



## Summary of the Joint 34<sup>th</sup> ASEAN+3 Bond Market Forum and 21<sup>st</sup> Cross-Border Settlement Infrastructure (Virtual) Meeting

31 August 2020, conducted via Zoom

The Joint 34<sup>th</sup> ABMF Meeting and 21<sup>st</sup> CSIF Meeting was held as a virtual meeting for ABMF Members and registered participants on 31 August 2020. The purpose was to announce the publication of Bond Market Guides and CSIF Report and to update members and participants on the progress of the ongoing work items of ABMF and CSIF and the proposed TAs (technical assistance or projects) for both ABMF and CSIF. The Joint Meeting had received 228 registrations and materials are available from the ABMF website ([asean3abmf.adb.org](https://asean3abmf.adb.org)) and on *AsianBondsOnline* (<https://asianbondsonline.adb.org/events/?events-joint-34th-asean3-bond-market-forum-webinar>).

### I. Joint ABMF and CSIF Meeting

1. In his opening remarks, Mr. Satoru Yamadera of ADB acknowledged that the ADB head office in Manila was still closed and the ADB Secretariat team was working from a number of different locations. The lack of ability to travel for most members made the holding of a virtual meeting practical but as soon as safely possible, ABMF would hold a next physical meeting. Face-to-face meetings were very important, not just for updates but also for the informal information exchange and side meetings, which benefited many parties. This remained a challenge for the time being, and ADB Secretariat was mindful of the lack of communication between members that may occur as a result. The purpose of this virtual meeting was to update members and participants on what ADB Secretariat has been doing and the progress across the ongoing work items. Given the COVID-19 situation, it was also possible to conduct a number of webinars on specific ABMF/CSIF work items. Mr. Yamadera explained the agenda and invited members and participants to provide feedback on the subjects. The focus of the meeting was on standardisation, updates on ABMF publications and the next steps for the new ABMF and CSIF TAs.
2. **Update on Bond Market Guide and AsianBondsOnline** (ADB Secretariat): Mr. Satoru Yamadera shared the progress on ABMF publications and announced the publication of the *for the Inter-Bank Bond Market in the People's Republic of China* (CIBM BMG) as of Friday,

28 August 2020, available for download from the ADB or ABO websites.<sup>1</sup> Mr. Yamadera thanked the CIBM stakeholders, including CCDC, CFETS, NAFMII, the PBOC and SHCH, as well as the ABMF International Experts for their contributions, efforts and patience in making this publication possible. The publication of the CIBM BMG completed the series of BMGs for individual bond markets in ASEAN+3. From now on, ABMF would produce updates to existing BMGs more frequently but consider revising complete BMGs in case of major market changes from time to time. The first update would be for Hong Kong, China, with Thailand likely to follow next, but depending on developments in the other markets.

3. As for the AMBIF Implementation Guidelines, the Philippines edition was published in February of this year and Cambodia would be published soon, after the SECC established a professional bond market segment with new regulations in May this year. ADB Secretariat would also review and revise the Single Submission Form (SSF); its nature as a template for the use across all participating markets made regular updates necessary and practical. ADB Secretariat would also try to expand the number of participating markets such as Viet Nam along with their establishment of a professional investors-only market from next year, and Indonesia as its professional investor concept was established a while ago. In addition, discussions with stakeholders in the PRC bond market would be easier now that a baseline for their market description has been established with the 2 BMGs for the CIBM and the exchange bond market.
4. Dr. Shu Tian gave an update on the work of *AsianBondsOnline* (ABO). The ABO team has developed an online registration platform for ABMF and ABMI events, which was also used to register for this virtual meeting and a recent green bond webinar. ABO was looking for feedback from registrants to further improve the platform. ABO was also adding more information and data to its website, often based on user input. This included enriching the home page with better information and a higher level of granularity, as well as the provision of additional economic and bond market indicators. The ABO team was collaborating with the new green bond TA, creating a dedicated page for green bond information and updates. In line with the expected, more frequent updates of Bond Market Guides, ABO aims to offer the download of individual sections of the BMGs and, hence, allow parts of the BMGs to be updated easier; this work was expected to be completed by the end of 2020. The objective was for ABO to be further strengthened as the information hub for the regional bond markets.
5. **Joint Support with TACT to expand AMBIF in Cambodia, Lao PDR and Viet Nam** (ADB Secretariat and Mr. Kengo Mizuno, Nomura Research Institute, NRI, as a TACT consultant) ADB and the Technical Assistance Coordination Team (TACT) under the ASEAN Secretariat with support by the Japan-ASEAN Financial Technical Assistance (JAFTA) Fund has been collaborating closely as requested under the ABMI Mid-Term Road Map. NRI was providing assistance in Cambodia, the Lao PDR and Viet Nam under TACT. Cambodia had introduced the professional bond market in May 2020, by making existing

