# 25th ASEAN+3 Bond Market Forum (ABMF) Meeting

Multi Function Hall 123  
Asian Development Bank HQ, Manila, Philippines  
3 July 2017

## DAY 1 – 3rd July

<table>
<thead>
<tr>
<th>TIME</th>
<th>PROGRAM</th>
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<tbody>
<tr>
<td>08:30 – 09:00</td>
<td>Registration</td>
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</table>
| 09:00 – 09:15 | Welcome remarks by ADB  
- ABMF and Progress to date by ADB |
| 09:15 – 09:20 | Opening Remarks by Mr. Koji Ito, Sub Forum 1 Chair                      |
| 09:20 – 10:25 | Session 1: Progress of ASEAN+3 bond market guide by ADB Secretariat  
- Key highlights of market developments in ASEAN+3 (15min)  
- Presentation by Indonesia (20min)  
- Presentation by Brunei Darussalam (20 min)  
- Market visits and publication schedule (10 min) |
Upgrading AsianBondsOnline and tentative outcome of user survey by ABO team |
| 10:55 – 11:10 | Coffee Break (Multi Function Gallery)                                   |
| 11:10 – 11:40 | Session 3: AMBIF Taxation Study by ADB Secretariat  
- Preliminary outcome of the study  
- Next steps |
<table>
<thead>
<tr>
<th>TIME</th>
<th>PROGRAM</th>
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<tbody>
<tr>
<td>11:40 – 12:10</td>
<td><strong>Session 4: Information sharing session: Cross-border Collateral Management Services by CCDC</strong>&lt;br&gt;Mr. Tianhui Gao, CCDC</td>
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<tr>
<td>12:10 – 12:40</td>
<td><strong>Session5: AMBIF issues and progress in expanding AMBIF markets by ADB Secretariat</strong></td>
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<td>12:40 – 13:55</td>
<td><strong>Lunch (EDR Coffee Lounge, 2nd Floor)</strong></td>
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<td>13:55 – 14:00</td>
<td><strong>Opening Remarks by SF2 Chair</strong></td>
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| 14:00 – 15:10| **Session 6: Preliminary outcome of the account structure survey by ADB Secretariat**<br>- Case studies<br>  
  Presentation by KSEI, Indonesia (15 min)<br>  
  Presentation by SET, Thailand (15 min)<br>  
  Presentation by Mr. Inui, ADB consultant (10 min)<br>-Q&A and comments (20 min)<br>-Possible market visits |
| 15:10 – 15:25| **Coffee break (Multi Function Gallery)**                                |
| 15:25 – 16:05| **Session 7: Progress of ISO 20022 Implementation**<br>- Status update by SWIFT, ABMF IE (20 min)<br>  
  Standardization and data exchange by JP Morgan ABMF IE (20 min) |
| 16:05 – 16:15| **Session 8: Cooperation with Asia Pacific Financial Forum**<br>- Outline of discussion with APFF in Day 2 |
| 16:15 – 16:20| **Closing by ADB Secretariat**<br>- Next step, next meeting               |
|              | Informal discussion with selected markets                                 |
| 18:00        | **Welcome reception (Multi Function Gallery)**                           |
SESSION 1
Progress of ASEAN+3 Bond Market Guides 2017

Prof. Shigehito Inukai
ADB Consultant for ABMF SF-1 / Waseda Univ.
Matthias Schmidt, ADB Consultant

25th ABMF Meeting, Manila, SF1 Session
3 July 2017

Points to Cover
① Status of Bond Market Guides 2017
② How Market Developments influence Bond Market Guides
③ Highlights of Market Developments in ASEAN+3
④ Future Market Developments
⑤ Market Visits – Proposed Timeline
⑥ Q&A
How Market Developments influence BMGs

• ASEAN+3 bond markets are at different stages of market development
• But even within their very own stage of market development, substantial changes are taking place in many jurisdictions
• SF1 is hoping to include these developments, large and small, into the current batch of Bond Market Guides still in production, to the extent possible
Influence on Cambodia Bond Market Guide 2017

- SF1, with the kind support of regulatory authorities and market institutions, have compiled a complete Cambodia (KH) BMG 2017, the first of its kind, reflecting the current status of the bond market.
- At the same time, many regulatory authorities in developing countries (e.g. also VN) have been planning to introduce a comprehensive regulatory framework for corporate bonds, including provisions for their issuance, disclosure, listing and trading.
- SF1 has been asked to provide input for the new framework on several occasions / jurisdictions.
- The introduction of the framework is imminent.
- Our objective is to project every market in the best possible manner; as such, SF1 and SECC are ready to wait a little while longer and include the latest available information into the framework and then the BMG.
- There might also be a relevance for other ABMF work, including AMBIF.

Influence on PR China Bond Market Guide 2017

- Here, the influence on the PR China Bond Market Guide is brought by China itself in comparison to the PRC BMG 2102 only focused on IBBM.
- The large amount of impending information to review, to select for relevance and to project in the very best intention is the key challenge.
- Multiple market segments and regulatory institutions need to be accommodated in the defined BMG structure to maintain comparability.
- In addition, we would want to include the latest market developments, some of which are only now being shaped, e.g. Bond Connect to establish a mutual access program between the mainland and Hong Kong bond markets...
- Hence, SF1 is working with the ABMF members from China to get right the balance of level of information, accuracy and relevance for the audience.
- This will take a while longer...
Influence on Korea Bond Market Guide 2017

- The Korea Bond Market Guide in 2012 was very substantial
- Due to the introduction of the QII market, many parts of the document would need to have the resulting changes reflected
- Additional information on both OTC and exchange markets is necessary to take full advantage of the latest BMG template, to make information comparable to other markets

Influence on Viet Nam Bond Market Guide 2017

- The Viet Nam bond market is well known and understood and described as such in the draft Bond Market Guide
- However, the policy bodies and market authorities have been committed to the
  - Formulation of a Decision Approving Roadmap for Developing the Bond Market
  - Revision of Law on Securities (Law 70 amended by Law 62)
  - Revision of Decree 90 for the Private Placement of Corporate Bonds
- Together, these developments will transform the Viet Nam bond market, including introduction or clarification of roles and focus of market institutions, professional investors, private placement and disclosure
- Issuing the BMG now would require to redo it again in a few months; the developments will come to fruition in that same period
- SF1 would like to accurately and timely represent the latest developments in Viet Nam to the intended audience; the current info would not be representative for long
- It also has an influence on other ABMF work, including participation in AMBIF
- SF1 has been involved in consultations on these market developments
The Next Batch of Bond Market Guides 2017

We are hopeful that work on all 14 Bond Market Guides will be complete by Q4 2017.

