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Summary of the 26th ASEAN+3 Bond Market Forum Meetings

11-13 October 2017, ADB HQ, Philippines

The 26th ABMF Meeting and related meetings were held in Manila, at ADB Headquarters, from 11 to 13 October 2017. The related meetings included the CSIF Meeting, a half-day Informational Session on a potential Know-Your-Customer Platform, as well as a full-day Joint Workshop between ABMF and XBRL International on Data Exchange. The ABMF materials are available from the ABMF website (asean3abmf.adb.org), while the CSIF Meeting minutes are available separately to eligible participants. Material from the KYC Information Session is available from ADB Secretariat upon request.

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

1. Mr. Koji Ito, Chairman of Sub-Forum 1, welcomed the audience in good numbers and stated that it had been 2 years since the AMBIF pilot issuance in Thailand, and that he would like to see more such issues in the near future. He also pointed out that the completion of the Bond Market Guides was an important contribution to address misperceptions and information gaps that continued to exist for markets in the region.
2. **Publication of the Bond Market Guide 2017 for the Philippines** (SEC Philippines): In announcing the publication of the Philippines Bond Market Guide 2017, Commissioner Ephyro Luis B. Amatong of the Securities and Exchange Commission of the Philippines thanked ADB as well as the ABMF members and experts from the Philippines for the work done and the effort invested into the Bond Market Guide (BMG). The BMG allowed bond market participants to carefully differentiate the ASEAN+3 markets from other regions, thereby being able to avoid the developing market label that was so easily bestowed by unknowing parties. At the same time, the BMG also gives the SEC - and other market institutions - a wealth of information on its own market. This information also provided both challenges and opportunities for the regulatory authorities, including the knowledge of friction costs and other hurdles evident in the market. The Philippines will in the next few months roll out a number of capital market reforms, which would result in the need to update the Philippines BMG as and when new initiatives are introduced; among the initiatives are the re-introduction of repo business and the comprehensive benchmarking of debt securities.
3. **Update on ASEAN Bond Market Guides and Market Visits** (ADB Secretariat, Lao Securities Commission Office, Securities and Exchange Commission of Cambodia): Prof. Inukai and Matthias Schmidt, ADB consultants, updated members and participants on the progress of the ongoing work on Bond Market Guides (BMGs). In addition to the Philippines BMG, SF1 was pleased to announce the publication of BMGs for Brunei and the Lao PDR

in time for the ABMF Meeting, and of the Indonesia BMG in August 2017. That brought the number of published markets to 9, with Cambodia and Myanmar expected to be published in the next 2 months. The BMGs for PR China, Korea and Viet Nam remained under construction, due to the significant volume of information to be considered, or expected and to be confirmed changes to market features. Prof. Inukai also highlighted the opportunity that the ultimate completion of the 14 BMGs would result in the ability to produce another comparative analysis (after the first one done at the time of the original BMGs in 2012, which – ultimately - led to the proposal on AMBIF) which would examine market features and propose good and best practices for the consideration of policy bodies and regulatory authorities across the region.

4. From the work on the BMGs, the SF1 team observed the continuous interest in, and introduction of, professional investor concepts in regional, particularly nascent markets. At the same time, a similar keen interest in note issuance programmes, such as medium-term note (MTN) programmes was observed. ABMF specifically promotes note issuance programmes in conjunction with AMBIF, because such issuance methods would give flexibility to both issuers and investors, streamline the documentation processes and increase the attractiveness of a given market. Important was that regulators understood these programmes and ABMF was offering to provide assistance to interested parties on knowledge transfer and market engagement, as may be desired.

5. One other important finding from the BMG work was the fact that the use of appropriate terminology in the bond markets was still not quite as expected; here, the SF1 team would have bilateral discussions with affected markets in an attempt to avoid ambiguity. Examples given were the many uses of ‘registration’ (where even context may not give a clear meaning), the use of ‘funds’ (i.e. proceeds) versus ‘fund’ (i.e. investment vehicle), but also the naming of regulatory instruments relative to their impact on the market. Of significance to interested parties was also the ability to participate in a given market, for which the terms ranged from ‘accreditation’ to, again, ‘registration’ or ‘licensing’ – possibly without a clear indication on whether those processes require approval or come with specific eligibility criteria.