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<sup>1</sup> Formal title: *The Inter-Bank Bond Market in the People's Republic of China – An ASEAN+3 Bond Market Guide*; available at <https://asianbondsonline.adb.org/abmg.php>.

regulations on public offers more specific and dedicated for Qualified Investors; the new regulations accommodated a streamlined approval process and stipulated defined disclosure obligations, allowing the new segment to be formally compatible with AMBIF. No issuance had occurred under the new regulations just yet. ADB and NRI had conducted joint activities with the ASEAN Secretariat, in the form of workshops consultations, and had also been invited to comment on the proposed regulations, as well as for the upcoming revision of the proposed changes in the law regulating government securities.

6. In the Lao PDR, no regulations for a professional bond market existed so far. ADB and NRI conducted a webinar on the requirements for a professional bond market with the Lao Securities Commission Office two weeks ago. In Viet Nam, a specific bond market for professional does not exist at the moment; however, the new Securities Law will take effect from January 2021 and includes provisions for the issuance of private placements to professional investors only if an issuer is a public company. This is a significant change as, presently, virtually all corporate bonds are issued as private placements and all issuers are public companies. ADB and NRI together with the World Bank had provided significant input on the proposed law changes. Mr. Yamadera stressed these good examples of ADB and ASEAN Secretariat cooperation and ADB will continue to support TACT activities, while ABO will increasingly publish updates on these activities.
7. **Update on CGIF** (Anuj Awasthi, CGIF): Mr. Awasthi emphasised that CGIF was working closely with ABMF and ADB Secretariat. He briefly reiterated the nature and objective of CGIF, stressed the focus on ASEAN local currency (LCY) bond issuances but also conceded that issuances in plus 3 currencies (Japan, People's Republic of China and Republic of Korea) might be supportable if a certain development objective would be achieved. The CGIF guarantee volume had increased to a possible USD 2.9 billion, of which USD 1.8 billion were presently outstanding, across 32 issues. Its portfolio had achieved a CAGR of 29% from 2015 to 2019. CGIF's rating is AA globally by S&P, which translates to AAA in all ASEAN markets except Singapore where the rating would be AA, . Since inception, CGIF had issued 39 guarantees, supporting 29 issuers across 11 economies. Guarantee activities and discussions on new deals had slowed down somewhat in the current climate but enquiries from interested parties continued to be received. Mr. Awasthi opined that, given the economic outlook resulting from the pandemic, even strong companies might need some support going forward.
8. In 2020, CGIF had issued 4 new guarantees so far. Overall, CGIF's exposure in Viet Nam had reached its maximum but its engagement was considered very successful as it had managed to get seasoned investors, such as insurance companies, interested in private sector issuances. The exposure to Thailand was decent and could be expanded. In terms of currency, other than Vietnamese dong, Thai baht and Singapore dollar dominated currency denominations, also because these currencies prevailed in larger bond markets that represented the focal points of regional issuers. CGIF did not have a guarantee in either Indonesia or Malaysia but was looking for opportunities, particularly in Indonesia; a proposed deal with an Indonesian entity had to be postponed to next year. Malaysia had a very well- developed bond market and it might be difficult to offer support that the market

was not able to achieve on its own. CGIF maintains a focus on BCLM markets, and works selectively in Viet Nam. Within ASEAN6, the focus was on Indonesia and the Philippines. In addition, CGIF was also looking at developing interest among investors, not just among potential issuers. It was also hoping to encourage +3 issuers to tap markets in ASEAN and further diversify its issuer base. In addition, CGIF was looking at the use of extension of tenors as a service, and to support new LCY bond structures.