Highlights of Market Developments in ASEAN+3

[Examples from just 2015 to 2017, selected to show breadth and depth of developments]

- Brunei – introduction of RTGS system
- Cambodia – introduction of qualified (professional) investor concept (2016)
- PR China – more flexible inbound investment avenues, Bond Connect (2017)
- Hong Kong – tightening of professional investor regime (2016/2017)
- Indonesia – GMRA Indonesia, shelf-registration, industry repo agreement (2016)
- Korea – introduction of QIB market for professional investors and all issuers (2016)
- Malaysia – introduction of Lodge and Launch Framework (2015), marketplaceIF
- Myanmar – SECM established, transformation of government bond market
- Philippines – 2015 SRC IRR: easier, cheaper, more practical shelf-registration
- Singapore – Asian Bond Grant Scheme (2017)
- Viet Nam – review of private placement, professional investors, disclosure rules
Future Market Developments

- Brunei – Introduction of financial market infrastructure (colleagues will explain)
- Indonesia – Studies on professional investors, private placements, and possible implementation of conclusions (colleagues will explain)

Are colleagues from other markets able to share planned market developments, e.g. to be included or revised in Bond Market Guides, or with relevance for AMBIF?

Future Market Developments - Brunei

Quick update by Autoriti Monetari Brunei Darussalam (incl. video)
Future Market Developments - Indonesia

- OJK may give a brief update on planned market developments

Important Considerations

- The deadline for completion of Bond Market Guides will be end October 2017, so that publication can be achieved by the end of 2017
- SF1 will support a process suitable for each market for which the BMG is still in production, to be able to meet the timeframe
- Opportunities for ‘official presentations’ and ‘discussions’ of a BMG, e.g. in conjunction with a market visit, could be planned or present themselves
- To what extent can SF1 and members consider utilising BMG content for domestic websites or information material (i.e. synchronizing validating information across market sources).
**Proposed Market Visits**

- The purpose of the proposed market visits includes the following ABMF work items:
  - Finalise Bond Market Guides still in production
  - Research and follow up on account structure survey
  - Explore AMBIF issuances
  - Explore market participation in AMBIF (selected markets)
  - Learn about market developments
  - Support markets according to needs
- Objective is to focus on markets where BMGs need finalisation, plus where information on account structure is pending
- Opportunities will be taken to speak to industry participants on ABMF topics on the way to market visits (e.g. routing trips through Singapore, Hong Kong)

- Members should indicate their interest in participating in market visits
Questions & Answers

➢ Please feel free to clarify statements made by SF1, ask questions, or offer advice.

Thank You!

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For Reference: Bond Market Guides 2016

As of end of November 2016, Hong Kong, Japan, Malaysia, Singapore and Thailand BMGs 2016 had been published as PDF versions.

Available on https://asianbondsonline.adb.org/

- Hong Kong
  https://asianbondsonline.adb.org/documents/abmf_hkg_bond_market_guide_5th.pdf?src=spotlight
- Japan
- Malaysia
- Singapore
- Thailand
Brunei Darussalam
Financial Sector Blueprint
2016 - 2025

Lim Shaw Fhen
Payment and Settlement System Unit
25th ASEAN+3 Bond Market Forum
3 July 2017, ADB HQ, Manila, Philippines

Brunei Darussalam: Fact Sheet

Official Name
Negara Brunei Darussalam (Abode of Peace)

Capital
Bandar Seri Begawan

Population
417,200 (2015); annual population growth of 1.3%

Religion
Islam is the official religion and all other religions may be practiced in peace and harmony by the persons professing them

Currency
Brunei Dollar (BND) is at one to one parity to the Singapore Dollar and interchangeable dollar notes are available in denominations of $1, $5, $10, $50, $100, $1000 and $10,000. Coins are in 1, 5, 10, 20, and 50 cents denominations

Time Zone
GMT +0800 (Standard Time)

Land Area
5.765 km² with a coastline of 161 km along the South China Sea. About 70% of its land area is covered by rainforest reserves

Languages
Bahasa Melayu (Malay) is the official language. English is widely spoken in business

Main Natural resources
Oil and natural gas, timber, fisheries, agricultural products

GDP
BND 18.6 billion/ USD 13.1 billion (2015)

GDP Per Capita
BND 44,571/ USD 31,388 (2015)

Climate
Tropical, hot, humid, rainy with temperatures ranging between 23ºC and 32ºC. Average annual rainfall is 320 cm. There is no history of natural disasters

Oil and natural gas, timber, fisheries, agricultural products
Brunei has one of Top 10 GDP Per Capita in Asia

Currency Interchangeability Agreement with Singapore

The Labour Force Participation Rate of women is 58.3%

Financial Sector contributes 5.1% to GDP. Wawasan 2035 envisages that, by 2035, contribution to GDP grow to 8%

Ranked number #1
As the most improved country in the world in the World Bank’s 2017 Doing Business Report

Brunei Darussalam: Economic Fast Facts

FINANCIAL SECTOR BLUEPRINT

PILLARS OF THE FUTURE

Dynamic and Diversified Financial Sector

Future Directions

PILLAR I
Monetary and Financial Stability

PILLAR II
Competitive and Innovative Financial Institutions

PILLAR III
Robust and Modern Infrastructure

PILLAR IV
Enhanced International Integration

PILLAR V
Human Capital Development

The Blueprint identifies five key pillars that form critical components of a sustainable financial ecosystem.
FINANCIAL SECTOR BLUEPRINT