6. Mr. Rady Mok, of the Securities and Exchange Commission of Cambodia (SECC), introduced the audience to the recent and upcoming developments in the Cambodian market. He reviewed the set-up and function of the SECC, the market infrastructure, and the presence of market participants. At present, the Cambodia Securities Exchange (CSX) has 5 equities listings, but state-owned enterprises and other private entities were already preparing for IPOs. A number of derivative brokers already acted as CCP for contracts for difference (CFDs). Mr. Mok explained the planned development stages for individual market segments and detailed the recently introduced corporate bond regulations, which were available in English from the SECC website. He thanked ADB and ABMF for their input throughout the development of the regulations and mentioned that CGIF was working with potential issuers towards a first issuance in late 2017 or early 2018.

7. Mr. Mok also highlighted the granting of tax incentives for both listed issuers and investors in such listed securities. He concluded that while the securities sector was new to Cambodians, it was vital as a funding source for future economic development of the country; remaining issues, including regulatory, legal and accounting issues would need to be addressed. One of the focus initiatives in Cambodia will be the introduction of financial education, starting from the primary school curriculum. Mr. Yamadera added that ABMF was committed to help Cambodia achieve the issuance of bonds in the near future, and the creation of a professional or AMBIF market. This work would, naturally, be gradual but can achieve necessary changes and aid the market development intended by policy bodies.

8. On the occasion of the publication of the Lao PDR BMG, Mrs. Nakhonsy Manodham, of the Lao Securities Commission Office (LSCO), expressed the LSCO's sincere appreciation for the efforts of the SF1 team to compile the Lao PDR BMG, and also detailed the status of the Lao PDR bond market. She explained the financial supervisory structure and the nature of exchange and market participants. The day before the ABMF Meeting saw the listing of the 6th stock on the Lao Securities Exchange (LSX); currently, 2 SOEs and 4 private companies listed their shares. A legal and regulatory framework for both government and corporate bonds had been in place for some time; multiple types of government bonds could be issued, and the characteristics for corporate bonds gave flexibility to issuers. Corporate bonds could be issued both as public offers and via private placements. Public offers were subject to the approval of the LSCO, as was the issuance of bonds by a Lao PDR based issuer overseas. In 2014 and 2016, a public company had issued corporate bonds in Thailand, denominated in Thai baht.

9. While there were no listings of bonds on the LSX so far, government bonds are expected to be listed in the course of 2018. In addition, the LSCO was studying supporting policies to encourage more companies to both issue bonds and to list those bonds on the LSX. At present, the high interest rate regime in the Lao PDR made bond issuance looking expensive. Mr. Kosintr Puongsophol of ADB added that another issuance by a Lao PDR company was done in Thailand the week before the meeting, and this was becoming a real avenue of funding for Lao PDR issuers. At the same time, the Thai baht was appreciating and making the repayment of bonds issued in THB more expensive, while the Public Debt Management Office (PDMO) of the Thai MOF had stipulated that proceeds from Thai Baht Bonds (bonds in THB issued by nonresidents) would not be allowed to be swapped to other currencies. While the MOF may offer some flexibility going forward, these developments may bring corporate bond issuance by Lao PDR companies back to the Lao PDR market.

10. **Market Visits**: Prof. Inukai and Matthias provided details on the completed and planned ABMF market visits. The purpose of the market visits was to conduct fact finding on the topics currently being discussed in ABMF SF1 and SF2, with a particular emphasis on account structure and (related) tax issues, as well as the completion of the BMGs for the remaining markets. The market visits would also explore the opportunities for further AMBIF issuances, or the participation of new markets in AMBIF. At the same time, the need for development support or consultations on specific topics would be discussed with

policy bodies and regulatory authorities. ABMF members and experts were invited to express their interest in participating in the market visits. With the market visit to the Philippines concluded just before the ABMF Meeting, the next visit was to occur in the week following the ABMF Meeting, to Cambodia, while a visit to Indonesia was planned for mid-November 2017. Visits to Viet Nam and China were the next priorities.

