36th ASEAN+3 Bond Market (ABMF) Meeting
Asian Development Bank Headquarters, Philippines
1-2 February 2023
36th ASEAN+3 Bond Market Forum (ABMF) Meeting

Hybrid Event
1-2 February 2023 | Asian Development Bank Headquarters, Manila, Philippines
<table>
<thead>
<tr>
<th>Time</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00 – 09:05</td>
<td><strong>Welcome Remark</strong> by Mr. Satoru Yamadera, Advisor, Asian Development Bank (ADB)</td>
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<tr>
<td>09:05 – 09:10</td>
<td><strong>Opening Remark</strong> by Mr. Masahiro Takada, SF1 Chair</td>
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<tr>
<td>09:10 – 11:00</td>
<td><strong>Session 1: Regional Progress on Sustainable Finance</strong></td>
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<td></td>
<td><strong>State of Sustainable Finance Market in ASEAN+3</strong> by Dr. Shu Tian, Senior Economist, ADB</td>
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<td><strong>Achievements made under ABMI TF1</strong> by Mr. Kosintr Puongsophol, Financial Sector Specialist, ADB</td>
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<tr>
<td></td>
<td><strong>Recent Developments in Selected ASEAN+3 Markets:</strong></td>
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<tr>
<td></td>
<td>- Development of the ASEAN Taxonomy v2 by Mr. Eugene Wong, CEO, Sustainable Finance Institute Asia</td>
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<td></td>
<td>- Central Bank as an Enabler, Mobilizer and Doer (Sustainable Central Banking Roadmap) by Ms. Lyn Javier, Assistant Governor, Bangko Sentral ng Pilipinas</td>
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<td>- Developing Sustainable Bond Market in Cambodia by Ms. POV Malen, Head of Securities Issuance and Disclosure Document Division, Department of Securities Issuance Supervision, Securities &amp; Exchange Regulator of Cambodia</td>
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<td>- Future Directions on Sustainable Finance under ABMI TF1 by Mr. Kosintr Puongsophol, Financial Sector Specialist, ADB</td>
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<tr>
<td>11:00 – 11:15</td>
<td>GROUP PHOTO session followed by Coffee Break (Auditorium Gallery)</td>
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<td>11:15 – 12:30</td>
<td><strong>Session 2: Market Perspectives - Future Directions of Sustainable Finance in ASEAN+3</strong></td>
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<td>This session will discuss the perspectives of local and international market participants, including underwriters and investors. Speakers will discuss emerging trends in sustainable finance instruments, investor’s expectations, sustainability disclosures, and practical approaches to promoting the sustainable finance market in emerging markets.</td>
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<tr>
<td></td>
<td>- Ms. Ariya Tiranaprakij, Senior Executive Vice President, Thai Bond Market Association</td>
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<td>- Ms. Ivy Lau, Head of Sustainable Finance, Mizuho Securities Asia Limited</td>
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<td>- Mr. Jason Mortimer, Head of Sustainable Finance – Fixed Income, Nomura Asset Management</td>
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<td>- Mr. Kelvin Lester K. Lee, Commissioner, Securities and Exchange Commission, Philippines</td>
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<td>- Mr. Mitsuhiro Yamawaki, Deputy Chief Executive Officer / Chief Risk Officer, Credit Guarantee and Investment Facility</td>
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<td>Moderator: Mr. Kosintr Puongsophol, Financial Sector Specialist, ADB</td>
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<td>12:30 – 13:45</td>
<td>Lunch, Private Dining Room (PDR) 1-4, 2nd Floor</td>
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<tr>
<td>Time</td>
<td>Session</td>
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<td>13:45 – 14:00</td>
<td><strong>Session 3: ABMF Update</strong> by ADB Secretariat</td>
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<td>- AMBIF Recap and Update</td>
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<td>- Publications: Bond Market Guides and AMBIF Implementation Guidelines</td>
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<td></td>
<td>- Possible future focus: asset digitalisation</td>
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<td>14:00 – 15:00</td>
<td><strong>Session 4: Development of professional investors-only bond market:</strong></td>
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<td>- <strong>Introduction of ABMF Brief series</strong> (15 mins)</td>
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<td>- Purpose and objectives</td>
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<td>- Published and future topics</td>
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<td>- Cooperation with Asia Business Law Institute</td>
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<td>- <strong>Country case study:</strong> Mongolia by Mr. Dulguun Battulga, Director General, Securities Market Department, Financial Regulatory Commission of Mongolia (30 mins)</td>
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<td></td>
<td>- The legal framework of the OTC market</td>
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<td>- How does FRC assess the current development</td>
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<td>- Challenges or next step</td>
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<td><strong>Q &amp; A session</strong> (15 mins)</td>
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<td>15:00 – 15:15</td>
<td><strong>Coffee Break (Auditorium Gallery)</strong></td>
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<td>15:15 – 17:00</td>
<td><strong>Session 5: Recovery from COVID-19 and government bond market development</strong></td>
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<td>- <strong>Brief Introduction</strong> by Mr. Satoru Yamadera, Advisor, ADB (5 mins)</td>
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<td>- <strong>Case of Cambodia: First Government Bond Issuance</strong> by Mrs. Malineath Kun, Chief of Government Security Office, Ministry of Economy &amp; Finance</td>
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<td>- <strong>Case of Lao PDR: Outline of Government Bond Market &amp; Establishment of Debt Management</strong> by Mr. Thotsaphone Sitphaxay, Technical Staff, Planing and Evaluation Division, Public Debt Management Office, Ministry of Finance</td>
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<td><strong>Q &amp; A session</strong></td>
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<td>17:00 – 17:15</td>
<td><strong>Wrap-up</strong></td>
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<td>17:30</td>
<td><strong>Welcome Cocktail (ADB Central Courtyard)</strong></td>
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SESSION 1
Regional Progress on Sustainable Finance
State of Sustainable Finance Market in ASEAN+3

Shu Tian
Asian Development Bank

ASEAN+3 Bond Market Forum (ABMF)

February 2023
Regional monetary tightening accelerated

All major emerging East Asian central banks tightened their monetary stances during the review period to safeguard price and financial stability.