9. Mr. Awasthi briefly reviewed the CGIF guarantees for bonds issued under AMBIF. This included Aeon as the first AMBIF bond in the Philippines, which was 100% subscribed by banks; the CJ Logistics issuance in Singapore which supported infrastructure development and achieved a good investor mix; the Nexus International School issuance, with a 12-year tenor the longest supported by CGIF in Singapore and supported by good investor demand; Thaisfoods as the first CGIF bond in Thailand under AMBIF; RMA as the first bond issuance denominated in Khmer riel (KHR) and issued in April 2020, despite the pandemic; and PRASAC, the largest bond denominated in KHR so far, also issued in April 2020. For these last 2 bonds, Mr. Awasthi expressed his thanks to the support from ABMF to navigate the regulatory framework and spearhead the discussions with the SECC. Going forward, CGIF is aiming for support for infrastructure corporate bonds and is putting the finishing touches to a study on this bond type, to be submitted to the CGIF Board shortly. Mr. Awasthi indicated a strong demand for infrastructure corporate bonds and CGIF was already working on a robust pipeline of deals. Here, CGIF wants to become a catalyst for infrastructure financing but also extend its support to green bonds in this category. Mr. Yamadera added that ADB Secretariat had worked closely with the ministries of finance and securities regulators in the AMBIF markets to support AMBIF and CGIF issuances. He also stressed the importance of green and sustainable bonds; ABMI will continue to support 'thematic' bonds and the lessons from the COVID-19 pandemic may require support for sanitation and health care investments. ABMF was hoping to cooperate with CGIF on these efforts as well.
10. **Update on Green Bonds** (ADB Secretariat): Mr. Kosintr Puongsophol reported that ADB approved the Green Bond TA introduced at the last ABMF meeting in March 2020; the TA was supported by funding from the PRC and fell under the remit of ABMF Task Force 1. Expected outputs of the TA included the support for green bond issuances on the supply side and efforts to address market constraints, such as lack of awareness of green bond regulations and practices and the use of English language, at country level. On the demand side, ADB will work with ABO to attract more international investors into regional green bonds by offering regular updates on regional green bond activities. By the end of the TA period (2020-2022), it was envisaged to have done a feasibility study on a green bond index in the region as well as on green bond ETFs. In relation to market practices for green bonds, the TA aims to make an ASEAN voice heard in the discussion on standards and practices, since those are currently typically driven by other regions.
11. Mr. Puongsophol hoped that AMBIF could be enhanced with green bond issuances. One objective was to support the issuer experience in issuing green bonds; in recent years, the focus of issuers had already shifted from 'what is the benefit of issuing green bonds?' to

'how do we issue green bonds?'. The TA will support 3 major standards, being the Green Bond Principles, the Climate Bonds Standards as well as the ASEAN Green Bond Standards. For the time being, TA activities were virtual due to COVID-19, but included an online green bond verifier boot camp and an ASEAN+3 green bond webinar, plus topical webinars in conjunction with CBI. By now, 2 ASEAN credit rating agencies, RAM Sustainability (Malaysia) and TRIS Rating (Thailand), had been approved as CBI verifiers. Mr. Puongsophol invited participants to join the upcoming Joint UNDP-ADB webinar on "Building Low-Carbon, Climate Resilient Future through Green Bonds" on 17 September 2020. More details, including a registration link will be posted on the ABO. ABMF members were invited to participate in the webinar. He also expressed his hope that ADB could work with the ASEAN+3 central banks to promote green bond issuances and to create the necessary ecosystem conducive for green finance. The dedicated green bond webpage on ABO was expected to be live in November 2020. Dr. Shu Tian from ABO was also in the process of conducting a study on social bonds that would inform ADB's activities.