MONETARY & FINANCIAL STABILITY

FINANCIAL STABILITY

International Best Practice Regulatory Framework
Risk Based Approach
Credit and Underwriting Risk Management
Resilient to Financial Crisis
Strengthened AML/CFT Compliance

PILLAR I

MONETARY STABILITY

Currency Interchangeability Agreement with Singapore
Interbank Money Market

PILLAR II

COMPETITIVE & INNOVATIVE FINANCIAL INSTITUTIONS

COMPETITIVE & INNOVATIVE FINANCIAL INSTITUTIONS

Capital Market Development
Islamic Finance
Fund Management

INVESTMENT OPPORTUNITIES

Major Infrastructure Finance
SME Growth Support
Government Linked Company Reforms
Capital Market Development

- Domestic capital market has considerable growth potential
- Expand domestic sukuk programme and channel to local market
- Development of the Securities Exchange to be catalyse for economic growth and business expansion

Robust and Modern Infrastructure

Hard & Soft Infrastructure

- Global Interconnectivity
- Smart National Strategy
- An E-Payment Economy

Financial Infrastructure

- ICT
- Payment System
- Securities registry, trading and settlement
- Collateral Registry
- Credit Bureau
National Payment and Settlement System Project

- Real Time Gross Settlement System
- Automated Clearing House
- Central Securities Depository

Phase 1: Real-Time Gross Settlement – Heart of the Payment System

- Interbank fund transfer system for large and urgent payments
- Settlement takes place in real time
- All payments are ultimately settled using funds held at AMBD
- All payment settled in RTGS system are final and irrevocable
- First in ASEAN to adopt ISO20022 using SWIFT MX messaging
- Gone live on 7 Nov 2014
Phase 2: Automated Clearing House System – Handling Bulk Payments

- Gone live with electronic cheque clearing on 26 May 2016
- Replace the previous manual cheque clearing house
- Reduce interbank cheque clearing process to T+1
- Introduce low value interbank direct credit transfer on 3 March 2017
- Adopt ISO20022 using SWIFT fileact

Phase 3: Central Securities Depository System

- Gone live with depository services on 12 May 2017
- Replace the manual book entry processes
- Custody for the Brunei Government Sukuk Al-Ijarah
- Next stage to provide auction and trading module; support DvP
- To adopt ISO20022 for securities settlement to RTGS
- To introduce liquidity management tools
FINANCIAL SECTOR BLUEPRINT

An E-Payment Economy

- Retail Payment Strategy
- Policies and plans for an interoperable market infrastructure
- Development of Fintech
- ASEAN integration

ENHANCED INTERNATIONAL INTEGRATION

21ST CENTURY – ASIA’S CENTURY

- Leverage on Asia's Ascendance
- Foster ASEAN Economic interconnection

A REGIONAL SUPPORT CENTRE

- Support Brunei Darussalam as a regional professional support/back office centre
HUMAN CAPITAL DEVELOPMENT

A SKILLED FINANCIAL SECTOR WORKFORCE
- Raising financial literacy standards
- Raising public awareness and instilling financial discipline
- Aligning the National Curriculum to the Future Economy

ISLAMIC FINANCE
- CIBFM – a centre of excellence for training & professional development
- Financial Professionalism and Integrity
- Public-Private sector dialogues

INTERNATIONAL COLLABORATION
- Establish alliances and partnerships with International Institutions

Thank You
Importance of Asian Bonds Online

- ABO as the key market information source to support bond market development of ASEAN+3 under the ABMI.
- ABO is one of important ABMI outputs widely recognized not only by ASEAN+3 but also by other regions.
- ABO enhancement is a step to consider a regional information platform suggested in the Mid-term ABMI Road Map.
- ASEAN+3 governments will support ABO continuously (through the Investment Climate Facilitation Fund of Japan)
Enhancements for the ABO website

• Website User Survey
  – In May 2017, we conducted an online survey to generate feedback from our website users.

  – Results of the survey will be used as the basis for website enhancements which is part of the next ABO TA.

  – The survey is still available online through the ABO website, we encourage you to participate and help us further improve the website.

Enhancements for the ABO website

• Survey Results:
  – Survey respondents came from both government and private institutions
    • In line with our target audience who includes bond market participants
    • The participants also came from different markets
  – Survey participants were regular users of the AsianBondsOnline website
  – The majority of which are able to obtain the information they needed from the website
  – All participants noted that they will recommend the website
Enhancements for the ABO website

• Survey Results:
  – Survey participants are regular users of the AsianBondsOnline website

Enhancements for the ABO website

• Survey Results:
  – Users mostly found the information they needed from the website
Enhancements for the ABO website

• Survey Results:
  – Website use is mostly for monitoring financial markets and research analysis

![Pie chart showing survey results for ABO website enhancements.]

• Survey Results
  – Users were also asked to rate other factors such as visual appearance, easy navigation, accessibility, relevance of content, timeliness of data and market coverage

![Bar chart showing user ratings for ABO website enhancements.]

Enhancements for the ABO website

• Survey Results
  – Giving us feedback of potential areas for improvement

Progress of AsianBondsOnline

• Knowledge dissemination: Quarterly publication of the Asia Bond Monitor (ABM) which discusses the development in bond markets of ASEAN+3.
  – March and September issues are launched online and June and November issues are launched outside ADB Headquarters to boost regional recognition and further disseminate bond market information to potential users.
  – We have recently launched the June 2017 issue of the ABM in partnership with the Asian Development Bank Institute in Tokyo with a theme chapter on “Do Local Currency Bond Markets Enhance Financial Stability? Some Empirical Evidence”.