Changes in Monetary Stance in Major Advanced Economies and Select Emerging East Asian Economies

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<tr>
<td>United States</td>
<td>0.25</td>
<td>↑ 0.25</td>
<td>↑ 0.50</td>
<td>↑ 0.75</td>
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<td>↑ 0.75</td>
<td>↑ 0.75</td>
<td>↑ 0.75</td>
<td>↑ 0.50</td>
<td>4.50</td>
<td>↑ 425</td>
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<tr>
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<td>China, People's Rep.</td>
<td>2.95</td>
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<td>Indonesia</td>
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<td>Korea, Rep. of</td>
<td>1.00</td>
<td>↑ 0.25</td>
<td>↑ 0.25</td>
<td>↑ 0.25</td>
<td>↑ 0.50</td>
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<td>Malaysia</td>
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<td>Singapore</td>
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Rate Change (%)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Rate Change (basis points)</th>
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<tbody>
<tr>
<td>United States</td>
<td>4.50</td>
</tr>
<tr>
<td>Euro Area</td>
<td>2.00</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.50</td>
</tr>
<tr>
<td>Japan</td>
<td>(0.10)</td>
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<tr>
<td>China, People's Rep.</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
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<tr>
<td>Philippines</td>
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<tr>
<td>Singapore</td>
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<td>Thailand</td>
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<tr>
<td>Viet Nam</td>
<td></td>
</tr>
</tbody>
</table>

Change in Policy Rates (basis points)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Change in Policy Rates</th>
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<tbody>
<tr>
<td>United States</td>
<td>↑ 425</td>
</tr>
<tr>
<td>Euro Area</td>
<td>↑ 250</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>↑ 340</td>
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<tr>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>China, People's Rep.</td>
<td>↓ 20</td>
</tr>
<tr>
<td>Indonesia</td>
<td>↑ 200</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>↑ 225</td>
</tr>
<tr>
<td>Malaysia</td>
<td>↑ 100</td>
</tr>
<tr>
<td>Philippines</td>
<td>↑ 350</td>
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<tr>
<td>Singapore</td>
<td></td>
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<tr>
<td>Thailand</td>
<td>↑ 75</td>
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<tr>
<td>Viet Nam</td>
<td>↑ 200</td>
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</table>
### Changes in Global Financial Conditions

<table>
<thead>
<tr>
<th>Major Advanced Economies</th>
<th>2-Year Government Bond (bps)</th>
<th>10-Year Government Bond (bps)</th>
<th>5-Year Credit Default Swap Spread (bps)</th>
<th>Equity Index (%)</th>
<th>FX Rate (%)</th>
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<tbody>
<tr>
<td>United States</td>
<td>15</td>
<td>5</td>
<td>—</td>
<td>7.1</td>
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<tr>
<td>United Kingdom</td>
<td>(66)</td>
<td>(42)</td>
<td>(20)</td>
<td>8.1</td>
<td>8.2</td>
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<tr>
<td>Japan</td>
<td>9</td>
<td>18</td>
<td>(3)</td>
<td>2.6</td>
<td>10.4</td>
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<tr>
<td>Germany</td>
<td>101</td>
<td>46</td>
<td>(5)</td>
<td>14.9</td>
<td>9.2</td>
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<td>Emerging East Asia</td>
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<td>China, People’s Rep. of</td>
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<td>9</td>
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<td>Hong Kong, China</td>
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<td>—</td>
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<tr>
<td>Indonesia</td>
<td>15</td>
<td>(43)</td>
<td>(56)</td>
<td>(2.7)</td>
<td>(2.2)</td>
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<td>(39)</td>
<td>(35)</td>
<td>(3)</td>
<td>3.8</td>
<td>13.1</td>
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<tr>
<td>Malaysia</td>
<td>(10)</td>
<td>(37)</td>
<td>(39)</td>
<td>7.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>75</td>
<td>(5)</td>
<td>(49)</td>
<td>14.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>(27.4)</td>
<td>(40)</td>
<td>—</td>
<td>3.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>(21)</td>
<td>(55)</td>
<td>(25)</td>
<td>5.0</td>
<td>9.0</td>
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<tr>
<td>Viet Nam</td>
<td>18</td>
<td>3</td>
<td>(46)</td>
<td>(11.0)</td>
<td>1.0</td>
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</tbody>
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Note: Data reflect changes between 1 October and 31 December 2022.

Source: AsianBondsOnline.
Foreign portfolio flows returned to the region on improved investor sentiment

Regional equity markets recorded aggregate net inflows of USD11.3 billion in Q4 2022, largely driven by inflows from the PRC.

Net inflows were recorded in regional bond markets in November and December as investor sentiment improved.

Source: AsianBondsOnline.
LCY bond market expansion moderated amid deteriorating financial conditions

LCY bonds outstanding in emerging East Asia reached USD22.0 trillion at the end of Q3 2022 on moderating growth of 2.3% versus 3.1% in Q2 2022.

Regional bond issuance in Q3 2022 contracted 1.1% q-o-q to USD2.2 trillion on reduced issuance in the public sector. Corporate bond issuance in Q3 2022 expanded, largely supported by the PRC’s 7.2% q-o-q growth. Corporate bond issuance in ASEAN contracted 2.0% q-o-q in Q3 2022 on rising interest rates and a bleak economic outlook.

Source: AsianBondsOnline.
ASEAN+3 sustainable bonds reached USD598.3 billion by end of 2022 on a growth of 34% versus 57% in 2021.

Sustainable bonds outstanding worldwide reached USD3.3 trillion at the end of 2022, posting 26.8% y-o-y growth. ASEAN+3 accounted for 18% of the global total at the end of 2022.

Sustainable Bond Issuance in ASEAN+3 Markets

Sustainable bonds outstanding in ASEAN+3 fell to USD251.2 billion in 2022, on marginal growth of 1.7% compared to 154.2% growth in 2021. The market witnessed improved diversification in terms of market profile and bond type.

Sustainable Bonds Outstanding in Global Markets

Sustainable bonds outstanding worldwide reached USD3.3 trillion at the end of 2022, posting 26.8% y-o-y growth. ASEAN+3 accounted for 18% of the global total at the end of 2022.

Green Bonds (LHS) Social Bonds (LHS) Sustainability Bonds (LHS) Sustainability-Linked Bonds (LHS) Transition Bonds (LHS) HHI for Markets (RHS)

Source: AsianBondsOnline.
ASEAN accounted for 7.9% of the regional sustainable bond market at the end of 2022, exceeding ASEAN’s share of 5.5% in the region’s general bond market.

ASEAN has significant presence in the sustainability bond and sustainability-linked bond market segments, accounting for 21.3% and 14.9% for regional total.