12. **New ASEAN+3 Bond Market Forum (ABMF) TA** (ADB Secretariat): Mr. Yamadera reviewed the significant output delivered under the current ABMF TA so far, including 11 Bond Market Guides, the Good Practices Paper for Developing a Local Currency Bond Markets, AMBIF Implementation Guidelines for the Philippines, and the upcoming Bond Market Guide update note for Hong Kong, China and the AMBIF Implementation Guidelines for Cambodia; the publications issued so far had been downloaded more than 10,000 times from the ABO or ADB websites. In addition, Cambodia had joined as an AMBIF market and 6 new AMBIF bonds had been issued, covering 4 markets. The TA period had also seen the introduction of professional investor and/or market concepts in 4 economies. The account structure study had identified regulatory constraints and tax processing hurdles, resulting in the proposal for the standardisation of KYC processes. ABMF had also significantly promoted the implementation of ISO20022 and other standards. ABO had been improving its function as the primary information platform for the regional bond markets and will continue to improve the dissemination of relevant information and data. As such, all targets of the current ABMF TA had been accomplished; as a result, a new TA was being finalized.
13. The new TA would support a number of main activities, including: 1) the continued publication and maintenance of the Bond Market Guides; 2) advance the achievements made under AMBIF; 3) promote the implementation of international standards; 4) further collaboration with TACT and AMRO; and 5) support for the development of a new ABMI Medium-Term Road Map (2023-2026). These activities will include the establishment of a Working Group on Comparative Capital Market Law, to identify and address impediments in legal and regulatory frameworks, with the objective to help alleviate cross-jurisdictional issues for cross-border investments and issuances. Another focus will be on tax and KYC processing and practices and ADB Secretariat was hoping to include FX reporting aspects. After COVID-19, the importance of the bond market as a means for financing will likely increase. Thanks to ABMF efforts, the regional markets were now able to largely finance themselves; these efforts contained a number of lessons for other markets and regions and ADB may seek to share these lessons where suitable.

14. **ISO 20022 and FX reporting** (ADB Secretariat and Mr. Masayuki Tagai, J.P. Morgan as ISO 20022 RMG Vice-Convenor): Mr. Tagai provided an update in his role as Vice-Convenor of the ISO20022 Registration Management Group (RMG). He advocated that an acceleration of ISO20022 implementation would be a catalyst for data innovation. The use of richer and more structured data would offer opportunities for all market participants. In the payments space, the agreed transition from SWIFT MT to ISO 20022 starting from November 2022 had created a sense of urgency among stakeholders. A corresponding timeframe had not yet been decided for custodians (the securities industry), though discussions were occurring among stakeholders. Some of the lessons being learnt in the payments space were also applicable for the securities industry. Among them were the need for significant preparatory efforts before an implementation and the focus on challenges for stakeholder groups; this required a lot of coordination efforts, which were increasingly happening at whole industry level.
15. Mr. Tagai wanted to leave the audience with the key message that the advantages of ISO20022 were not so much in having more data but rather better data. The opportunity of data driven innovation meant, however, that the full potential of ISO20022 should be embraced. An example was the payments industry where the focus on additional mandatory fields related to, e.g., beneficiary, initiator and purpose of payments had been increasingly difficult to accommodate in fixed message formats. The decision to move to ISO20022 was partly driven by its ability to support dynamic field requirements; this reiterated a key feature of ISO20022, being the additional functionality. Other examples of service innovation included the move by ESMA in the EU to request derivatives reporting via ISO20022 and efforts to improve reporting data in the UK via ISO20022 formats. In ASEAN+3 markets, considerations were already under way beyond just messaging. Mr. Tagai opined that such efforts had the potential to move entire markets towards more automation and more efficiency. A shift was also occurring in the work of the RMG which, traditionally, would only see the market participants' challenges and the business rationale for new messages at the time of a submission; Mr. Tagai expressed his desire that the RMG mission should evolve from merely accepting submissions from the industry, to actively looking at stakeholders beyond message development and wider adoption beyond transactional messages and how better the standards could be implemented by the users. Mr. Tagai indicated that there are ongoing discussions in place.
16. Mr. Yamadera also stressed the significance of additional and better data for market participants to address their processing and reporting needs. At the same time, it was important to derive concrete examples for ISO20022 implementation, and demonstrate tangible opportunities. One possible example was streamlining the KYC process and the FX reporting presently conducted across the ASEAN+3 markets. The origins of FX reporting were simple enough: report the trades being executed, suggesting the same input. Then, AML requirements added some complexity to the underlying messages and reporting requirements. Additionally, while the standardised balance of payments data requirements suggested the same output being produced by all central banks, reporting also had to comply with individual economies' specific reporting requirements. Along the way, a number of issues arose. ADB Secretariat now sees the opportunity to aid in the

standardisation of KYC process and FX reporting, also based on the experience gained through the account structure study, which yielded evidence of a number of areas where standardisation or harmonisation would be beneficial. The objective of the proposed study on FX reporting is to first collect FX reporting information across the ASEAN+3 markets; ADB Secretariat expected the findings to be more or less the same but will need to study the requirements in-depth. The next step would be to map the data to get a better understanding of similarities and distinctions among markets. Then, ABMF could offer recommendations, e.g. to increase efficiency or as support for policy objectives in the region. The study will be conducted under the new ABMF TA over the next 2 years.