• Capacity building: two capacity building activities on “Bond Market Development in Emerging East Asia” to-date.
  – Workshops in partnership with the Ministry of Finance, Viet Nam and the Ministry of Economy and Finance of Cambodia, respectively.
  – Participants are from public and private sectors
  – Topics relating to bond market development in emerging East Asia.
  – For this year, we are partnering with Securities and Exchange Commission of Myanmar for a workshop to be conducted in August
THANK YOU
Recap from the last meeting

@ 24th ABMF meeting in Bangkok, Thailand (17 January 2017)

1. Reported preliminary findings on bond market tax treatment in AMBIF markets

2. Proposed to undertake a study on the evolution of bond market taxation based on members’ experience

3. Issues to be covered:
   a) How the changes in taxation were introduced?
   b) What was the discussion at the time?
   c) What was tax implication for the change?
   d) What were the macroeconomic impact as well as impact on revenue?
Progress Update

**Objectives:**
1. To promote corporate bond markets as an important fund-raising channel for infrastructure development, in addition to bank loans and government bonds.
2. To facilitate recycling of excess savings through issuance of local currency bond under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) as envisaged in the New Medium-Term Road Map\(^1\)

**Structure of the Study:**
1. Brief overview of ASEAN+3 bond markets.
2. Current bond market taxation framework e.g., capital gain, dividend, and coupon; resident vs non-resident; and financial institutions vs non-FIs.
3. Describe the evolution of bond market taxation and policy consideration.
4. Current discussion on bond market taxation (if any).
5. Provide policy recommendation to ASEAN+3 policy makers for their consideration.

\(^1\) The New Medium-Term Road Map of the Asian Bond Markets Initiative (ABMI) was endorsed in May 2016 at the 19th ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting (AFMGM+3) in Frankfurt, Germany.

**AMBIF-Participating Markets**

![Flags of Participating Markets](image-url)
## Current Bond Market Taxation Framework for Financial Institutions

<table>
<thead>
<tr>
<th></th>
<th>Capital gain</th>
<th>Interest income</th>
<th>Discount</th>
</tr>
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<tbody>
<tr>
<td>Domestic Financial Institutions (Resident)</td>
<td>No WHT but include as part of corporate income Exempted for MF</td>
<td>No WHT in case the bondholder and the issuer are FIs* but include as part of corporates income 1% WHT if issued by other juristic persons and include as part of corporate income Exempted for MF</td>
<td>No WHT in case the bondholder and the issuer are FIs* 1% WHT and include as part of corporate income Exempted for MF</td>
</tr>
<tr>
<td>Foreign Financial Institutions (Non-resident) Depending on DTA</td>
<td>15% WHT**</td>
<td></td>
<td>15% WHT only at first hand</td>
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</table>

* Under the law of finance business, securities business and credit foncier business
**Except gains/interest/discount from bond issued by government, state agencies, or financial institution under specific law for the agricultural, commerce and industrial lending
Evolution of Bond Market Development

Prior to 1999
• Domestic Bond Market Development Committee was established

1999
• Public Debt Management Office (PDMO) was established

2001
• 1st Domestic Bond Market Development Plan (2001 – 2004)

2004
• 2nd Domestic Bond Market Development Plan (2005 – 2015)

2016
• Developing Strategy and Regulating Bond Market

Source: Public Debt Management Office

Evolution of Bond Market Development

Domestic Bond Market Development Committee

- **Task Force:** solving problems in
  - Primary Market
  - Secondary Market
  - Clearing and Settlement System
  - Taxation on Debt Instrument Transaction
  - Bond Market Information
  - Market Convention and Code of Conduct
  - Debt Management Office
  - Private Repo Market

- **Composition:**
  - MOF
  - BOT
  - SEC
  - Thai BDC
  - Commercial Banks

The establishment of Public Debt Management Office (1 Oct 1999)

Source: Public Debt Management Office

**Objectives:**
1. Strengthen the role of bond market in promoting financial market and economic stability
2. Develop Thailand’s bond market as a regional fund raising hub and investment destination of choice

**Strategic Goals:**
1) To expand the bond market to a relative size as GDP
2) To increase the share of foreign issuers and investors to be not less than 5% of total outstanding value
Development of Taxation – Key Milestones

Historical Movements of Stock Market Index and Exchange Rate (THB/USD)

Rationale:

- To develop and recover financial market in the aftermath of AFC
- To support fund-raising activities of the Government, and special purpose FIs under Asian Bond Fund Framework
- To promote treasury portfolio and participation of FIs in financial market
- Repealed RD No.429 and MN No. 249 as tax incentives may cause economic instability and to slowdown influx of foreign capital, thus subject to 15% WHT

Current Discussion on Bond Market Taxation (if any)

To contributed by ABMF members, to the extent possible.

The goal is to have this paper as a living document. Current discussion and potential change in tax policy will be taken into account.
Policy Issues for Consideration

1. The more ≠ the merrier
2. Coordination among relevant regulatory authorities is crucial
3. Transparency is important, progresses are being made in certain markets e.g. Indonesia, the Philippines
4. According to Deloitte\(^2\), predictability, consistency are crucial. Low complexity has become the least important.

\(^2\) Shifting sands: risk and reform in uncertain time

Next Steps

1. The Secretariat to :
   - collect information for Japan, and the Philippines
   - draft the report for Thailand, Japan and the Philippines

2. ABMF members to :
   - provide information on their bond market development, particularly taxation
   - update Secretariat on current discussion on taxation, to the extent possible
   - Review and verify the publication

The first draft will be presented at the 27\(^{th}\) ABMF meeting in January 2018
THANK YOU

Kosintr Puongsophol
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Economic Research and Regional Cooperation Department

Email: kpuongsophol@adb.org
SESSION 4
Access to China Inter-bank Bond Market

2017. 7

Collateral Management
Collateral Management
担保税管理

1. Status of Collateral Management Services

2. System Functions and Advantages

3. Cross-border Cooperation

Collateral Management – Our Status

<table>
<thead>
<tr>
<th>Field</th>
<th>Balance Unit: Trillion RMB</th>
<th>Ratio</th>
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<tbody>
<tr>
<td>China Bond Market</td>
<td>66</td>
<td>100%</td>
</tr>
<tr>
<td>Bond in CCDC</td>
<td>44</td>
<td>66%</td>
</tr>
<tr>
<td>Bond pledged in CCDC</td>
<td>12.19</td>
<td>29%</td>
</tr>
</tbody>
</table>

Field Balance: Trillion RMB

Ratio: China’s Bond Market 66.6 trillion

Collateral in CCDC 12.19 trillion 29%

CCDC 44 trillion 66%
Collateral Management – Our Status

CCDC

Service for ...