11. **Introduction of Note Issuance Programmes** (ADB Secretariat): Prof. Inukai briefly revisited the recent focus on note issuance programmes (NIP) and related interest level across the regional markets. NIP were a convenient, practical and cost-effective issuance method and carried advantages for issuers, investors and regulators alike. The issuance via NIP, such as in the form of a medium-term note (MTN) programme, was already supported in the Single Submission Form. Enquiries from issuers on potential AMBIF issuances tended to include the question on whether NIP are possible under AMBIF, and regional market regulators are becoming aware of this need. Often, a shelf-registration was already possible under a market's law or regulations. Prof. Inukai proposed to combine the concept of shelf-registration with a programme amount feature, meaning the ability to issue debt instruments within a registered total amount, which would refresh for every instrument redeemed. This was in contrast to the typical shelf-registration approach of setting a static issuance limit that, once reached, would not allow further issuances.

12. The clear advantages for an NIP were the limited issuance documentation expected by the market, called 'programme information', and the easily manageable documentation for each additional issuance ('draw-down') under a programme, typically requiring only a so-called 'pricing supplement'. In addition, credit rating agencies would be able to rate the programme and, hence, allow the saving of rating fees for repeat issuances. SF1 had prepared an explanatory note on NIP for ABMF Members, which was part of the handouts. Mr. Yamadera added that the presentation and note had been prepared upon request from members. AMBIF provided a good platform for the use of NIP and many markets could consider the introduction of NIP as part of their development. In response to questions, Prof. Inukai mentioned that market practice expected the programme rating to be done by an international credit rating agency and typically would be updated annually – but this depended on the currency or market; in any case, the rating would be on the programme amount. Ultimately, regulators would need to either define or be comfortable with NIP features before such issuance could commence.

13. **Progress of Working Group on Cross-Border Collateral and Repo** (BNY Mellon): Gary Lew, Kenneth Cheong and Eric Chng from Bank of New York Mellon updated the members on the proposal made earlier this year, to introduce a platform for the use of debt securities as cross-border collateral. BNY Mellon had progressed the concept to the point that it was ready to launch, and given it the name Pan Asian Collateral Hub, or PAC Hub. The idea behind PAC Hub came to BNY Mellon as an active participant in ABMF, through the discussion on cross-border collateral and the realization of the fragmentation of assets and asset owners; statistics were shown to the audience. PAC Hub would allow domestic bonds and notes to be used on a regional basis. At present, those assets sit in domestic markets,

and not utilised to generate a return for the asset owner, or serve a function in the wider marketplace. At the same time, a repo market was considered an important feature of a functioning bond market, with tri-party repo the most prominent product in the market. PAC Hub was trying to combine these facts into a practical market feature.

14. PAC Hub as a framework was now operationally ready, with participants setting the rules for transactions. BNY intended to start with its own clients in the Philippines and Singapore, and would make participation available to other regional markets soon. Underlying documentation included the Master Deposit Trust Agreement (using English law), which included the ability for recourse by the asset owner, and other documents, including operating procedures. The underlying assets from the collateral giver(s) would be represented through a trust certificate, also called Depository Trust Receipt (DTR); the assets would be marked-to-market by BNY Mellon on a regular basis. DTRs would be deposited in Clearstream and/or Euroclear, for them to be widely usable; the underlying assets would remain in the domestic depository. DTRs could also be listed at any listing place. At the moment, BNY Mellon was finalizing a tax opinion for selected markets, including Singapore and the Philippines; this would create a baseline for tax treatment of DTRs in the region. BNY had also undertaken a notification to MAS in Singapore ahead of the expected pilot trades on PAC Hub, and will be using Singapore law for the required Tri-party Agreement.

15. Questions from the audience typically referred to underlying documentation, governing law, and other legal issues. Mr. Chng highlighted in response that no new features would be needed to utilise PAC Hub. Existing clients had asset servicing agreements in place, as well as a Tri-Party Agreement. New customers would have to check their own legal situation, but could easily sign up to these standard industry agreements. Execution of agreements can be managed on-shore or offshore, for which the tax treatment might be the deciding factor. The legal owner of the underlying assets would be BNY Mellon, after the assets were transferred from client account into a tri-party account, while the asset owner would become the legal owner of the DTR, which would be credited to their account. A key feature of the DTR was that it retained the characteristics of the underlying assets, including the currency and price; this was intended to avoid creating an avenue for arbitrage. In addition, the recall period for the DTR/underlying assets will follow the established settlement period in a given market.

