

Summary of the 24th ASEAN+3 Bond Market Forum Meetings

16-18 January 2017, Bangkok, Thailand

Thanks to co-hosts; the Thai Bond Market Association (ThaiBMA); Stock Exchange of Thailand (SET); Securities and Exchange Commission (SEC), Thailand; Bank of Thailand (BOT); and with the support from Ministry of Finance (MOF), Thailand, ABMF related seminar, workshop and meetings were held in Bangkok, Thailand on 16-18 January 2017.

I. Workshop on Bond Pricing and Evaluation in ASEAN+3

1. The Workshop was the third event in the ASEAN+3 region and co-hosted by ThaiBMA and ADB. The workshop attracted almost 200 local and international participants including ABMF members. Dr. Pisit Leeahtam, Chairman of ThaiBMA welcomed the participants by highlighting an important role of bond pricing agencies in bond market development and related challenges.
2. The Workshop shared and discussed experiences of bond pricing agencies in the region, represented by Mr. Mohd Shaharul Zain, Chief Business Officer, Bond Pricing Agency of Malaysia (BPAM); Mr. Wahyu Trenggono, Director, Indonesian Bond Pricing Agency (IBPA); Ms. Zhou ZHOU, Deputy Senior Manager, Chinabond Pricing Center, China Central Depository and Clearing Corporation (CCDC); Mr. Surat Chiracharasporn, Head of Bond Pricing and Product Development of ThaiBMA. In addition, Mr. Sudipto Lahiry, Business Manager Fixed Income, Bloomberg, shared their approach for evaluating different markets.
3. The Workshop served as an effective platform for information and experience sharing among ASEAN+3 bond pricing agencies as well as policymakers and market participants. Given the current level of market volatility and low liquidity due to low interest rates under a very accommodative monetary policy in various markets, securities valuation needs to be more sophisticated, particularly for illiquid securities such as corporate bonds. Thus, collaboration among bond pricing agencies and standardization of valuation methodologies are becoming more important for promoting market transparency.
4. The private sector also recognized the importance of the Credit Guarantee and Investment Facility (CGIF) in supporting cross-border bond issuance in ASEAN+3. This is particularly true for potential issuers from CLM countries where legal and regulatory frameworks are developing, but not yet on par with international standards and practices.
5. The Workshop emphasized the importance of regional discussion to achieve a certain level of standardization in methodologies and practices to increase market transparency, in addition to creating effective communication channels with investors. The Workshop also highlighted ongoing efforts by the bond pricing agencies in the region, but the efforts need

to be well-understood and recognized. The Workshop also recognized the importance of information disclosure to provide necessary information for global investors so as to enhance market liquidity and cross-border investment within the region.

6. Under the ABMI medium-term road map, potential demand for a regional information platform needs to be assessed under ABMI Task Force 3. The outcome of the Workshop clearly showed needs of improving market information. AsianBondsOnline (ABO) has been serving as an important regional bond information portal, and its enhancement is under consideration. But the role and functions of ABO may be limited due to the public nature of the website. To strengthen information provision and sharing in the region, further discussions need to be made. As the next step, closer communication among the regional bond pricing agencies and further discussion with a proposal of a regional information platform can be considered.

II. ASEAN+3 Bond Market Forum Sub-Forum 1

7. The meeting was co-hosted by Bank of Thailand, Securities and Exchange Commission, Thailand, Stock Exchange of Thailand, ThaiBMA and ADB. More than 150 participants from ASEAN+3 joined.
8. The SF1 started discussions from a presentation by Mr. Smith Banomyong, Director and Chief Executive Officer, SCB Asset Management (SCBAM), Thailand, by highlighting opportunities of ASEAN+3 fixed income funds to invest in ASEAN bond markets. He pointed to the prevalent home country bias and lack of information on regional companies that could be crucial impediments for cross-border investments. People may know Toyota, Apple and Samsung, but they may not know companies in other ASEAN markets. Though it may take time, further effort for investor education is necessary. Mr. Banomyong added that another key consideration is the cost of funding because issuers are able to raise funds at a more competitive rate in local markets, as investors are more familiar with domestic credit rating than foreign credit rating. He also mentioned tax and regulatory constraints, non-standards legal documentation, and differing enforcement actions in case of disputes or default. All of these considerations would greatly benefit from (further) standardization in the region.
9. Mr. Noritaka Akamatsu, Senior Advisor of ADB, made a presentation on “Good Practices in Developing Bond Market”, as an ongoing study under ABMI to support BCLM in tackling the challenge of developing bond markets. Since in November 2011 the G20 endorsed an action plan to support the development of local currency bond markets, ABMI has been seen as a model of regional support and development of local currency bond markets. The presentation highlighted the needs for appropriate sequencing and necessary institutional arrangements in developing domestic bond markets. Case studies based on experience of more developed countries were also presented. ABMF members welcomed the study and supported the initiative to promote bond market development in BCLM. The final report will