Ministry of Finance of the People’s Republic of China

4500
Market institutions

Monetary Policy
Fiscal Policy
Foreign Exchange Policy
Payment and Settlement System

Spot Market
Derivative Market
Gold Bullion Market
Social Security System
Cross-border Collateral Business
Collateral Management – Our Status

Fiscal Policy
$150 Billion

Monetary Policy
$600 Billion

Spot Market
$1 Tillion

Gold Bullion Market
$2 Million

Payment and Settlement Systems
$18.4 Billion

Foreign Exchange Policy
$14.3 Billion

Social Security System
$5.6 Billion

Cross-border collateral business
$2.1 Billion

Derivative Market
$6 Million

Social Security System
$5.6 Billion

Cross-border collateral business
$2.1 Billion

Gold Bullion Market
$2 Million

Derivative Market
$6 Million

Collateral Management – Our Status

Bond Collateral Management
• Daily mark-to-market
• Adjustment

Collateral Giver

• Substitution
• Reporting

Collateral Taker
Collateral Management – System Functions and Advantages

Flexible parameter-based management
Apply parameter-based management to key elements, so as to guarantee uniformed standards and rules, meet tailor-made requirements.

Intelligent automated management
Reduce business steps, shorten business process and enhance efficiency of collateral management through comprehensive automated processing.

Full coverage of duration management
Monitor and prevent risks throughout whole collateral guarantee period. Offer services including mark-to-market, adjustment, and substitution at maturity.

Detailed data management
Provide access to the most comprehensive and detailed data about collaterals in CCDC’s collateral management system for pledgors and pledgees. In this way, centralized and integrated data management can be realized to offer powerful information support for user risk management, business statistics, data analysis and decision making.
Centralized Management

Ample Experience

Safe, Efficient and Professional System

Authorized Bond Valuation

Centralized Management

- Centralized Management Brings Economic Scale.
  As a core infrastructure of China’s bond market, CCDC deposits most bonds and provides collateral management service to investors and the government.

Ample Experience

- CCDC has accumulated rich experience in terms of collateral management service.
  CCDC is devoted to improving collateral management service.
Collateral Management
– System Functions and Advantages

Safe, Efficient and Professional System

CCDC established Collateral Management System (Chinabond CMS System) in 2011. The second generation of the system has launched in 2016.

Authorized Bond Valuation

CCDC’s bond valuation service is authorized by regulatory authorities including PBOC, MOF, China Banking Regulatory Commission (CBRC) and etc.

Advantages

Collateral Management
– Cross-border Cooperation

CCDC provides unified collateral management service for foreign institutions that have opened an account in the interbank market.

1. Collateral management service for BOC Green Covered Bonds issuance oversea
2. Collateral management service for currency swap transaction between domestic commercial banks and foreign central banks
3. Collateral management service for tradings at Shanghai Gold Exchange International
BOC financing overseas used its green bonds as collateral to guarantee. CCDC, as the collateral management provider, carried out the valuation, marks the market and assessment of the pledged assets pool. Meanwhile, CCDC act as an executing agent to perform the default operation of the collateral in the event of default.
The Central Bank, responding to the surrounding countries’ demands, promotes currency swap transaction and enables it to become an important tool to enhance regional liquidity assistance.

At the end of October, 2016, the PBOC has successively signed up currency swap agreements worth approximately **3 trillion RMB** with other central banks and monetary authorities.

<table>
<thead>
<tr>
<th>Country(city)</th>
<th>Billion</th>
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<tbody>
<tr>
<td>Belarus</td>
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<tr>
<td>Switzerland</td>
<td>150</td>
</tr>
<tr>
<td>Argentina</td>
<td>70</td>
</tr>
<tr>
<td>New Zealand</td>
<td>25</td>
</tr>
<tr>
<td>Europe</td>
<td>350</td>
</tr>
<tr>
<td>Indonesia</td>
<td>100</td>
</tr>
<tr>
<td>Albania</td>
<td>2</td>
</tr>
<tr>
<td>Iceland</td>
<td>3.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>10</td>
</tr>
<tr>
<td>England</td>
<td>350</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country(city)</th>
<th>Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>190</td>
</tr>
<tr>
<td>Singapore</td>
<td>300</td>
</tr>
<tr>
<td>Ukraine</td>
<td>15</td>
</tr>
<tr>
<td>Australia</td>
<td>200</td>
</tr>
<tr>
<td>Turkey</td>
<td>10</td>
</tr>
<tr>
<td>Malaysia</td>
<td>180</td>
</tr>
<tr>
<td>UAE</td>
<td>35</td>
</tr>
<tr>
<td>Pakistan</td>
<td>10</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>3</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>400</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>7</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0.7</td>
</tr>
<tr>
<td>Serbia</td>
<td>1.5</td>
</tr>
<tr>
<td>Morocco</td>
<td>10</td>
</tr>
</tbody>
</table>

**Total** 3047.7
On October 28, 2016, CCDC Collateral Management Service Center handled currency swap pledge business for domestic commercial banks and overseas central banks.

- **Significance**
  - Opens a prelude that CCDC provides guarantee for the performance of bilateral currency swap agreement
  - Promotes the cross-border use of RMB bond collateral improves the performance guarantee mechanism in the international financial market
  - Creates a new business for domestic commercial banks to control credit risk and improve the efficiency in the use of funds
  - An important step for us to explore a new area of cross-border collateral management service and to implement our company’s internationalization strategy

The total value of pledged bonds reached 7.758 billion yuan.

On June 14, 2016, CCDC and SGEI held a signing ceremony of strategic cooperation agreement in Shanghai, signaling the launch of bond as margin collateral service for SGEI clients.
THANK YOU!

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FAX: 861088170012
EMAIL: gaoth@chinabond.com.cn
INDONESIA CENTRAL SECURITIES DEPOSITORY

PT KUSTODIAN SENTRAL EFEK INDONESIA

AGENDA

1. KSEI in Glance
2. Account Structure
3. Single Investor Identification
4. Closing Remarks
• PT Kustodian Sentral Efek Indonesia (KSEI) was established on December 23, 1997, pursuant to the Capital Market Law No. 8 year 1995.