16. **Progress of Working Group on Information Platform: Upgrading AsianBondsOnline and Tentative Outcome of User Survey** (ABO team): Dr. Donghyun Park stated that ADB's involvement in regional bond market developments had many facets; for AsianBondsOnline (www.asianbondsonline.adb.org), or ABO, the focus was on the provision of information and knowledge support. ABO was the most comprehensive and widely used bond information platform in the region, providing free information for the public good; hence, ABO could be considered a public asset. ABO sources its data from member countries as well as from Bloomberg, and had become a globally recognised, world class source for research data – both IMF and the World Bank use ABO data for their purposes.

One key objective at ABO was the monitoring of bond market liquidity and their drivers, which ABO reported on in its flagship report, Asia Bond Monitor.

17. Yet, there was more to be done for ABO, in that regional markets had a long way to go to be fully developed, and ABO had a long way to go to support these developments. From the user survey results, ABO was on the right track. Dr. Park showed the information most often accessed by users, with the ABMF Bond Market Guides already in 5th position (representing 8%) – this was based on only 5 published markets at the time. Bond pricing was another strong interest subject, with 6% of queries. Users had an increased need for non-numerical information, and ABO will do more to address this important finding. ABMF related information could help in this regard.

18. **Study Findings: Do Local Currency Bond Markets contribute to Financial Stability?** (ABO team): Dr. Park also shared with the audience a recent academic paper done by him, Ms. Shu Tian of ADB and Prof. Kwanho Shin of Korea University; the paper was based on dedicated research and prepared without bias, with the objective to check the stresses on the markets from the GFC and the taper tantrum (May 2013), and to find out whether countries with local currency bond markets experienced more (or less) financial stability in those times. Data for 10 Asian markets was used, initially including India, plus a control group of non-Asian markets for which BIS data was employed. Among the findings was the realization that local bond markets grew faster than bank loans, a desirable development in the eyes of ABMI. At the same time, this development was found not to be limited only to the Asian markets. The key finding, however, was that such growth in the local currency bond markets contributed to lesser FX rate depreciation of the local currency against the USD, which in economics terms is taken as a sign of stability. The initial findings had to be corrected for data from India, which proved to be an outlier in most examined approaches. In contrast, no stabilizing effect was found in stock market development. In the subsequent Q&A session, members largely confirmed the individual observations of Dr. Park's study as in line with their own institutions' findings.

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

19. Mr. Jong-Hyung Lee, Chair of SF2, welcomed the participants and announced that he would hand over the chairman role to his colleague at the Korea Securities Depository, Mr. Seung-Kwan Lee. Mr. Yamadera, members and experts thanked Mr. Lee for his significant contributions to ABMF since inception.

20. **Update on Account Structure Survey** (ADB Secretariat): Mr. Yamadera stated the importance of account structure, due to its implications for many areas; account structure determines the information required at account opening and for the ability to obtain benefits from the securities held, and defines who triggers such interest payments and the required process. Taxation, i.e. the application of tax and the process of withholding applicable taxes, is a key area affected by the choice of account structure. Hence, ABMF was studying the topic and practices were differing greatly across the regional markets. The

objective of the study was to identify commonalities and put forward means to standardise or harmonise processes and practices that are based on account structure choices. NTT Data was supporting the study as ABMF International Expert, and would provide input into proposed recommendations to policy bodies. To provide illustrations on the topic, NTT Data had started its examinations with the Japanese market, since it was most familiar with it.

21. Mr. Masao Oumi, of NTT Data, provided information on the account structure in Japan. The prescriptions on account structure were contained in a single law (Act on Book Entry of Corporate Bonds and Shares) which provided the legal basis for book-entry and ownership recognition and covered many types of instruments. The market favoured a multi-layered holding structure, with a mix of direct and indirect participants in the book-entry systems operated by the Bank of Japan and JASDEC (as the depositories for government bonds and corporate bonds, respectively). A typical distinction for account structure was taxable and non-taxable securities, or the need to segregate pledged securities. The Japanese market was somewhat complex, since the Bank of Japan played a number of different roles which might not be found in the same manner in other markets; Mr. Oumi showed the classifications and sub-divisions for government bonds for illustration.

