. Ultimately, we want to have successful, instead of only token markets.	**ADB Sec**: This is the beginning stage of AMBIF. We have to shape up AMBIF issues overall, and need pilot issues, visible issues. In effect, it is a private sector initiative now that will drive the pilot issues and beyond. Please feel free to do business! AMBIF is promoting the domestic use of proceeds. This is not an official AMBIF Element but is an implied feature. This, however, is a chance to differentiate AMBIF from other issuance avenues. We may have to convince the regulators and in turn may be able to obtain concessions. ABMF is a good platform, providing the experience and knowledge across the markets. We are hoping for member support to achieve more pilot issues.
BOT is presently consulting the Thai market on what would need to be done going forward; will have to wait until more comments have been received.	
ThaiBMA: it is not difficult to make a pilot, further pilots in the Thai market; there is a good relationship among the regulators. The problem remains liquidity, since bonds are often traded. The demand is there, but there continues to be a lack of supply, to the extent of THB 500bn excess demand p.a. Thai market participants would like to get more issuers to issue in Thailand.	
One issue for lack of attraction of bond issuance is bank loans continuing to be offered cheaper funding.	**ADB Sec**: Issuers need to consider diversification of funding sources; the recent market turmoil may help re-focus on this subject.
SECC: Any AMBIF opportunities in infrastructure finance?	**ADB Sec**: AMBIF is a conduit to bring foreign institutional investors and foreign issuers to the markets. It may be a good opportunity for Cambodia. At the same time,

<table>
<tr><td></td><td>AMBIF will introduce international practices in the market, thus, in the early stages of market development, such introduction may be easier.

ADB Sec: infrastructure financing is an important issue, and it is hoped that ABMIF would support such demand.</td></tr>
<tr><td colspan="2">SF1 / Working Group on Cross-Border Collateral and Repo (CBCR)</td></tr>
<tr><td>The CPSS-IOSCO Report requires all non-CCP transactions to be collateralized. From Sep 2016, for the 50 biggest banks globally, from Mar 2017 for the next tier and gradually until all financial institutions are covered. It is driven by a host of international regulations, including Basel III, Dodd-Frank, MiFid, etc. and affects SBL and repo, OTC derivatives, cross-currency swaps, interest rate swaps. Even if a local regulatory does not implement it, the counterparties in this domicile are still subject to the same regulations, and their overseas counterparties have to extract collateral. The idea behind this drive is the intention to create a level playing field between centrally cleared and non-CCP transactions.</td><td>ADB Sec: Tentative CBCR survey shows growing demand for collateral due to regulatory requirements.

The impact on some types of transactions does not seem clear yet. Though derivative transactions in the region is limited, further clarification would be necessary, e.g. whether non-deliverable forwards (NDF) would be considered as hedging tool or not could be an important issue.

.</td></tr>
<tr><td>The individual regions are taking a rather varied approach to implementing CPSS-IOSCO:
- US: FX is out of scope, and implementation dates are affirmed;
- EU: FX is in scope, but no dates have been affirmed for implementation;
- Asia: KR made the conscious decision not to regulate this for its market participants; other markets have just issued public consultations.
It appears that some markets may not implement, but we will have (more) clarity in the near future. In any case, Sep 2016 does not appear to be realistic as a first step. However, as mentioned, the developments may affect collateral needs.</td><td>ADB Sec: What are the thoughts of the central banks in ASEAN+3?
BSP: BSP has not included the topic in its CPSS working group (yet).

ADB Sec: ABMF is probably the only platform in this region to discuss such subject. We could consider tasking this to the CBCR WG.</td></tr>
<tr><td>Best to determine when does one need collateral, and why does on need collateral, and then organise or classify businesses found into ‘buckets’ accordingly, and target</td><td>ADB Sec: Thank you for feedback, like the when and why approach. We should probably also aim for determining ‘how’, plus the specific reasons for the timing. Still,</td></tr>
</table>