PRC is the largest sustainable bond market in ASEAN+3, accounting for 46.5%, which was slightly higher than its 43.2% share of the region’s general bond market. PRC dominates green and sustainability-linked bond market, comprising 64.3% and 61.0% of regional total.

Korea accounted for a significant 62.4% share of social bonds outstanding.

Japan and Hong Kong, China had substantial shares of transition bonds at 42.9% and 31.3%, respectively.
ASEAN+3’s sustainable bond market has potential for public/semi-public issuance, more LCY bonds, and longer-tenor bonds.

The private sector accounted for 88.9% of regional sustainable bond issuance in 2022. This contrasts its share of 21% in ASEAN+3’s general bond markets. Only major ASEAN-5 markets (Indonesia, Malaysia, the Philippines, Singapore, and Thailand), Hong Kong China, and the Republic of Korea have sovereign issuances.

Despite a higher share of LCY bonds in the total bond market in ASEAN+3 (95.1%) than in the EU (89.2%) by end of 2022, ASEAN+3 has a lower share of LCY bonds outstanding in the sustainable bond market (65.2%) compared to the EU-20 (87.6%).

Local Currency Bonds as a Share of Total Sustainable Bonds in ASEAN+3 and EU Markets, December 2022

Source: AsianBondsOnline.
Efforts needed to boost demand for long-tenor sustainable bonds in ASEAN+3, especially green bonds

ASEAN+3 sustainable bond markets have a high concentration of short-tenor financing, with 81.1% of sustainable bonds issuance having tenors of 5 years or less in 2022, compared with 36.8% in EU20 markets. The average size-weighted tenor of outstanding sustainable bonds in ASEAN+3 was 4.4 years, compared with 7.3 years in the region’s conventional bond market.

Maturity Profiles of ASEAN+3 Sustainable Bond Issuances in 2022

Source: AsianBondsOnline.
The Asia Bond Monitor (ABM) is a quarterly publication released in March, June, September, and November. The report reviews recent developments in emerging East Asian local currency bond markets along with the outlook, risks, and policy options. It also discusses global and regional financial market conditions.

Newsletters:
- The Weekly Debt Highlights
- Monthly Debt Roundup
- The ASEAN+3 Sustainable Bonds Highlights
ABO resources: sustainable bonds webpage
ABO resources: sustainable bond data
ABO resources: ABMI Events

**Workshop on Scaling up Green Finance in Indonesia**

30 November 2022
9:00 AM–16:00 PM (Jakarta time) Le Méridien Jakarta

**Webinar: Easier Capital Raising with Green and Sustainable Labeling**

23 June 2021
09:00 A.M.–11:30 A.M. | Jakarta Time, via Zoom

**Sustainable Bond Market Developments in Emerging East Asia**

29 Nov 2021
13:30–16:30 (via zoom) Phnom Penh time

**Promoting Social Bonds for Impact Investments in Asia**

Social bond markets have grown rapidly around the world during the pandemic. Will these bonds prove to be a useful tool to meet the region’s most urgent social development needs?
Visit AsianBondsOnline at https://asianbondsonline.adb.org

AsianBondsOnline is a one-stop source of information on bond markets in emerging East Asia

asianbonds_info@adb.org
asianbonds_feedback@adb.org
asianbondsonline.adb.org
BUILDING ECOSYSTEM FOR SUSTAINABLE BOND MARKET DEVELOPMENT IN ASEAN+3

Recent Achievements

Kosintr Puongsophol
Asian Development Bank
Email: kpuongsophol@adb.org
ASEAN+3 ASIAN BOND MARKETS INITIATIVE (ABMI)

- ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting (Annual)
- ASEAN+3 Deputy Finance Ministers’ and Deputy Central Bank Governors’ Meeting (Semiannual)
- Chiang Mai Initiative Multilateralization
- Task Force Meetings (Semiannual)
- ABMI Secretariat: Asian Development Bank
- ASEAN+3 Macroeconomic Research Office
- Technical Assistance and Coordination Team

TF1: Supply
- Promoting Issuance of Local Currency Denominated Bonds

TF2: Demand
- Facilitating the Demand of Local Currency Denominated Bonds

TF3: Regulations
- Improving Regulatory Framework

TF4: Infrastructure
- Improving Related Infrastructure for the Bond Market

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For more TA info, please visit: https://www.adb.org/projects/53300-001/main

For more information, please visit:
PRE-CONDITIONS AND SCOPE OF TA SUPPORT

PRE-CONDITIONS:

1. Sustainable bonds to be issued in local currency of ASEAN+3 markets e.g., IDR, SGD
2. The bond should at least align with the ASEAN Green, Social or Sustainability Bond Standards developed by the ASEAN Capital Markets Forum (ACMF), plus other international standards such as Climate Bond Standards and/or ICMA’s sustainable bond principles
3. Issuers should demonstrate willingness to issue sustainable bonds on a regular basis
4. Issuers must be willing to share experience in issuing sustainable bond with ADB so that a case study can be published

SCOPE OF TA SUPPORT:

1. Support issuers in identifying eligible projects/assets that are aligned with international/regional standards and principles
2. Confirm internal process and controls
3. Review draft sustainable bond framework --> create good storyline
4. Engage, facilitate, and seek external review processes with external reviewer and/or approved verifier
5. Participate in roadshow to educate investors, media and press release

HOW TO APPLY:

1. Get in touch with ADB (kpuongsophol@adb.org) and (rsupangan@adb.org) for further discussion

DEVELOP OVERALL ECOSYSTEM: for example, strengthen capacity of local service providers to become an internationally recognized green bond verifier, market awareness and capacity building programs etc
MAJOR ACHIEVEMENTS UNDER PREVIOUS TA
Creating Ecosystems for Sustainable Local Currency Bonds For Infrastructure Development in ASEAN+3 (2020-2022)

- **March 2020**: The TA approved by ADB, financed by the People's Republic of China (PRC) Poverty Reduction and Regional Cooperation Fund.
- **August 2020**: Two local credit rating agencies (TRIS Rating and RAM Sustainability) accredited by the Climate Bonds Initiative (CBI) as green bond verifiers.
- **November 2020**: First social bond by a corporate real sector issuer in ASEAN (TFG) ASEAN+3's sustainable finance initiative presented at COP26.
- **June – July 2020**: Green bond section on AsianBondsOnline launched in collaboration with TF2.
- **November 2021**: First social bond by a corporate real sector issuer in ASEAN (TFG) ASEAN+3's sustainable finance initiative presented at COP26.
- **August 2020**: First green bond verification by RAM Sustainability.
- **December 2021 – February 2022**: Green bond guidance published by ADB Third local CRA accredited by the CBI.
- **October – November 2022**: First green bond in Cambodia approved SPO completed for SME Bank (Launched of ESG deposits) and GHB ASEAN Green Bond Market Survey published.
- **November 2021**: Green bond guidance published by ADB Third local CRA accredited by the CBI.
- **August – September 2022**: Experience sharing session (CPN and Exim) Roundtable with global impact investors (12 Sep) Green bond issued by Exim Bank (9 Sep) Green bond guidance (Cambodian version) TA closure, moving to new phase of sustainable finance TA.