22. The business flows for interest or redemption payments in Japan were triggered by the CSD for each type of debt securities, and withholding tax was collected by the paying agent and/or custodian that made interest and redemption payments directly to taxable bondholders. Mr. Oumi detailed a typical example of the tax-relevant information that is collected by the withholding agent; in the case of corporate bonds, this information usually included a tax classification code which brought together investor type and tax rate. This kind of information was to be provided to the withholding agent by payment date minus 1. Tax exemption for non-residents was subject to verification of the non-resident status by the domestic service provider. In order to be tax-exempt, non-residents had to provide specific data to the domestic tax office by way of their service provider via physical forms. Mr. Oumi also briefly mentioned the provisions for the AML and KYC processes in Japan, as they were related to account structure – i.e. the party holding the account will need to be checked. Market participants in Japan found it difficult to comply with the verification but still had to complete the process.

23. Mr. Yamadera added that enquiries on other markets had so far yielded some different statements on account structure and related taxation processes, including when reviewing the Philippines earlier that same week. He highlighted the ability of ABMF work to act as a conduit for the standardisation or harmonisation of account structure and related topics. The immediate focus was on identifying the different practices through the market visits. He welcomed the continuous feedback and input from members and experts and extended the invitation to join the market visits to members who wanted to get first-hand experience of the different perspectives on these subjects. The final review of the subjects and any proposals for better processes would, in any case, be the result of the collaboration of all members and experts. In response to questions, Mr. Yamadera re-iterated the different drivers for account structure, other than legal prescriptions, such as AML, KYC and the

ability to trade. Each driver came with different considerations, and to study these was the purpose of the ABMF work.

24. **AMBIF Taxation Study** (ADB Secretariat): Mr. Puongsophol, of ADB Secretariat, provided the reasons behind the study on taxation for AMBIF markets: with taxation receiving significant attention as deciding factors for market access and cross-border investment, stakeholders were looking for alternatives to define and manage the necessary processes of establishing tax status and withholding applicable taxes. Better or more practical processes had the benefit of increasing market transparency, and to lower costs. At the same time, regional markets needed to have strong local currency bond and capital markets to learn from lessons in the past and to support a more efficient capital allocation and risk-sharing in each economy. Mr. Puongsophol used the example of Thailand to illustrate some relevant points. After the lessons from the Asian Crisis, Thailand set out to gradually and continuously develop its bond market with great success, leading to no impact on the local currency bond market at the time of the Global Financial Crisis. As part of the study, the applicable taxation was superimposed on the stages of bond market development, to bring together a view of cause and effect of policies and outcomes. One key finding from the work was that many tax measures appeared to have been imposed in response to changes in capital flows. The aim was to document all other relevant (AMBIF) markets in a similar manner.

25. Mr. Puongsophol compared the capital market tax framework of Thailand with the Philippines, highlighting the complexity of withholding taxes in the latter, which included the nature of investment vehicles and tenor of specific instruments as defining factors. Corporate bond issuance in the Philippines stood at 6% of GDP, which was significantly lower than many other regional markets (e.g. Thailand 19.9%). Initial observations revealed cumbersome tax procedures and processes, and a complex tax framework, which was cited to be responsible for a lack of cross-border investment into debt securities. However, one other factor cited was the lack of investment opportunities, with only 133 active debt issues available in the market, compared to, e.g., Thailand with 2,267 outstanding debt issues.

26. Mr. Puongsophol opined to look at investor and industry feedback as an opportunity to create change. Possible recommendations from the work on the taxation study so far, in particular for the Philippines, would include the need for authorities to review the market's capital and income tax framework to reduce compliance costs and increase the competitiveness of the Philippine financial market, and to provide consistent interpretations of tax rules to the market, which was presently one of the key feedback topics from investors. This would require close coordination among the relevant stakeholders. ADB had been asked by the Department of Finance to provide input into the efforts by authorities to address some of these issues: use of final withholding tax versus creditable withholding tax, how to monitor the number of investors where such number defined the tax status of a debt instrument, and the equivalency of tax application across different investment vehicles. The capital market roadmap announced by Philippine authorities in August 2017

did not include specific tax measure, hence, ADB will continue to closely liaise with DOF and other stakeholders on developments. Mr. Yamadera added that financial institutions may ideally be exempt from withholding tax, while still being subject to corporate tax in domestic or home markets, respectively. He asked International Experts to provide info on such scenarios for a better illustration to stakeholders in taxation.

