

Summary of the 25th ASEAN+3 Bond Market Forum Meetings 3-5 July 2017, ADB HQ, Philippines

The 25th ABMF Meeting and associated meetings were held in Manila, at ADB Headquarters, on 3-5 July 2017. Among the associated meetings was the CSIF Meeting, a joint session between ABMF Sub-Forum 2 and the Asia-Pacific Financial Forum (APFF) and a whole-day Financial Technology (FinTech) Workshop. The Cross-border Settlement Infrastructure Forum (CSIF) Meeting minutes are available separately to eligible participants, while the FinTech Workshop materials are available from ADB Secretariat upon request.

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

1. Satoru Yamadera, ADB Secretariat, welcomed the participants and, also for the benefit of the APFF colleagues, provided an overview of regional bond markets overall development since the creation of ABMI, and the path from the original Group of Experts (GOE) to ABMF today. Last year, the regional local currency bond markets (ex Japan) stood for outstanding issuances of USD10 trillion. Looking forward, ASEAN's 2025 vision stipulated standardisation and AMBIF offered the opportunity to help harmonise a fragmented marketplace in the region in support of such efforts. At the same time, other topics begin to play a more significant role in ABMF's agenda, including clarity on processes and practices of taxation (not the right to tax or rates themselves), with an aim to harmonise necessary documentation and achieve straight through processing (STP), and the increasingly important subject of regulatory reporting to achieve all stakeholders' objectives. Since ABMF is represented by public and private sectors in the region, the possible practical solutions and best practices for the benefit of all market participants and overall financial system can be developed. This gave finance officials the opportunity – and confidence – to consider the bond market as another wheel in financial market intermediation.
2. **Progress of Bond Market Guides 2017:** Prof. Inukai and Matthias Schmidt, ADB consultants updated members and participants on the progress of the ongoing work on Bond Market Guides (BMGs). The next batch of BMGs to be published would include Indonesia¹, Brunei and the Philippines, with Cambodia, Lao PDR and Myanmar the likely next group and the remaining markets to follow shortly thereafter to the end of the year. In an attempt to catch the most recent and announced market developments in a number of markets, the completion of the BMGs of those markets will take more time than previously expected; examples are the impending introduction of a corporate bond issuance framework in Cambodia, the comprehensive revamp of the professional investor and private placement provisions in Viet Nam, and the revisions to the professional issuance concept in Korea. In turn, the available information on the Chinese market is so vast that

¹ Subsequently, the Indonesia BMG was published on 10 August 2017, which coincided with the 40th Anniversary of the Indonesia Capital Market.

compiling a comprehensive BMG requires careful validation and good guidance from market institutions.

3. Prof. Inukai and Matthias reiterated that the BMGs fulfilled an important function: to share information and give a comprehensive and authoritative description of each market and to address any possible misperceptions still existing in the industry at large. At the same time, the BMGs were a record of achievements in each market; the market developments shown (from 2015 to 2017) across all markets alone could make their own complete and sophisticated market. All markets were heading in the same direction, with professional investor and related investor protection and private placement markets among the key concepts. Where practical, pending developments may be discussed with members in the proposed market visits. Colleagues from Brunei and Indonesia shared recent and upcoming market development to highlight the type of information that could be included in a BMG.
4. Importantly, work on BMGs must be completed in 2017, and the deadline for compilation of the BMGs would be end October, since the finalization and publication would take some time. If not able to complete, remaining BMGs would be published as ADB working papers. ADB Secretariat will support a process suitable for each market for which the BMG is still in production, to be able to meet the timeframe. Members could consider if the publication of their market's BMG should be timed to coincide with a market milestone or offers another representation opportunity for market institutions or participants. Members could also consider utilising BMG content for their domestic websites or information material, similar to the approach to be taken by AsianBondsOnline (ABO).
5. **Proposed Market Visits:** ADB Secretariat was considering conducting a number of market visits in the second half of 2017, to primarily aid in the completion of the BMGs, but also to help address other pending ABMF work items, in particular the account structure survey and taxation study, a review of possible AMBIF features among new market developments, the identification of possible AMBIF pilot issues, or to address development needs previously expressed. The objectives of the visits were to expedite information collection, check on critical subjects and learn of and communicate concerns and approaches to stakeholders. The likely candidates for market visits were identified as Cambodia, People's Republic of China (PRC), Indonesia, Lao PDR and Viet Nam, and possibly Korea. Where practical, en route to or between market visit destinations, stops could be made in Hong Kong, China and Singapore to use the opportunity to check with regional market participants on ABMF work items and their own concerns and plans for the regional markets. Members, in particular International Experts, were invited to signal their interest in participating in the market visits, so they can be informed about possible dates. A potential timeline was shown, with a focus on August and September trips, but is likely to be subject to changes depending on the availability of all participants.
6. **AsianBondsOnline (ABO):** Dr. Donghyun Park introduced the recent and proposed changes to the ABO website (www.asianbondsonline.adb.org). While ABO was widely