Almost 5,000 people attended over 40 workshops (as of Nov 2022)

More than $800 million mobilized in ESG financing (as of Nov 2022)

## COMPLETED TRANSACTIONS AND KEY DELIVERABLES

<table>
<thead>
<tr>
<th>Country</th>
<th>Issuer</th>
<th>Type</th>
<th>Size (LCY)</th>
<th>Size (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Golden Tree Co Ltd</td>
<td>Green</td>
<td>6,000,000,000</td>
<td>1,460,000</td>
</tr>
<tr>
<td>Philippines</td>
<td>SL Agritech</td>
<td>Social</td>
<td>1,383,000,000</td>
<td>25,402,017</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thaifoods Group</td>
<td>Social</td>
<td>1,000,000,000</td>
<td>30,498,040</td>
</tr>
<tr>
<td>Thailand</td>
<td>Government Savings Bank</td>
<td>Social</td>
<td>10,000,000,000</td>
<td>304,980,400</td>
</tr>
<tr>
<td>Thailand</td>
<td>Exim Bank</td>
<td>Sustainability</td>
<td>5,000,000,000</td>
<td>152,490,200</td>
</tr>
<tr>
<td>Thailand</td>
<td>SME Bank*</td>
<td>Sustainability</td>
<td>1,000,000,000</td>
<td>30,498,040</td>
</tr>
<tr>
<td>Thailand</td>
<td>Central Pattana Group</td>
<td>Green</td>
<td>1,000,000,000</td>
<td>28,870,027</td>
</tr>
<tr>
<td>Thailand</td>
<td>Government Housing Bank</td>
<td>Sustainability</td>
<td>8,500,000,000</td>
<td>283,333,333</td>
</tr>
</tbody>
</table>

**TOTAL**  

857,532,057

---

*ESG Deposits

Exchange rate as of 24 January 2023

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Green Bonds Market Survey Report for Individual Countries can be found at: [Green Bond Market Survey | Asian Development Bank (adb.org)](http://adb.org)
- First social bond under AMBIF and CGIF-guaranteed
  - THB 1 billion ($30 million), 5 years maturity
  - Support job creation and economic advancement in local communities.
  - Subsequently issued two more social bonds totaling THB 1.5 billion

- First green bond by Thailand's real estate and retail industry developer
  - THB 1 billion ($30 million), 3 years maturity
  - Support investments in green projects and achieve the company's 'Journey to Net Zero' plan by 2050.

- First social bond by state-owned financial institution in Thailand
  - THB 10 billion ($295 million), 3 years tenor
  - Support government policies e.g. low-interest loans to grassroots customers to address informal debt; developing occupational capabilities of unemployed etc
  - Significant demand from local investors, leading up to 2 times bid-to-cover ratio
  - Supported in collaboration with ASEAN Catalytic Green Finance facility
  - Included in the ABF index

- First floating-rate green bond by issued under Thai Overnight Repurchase Rate (THOR).
  - THB 5 billion ($150 million), 3- and 4-years maturity
  - Support investment in green projects, particularly solar and wind projects
**COMPLETED TRANSACTIONS**

- First ever green bond will be issued in Cambodia
  - Aligned with the ASEAN green bond standards
  - Approximately $3 million in local currency equivalent
  - Finance EDGE-certified green office building in Phnom Penh

- First local currency-denominated sustainability bond by a financial institution in Thailand
  - Aligned with ASEAN standards
  - THB 8.5 billion ($244 million), 3- and 12-years tenors
  - Supported in collaboration with the ACGF’s Green, Social, Sustainable, and Other Labeled (GSS+) Bonds in Southeast Asia Initiative

- First social bond by a corporate issuer (nonfinancial institution) in the Philippines under the ASEAN social bond standards
  - PHP 2 billion ($≈34 million), 3 years tenor
  - Support contract growing program: rice and hybrid seeds (buyback scheme for rice and hybrid seeds), farmers education program, plant expansion and employment generation

- First ESG deposit program introduced in Thailand
  - Aligned with ASEAN standards
  - THB 1 billion ($≈30 million) deposit program
  - Support projects that fall under the government bio circular and green program
LESSONS LEARNED

- Regulatory guidance is critical
- Issuers often require technical support e.g., project selection, bond framework
- Market ecosystem e.g. selecting right SPO providers
- Market champions can help to accelerate market growth
- Capacity development is required at all levels
GREEN BOND MARKET SURVEY FOR ASEAN:
INSIGHTS INTO INSTITUTIONAL INVESTORS' AND UNDERWRITERS' PERSPECTIVES

In collaboration with Global Green Growth Institute
INTEREST IN INVESTING IN GREEN BOND

INTEREST IN ISSUING GREEN BOND

Brunei Darussalam
Lao PDR
Malaysia
Philippines
Singapore
Thailand
Viet Nam

Not interested at this stage
Exploring, but limited awareness and resources
Interested and developing action plan
Interested and stated in investment mandate
Interested with established portfolios
Other

Not interested
Exploring, but limited awareness and resources
Interested and developing action plan
Interested and will issue within one year
Already issued
Other
SURVEY ON GREEN BONDS AND SUSTAINABLE FINANCE IN ASEAN
Insights on the Perspectives of Institutional Investors and Underwriters

OPTIMAL INVESTMENT SIZE

OPTIMAL ISSUANCE SIZE

- Brunei Darussalam
- Cambodia
- Lao PDR
- Malaysia
- Indonesia
- Philippines
- Singapore
- Thailand
- Viet Nam
SURVEY ON GREEN BONDS AND SUSTAINABLE FINANCE IN ASEAN
Insights on the Perspectives of Institutional Investors and Underwriters