a product or business stream. This may also make it easier for participants to provide necessary information.	there appears to be an imbalance between in country and cross-border repo business, for which an explanation should be sought.
SF1 / Working Group on Information Platform (IP)	
JSDA is responsible for disseminating bond prices in Japan, with the scope not limited to AMBIF bonds, but larger. For the secondary market, JSDA provides prices for JGB and corporate bonds. Previously, had not been the actual prices, but since October 2015, JSDA has been distributing the actual prices of bonds with a rating > or = AA. Members firms are feeding the prices, as well as T&Cs of public offers, but they are gathered in Japanese only. That might be an issue if JSDA would be asked to contribute to IP or bond pricing initiative.	**ADB Sec**: Thank you very much for positive comments. At this point, IP aims to cover secondary bond prices, and contribution should be based on what is currently available in the public.
Comments as consumer of data: current members are largely providers, not consumers. Discussions among the providers can ensure quality, but maybe this is not in scope for the IP WG. Periodical updates on the pricing space are a good opportunity, though – thank you for that. Banks will ask, however, can we trust the course, or do we need to validate the data? It is, hence, good of users to come together to agree on a validation process; if such validation would be acceptable at source level, it would make for great acceptance in the industry at large.	**ADB Sec**: These are all valid observations. Thanks to CCDC, bond pricing agencies could have the first regional gathering. It is necessary to consider how we can provide information based on the market needs. **ADB Sec**: At the bond pricing seminar, the participants discussed quality criteria, which would ensure credentials for market providers. Further discussion on this topic may be desirable.
SF2 - Implementation of ISO20022 (for Roundtable information, please see Annex 3)	
SWIFT: Can agree that the Asia/Asian voice should be stronger. But disagree that Asia is behind Europe, in particular when it comes to live systems. In Asia, Bangladesh, Brunei, and India have implemented RTGS systems in the last 12 months; JASDEC has implemented a system for clearing and settlement. In the latter case, this was coupled with active participation in the ISO20022 discussions.	**ADB Sec**: Yes. Asia has been making a lot of effort to implement ISO 20022. As for the participation in ISO discussion, it is important to note financial service standardization at ISO level may have larger impact than normally expected. It is not well known, but whether a market complies with ISO standards or not can affect WTO discussion. One market can be accused as violation of WTO if national standards conflict with ISO standards.
These statements are supported. There are many ways for participation. E.g. JASDEC was part of the User Evaluation Group; the purpose of the group is not to change the way business is done. JASDEC put the	**ADB Sec/JASDEC**: would like to add that the CR and the Business Justification (BJ) came from the users/participants in JASDEC, not (just) from JASDEC. It is useful to have members in the SEG, to

Change Request (CR) for ISO20022 because business had to be done in a particular way – and that was accepted.	submit CR and BJ; sometimes a small CR may be enough and may suit all parties. It also gives the opportunity to see CRs and ideas from other markets and to learn. The key principle should be when developing one's own market, to make it transparent and ensure interoperability.
Would be interested to hear from banks on the impact of ISO20022 implementations.	**ADB Sec/Member**: the impact tends to be client driven; if the client wants, you as a provider need to have a solution. Once a request appears in an RfP, and the initial shock at something unknown settles, the focus will be on to get current; however, this also provides a good opportunity to drive change within the firm, and often helps write the internal business case. **SWIFT**: Agreed. The client will ask 'either you do, or we'll walk'. In that sense, corporate clients will accelerate the drive towards developments, in particular in the payments arena. **ADB Sec**: The impact also depends on the banks and what infrastructure they have; if we are talking about a large proprietary system, this would represent a big change and impact; smaller firms with smaller systems would have a smaller impact. If a firm already had an open system, a conversion would be possible and a change would be easy or easier. **Member**: do keep in mind that a conversion may get results at minimal costs, but would also typically dilute the value proposition of a full change. From a bank perspective, the community approach is preferred when moving to new standards.
What about messaging developments in other business types, e.g. repo?	**SWIFT**: In securities services, the servicer will always give in to asset owner, since there is a relationship to consider. For repo, ISO15022 serves these transactions well, there does not seem to be an initiative to change. And, for payments, it depends on the capabilities of the RTGS system. **Member**: in repo, standards exist and are being used; hence, there is no pressure to move to a different standard.
SF2 - Lessons from AMBIF Pilot Issue / Taxation	
Can you explain more on the proposed classifications – do they incorporate DTAs?	**ADB Sec**: the classifications are on an assessment basis only, i.e. how the tax authorities look at the taxable interest