known and used, particularly, in our region, there was still plenty of opportunity for improvement. Hence, Dr. Park highlighted the ongoing survey on the ABO website; with the number of participants so far below expectations. Dr. Park encouraged meeting participants to still complete the survey, to allow the ABO team access to more comprehensive feedback from the industry. In the meantime, the ABO team is renewing its project funding till the end of 2019. As part of the research for the flagship publication Asia Bond Monitor, the ABO team was able to prove that a local currency bond market has a positive impact on financial market stability. The ABO team also offers support – primarily from a macroeconomic perspective – for capacity development and market building activities. In this context, Kosintr Puongsophol, ADB Secretariat, mentioned that the African Development Bank had reached out to ADB to learn more about ABMF activities and that ADB was in preliminary discussions with Bloomberg to explore possible options to expand the reach of ABO and ASEAN+3 publications to global investors.

7. Members commented on qualitative feedback already given to ABO, an example being the frequency with which fund flow data or foreign investor holdings are available in domestic markets, while ABO shows the same data in a lesser frequency/with significant lag time. Dr. Park appreciated the comments and stressed that ABO intended to make available more market indicators, e.g. in foreign currency, and existing indicators in higher frequencies but would have to observe the availability of reliable data sources, what information was available and what information was wanted by stakeholders.
8. **AMBIF Taxation:** Mr. Puongsophol related a progress update on the taxation study and stated that the efforts and information collected would be compiled into an official ADB publication or working paper that would become a living document. ABMF will start with the AMBIF markets, simply because questions in the context of potential AMBIF issuances have been most pressing. However, ABMF would focus more on markets other than Hong Kong, China; Malaysia; and Singapore; whose taxation processes were well developed and understood. Mr. Puongsophol introduced the case study of Thailand and displayed the key milestones in the development of taxation with relevance for the bond market. Ultimately, information about all markets should be compiled and made available in the same manner. He asked members for their kind support and contribution of non-confidential material (since tax is often considered a sensitive topic).
9. The objective of the overall study was to contribute to the discussion at a domestic and regional level, and to offer practical recommendations for policy issues under consideration by ASEAN+3 officials. AMBIF also offered the opportunity to find common ground for tax issues since they could be addressed in a controlled (= professional investor only) market with a limited number of participants, and take any agreements or solutions from there. At the same time, the BMGs already contained some basic tax information as part of their information provision objective; where taxation related subjects were considered a challenge in a given market, they were reported as such in Chapter IX (Challenges and Opportunities). Member feedback acknowledged the BMG tax info as a general reference and suggested stating in the working paper the actual tax reporting requirements for each

market, so that market participants could also better determine the required service provision and expectation. At the same time, the level of complexity should be kept manageable.

10. **CCDC introduced its Collateral Management Business:** Mr. Gao from China Central Depository and Clearing (CCDC) gave an introduction to the role CCDC plays as collateral manager for PBOC, MOF and 4,500 other governmental and market institutions. CCDC held RMB12.19 trillion of pledged debt securities across a wide variety of collateral uses, such as in support of fiscal and monetary policy, payment and settlement systems, or the gold bullion and derivatives markets. Mr. Gao also highlighted the cross-border applications of collateral management at CCDC, with services delivered to, e.g., Bank of China's Green Covered Bonds issued overseas, currency swap transactions between PBOC and other central banks and transactions involving international participants at the Shanghai Gold Exchange. Further details are available in the presentation distributed to members.
11. **Update on AMBIF:** Mr. Yamadera shared with members and participants the recent remarkable discussion in Cambodia on possible issuances under AMBIF, despite the corporate bond market only now being implemented by the regulatory authorities. Normally, the sequence of progress in a bond market is seen as sovereign securities first, then corporate issuances. However, due to the quality and features of the proposed regulatory framework, AMBIF pilot issuances of corporate bonds could be considered immediately upon introduction, or soon after. This may be achieved with support from CGIF (www.cgif-abmi.org), which also provides a regional approach to new issuances.
12. In Viet Nam, good progress was made in the revamp of private placement and professional investor concepts, so that the necessary elements of an AMBIF market could be in place soon. ABMF was seeing similar developments in other markets as well and with it, an increase in issuer and investor interest. Overall, however, the language of market documentation and disclosure items was still an issue. Hence, it was important to obtain members support to develop suitable market practices and also to conduct more marketing efforts in attracting participants to the new and improved regional bond markets.
13. **Wrap-up:** In his summary, Mr. Koji Ito, Chair of SF1, reminded the audience that ABMI and ABMF had created concrete products for the industry to use, such as ABO, the BMGs and AMBIF, the AMBIF Implementation Guidelines and the Single Submission Form, and that it was time for the private sector to create visible products on the back of the regulatory frameworks and practices put in place. He stressed that ABMF was unique as a private-public forum but also in its practical output for all stakeholders. All starting efforts were significant and not easy but equally important in their signal effect for more parties to join. ADB Secretariat would be able to help support individual deals of or among private sector parties, on an honest broker basis. In this context, members suggested to create a one-page product sheet for an AMBIF issuance, highlighting the necessary elements, available features and advantages; the idea will be adopted by ADB Secretariat.