MOST PROMISING SECTORS FOR GREEN BOND INVESTMENT

MOST PROMISING SECTORS FOR GREEN BOND ISSUANCE

- Renewable energy
- Energy efficiency
- Water Management
- Clean transportation
- Sustainable agriculture
- Green buildings
- Waste management and circular economy
- Other

Brunei Darussalam
Lao PDR
Cambodia
Malaysia
Indonesia
Philippines
Singapore
Viet Nam

Brunei Darussalam
Lao PDR
Cambodia
Malaysia
Indonesia
Philippines
Singapore
Viet Nam
Survey on Green Bonds and Sustainable Finance in ASEAN
Insights on the Perspectives of Institutional Investors and Underwriters

Key Obstacles for Investing in Green Bond

- No clear benefits of green bonds as opposed to conventional bonds
- Absence of policy guidance from regulators related to green bonds
- Lack of internal guidance and resources for such type of investment
- Inadequate supply of green bonds or limited green bond issuances
- Higher risk inherent in green bonds
- Other

Key Obstacles for Issuing Green Bond

- No clear benefits of green bonds as opposed to conventional bonds
- Lack of internal guidance and resources to consider new products
- Lack of eligible project pipelines
- Lack of knowledge or awareness on green bonds
- Absence of policy guidance from regulators related to green bonds
- Other
SURVEY ON GREEN BONDS AND SUSTAINABLE FINANCE IN ASEAN
Insights on the Perspectives of Institutional Investors and Underwriters

KEY DRIVERS FOR GREEN BOND INVESTMENT

KEY DRIVERS FOR GREEN BOND ISSUANCE
THANK YOU

FOR FURTHER INFORMATION:

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Recent Developments in Selected ASEAN+3 Markets
The 36th ASEAN+3 Bond Market Forum

1 February 2023, Manila
Things are the same, yet different
The ASEAN Taxonomy for Sustainable Finance (Version 1) was released on 10 November 2021.
Overview of the ASEAN Taxonomy Classification

### Environmental Objectives

1. **Climate change mitigation**
2. **Climate change adaptation**
3. **Protection of healthy ecosystems & biodiversity**
4. **Promote resource resilience and transition to circular economy**

### Essential Criteria

1. **Do no significant harm**
2. **Remedial measures to transition**

### Foundation Framework (FF)
Qualitative based sector-agnostic screening criteria and decision flow

- **Green - FF**
- **Amber - FF**
- **Red - FF**

### Plus Standard (PS)
Threshold-based screening criteria for 6 focus sectors and 3 enabling sectors

#### Focus Sectors
1. Agriculture, forestry & fishing
2. Electricity, gas, steam and air conditioning supply
3. Manufacturing
4. Transportation & storage
5. Water supply, sewerage, waste mgmt.
6. Construction & real estate

#### Enabling Sectors
1. Information & communication
2. Professional, scientific & technical
3. Carbon capture, utilisation & storage

### Tiers
- **Green - PS**
- **Amber - PS**
- **Red - PS**
Plus Standard: Activity-level technical screening criteria

- “Stacked approach” in developing activity-level thresholds.
- There are multiple thresholds per activity at a single point in time, to cater for different starting points of entities across ASEAN undertaking a particular activity.
- Allows for higher emissions for a limited period, while incentivising progression to lower emissions by retiring the less ambitious tiers over time.
- Example of a 3 tier framework using a “stacked approach”:

![Diagram showing a 3 tier framework using a "stacked approach".](image)

- Tier 3: Entry
  - A performance level not meeting T1 but above business as usual and will be retired at an established point in time

- Tier 2: Intermediate
  - A performance level not meeting T1 but contributing significantly, and will be retired at an established point in time

- Tier 1: Advanced
  - This is the tier where the performance level is aligned with global net zero targets and/or Paris Agreement
The ASEAN Taxonomy Has Been Cited Internationally
ASEAN National Sustainable Finance Taxonomies/Guidelines

- Climate Change and Principle–based Taxonomy issued by Bank Negara Malaysia in April 2021
- Classification system for activities that are climate supporting, transitioning and watchlist
- Looks at both economic activities and firm level
- Considers remedial efforts
- Use of proceeds financing can be specifically ‘green’ and transition instruments like SLBs and SLLs will be ‘transition’
- The Securities Commission Malaysia released a public consultation paper on a Sustainable and Responsible Investment Taxonomy in December 2021.

- In January 2021, the Green Finance Industry Taskforce consulted on a taxonomy design
- Uses a traffic lights system
- Design supports transition
- Will allow use of globally used metrics with thresholds assigned to meet country needs
- In May 2022, GFIT released version 2 of the Singapore Taxonomy.
ASEAN National Sustainable Finance Taxonomies/ Guidelines (cont’d)

- One of the five (5) Key Strategic Initiatives of Thailand’s Sustainable Finance Initiatives
- In August 2022, BOT release its Directional Paper on Transitioning towards Environmental Sustainability
- This includes the development of a practical national sustainable finance taxonomy to promote inward investment flows across Thailand’s financial subsectors from domestic and international investors.

- Sustainable Finance Roadmap Phase II (2021-2025) – development of a green taxonomy is one of the priorities
- Necessary to put in place green standards/national taxonomy as a basis for sustainable business and investments
- A taxonomy will also make it easier for business actors to improve quality of risk management
- The taxonomy will accommodate the overall existing guidelines regarding the green sector
- In January 2022, OJK released the Indonesian Taxonomy.
• “Among the changes are the inclusion of the definition, general requirements of green bonds, and potential incentives applicable to eligible issuers which will be specified in the following sub-law documents. A green taxonomy is being developed together with the promulgation of the law. This new law is expected to be introduced in 2022”.

-Hanoi Times  20 June 2022

• Strategic Plans to Develop Sustainable Finance in the Philippines
• 3.2.3 Improving Sustainable Finance Definition and Creation of Principles-based Taxonomy
• The ITSF favors a principles-based instead of a prescriptive taxonomy to ensure that it can easily be adapted to reflect future developments in definitions as to what is considered sustainable.