• KSEI is a Self Regulatory Organization (SRO) within the framework of the Indonesia capital market.

• KSEI obtained its business license from the Financial Services Authority (OJK) on November 11, 1998 to provide Central Securities Depository services.
### Function
- Providing orderly, fair, and efficient central Securities depository and transaction settlement services.

### Scripless Depository
- Equity (stock, right, warrant)

### Transaction Settlement
- Settlement of stock exchange transactions
- Settlement of over-the-counter transactions

### Additional service products
- Distribution of corporate action activities
- Reporting
- Generate ISIN Number
- Generate Single Investor Identity (SID)
- Investors’ Account Statement - AKSes Facility
Account Structure

Main Account
- Sub Account

Clearing Member
- Depository (001)
- Delivering-Receiving (002)
- Lending - Borrowing (003)
- Collateral (004)
- Lending - Borrowing (005)

Non Clearing Member
- Depository (001)
- Delivering-Receiving (002)
- KRI
- Temporary and Clearing House (007)
- Transitory REPO Account (010)
- Bilateral Account (011)

KSEI
- Payment Bank
- Depository (001)
- Depository (011)
- Depository (007)
- Depository (010)
- Depository (011)
- Depository (007)
- Depository (010)
- Depository (011)
### Account Format

#### KSEI Member Code
- 1234: KSEI Member Code

#### Account Type:
- 001 = Deposit account
- 002 = Delivering Receiving account
- 003 = Borrower account
- 004 = Collateral account
- 005 = Lender account
- 007 = Margin account KPEI
- 008 = Margin account
- 009 = Shariah account
- 010 = REPO account KPEI
- 011 = Bilateral account

#### Client Code
- 5678: Client Code

#### Check Digit
- 9: Check Digit

---

### Single Investor Identification

---
**Single Investor Identification Format**

**Investor Status:**
- D: Domestic
- F: Foreign

**Investor Type:**
- ID: Individual Investor
- SC: Securities Companies
- MF: Mutual Fund
- PF: Pension Fund
- CP: Corporate
- IB: Institution Bank
- IS: Insurance
- FD: Foundation
- IM.: Investment Management
- OT: Others

**Date & Month:**
- Birth Date and Month
- Establishment Date and Month
- Format: DDMM

**Client Trading-ID**

**Check Digit**

**SID Implementation**

**Seurities and Cash Account Linkage**

1. Investor
2. Open Securities Acc and Generate SID
3. Opening Investor cash account
4. Client Database
5. SC/CB
6. Banks
7. CSD
Calendar Field:
1. Investor Type
2. Nationality
3. Investor ID
4. Date of Birth / Date of Establishment

System:
1. C-BEST = Equity and Debt
2. S-INVEST = Mutual Fund
3. E-BAE = Physical Securities
4. SBN = Government Bond

SID Growth
- Launched in 2012 (Equity Investor, Corporate Bond Investor, physical securities Investor)
- 31 August 2016, Mutual Funds investors are also assigned with a Single Investor Identification (SID) trough S-INVEST
- 3 October 2016, The SID requirement for Government Bond Investor
• With the concept of Securities Sub Account, SID, Investor Cash Account, KSEI commit to provide protection and transparency to investor’s trust.

• Collaboration with directorate general of residence and civil registration, establishment of single investor identification (SID) in Indonesia capital market can be more accurate and keep updated.

• SID infrastructure is one of KSEI’s most valuable assets. SID is able to meet the market need for a capital market investor database that can be used to monitor and develop capital market infrastructure. Data of investors with consolidated securities will make policy and decision-making processes better and faster, as data is an important component in the quality of decision-making.
PT Kustodian Sentral Efek Indonesia
Indonesia Stock Exchange Building, 1st Tower, 5th floor
Jl. Jend. Sudirman Kav. 52-53 Jakarta 12190
Ph. (62-21) 5299 1099, 515 2855
Fax. (62-21) 5299 1052
Call Center: (62-21) 515 2855
Toll Free: 0800 186 5734
Website KSEI: www.ksei.co.id
Thailand Securities Depository Co., Ltd. : TSD

25th ASEAN+3 Bond Market Forum (ABMF) Meeting
3-5 July 2017

Organization Structure

The Stock Exchange of Thailand (SET)

Thailand Clearing House Co., Ltd (TCH)
Thailand Securities Depository Co., Ltd (TSD)
Thailand Futures Exchange Plc. (TFEX)
Settrade.com Co., Ltd

Thailand Bond Exchange (TBX)
Market for Alternative Investment (mai)
Background Information: TSD and TCH

- **Role**: Central Securities Depository
- **Law Governed**
  - Securities and Exchange Act
- **Regulator**: Securities and Exchange Commission (SEC)

- **Role**: Clearing House for Securities and Derivative market
- **Law Governed**
  - Securities and Exchange Act
  - Derivatives Act
  - Electronic Transactions Act
- **Regulator**: SEC & Bank of Thailand (BOT)

Clearing Environment

<table>
<thead>
<tr>
<th>Market</th>
<th>CCP</th>
<th>Settlement Method</th>
<th>Settlement Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCH</td>
<td>Multilateral Netting for Securities and Cash</td>
<td>T + 3*</td>
</tr>
<tr>
<td></td>
<td>TCH</td>
<td>Delivery versus Payment (DVP)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TCH</td>
<td>Risk based Margin (no netting across clients)</td>
<td>T + 2</td>
</tr>
<tr>
<td></td>
<td>TCH</td>
<td>Real-time Gross Settlement</td>
<td>T + 1</td>
</tr>
</tbody>
</table>

- **Guaranteed Settlement**
- **Non-Guaranteed Settlement**

* Tentative move to T+2 : 2 Mar 2018
Who can be our depositors?

Main types of participants

- Bank of Thailand
- Securities Companies
- Financial Institutions under financial institution business law
- Life or Non-life Insurers under life or non-life insurance law
- Mutual Fund Trustee, Representative of Debenture Holders, Custodian of Securities, Issuer of Depository Receipts
- Issuers

Number of depositors as of May 2017 = 112

![Pie chart showing distribution of depositors]
What can be in our depository system?