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

14. Mr. Yamadera introduced Ms. Pataravasee Suvarnsorn, of the Stock Exchange of Thailand (SET), as proposed new Vice-chair of Sub-Forum 2, after the departure of Ms. Margeret Tang (KSEI) for official reasons. The proposal was accepted by the attendees without objection.
15. **Account Structure:** Mr. Yamadera reiterated the intention and objectives for the study of account structure in the ASEAN+3 markets. SF1 and SF2 would need to work together closely, while covering different aspects of the topic. In addition, know-your-customer (KCY), anti-money laundering (AML) and other regulatory aspects should be considered important and would have a bearing on the account structure and any current debate. Overall, ABMF's view would be how to reduce the regulatory burden for all stakeholders. The approach taken was to identify the current practices, and trying to find ways how to connect existing information. This would also help facilitate the taxation discussion, with the implementation of further STP opportunities across markets and borders and help discover the ability for traceability of participants across ASEAN+3, which was ultimately the aim of most regulatory initiatives: to know where to turn if a question needed to be asked or information was to be requested of an investor, rather than full surveillance on all investor activities.
16. To start, ABMF will collect fundamental info on account structure, the way transaction flows affected or used account structure, the nature of documentation to be submitted in support of a certain account structure, and how account structure influences tax collection or withholding processes. Key would be to determine the difference between write-ups or expectations and evolved market practices. Here, cross-border issuance or investment would add a layer of complexity as well. The original questionnaire on account structure had resulted in a few responses, but not enough to draw initial conclusions. ADB Secretariat recognised that shorter, more specific questions may be more practical, and that face-to-face discussion may be an easier way to go through and understand the necessary processes better. Hence, account structure related questions are proposed to be included for the market visits, to the extent possible. However, members are welcome to submit their own information material on the subject, at their convenience, since information collection was the present key objective.
17. Colleagues from KSEI in Indonesia and the SET reviewed their own institutions' approach to account structure, and how they reflected regulatory requirements and the needs of their own institutions and market participants. KSEI highlighted the use of sub-accounts for individual clients by its participants, and how the Single Investor ID offered the opportunity for an investor to obtain a consolidated view of all holdings across intermediaries. The SET stated its focus on investor protection and STP, while relaying how it had reacted to market demand by offering sub-accounts since 2015, in addition to the established omnibus account structure; not many parties had adopted sub-accounts for far but, in any case, account holders (depository participants) were required to provide SET with a list of the

individual asset owners in their books. As such, the requirements of participants were the same regardless of preferred account structure, but institutions could address operational needs and realise benefits, as they saw fit. The presentation materials from KSEI and SET were distributed to members separately.

18. **ISO20022 Implementation Update:** Ms. Jean Chong from SWIFT reviewed the drivers for and benefits arising from an ISO20022 implementation. Increasingly, regulations mandated the implementation and use of the ISO20022 standard, while the introduction of new infrastructure would automatically call for a consideration of ISO20022; such a refresh of technology provided a good opportunity to adopt (new) standards. Ms. Chong stated that, presently, over 200 initiatives were under way, across 90 countries, to adopt ISO20022, split evenly between securities and payments market participants. A strong push was coming out of Europe but the number of initiatives in Asia Pacific were on the rise as well; mentioned were SGX/CDP and HSBC across its Asian entities.
19. Ms. Chong showed views of the world with specific initiatives for securities, payment and funds markets; in fact, the fund business had a complete set of messages built on ISO20022, as well as quantitative goals, in that if 90% of the participants had adopted ISO20022, the remaining 10% were required to adopt within 2 years. Beyond the securities, payments and fund transaction space, initiatives could be found in securities market (regulatory) reporting, trade finance with a focus on Bank Payment Obligations and the common Trade Services Utility, in the credit card space, as well as increasingly in the corporate-to-bank arena, for the purpose of cash management and support of treasury functions.
20. Mr. Masayuki Tagai, of JP Morgan, added points from the perspective of a large financial institution. According to him, the oft-raised question of whether a move to ISO20022 was a format change or a data change was misleading, since the ultimate objective of nearly all market participants was to efficiently exchange data on a global scale, across (all) markets. Yet, the adoption of ISO20022 was mostly done locally, with a focus on domestic market requirements. In contrast, global corporates implemented standards across their platforms, and they banked in many markets. Hence, financial institutions needed to think about where their focus should be, since to service customers across markets, today's customers' expectations would have to be met, even if they were very different from what they were not too long ago.
21. Mr. Tagai opined that the potential was there for business, however, that potential would still have to be realised; challenges remained in the day-to-day execution of business transactions. One key issue was that financial institutions were loath to touch their core business processing, with many parties arguing that 'just a message change' would not warrant core changes. This led to a misalignment of technology development because every individual development need would require a bespoke solution. The other key issue was that an individual entity or branch of a financial institution was exposed to connectivity needs to a variety of systems in the same domain, which led to inconsistencies and