-The Philippine Sustainable Finance Roadmap
### Regional Interoperability

#### ASEAN Taxonomy Features

<table>
<thead>
<tr>
<th>Pre-Version 1</th>
<th>Post Version 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Negara Malaysia – Climate Change Principle Based Taxonomy</td>
<td>Securities Commission Malaysia – SRI Taxonomy</td>
</tr>
<tr>
<td>Foundation Framework</td>
<td>Foundation Framework</td>
</tr>
<tr>
<td>Singapore Consultation</td>
<td>Indonesia Taxonomy</td>
</tr>
<tr>
<td>Traffic Lights</td>
<td>Traffic Lights</td>
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<tr>
<td></td>
<td>Singapore Version 2</td>
</tr>
<tr>
<td></td>
<td>Traffic Lights/ Plus Standard</td>
</tr>
<tr>
<td></td>
<td>Thailand Taxonomy</td>
</tr>
<tr>
<td></td>
<td>Traffic Lights/ Plus Standard</td>
</tr>
<tr>
<td></td>
<td>Philippines Taxonomy</td>
</tr>
<tr>
<td></td>
<td>Foundation Framework</td>
</tr>
</tbody>
</table>
**ASEAN Taxonomy Key Milestones 2021-2022**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 November 2021</td>
<td>Publication of ASEAN Taxonomy for Sustainable Finance Version 1 (Version 1)</td>
</tr>
<tr>
<td>4 April 2022</td>
<td>ATB endorsement of ASEAN Taxonomy for Sustainable Finance Blueprint</td>
</tr>
<tr>
<td>23 May – 7 June 2022</td>
<td>ATB Stakeholder Consultations (SC) commenced with the Written Feedback phase</td>
</tr>
<tr>
<td>19 August 2022</td>
<td>ATB endorsed the Report for Working Groups to implement next stage of development</td>
</tr>
<tr>
<td>5 August 2022</td>
<td>SC Outcomes and Recommendations Report (Report) draft issued for ATB review</td>
</tr>
<tr>
<td>12 July – 29 July 2022</td>
<td>SC Direct Interviews phase commenced to gather in-depth input from individual stakeholders</td>
</tr>
<tr>
<td>20 June – 6 July 2022</td>
<td>SC Roundtable Sessions included financial institutions, real economy and governmental groupings among others</td>
</tr>
<tr>
<td>Sept 2022 – Q1, 2023</td>
<td>Development of ASEAN Taxonomy Version 2 (Version 2)</td>
</tr>
<tr>
<td>End March 2023</td>
<td>Publication of Version 2</td>
</tr>
</tbody>
</table>
The ASEAN Taxonomy Stakeholder Consultations process was conducted from May to August 2022 to obtain feedback for Version 1 and also insights to develop Version 2. The following were the key issues raised:

01 Interoperability with International Taxonomies

02 Alignment with National Taxonomies

03 Availability, transparency and quality of data

04 Treatment of Social Issues in the ASEAN Taxonomy

05 Tier Setting – References, Basis and Retirement
Thank You
36th ASEAN+3 Bond Market Forum Meeting

BSP’s Sustainable Central Banking Strategy

MS. LYN I. JAVIER
Assistant Governor
Policy and Specialized Supervision Sub-Sector
Financial Supervision Sector
Bangko Sentral ng Pilipinas
OVERARCHING STRATEGY FRAMEWORK
DEVELOPMENT OF SCB STRATEGY

Phase 1
Awareness campaign and capacity building

Phase 2
Vulnerability Assessment Self-Assessment Exercise

Phase 3
In-depth consultations with experts
BSP as Enabler

Enabling Regulations in Place

11-Point Strategic Initiatives

1. Conduct a comprehensive vulnerability assessment of the economy and the financial system
2. Enhance mandatory disclosures of climate-related financial risks by banks
3. Issue guidance on mandatory climate stress testing for banks
4. Integrate environmental and social risks into prudential practices
5. Consider incentives for the promotion of green lending by banks
BSP AS MOBILIZER

- Investment in the BIS Green Bond Fund
- Strategic allocation of investments

11-Point Strategic Initiatives

7. Include sustainability considerations in the BSP’s portfolio and risk management and sign the UN PRI
8. Create a Task Force for Inclusive Green Finance
9. Include climate-related financial disclosures in the BSP’s Annual Report

Source: iStock
BSP as DoER

11-Point Strategic Initiatives

5. Incorporate macroeconomic effects of climate change into monetary policy analysis
10. Adopt sustainable practices for BSP’s facilities and operations
11. Roll-out capacity-building program for all staff in relevant areas

Green Pockets of Initiatives

- Use of energy efficient mechanisms
- Establishment of the New BSP Complex in New Clark City
- Use of polymer notes
- Digitalization of processes and workflows
LOCAL AND GLOBAL ENGAGEMENTS

Green Force

Financial Sector Forum

Other Government Agencies

Financial Sector Supervisors

Member of regional and global organizations

Local and Global Engagements

Green Force

Other Government Agencies

Financial Sector Supervisors

Member of regional and global organizations

INCLUSIVE GREEN FINANCE

Sustainable Banking and Finance Network

NGFS

EMEAP
STRATEGY IMPLEMENTATION

- Capacity building
- Skillset enhancement

- Collaboration with relevant stakeholders

- Contribution to Green Market Development
36\textsuperscript{th} ASEAN+3 Bond Market Forum Meeting

BSP’s
Sustainable Central Banking Strategy

MS. LYN I. JAVIER
Assistant Governor
Policy and Specialized Supervision Sub-Sector
Financial Supervision Sector
Bangko Sentral ng Pilipinas
Sustainable Bond Market in Cambodia

Securities Issuance Supervision Department
Securities Issuance and Disclosure Document Division
1 February 2023
The Securities and Exchange Regulator of Cambodia (SERC) as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. Therefore, the views expressed today are the presenter own views, and do not necessarily reflect the views of the SERC or the other members of the staff of the SERC. Presentations are intended for educational purposes only and do not replace independent professional judgment.
1. Development of Securities Sector
2. Regulations for Debt Securities Offering
3. Issuers
4. Challenges
5. Current Actions
6. Further Actions
1. Development of Securities Sector

- **2008**: SECC
  - Securities Firm & Other players

- **2009**: CSX
  - First Stock listing

- **2011**: SECC
  - Derivative Market

- **2012**: CSX
  - Main board and Growth board
  - Derivative Regulation

- **2015**: SECC
  - Bond Issuance Regulation
  - IOSCO Associate Member
  - Negotiated Trading Method