	income for their respective jurisdictions. DTAs and other such concessions are not reflected, because they may differ for individual investors. To reflect them all would means to include another dimension of FII treatment.
We might also need to consider the tax imposed on the issuer. In PH, the WHT is the obligation of the issuer; need to determine what type of tax we are talking about.	**ADB Sec**: We are aware that issuers are probably in most cases legally responsible for withholding tax, though the actual process normally involves a paying agent or WHT agent. We also need to check taxation on investors because in ASEAN, income is taxable when remitted into the taxpayer's country. **ADB Sec**: We will limit our study only on AMBIF application. Taxation is very wide, so we need to confine ourselves.
The basic principle in taxation is that it is taxable where the source of interest payment is generated; so Japan issuer means Japan sourced – why would the Thai tax office tax on interest?	**ADB Sec**: We need to identify what is taxable and who is responsible to pay to which tax authority. The answer will be found through the study.
SF2 - Proposed Tax Questionnaire	
It may appear easy to create a tax exemption, but it may not be practical or easy to explain. In Japan, it took 10-15 years to arrive at the current concessions. A survey may not be enough, since this is not an easy subject. To the extent possible, please include practical considerations in the survey.	**ADB Sec**: Agree it is complex and time consuming. We should not seek exemption from the beginning. It is necessary to show what the current status is, and what needs to be changed. Then, tax authority would listen to us.
For consideration: - can we include in the survey the information already available to ABMF, in the appendix to the SF1 Phase 2 Report, which contained a list of applicable WHT provisions across the ABMF markets? - are we polling separately for ASEAN+3 investors' tax treatment, and for other investors?	**ADB Sec**: We will utilize all available information. We would like to limit our focus only on AMBIF. It is not our intention to deal all aspect of investments and taxation. It is too difficult.

Information on Adoption of ISO20022, other International Standards in ASEAN+3 (from SF2 Roundtable Discussion)

Market / Members	Comments made
National Members and National Experts	
Brunei Darussalam	**AMBD** has just implemented the National Payment System. It's the first national RTGS for Brunei, and the advantage was that no legacy system existed; previous operations were done manually. The project took 18 months. Brunei is a small market, with just 7 financial institutions, which are mostly regional or international banks. None of them were ready at the time. AMBD encouraged the banks by providing a converter; there was no need for a policy for a big bang. Instead, it was decided to show incentives, and review cost and benefits. ISO20022 is the global and regional direction, it would be costly to use an older standard when implementing new and then being forced to upgrade later. But the question was whether the market participants would be ready. The implementation was not straightforward, but AMBD had lots of help and consulting efforts from SWIFT, in a good partnership.
Cambodia (in alpha order)	**NBC**: a national payment system is under development, and NBC is working on the cost & benefit analysis of moving to a new standard, which is part of a blueprint that NBC is considering adopting. **SECC**: Cambodia is a small market, typically a follower of developments. We need to ensure that market participants can cope, in an efficient way. For the time being, SECC together with SWIFT are raising awareness in the market.
PR China	**CCDC**: the settlement system is proprietary. CCDC is now researching the (need for) compatibility with cross-border systems and standards. PBOC is doing the same for its own system(s). ISIN is already part of the internationalisation of the China bond market. At CCDC, H-bonds are registered for ISIN, while at SCH, bonds are not. The current ISIN process in China is complicated: CSDCC is the only ISIN allocator and the process is time consuming, can take 1-2 months. CCDC is proposing for each CSD in China to be able to access the ISIN system, and allocate for the instruments under their respective purview.
Hong Kong (in alpha order)	**Clearstream**: as for Clearstream, there is a distinction of services between Clearstream Luxembourg, the ICSD, and Clearstream Banking, the German CSD. But both entities are live on ISO20022, since they are participants in T2S and had to be ready.

	Euroclear: support SWIFT, are SWIFT compliant across all systems. The practical challenge is that if one is not ready, the sub-custodian will charge more – that is a good driver. Since the Chairman of ANNA, Dan Kuhnel, is based in the Euroclear Hong Kong office, can put him in touch with the colleagues in China to address the ISIN gap. **HKMA**: while not being able to comment on an overall policy approach, ISO20022 is being adopted for the HKMA payments system with mainland China.
Indonesia	**KSEI**: planning to renew the core system in 2017, with the inclusion of new standards.
Japan (in alpha order)	**BOJ**: the new BOJ-Net is in operating since Oct 2015, and only supports ISO20022; there is no coexistence or transition period. **JASDEC**: ISO20022 was implemented 2 years ago in the clearing and settlement system, with a 5-year transition period for participants to maintain ISO15022. By now, 50% of users are already using ISO20022 messaging. We hope that BOJ users will also be able to use the JASDEC system under ISO20022; JASDEC has 2 transition windows per year – the next one is May/June – users could use this opportunity. **Mizuho**: as a local custodian, had to adopt ISO20022 because of global custodian needs and, subsequently because of JASDEC's new system. Using conversion approach, to save cost. **SMBC**: a comment more so on technology development and drivers in the industry, after 5 years in ABMF, and being aware of the plans for the next 5 years ahead – if indeed a game changer, then let's move to ISO20022. At the same time, though, there are a lot of fintech developments, such as the shared ledger approach (blockchain) and we should keep watch on these developments and their implications as well.
Korea (in alpha order)	**BOK**: The SF2 slide was showing a BOK change, but BOK is only reviewing its options currently, intends to have a plan for 2020. Whether to adopt a new system, and new standards has not yet been decided. As for the market participants, it will take time to convince them (of any change), since it will mean costs for them. **KSD**: for the domestic settlement, KSD uses a proprietary system with local messaging. On its international platform, KSD supports both ISO15022 (for settlements) and ISO20022 (for corporate actions), with offshore funds settlement able to support both messaging standards simultaneously. As for the market, ISO20022 is not widely used locally, hence a forced change would require the concurrence of the market participants.
Lao PDR	**BOL**: aiming to adopt ISO20022 by 2018. ISIN is used for government bonds, but not yet for equities. Lao PDR is not a member of ANNA, but LAX (Lao Exchange) is preparing for a participating by May or June 2016, to be appointed as numbering agency for Lao PDR.