**Equities**
- Common Stock
- Preferred Stock
- Warrant
- Unit Trusts
- ETF
- DW
- REITS
- IFF
- Property Fund

**Fixed Income**
- Corporate Bond
- Government Bond
- Fixed income in Non-THB currency

Account Structure

*One securities A/C can support various types of securities
*Process of government/corporate bond is identified by ISIN linked to securities profile which eligible types of transactions are also defined.*
TSD Services

Central Securities Depository (CSD)

Main Services
- Securities deposit
- Securities withdrawal
- Book entry transfer
- Settlement
  - OTC Bond Transactions
  - Exchange Transactions
- Pledge

Value-added Services
- Issuer Account
- Creation / Redemption ETF
- Securities Lending & Borrowing (Service provider)
- ISIN Code
- Back office Service Bureau

Registrar
- General Registration Services
  - Maintain & ensure the accurate complete & up-to-date list of securities owners/holders in registrar book
- Foreign holding management
- Corporate Action
  - Entitlements distribution
- Other
  - On-line investor information center (Investor Portal)

Settlement Services: OTC Transaction for Government & Corporate Bond

Trade (T)
Selling Broker/Bank
Buying Broker/Bank
Settlement Instruction via SWIFT / FTA
Instruct Payment message
Secured Linkage
TSD
Bank of Thailand
Settlement Instruction via SWIFT / FTA
Queue
Securities
Earmark securities
Yes
No
Irrevocable transfer of earmarked securities
Irrevocable debit/credit
Funds
Queue
Yes
No
payment completed
Remark: gross settlement for OTC bonds can be undertaken by real time gross settlement (RTGS) basis
SET Confidential
**Settlement: Exchange Transaction**

1. Trade
2. Trade
3. Trade

**End-to-End STP Solution**

- Asset Segregation at CSD Level
- Transparency & Traceability
- End-to-End STP Solution
- Simplified reconciliation

**Process of preparing list of securities holder/owner for entitlement**

**Participants**

1. Submit of a list of securities owners existed on the day before book closing date
2. Gather a list of securities owners from participants & Submit to the registrar
3. Oppose can be done within 3 days if there is a legal contradictory or transfer limitation conflict

**Information required**

- (1) name and surname
- (2) address
- (3) occupation and nationality
- (4) name of securities
- (5) number of securities
- (6) identification card number
- (7) juristic person registration number
- (8) information on a bank account for receiving benefits
- (9) any other particulars as prescribed by TSD.
<table>
<thead>
<tr>
<th>Types of Investor</th>
<th>Capital Gain</th>
<th>Dividends</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Thai</td>
<td>Individual</td>
<td>Tax-exempt</td>
<td>10% withholding tax</td>
</tr>
<tr>
<td></td>
<td>Juristic</td>
<td>15% withholding tax</td>
<td>10% withholding tax</td>
</tr>
<tr>
<td>Thai</td>
<td>Individual</td>
<td>Tax exempt</td>
<td>10% withholding tax</td>
</tr>
<tr>
<td></td>
<td>Juristic</td>
<td>No withholding tax</td>
<td>10% withholding tax</td>
</tr>
</tbody>
</table>

Note:
1. Capital Gain on the Stock Exchange of Thailand (SET) or on the Thailand Futures Exchange Plc (TFEX).
2. No withholding tax but must pay corporate income tax as stipulated by law.
3. Rate for any dividend income from listed or limited companies & mutual fund dividend income or include such income in year-end taxes. Also, dividends from any company promoted by the Board of Investment are tax exempt.
4. 10% withholding tax if the taxpayer is not a listed company. However, there are cases for tax exempt as below:
   - if the taxpayer is a listed company and has held the related shares or investment units for three or more months before and after the date of dividend payment.
   - if the taxpayer is (a) a juristic entity holding 25% or more of the votable shares of the firm issuing dividends; and (b) the issuing company that does not hold any shares issued by the taxpayer. However, the taxpayer must have held the related shares or investment units for three or more months before and after the date of dividend payment.
   - Dividends from any company promoted by the Board of Investment are tax exempt.
5. No withholding tax on interest paid by a commercial bank to a finance company, securities company, credit foncier company, or other commercial bank.

For more information about taxation & Double Taxation Agreements (DTA) please visit: https://www.set.or.th/en/regulations/tax/tax_p1.html
Survey on Account Structure

The 25th ABMF (ASEAN+3 Bond Market Forum)
July 3, 2017 in Manila

Taiji Inui ADB consultant

Objective

1. To facilitate discussion on tax procedures, particularly related with the identification of ultimate beneficiaries.
   • Establish clear understanding of account structure in each market. Regardless of segregate or omnibus account, traceability of ultimate beneficiaries is questioned.

2. To facilitate implementation of cross-border STP.
   • Traceability needs to be ensured via STP to avoid regulatory burden.

3. It is desirable if traceability within ASEAN+3 is ensured.
Methodologies

1. Collect fundamental information on account structure under each country’s regulation.
   - Rules and regulation as well as market practices

2. Identify transaction flows of interest payment and tax collection flows.
   - Identification of domestic flows and cross-border flows, i.e., transaction flows for resident investors and non-resident investors.
   - Identification of the flows beyond global custodians if necessary.

Questions

1. What kinds of account structure are adopted in each economy?
2. How information of non-resident bond holders e.g. financial institutions incorporated outside of the economy where the bond issued, is transferred to the issuer and/or paying agent (PA) of the issuer?
3. What kind of information (such as residing country, withholding tax treatment) should be provided to the CSD, issuer and/or PA?
4. Who guarantees or confirms that a non-resident bond holder is not a resident of the economy where the bond is issued? Who are taking care of these?
5. Other issues including comments and recommendations
Account structure

Government bond book-entry system
Book-entry securities account registry structure for government bond

<table>
<thead>
<tr>
<th>Account structure (division for government bond)</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary ledger</td>
<td>Ledger other than pledge ledger (Holding-account)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledge ledger</td>
<td>Withholding tax not imposed</td>
</tr>
<tr>
<td></td>
<td>Withholding tax imposed</td>
</tr>
<tr>
<td>Customer ledger</td>
<td>Withholding tax not imposed</td>
</tr>
<tr>
<td></td>
<td>Withholding tax imposed</td>
</tr>
</tbody>
</table>

Trust account is not included here.