- **2017**: CSX
  - Bond Issuance Regulation

- **2018**: SECC
  - CIS Regulation (License)
  - First Bond Issuance

- **2019**: CSX
  - Bond Issuance Regulation for QI

- **2020**: SECC
  - Non-Bank Financial Services Authority

- **2021**: CSX
  - First Green Bond Issuance

- **2022**: SECC
  - More Green Bond Issuances including one of a major bank in Cambodia

- **2023**: CSX

- **2024**: ???
2. Regulations for Debt Securities Offering

- Prakas on Public Offering of Debt Securities (2017)
- Prakas on Debt Securities Offering for Qualified Investors (2020)
- Detailed Guidance for Issuing Green Bond in Cambodia (2022)
- Guideline on Issuance of Green, Social and Sustainable Bond (2022)
## 3. Issuers

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issoed Volume</th>
<th>Issuing Price</th>
<th>Issuing Date</th>
<th>Issue term</th>
<th>Coupon Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKL21A#</td>
<td>1,200,000</td>
<td>100,000 KHR</td>
<td>14/11/2018</td>
<td>3 Yrs</td>
<td>8.5%</td>
</tr>
<tr>
<td>LOLC22A#</td>
<td>536,000</td>
<td>100,000 KHR</td>
<td>26/04/2019</td>
<td>3 Yrs</td>
<td>8%</td>
</tr>
<tr>
<td>LOLC22B#</td>
<td>264,000</td>
<td>100,000 KHR</td>
<td>26/04/2019</td>
<td>3 Yrs</td>
<td>9%</td>
</tr>
<tr>
<td>ABAA22A#</td>
<td>848,210</td>
<td>100,000 KHR</td>
<td>14/08/2019</td>
<td>3 Yrs</td>
<td>7.75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Issued Volume</th>
<th>Issuing Price</th>
<th>Issuing Date</th>
<th>Issue term</th>
<th>Coupon Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPCB23B#</td>
<td>400,000</td>
<td>100,000 KHR</td>
<td>22/09/2020</td>
<td>3 Yrs</td>
<td>6.5%</td>
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<tr>
<td>RMAC25A#</td>
<td>800,000</td>
<td>100,000 KHR</td>
<td>09/04/2020</td>
<td>5 Yrs</td>
<td>5.5%</td>
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<tr>
<td>PRA23A#</td>
<td>1,272,000</td>
<td>100,000 KHR</td>
<td>23/04/2020</td>
<td>3 Yrs</td>
<td>7.5%</td>
</tr>
<tr>
<td>TCT26A#</td>
<td>800,000</td>
<td>100,000 KHR</td>
<td>09/09/2021</td>
<td>5 Yrs</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Retired:
- HKL
- LOLC
- LOLC
- ABA

*Note: The table includes details of various issues with their respective issuers, volumes, issuing prices, dates, issue terms, and coupon rates.*
3. Issuers

- **PPCB23A#**
  - Issued Volume: 400,000
  - Issuing Price: 100,000 KHR
  - Issuing Date: 10/04/2020
  - Issue term: 3 Yrs
  - Coupon Rate: 6.5%

- **RRGO27A#**
  - Issued Volume: 492,000
  - Issuing Price: 100,000 KHR
  - Issuing Date: 23/12/2022
  - Issue term: 5 Yrs
  - Coupon Rate: SOFR+3.5% or 5% per annum

- **GT27A#**
  - Issued Volume: 60,721
  - Issuing Price: 100,000 KHR
  - Issuing Date: 06/12/2022
  - Issue term: 5 Yrs
  - Coupon Rate: 7%

- **RRC32A#**
  - Issued Volume: 410,000
  - Issuing Price: 100,000 KHR
  - Issuing Date: 10/10/2022
  - Issue term: 10 Yrs
  - Coupon Rate: 7%

- **RRGT32B#**
  - Issued Volume: 492,000
  - Issuing Price: 100,000 KHR
  - Issuing Date: 23/12/2022
  - Issue term: 10 Yrs
  - Coupon Rate: SOFR+3.5% or 5% per annum and Year 6 to Year 10: SOFR+3.75% or 5% per annum
Golden Tree’s Green Bond

<table>
<thead>
<tr>
<th>Golden Tree (GT27A#)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
</tr>
<tr>
<td><strong>Price</strong></td>
</tr>
<tr>
<td><strong>Issue Date</strong></td>
</tr>
<tr>
<td><strong>Term</strong></td>
</tr>
<tr>
<td><strong>Coupon</strong></td>
</tr>
<tr>
<td><strong>Use of proceeds</strong></td>
</tr>
<tr>
<td><strong>External Reviewer (SPO)</strong></td>
</tr>
<tr>
<td><strong>Underwriter</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Subscriber</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
• Technical Assistance of Asian Development Bank (ADB) in advising on preparation of green bond framework to comply with the ASEAN Green Bond Standards and introducing to external reviewer (DNV GL) to provide Second Party Opinion

• Follow “Detailed Guidance for Issuing Green Bond in Cambodia” co-prepared by ADB and SERC, “Guideline on Issuance of Green, Social and Sustainable Bond” by SERC and “ASEAN Green Bond Standards”

• Further fulfilling requirements to get ASEAN Green Bond Label
4. Challenges

- New for Cambodia
- Limited awareness & understanding
- Market access cost
- Limited number of investor
5. Current Actions

- Improve public awareness on bond issuance and especially green bond
- Preparing relevant regulations/guidelines to facilitate and enhance the understanding of such bonds issuance process in Cambodia
- Reviewing ongoing applications for green bond issuances
6. Further Actions

➢ Promote green, social and sustainable bond issuance as well as ESG disclosure
➢ Continue raising public awareness to attract more investors
➢ Strengthen interagency cooperation via MOU with development partners (local, regional, and international ones: ADB, WB, UN,...)

➢ Build capacity by:
  • Providing on-going capacity building trainings for SERC officials and stakeholders
  • Other capacity building programs such as oversea OJT, study visit, diploma program, scholarships
THANKS FOR YOUR ATTENTION
Future Directions on Sustainable Finance under ABMI TF1
STRENGTHENING ECOSYSTEM FOR SUSTAINABLE BOND MARKET DEVELOPMENT IN ASEAN+3

Future Directions on Sustainable Finance under ABMI TF1

Kosintr Puongsophol
Asian Development Bank
Email: kpuongsophol@adb.org
DESPITE SIGNIFICANT MARKET EXPANSION, SUSTAINABLE BOND MARKET IS STILL EXTREMELY SMALL …..