Malaysia	**BNM**: the RTGS system is proprietary and presently undergoing a major system upgrade, which was based on a 2011 decision. A market survey says that participants are not ready and would expect high costs to cope with new standards; this would also impact foreign banks. Hence, BNM adopted ISO15022, with a converter. Working with SWIFT on industry awareness, and aim to find out the market preparedness. If ISO15022 will not suffice, BNM is prepared to adopt ISO20022 without a converter.
Philippines (in alpha order)	**BSP**: as BSP embarks on ISO20022 implementation, will encourage the banks to follow, also since they would need to comply with counterparty requirements in the region and beyond. Hence, BSP is collaborating with banks on ISO20022 efforts. **PDTC**: completing migration to a new system, will be ISO20022 compliant. For payments, expecting a move to ISO20022 and ready for it. **SEC**: on ISIN allocation, working on and putting in infrastructure; in communication with ANNA on the efforts.
Singapore	**SWIFT**: the adoption of standards differs by country. But the lessons have been learned: 1 – not only top down approaches should be considered, instead of forcing an approach on the market, could instead engage the participants, create community ownership. 2 – decisions on which approach have to be clear; either for big bang or a transition, and it is important to state an end date. At the same time, transitions are not good for technology and infrastructure, also because they prevent innovation. SWIFT will be holding 3 standards forums in the region in 2016, on 29 Feb in KL, on 8 Apr in Manila, and in HK later this year. The purpose is to share information on adoptions, challenges, tips and tricks.
Thailand	**BOT**: starting with adoption, to be implemented in 2019 for cash and securities settlement.
Viet Nam	**HNX**: no intention to adopt ISO20022 by 2020 for VSD. No direct impact on HNX itself.
International Experts	
Citibank	100 markets to cover and supporting messaging initiatives across all markets. In some markets, working with CSDs and the regulators. The problem is often the local brokers and banks – they are not ready and do not want to incur the costs. In contrast, the larger banks are ok. One other potential issue is the use of ISO20022 on local networks – but SWIFT may have a solution for this.
Deloitte	Currently, technology is being looked at that will change the present paradigm, such as blockchain. But the impact of this tech is by far not clear, yet. Deloitte is studying ISO20022 since it’s an integral part of the accepted technology developments.

Deutsche Bank	Cost is seen as a key factor, e.g. in the Philippines. Some of the local entities are not keen. However, some of the proprietary systems may actually (be able to) support ISO20022. Connections with other international banks are easy, but not necessarily with local brokers. ISIN: there are ISIN like codes in PH, and legacy is an issue here. Also for consideration: the tech focus may also be on other subjects, in particular KYC and risk.
DTCC	Using ISO20022 solution for corporate actions; on cash, waiting for FedWire to be ready.
JPMorgan (for ISO Regional Management Group)	A number of other initiatives may be worth mentioning: 1 – ISO8583, the card payments standard, has been existing for 40 years; it's a big but slow effort for the industry to consider on what to change and how to do it; any decision will have a global impact. 2 – in the EU, derivatives trade reporting to data repositories is due for implementation in early 2017. The initiative has a very accelerated focus and a dense timeline. But it also shows that if the industry gets itself ready in time, there would be few or no issues to tackle. 3 – in payments, for internet, web payment standards, the industry is considering whether ISO20022 should be adopted. 4 – with regards to fintech: in the EU, a discussion is happening about the (new type of) payment service providers, the API they use, including the question whether that should be on ISO20022.