Source: ADB consultant based on operational rules of JASDEC

Figure 7. Interest payment information flow
Information to CSD, Issuer, and PA (government bond)

1. Name and address of the Direct Participant;
2. Issue (of the bond);
3. Increase or decrease and balance of each Classification and subdivision of the Direct Participant's Account (Proprietary ledger) by each Issue;
4. Increase or decrease and balance of each Classification and subdivision of the Direct Participant's Account (Customer ledger) by each Issue; and
5. Matters relating to limitation of disposition.

Who verify legal status of non-resident bond holder (withholding tax exemption, etc.)

Qualified foreign intermediary (QFI)
Definition and role of PA (paying agent) for government bond

Bank of Japan is the payment agent for government bonds interest payment and redemption.

Definition and role of WTA (withholding tax agent) for government bond

Withholding agent means a person and a corporation who has obligation to withhold and submit income tax to the government. In case of withholding agent for interest payment of bonds, the account management institution that is the nearest upper position of a bond holder should be the withholding agent for the bond holder.
Need for market visits

Definition and functions of paying agent, withholding agent, QFI, and Foreign financial institution needs to be clearly understood in comparable manner.

Market practices in taxation needs to be understood clearly in comparable manner.

Inputs from international experts are welcome.

---

Thanks a lot

Taiji Inui
E-mail: inui.taiji@friends.jica.go.jp
SESSION 7
ISO 20022 Progress Updates
ABMF SF2

3rd July 2017

Jean Chong, Manager Securities & FX Markets, APAC

ISO 20022 adoption drivers and benefits

Drivers
- Regulation
- New infrastructures
- Technology renewal
- Regional integration
- Domestic harmonisation
- End-to-end business processes

Benefits
- Open standard
- Covers entire financial industry
- Easier technical integration
- Future proof
- Interoperability
- New features
ISO 20022 adoption – Market Infrastructures

200 initiatives
Under discussion > planned > rollout > live
90 countries

Europe
Asia Pacific
Americas
Middle East & Africa

580 Corporates
Transformation
Globalisation
Regulation
ISO 20022 Adoption – Payments MI & initiatives
From discussion to implementation

This map shows countries where one or more players are sending/receiving ISO 20022-based Funds transactions. This includes major MI Funds hubs such as Clearstream, Euroclear, Benefit Trust Company Funds Messaging, Hong Kong (HKMA), Korea (KSD), Taiwan (TDCC)* etc.

* indirect SWIFT adoption via service providers; BBH, Calastone, Euroclear

Snapshot May 2017

ISO 20022 Adoption – SWIFT for Funds

This map shows countries where one or more players are sending/receiving ISO 20022-based Funds transactions. This includes major MI Funds hubs such as Clearstream, Euroclear, Benefit Trust Company Funds Messaging, Hong Kong (HKMA), Korea (KSD), Taiwan (TDCC)* etc.

* indirect SWIFT adoption via service providers; BBH, Calastone, Euroclear

Snapshot Jul 2016
banks are sending/receiving ISO 20022-based BPO/TSU transactions.

This map shows countries where one or more banks are sending/receiving ISO 20022-based BPO/TSU transactions.
ISO 20022 for Cards
nexo A.I.S.B.L

Snapshot Jul 2017

ISO 20022 adoption in the corporate-to-bank space

Based on CGI guidelines

Over 100 members (corporates and banks) defining common global implementation guidelines

Snapshot Dec 2016

For Corporates – Cash management
Format Exchange or Data Exchange
ISO 20022 Current State of Implementation

June 23, 2017
ISO 20022 Adopted Locally at Securities Market Infrastructures

ISO 20022 XML Appears to be the Trend

- ISO 20022 XML (“passed the global tipping point [BOE]”
- EU regulators leveraging for structured data exchange
- Target 2 Securities (T2S)
- Universal adoption across APAC and globally

However;
- Changes in underlying businesses are less visible
- Physical mapping of schema by use of bespoke templates
- Distinct data dictionaries / potentially inconsistent definitions
- Embedded Business Information Models
- Embedded Logical Data Models
- Infrastructures remain local

But mostly domestic!
- Global and local custodians absorbing the complexities
- Widening cross border fragmentation of practices
- T2S as infrastructure and market practice dialogue

What is the current state?

ISO 20022 Strategic Benefits

- Enables richer content while allowing for interoperability
- Enables new services (speed, timeliness, information, accuracy, tracking)
- Enables internal efficiencies
- Allows streamlining of end to end business processes
- Flexible services for clients
- Works together with harmonization efforts and standards

Who is capitalizing on these benefits?
The three levels of models make logical sense when first implemented with an agreed data dictionary

**The Business Information Model**

- Core Business Processing Systems
  - Align to core business processing
  - Data

**The Logical Message Model**

- External data dictionary
- Internal data dictionary

**The Physical Message**

- Externally aligned internal data dictionary
- Direct Elements Extraction
- Direct mapping

**Steady State: No Impact to Core Business Processing becomes the objective where bespoke templates rule**

- Hard jamming of message elements into the business processing becomes the norm
- Bespoke Templates for Alignment
- Internal data dictionary specific for internal use
ISO 20022 XML: Desired State of Maintenance

Current State: No Impact to Core Business Processing becomes the objective where bespoke templates rule

- Hard jamming of message elements into the business processing is norm
- Core Business Processing Systems
- Bespoke Templates for Alignment
- Direct Elements Extraction

Desired State
- Align to core business processing
- Data
- Direct mapping

Supported by Well Governed Models and Architecture
- The Business Information Model
- The Logical Message Model
- The Physical Message

Internal data dictionary specific for internal use

External aligned internal data dictionary