be presented at the ASEAN+3 Finance Ministers and Central Bank Governors Meeting in May 2017.

10. **Update on WG-Cross-Border Collateral and Repo (CBCR):** BNY Mellon team (Mr. Gary Lew, Managing Director, Regional Head - Asia Pacific; and Mr. Eric Chng, Head, Relationship Management Asia) made a presentation on their proposal of a regional collateral hub, which was a response to the request from the ADB Secretariat to the members to consider a business case for CBCR. As presented at the last ABMF meeting in Manila in October 2016, the Secretariat summarized potential cross-border collateral and repo businesses into 4 cases. BNY Mellon has a business case, which is similar to case 2 in the previous CBCR presentation. ABMF can consider the BNY Mellon initiative as a possible business case to support CBCR in the region.
11. **Update on WC-Information Platform (WC-IP):** Dr. Donghyun Park and Dr. Shu Tian of ADB reported on improvements made to the AsianBondsOnline (ABO) website and the proposed next stage enhancement plan to ABMF members for consideration and support. ABO team will enhance the operational function of ABO to provide additional information on regional bond markets in a more user-friendly format, e.g. a mobile friendly version, dynamic user interface, etc. ABMF members recognized the importance of the ABO website in disseminating information of ASEAN+3 bond markets.
12. The ABO team will seek members' support for a user survey, which will identify further user demand and information to be added in the improved ABO. The survey will be sent to the members when it is ready. In addition, together with bond pricing agencies in the ASEAN+3 region, ABMF will assess a proposal of a regional information platform.
13. **Update on ASEAN+3 Multi-Currency Bond Issuance Framework:** ADB Secretariat reported the second issuance of a bond under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) to be approved in February 2017 in Thailand¹. The issuance of this AMBIF bond is particularly important because it is the first AMBIF bond fully guaranteed by CGIF established by ASEAN+3 and ADB. The issuer is a subsidiary of Chinese company under the laws of Singapore and a manufacturer of solar modules targeting the North American market. Thus, it also has some aspect of green finance. Proceeds of the bond will be used to support its subsidiary in Thailand. This clearly shows the significance of ASEAN+3's regional cooperation and ADB's support to develop local currency bond market.
14. **Progress of Bond Market Guides:** The ADB Secretariat appreciated the kind cooperation of the members and authorities. Though we have published 5 bond market guides (HK, JP, MY, SG, TH) last year, we are targeting to publish the remaining markets (BN, CN, KH, ID,

1. The issue information can be downloaded from

<http://market.sec.or.th/public/idisc/en/Product/Filing/PL-0000025604/IH-XX-L-00000000-00000000-X>

KR, LA, MM, PH, VN) soonest. The Secretariat will report the progress at the next ABMI Task Force meeting on 3 March.

15. **Wrap-up:** The ADB Secretariat updated ABMF members of the outcomes of the recent ASEAN+3 Finance and Central Bank Deputies Meeting in which the progress made under the Asian Bond Markets Initiative (ABMI) over the past six months and way forward were discussed.