17. **New Cross-Border Settlement Infrastructure Forum (CSIF) TA** (ADB Secretariat): Mr. Yamadera announced the publication of the CSIF Report<sup>2</sup> in July 2020. The report summarized the CSIF discussion up to this point and formally concluded the present CSIF TA. Mr. Byung-Wook Ahn reviewed the activities and output under the present TA which had resulted in 3 formal CSIF Reports, with 8 progress reports during its tenure. The linkage derived from the CSIF discussions was now under development and slated for implementation in 2021. A preliminary study had been done to determine future challenges and next steps; these would be included in the objectives of the next CSIF TA. The new TA was based on the ABMI Mid-Term Road Map and will identify weak linkages between economies, among other subjects. CSIF will also expand its focus to stimulate even more direct portfolio investment linkages among economies. Specific activities would include a review of new technologies for regional infrastructure, such as DLT, with an aim to share experiences among members. Other focal points included to benchmark product and infrastructure designs for collective investment scheme (CIS) processing infrastructure and to continue the exploration of cross-border collateral usage; here, CSIF would study the EU markets and look further into regional activities. Funding of the new TA was provided by the Republic of Korea and the TA would run for 2 years, likely starting from October 2020.
18. **Inter-CSD Linkage via CIS Processing Platform** (Mr. John Oh, Korea Securities Depository): Mr. Oh proposed connectivity between the regional CSDs on CIS processing or a regional processing platform for CIS. CIS represents an indirect investment approach (including into the bond markets), accelerates the channeling of regional savings to investments, and has ample potential as an alternative growth driver for the Asian markets. The CIS market in Asia (including Australia) expanded with assets under management (AUM) tripling between 2008 and 2019. Already, there are three CIS passporting schemes (for cross-border acceptance) in the region: 1) APEC's Asia Region Funds Passport (ARFP), 2) the ASEAN Collective Investment Scheme (CIS), and 3) the Mutual Recognition of Funds (MRF) between the PRC and Hong Kong, China. The AUM of passport member states had increased significantly in the ten years to 2017 (from USD2.8 trillion to USD6.7 trillion). Yet, a great number of challenges still remain in Asia, including that post-trade processing is typically optimized for domestic markets only; the gaps and discrepancies between each nation's post-trade arrangements inevitably lead to various cross-border trading issues such as confusions from languages and terms, operational inefficiencies

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<sup>2</sup> Official title "*Next Steps for ASEAN+3 Central Securities Depository and Real-Time Gross Settlement Linkages*"; available at <https://www.adb.org/publications/asean3-central-securities-depository-csif-progress-report>.



from lacking automation, limitations as a result of non-existence of central processing platforms, issues and risk factors from handling multiple currencies, inefficiencies between SWIFT and non-ISO compliant messages, etc. Mr. Oh argued that it is important to understand what causes these issues and proposed to perform operational mapping so as to discern similarities and distinctions among Asian countries in terms of technical requirements and market practices. Such inter-CSD gap analysis is an effective method to find common ground between each nation's platform, thereby creating a clear blueprint for future bilateral or multilateral linkages. A case in point is the MRF between the PRC and Hong Kong, China, where the initial gaps and differences have been harmonized on the back of thorough post-trade operational mapping work. Mr. Oh also cited harmonization efforts in the EU in the early 2000s when the Giovannini Report clarified 15 key barriers to financial market integration in Europe, many of which have since been addressed.