repetition of effort. Hence, Mr. Tagai advocated a desired state, which included a common data dictionary (as available on ISO20022 website), common reference terms such as MyStandards, and the application of changes in a consistent manner across institutions and domains. The alignment of data was also significant since new technologies such as blockchain or distributed ledger would possibly not need standard message formats but definitely need a common understanding of data elements. ISO20022 provided the only comprehensive set of tools and approaches for such a goal.

22. Member feedback led to the understanding that ISO20022 recognised individual markets' uniqueness and the retention of specific features, as long as those would be appropriately registered and documented with ISO20022's governing bodies. At the same time, members heard in response to questions that XBRL, which was developed to produce numerical financial reporting, now also covered non-numerical financial reporting which increasingly represented the bulk of disclosure reporting to regulatory authorities and markets alike and, hence, XBRL had become the standard for disclosure reporting. XBRL data formatting was in XML, thus easy to automate since format and structure were same or similar. Members also reiterated the need for a stronger representation from Asia on the governing bodies on standards, since not all standard definitions or terms coming from Europe and US may be usable across the Asian markets.

III. Joint Session Sub-Forum 2 – Asia Pacific Financial Forum (APFF)

23. Mr. Julius Caesar Parrenas detailed that APFF had been tasked by the APEC Finance Ministers with drafting a 10-year roadmap for financial market infrastructures (FMI). In the Cebu Action Plan, APEC had divided the work it deemed necessary into the 4 pillars, which were Financial Integration, Fiscal Transparency, Financial Resilience and Infrastructure, and further created separate work platforms for individual subjects from these pillars. APFF is one of these platforms and the FMI roadmap is a major initiative under the capital market development header. APFF participation included 300 experts from 150 institutions, including the World Bank and IMF, ADB, APEC member countries, some regulatory authorities and private institutions. Work was further divided into 6 work streams, including key topics Asia Fund Passport, development of repo markets, and support for OTC derivatives.
24. An initial draft of the roadmap had been prepared but would not be complete without the review and input from ASEAN+3 regulatory authorities. At the same time, it was the intention of APFF to ensure that the roadmap was in line with the work and objectives of ABMF, in particular in relation to ASEAN+3 debt securities markets and related practices. Mr. Parrenas expressed the hope of APFF that the APEC Finance Ministers will take the proposed roadmap under advisement but, also, that ABMF members would support the proposed recommendations in the roadmap.
25. Mr. Ken Katayama, as APFF Session Chair, detailed the contents of the roadmap. He initially described the roles of the financial market infrastructures in the region, then focuses

on processes and instruments before detailing recommendations on data management and technology. Processes and instruments broadly take in the securities post-trade ecosystem, repo/lending, derivatives and fund services, while the technology section includes Fintech and disruptive technologies. Mr. Katayama subsequently took the audience through 18 draft recommendations with a direct connection with ABMF work and recorded member and expert feedback, supported by Jean Chong, Gaetan Gosset and Boon-Hiong Chan. The feedback and subsequently finalised recommendations were distributed by APFF to attendees separately.

IV. Financial Technology Workshop

26. The materials presented at the Fintech Workshop on 5 July are available separately – to the extent that distribution to members was offered – from ADB Secretariat upon request.

V. Next ABMF Meeting

27. The next ABMF Meeting was announced for early October 2017, again at ADB Headquarters in Manila. Subsequently, the meeting dates were fixed for 11 – 13 October, with the CSIF Meeting in the afternoon of 12 October, and 13 October reserved for a joint ABMF & XBRL Workshop on Data Exchange.