III. ASEAN+3 Bond Market Forum Sub-Forum 2

16. The SF2 started discussions with a presentation by Dr. Pakorn Peetathawatchai, Senior Executive Vice President, Stock Exchange of Thailand, on Thailand Capital Market and Future Plan. The presentation showed how the Thai market has developed with clear visions and milestones. It was also recognized as a very good model for other developing markets.
17. **AMBIF Tax Procedure:** ADB Secretariat updated the members on the recent discussion with tax authorities in AMBIF participating markets. The initial reaction from the authorities was very positive. To push the discussion forward, the Secretariat requested the members to provide tax information of other markets, particularly markets which had overcome difficulty in taxation. It is critically important to provide sufficient information to the tax authorities as they are hoping to learn lessons from other markets. ADB Secretariat explained the strategy to focus on AMBIF, rather than discussing capital market taxation in general. Besides, it is better to tackle an issue where discrepancies in taxation among AMBIF markets are large. If one country is different from the others, we may be able to highlight the problem as a specific impediment of the market, and ask to consider changing the taxation to be in line with the other markets. We also would take a step-wise approach as taxation is complex and difficult to change.
18. ADB Secretariat will follow up with members and request for support and cooperation as a possible change in taxation is depending on our effective inputs and communication; we need to ensure we can provide enough data and information to justify our proposal.
19. **RTGS Development in Myanmar:** Ms. Su Su Nwe, Deputy Director, Financial Market Department, Central Bank of Myanmar, presented the recent development of payment and settlement systems in Myanmar. The presentation showed good advancement of the Burmese market. A large value payment and a retail payment system (e.g. mobile banking, cards, and cash) were implemented in recent years. As of July 2016, almost 2 million cards had been issued. Repo transaction is being prepared to support interbank liquidity management. An overview of bond market development was also discussed.
20. **Implementation of ISO20022 messages and Survey on Account Structure:** ADB Secretariat presented the importance of implementing ISO20022 and having an implementation roadmap in other key markets. The adoption of international standards will ensure interoperability between financial market infrastructures across different countries

on a global basis. The Secretariat also proposed to conduct a survey on account structure to promote greater understanding on transaction flows and to facilitate discussion on tax procedures from cross-border STP perspective.

21. ADB Secretariat will ask the members for providing inputs to design the survey questions. In addition, the Secretariat will ask the international experts regarding their readiness for ISO20022 or their status with regards to ISO20022 implementation.
22. **Wrap up:** ADB Secretariat will report the progress of ABMF at the next ABMI Task Force meeting on 3 March.

IV. Workshop on ISO20022 Implementation in Thailand

23. The Workshop was co-hosted by Bank of Thailand; Securities and Exchange Commission, Thailand; Stock Exchange of Thailand; ThaiBMA and ADB, attracting more than 100 participants including ABMF members and representatives of local financial institutions.
24. The objective of the Workshop was to create awareness on the importance of ISO20022 to the Thai banking community with use cases in Asia as well as in other regions. Mr. Daisuke Yachi of NTT Data System Technologies explained basic features of ISO20022. Mr. Takashi Hamazaki of Hitachi presented trends in ICT and corporate EDI, particularly focusing on very advanced use cases of big data and transaction analysis utilizing artificial intelligence. He emphasized the importance of standardization and migration to ISO20022 to enable various exchanges of corporate transaction information via the banking network. Mr. Robin Hoo, Chief Operating Officer of InsiteMY Systems explained merits of migrating to ISO20022 and early adoption with minimum costs. Mr. Michal Piechocki, CEO of BR-AG and Director of XBRL International shared various use cases in Europe. He explained regulatory initiatives and regulatory reporting requirements which utilize XBRL and ISO20022 for STP. His presentation highlighted the importance of understanding global trends in standardization coming from both private and public sectors. Mr. Alexandre Kech, Head of Securities Markets & Standards, of SWIFT Asia Pacific as the registration authority of ISO20022, explained ISO20022 procedures. He explained unique features of ISO20022 management and process. Besides, he expressed his support for national implementation of ISO20022 and participation of Asian countries in ISO process, as well as for the establishment of national market practice groups (NMPGs), which could help support ISO20022 market implementations and support other beneficial market-wide developments.
25. At the final session, Dr. Urachada Ketprom, Director of Standard Office, Electronic Transactions Development Agency, and Mr. Ed Yampratoom, Chief Expert in Payment Technology, Bank of Thailand, shared their experience and plan to implement in Thailand. They explained that adopting ISO20022 is an ongoing process, and will be done in line with the Government's national policy to move Thailand towards a cashless society and e-payments.

V. Next ABMF meeting

26. The ADB Secretariat is hoping to organize the next ABMF meeting in June 2017, but there is a possibility for it to be held in July. Also, the Secretariat would like to organize the third ABMF this year in October. The timing of the meeting and venue would be informed to the members as soon as fixed.