27. **The US move to T+2: Lessons for changing market practices** (DTCC): Ms. Nellie Dagdag, of DTCC Philippines, reviewed the recent move by the US market to a T+2 settlement cycle. She indicated the original T+3 lifecycle of a trade and its activities and highlighted the significant and coordinated efforts made by the industry as a whole to achieve the move to T+2. Past and recent efforts in the US had summarily been referred to as SSC, or Shortening of Settlement Cycle. In effect, the discussion on SSC started as far back as the year 2000, through an Andersen Consulting study on whether a possible business case could be made for a move to T+1. The study outlined the ten building blocks necessary for SSC.. In 2012, Boston Consulting Group examined the original business case and the building blocks and determined that the payback period for a move to T+1 was too long (estimated at 10 years), did not carry sufficient cost/benefit advantages and required significant infrastructure and technology changes. In contrast, a move to T+2 was determined to be more doable, with a payback period of about 3 years.

28. In response to these findings, the securities industry stakeholders agreed on the objective to move to T+2 and formed a governance structure, including the T+2 Industry Steering Committee and working groups comprising 600 experts to address all levels of industry requirements. The participants developed a migration timeline and determined the impact on participants, including necessary changes to nearly 50 market rules. Key support came from other market initiatives that included SSC in their own objectives and timelines. In response to a recommendation from the SEC, a 'Playbook' was created that contained objectives, agreed practices and processes but also necessary changes to the regulatory environment, to guide individual market participants towards implementation. 5 Sep 2017 was identified as the best target date for a big bang implementation, and testing was carried out for 18 months prior to the changeover, which was done as planned, and with minimal incidents. Ms. Dagdag added that DTCC's simulation earlier this year showed the move to T+2 (in isolation) reduces the clearing fund contribution by approximately 25% or $1.36 billion, , while one other important lesson was the need to communicate from the early stages and continuously throughout the project to ensure stakeholders were clear about efforts and outcomes. Overall, the conduct of the SSC efforts was a perfect opportunity for other markets to consider when implementing significant change affecting the entire market; it was, however, crucial that such change should be carried out within a regulatory mandate or with the explicit support from regulatory authorities, to ensure acceptance and success.

29. **Progress on ISO20022 Implementation**: Ms. Jean Chong, of SWIFT Singapore, started with a brief overview of international ISO20022 efforts – presently, over 200 implementation initiatives were under way, in various stages of completion. In Asia, SWIFT saw a lot of

take-ups and a similar enthusiasm towards adoption as was observed in Europe. Benefits of ISO20022, while largely driven by market infrastructure projects, tended to filter through to the industry at large. Already, more than 400 messages are available under ISO20022, across business areas (e.g. payments, securities, trade finance, etc.). SWIFT is a major contributor for the standards, but there are many other submitting organizations. The key arguments for an ISO20022 implementation continued to include: if infrastructure or technology was to be replaced, if business was to expand and new solutions were required, and if compliance with global, regional or domestic standards was needed.

30. Ms. Chong then detailed a study on the adoption of ISO20022 by Singapore Exchange (SGX). SGX post-trade infrastructure had originally been developed for a different time. The existing post-trade system and client accounting system were purpose-built for domestic securities brokers in the 1980s and enhanced in 1990 when the CSD was established. In 2012, SGX decided that it was timely to further modernize its clearing, settlement and depository systems. The strategy for the new post-trade system (PTS) needed to support different operating and business models, a delineation of services, new communication protocols and systems. As a natural measure for a project of this size and scope, the adoption of international standards was included as well. SWIFT assisted in an initial feasibility study, on the technical, business and standards aspects, which determined that a multi-year strategy was needed. Through a phased approach, SGX adopted ISO 20022 standards, starting with 25 messages encompassing securities settlement and securities and cash management messages. More messages will be developed in other phases as the project evolves. SWIFT is a network connectivity option for participants to connect to the SGX PTS.