19. In the **Q&A session**, members enquired on the cooperation between DTCC and KSD on the possible use of collateral cross-border. Mr. Ahn confirmed the ongoing discussion as in the early stages; KSD may be able to offer updates as the discussions progressed. Mr. Yamadera added that this discussion was but one example of possible cooperation in the region. He hoped that ABMF could arrange a seminar (webinar) on cross-border collateral usage to take the general discussion further. Another example was the use of JGBs accepted as collateral by some EU central banks; similarly, the Swedish central bank (Sveriges Riksbank) accepted EUR bonds even though Sweden was not part of the Eurozone. Mr. Yamadera reminded participants that ADB Secretariat had attempted to obtain information on cross-border collateral in the region but had found it difficult to get numerical evidence of LCY participation; market participants had hinted at the use of LCY assets but this was difficult to prove. At the same time, the regional LCY bond markets by now showed bigger government and corporate bond segments, though USD funding for collateral still persisted. Mr. Yamadera hoped that the region would see more links in the near future. Similarly, the proposed CIS processing linkage may help reduce transaction costs and would encourage cross-border investment. He reiterated the original premise of ABMF, to see Asian savings being invested in Asia. These savings were still largely leaving Asia and contributed to a 'bandwagon' effect in case of an adverse investment climate. Here, ABMF and CSIF could focus on supporting the operational aspects.
20. Mr. Awasthi confirmed that CGIF was unable to support government bonds; however, CGIF may be able to support issuances by state-owned enterprises if this included a good development impact for a given market. At the same time, CGIF was able to reduce the currency risk of an issuer by supporting local currency issuances. CGIF can also support *Sukuk* but had not yet entered into any deals; it was looking at activities in Brunei Darussalam, Indonesia and Malaysia; a potential deal in Indonesia had been delayed as a result of COVID-19. He also clarified that the guarantee for the issuer from Myanmar, listed in Singapore resulted in the proceeds being repatriated into Myanmar, despite the bond being issued in Thailand; all operations of the issuer remained in Myanmar. All CGIF deals were available for reference online.<sup>3</sup> CGIF efforts in nascent markets included significant

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<sup>3</sup> See <http://www.cgif-abmi.org/guarantee-portfolio-table/>.



engagement in Cambodia, including regular discussions with regulators and potential issuers. Mr. Yamadera added that CGIF would ensure that issuers in nascent markets made adequate disclosures. ABMF/ADB Secretariat was working with the regulatory authorities to develop a market and establish suitable regulations and practices. As such, ADB Secretariat did not interact with potential issuers, observing a firewall approach. Instead, CGIF would front the issuer and ADB Secretariat would focus on the regulatory framework and market impediments. In this regard, ADB Secretariat was hoping to extend its support to other markets as well. In the meantime, an interim solution also existed, as shown today, in that issuers could issue in markets other than their home market first, then bring issuances home once the necessary infrastructure had been established.

21. Overall challenges, particularly in ASEAN, included that the markets may not have very deep LCY setups and were lacking investors. However, the market would see investors increase as issuances increased. While CGIF was mandated to support LCY issuances, USD was still dominating cross-border financing. Hence, CGIF was working with stakeholders to educate issuers and investors. One of the typical challenges was the counterparty rating in markets where the sovereign rating was not high: here, even a strong issuer would face problems with a rating. This is a situation that CGIF could help address, by lending its own rating. ABMF was also hoping to help unlock investors, such as insurance companies and pension or social security funds in dialogue with the regulatory authorities, then focus on how to mobilize banks in using their existing assets. CIS could be conventional or green, but the latter depended on the underlying assets in individual funds; green bonds could be bought by any CIS (with a bond investment mandate). Yet, studies showed that the investment appetite into green bonds in Asia remained relatively small, though the interest was shifting. Mr. Yamadera invited participants to submit further questions to ADB Secretariat via email, if and as required.

## **II. Next ABMF Meeting / Change of SF1 Chair**

22. A next ABMF and or CSIF Meeting may be held as a virtual meeting, if so required. At the same time, ADB Secretariat will attempt to arrange a physical meeting once it is safe to do so. Exact dates for future meetings will be determined in line with the general situation.
23. Mr. Koji Ito has resigned as Sub-Forum 1 Chair, due to his impending retirement from the Tokyo Stock Exchange. Thanks to the strong support from the TSE, Mr. Mitsuo Miwa will kindly assume the position of SF1 Chair. ADB Secretariat would like to thank Mr. Ito for his great contribution to the ABMF discussion and is looking forward to working closely with Mr. Miwa to support the development of the bond markets in the region.