31. The new post-trade system was live since July 2016, with members still being on-boarded in phases. The overall approach, and the adoption of standards, has been extended to the upgrade of corporate action processing capabilities, so that SGX would use same technology, and standards, in the organisation end-to-end. The adoption of standards was particularly important in the corporate action space, where the pursuit of golden-source data (i.e. assured data quality on the basis of multiple, evaluated and filtered sources) required many inputs from a variety of market sources across different technology platforms or messaging services. Being able to accept a wide range of information in international standards would, hence, eliminate intensive manual processing and help improve data content. SGX also pursued a strategy to engage with stakeholders early, and of communicating regularly with industry groups, including the Singapore National Market Practice Group (NMPG). It was found that education was key to a successful implementation. SGX also endorsed the ISO20022 Harmonisation Charter, which requires adopters to commit to sharing information, publish their standards and practices on a common and global platform (MyStandards), as well as adhere to market practice, message version and release management timelines.

III. ABMF Information Session on KYC Platform

32. The Know Your Customer concept, or KYC, describes the mandated due diligence on suitability and appropriateness to be conducted by financial institutions when acquiring a customer – institutional and individual – or when opening additional accounts for such customer, including securities accounts. The Information Session was suggested and put together by some of the ABMF International Experts, together with ADB Secretariat, in response to the significant interest KYC topics have generated in the past few months. By its nature, KYC is related to the current ABMF topics of account structure and (bond market related) taxation, and ABMF and its members recognize the increasing regulatory burden on market participants from KYC, in equal measure from domestic market regulations, in-house best practices and global regulatory initiatives. The session was intended to review practical considerations how financial institutions, specifically ABMF members, could comply effectively and efficiently with requirements, including those from the region's regulatory authorities for the securities market.

33. The panelists and participants examined examples of international KYC requirements, such as from the Financial Action Task Force (FATF) or as a result of the introduction of the impending Market in Financial Instruments Directive II (MiFiD II, effective January 2018) in the EU. In addition, examples of cooperation of regulatory authorities in data exchange were reviewed and discussed, including the Common Reporting Standard for Automatic Exchange and Automated Exchange of Financial Information in Tax Matters. On the back of regulatory cooperation, participants were asking the question whether it would be possible for the private sector to cooperate on KYC efforts, in particular because the key client segment for the securities market, institutional investors, typically maintained a number of account relationships with a range of intermediaries across the regional bond markets. DTCC provided an overview of the challenges in the KYC/AML process in financial services in the Philippines, illustrated by some specific cases. ASIFMA, SWIFT and Thomson Reuters presented their recent findings, own initiatives and existing or planned products with regards to KYC, to give participants perspective on considerations from service providers and potential available solutions.

34. ABMF can continue to contribute to this discussion under its mandate to help integrate or harmonise practices in the regional bond markets. KYC was becoming more important for smoother cross-border securities transactions, and market transparency was an important factor for market development. It was found that reporting burden and practices are becoming major factors in considerations on market access for customers and their underlying investors, but also that technology and standardisation could reduce the reporting burden, and a KYC platform – in fact one or many - accessible to many parties could maximise utilisation of existing customer data. ABMF was the only platform in the region to bring together the public and private sectors and could facilitate the continued dialogue on approaches and solutions that would bring benefits and support compliance for all stakeholders. A lively Q&A session with the panel of presenters was evidence that such dialogue was both practical and necessary going forward.

IV. ABMF – XBRL International Joint Workshop on Data Exchange

35. The Joint Workshop between ABMF and XBRL International was organised with the objective to equip participants with the knowledge about how to address regulatory and business reporting requirements with existing standards and practical tools. A number of presenters provided insights through use cases, highlighting the application of the XBRL standard, as well as implementation approaches, their challenges and benefits. While XBRL evolved later than SWIFT Standards, it was now utilised in 73 countries to help improve accountability in business performance, for individual and aggregate reporting to regulatory authorities. In turn, ABMF is committed to promote the increased use of standards and harmonization of market practices across the ASEAN+3 bond markets, including for transaction messaging and regulatory reporting requirements.

V. Next ABMF Meeting

36. The next ABMF Meeting would likely be held on 1-2 February 2018 in Phnom Penh, Cambodia. Before the meeting, ADB will organize workshops together with ABMF experts to explain bond markets and custodian business. Hopefully, ABMF and Cambodian authorities would be able to celebrate a pilot corporate bond issuance, under AMBIF, on the occasion.