Source: AsianBondsOnline computations based on Bloomberg LP data.
..WITH LIMITED VARIETY OF BOND TYPES IN CERTAIN MARKETS

**SHARE OF GREEN, SOCIAL AND SUSTAINABILITY BONDS OUTSTANDING BY COUNTRY**

Source: AsianBondsOnline computations based on Bloomberg LP data.
NEXT STEP AND ACTION PLANS FOR TASK FORCE 1

1. Proposed new technical assistance on Strengthening Ecosystem for Sustainable Finance Development in ASEAN+3

2. Major outputs under the new TA:
   - Advisory support to increase supply of sustainable finance products provided.
   - Knowledge support for policymakers and relevant stakeholders provided.
   - Green and/or blue project catalogue for financial institutions developed.

3. TA Duration: 2 years
4. TA Budget: $750,000
THE NEW TA WILL FOCUS ON ACHIEVING THE FOLLOWING OBJECTIVES:

1. **More issuances:** promote greater sustainable bond issuances in the ASEAN+3 region to meet rising investor demand through hands-on assistance and collaboration with CGIF, relevant ADB departments and development partners.

2. **More products:** expand the scope of sustainable finance products to include innovative products such as sustainability-linked bonds, blue bonds, transition bonds, green/social/sustainable deposit schemes, green/social loans that are beyond the bond market.

3. **More inclusive and greater accessibility:** enhance the capacity and role of financial institutions to mobilize private and public capital to support sustainable investments by their clients, especially SMEs.

4. **More efficient ecosystem:** promote the development of local green bond verifiers, sustainability disclosures, and regulatory framework that is practical and consistent with international development, taking into account market participant feedback through regular market surveys.
PROPOSED NEW SUSTAINABLE FINANCE TA (2023-2024)
Strengthening Ecosystem for Sustainable Finance Development in ASEAN+3

KEY ACTIVITIES

1. Greater support to financial institutions and SMEs: the proposed TA will emphasize support for financial institutions by providing green/social loans to SMEs, including helping SMEs go green.

2. Promote product innovations and inclusivity: Financial institutions can finance green/social loans with sustainable bonds and/or innovative sustainable deposit schemes. This would enable all relevant stakeholders (borrowers, investors, retail depositors) to promote sustainability, thereby rendering sustainable finance products more accessible and affordable. Other ESG-themed bonds (blue, SLB, transition) will be explored.

3. Better disclosure and greater transparency:
   - Collaborate with regulators and stock exchanges to promote greater ESG impact disclosure and promote adoption of the Task Force on Climate Related Financial Disclosures recommendations.
   - Pilot ESG rating for listed companies/sustainable bond issuers and identify areas for improvements. This will be conducted in collaboration with international rating agencies.

4. Advance market ecosystem: Continue to provide hand-holding support to potential sustainable bond issuers, including financial institutions, and strengthen capacity of local verifiers. Continue the regulatory support and knowledge support, including the sustainable finance survey.
THANK YOU

FOR FURTHER INFORMATION:

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SESSION 2 – Panel Discussion

Market Perspectives - Future Directions of Sustainable Finance in ASEAN+3

- Ms. Ariya Tiranaprakij, Senior Executive Vice President, Thai Bond Market Association
- Ms. Ivy Lau, Head of Sustainable Finance, Mizuho Securities Asia Limited
- Mr. Jason Mortimer, Head of Sustainable Finance – Fixed Income, Nomura Asset Management
- Mr. Kelvin Lester K. Lee, Commissioner, Securities and Exchange Commission, Philippines
- Mr. Mitsuhiro Yamawaki, Deputy Chief Executive Officer / Chief Risk Officer, Credit Guarantee and Investment Facility

Moderator: Mr. Kosittr Puongsophol, Financial Sector Specialist, ADB
Development of ESG bonds in Thailand

Ariya Tiranaprakij
Senior Executive Vice President
Thai Bond Market Association
ESG bonds in Thailand

**Green Bond**
➢ The bonds where the proceeds are used to finance green projects.

**Social Bond**
➢ The bonds where the proceeds are used to finance social projects.

**Sustainability Bond**
➢ The bonds where the proceeds are used to finance a combination of green and social projects.

**Sustainability-Linked Bond**
➢ The bond that offers flexibility in use of proceeds
➢ the bond is linked to overall corporate sustainability performance, rather than to specific sustainable projects.
ESG bond in Thailand has grown impressively from THB10 million (USD 0.3 billion) to THB 501 billion (USD15 billion) by end2022. It represented 3.2% of total bond market outstanding.
The First Sustainability Bond by MOF

<table>
<thead>
<tr>
<th>Use of Proceeds</th>
<th>Project Details</th>
<th>Amount</th>
<th>Eligible Categories</th>
<th>Alignment with UN SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRT Orange Line</td>
<td>• Refinancing the capital expenditures of the Mass Rail Transit (MRT) Orange Line (East) Project, a mass rapid transit line (for electric train) between Thailand Cultural Centre and Min Buri (Suwinthawong)</td>
<td>THB 10,000 million</td>
<td></td>
<td>Green</td>
</tr>
<tr>
<td></td>
<td>• Project Objectives: To reduce traffic congestion from the limited roads surface by reduce the use of cars and help save budget on oil import and reserves.</td>
<td></td>
<td>Clean Transportation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Total Distance: 35.9 km.</td>
<td></td>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Rail System: Heavy Rail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Total Investment: THB 113,279 million</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COVID-19 Financing</td>
<td>• Financing and/or refinancing the expenditures for COVID-19 Rehabilitation Package</td>
<td>THB [10,000 – 20,000] million</td>
<td></td>
<td>Social</td>
</tr>
<tr>
<td></td>
<td>• Total Budget: THB 1,000,000 million</td>
<td></td>
<td>Healthcare (Access to essential services)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Public health-related spending (THB 50,000 million)</td>
<td></td>
<td>Employment Generation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• SME support and cash handout remedy to people affected by the outbreak (THB 550,000 million)</td>
<td></td>
<td>Employment generation including</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Economic activities restoration &amp; local public infrastructure development (THB 400,000 million)</td>
<td></td>
<td>potential effect of SME financing and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>microfinance</td>
<td></td>
</tr>
</tbody>
</table>
ESG bonds issuance in Thailand by Government and Corporate sector

No. of Issuer

<table>
<thead>
<tr>
<th></th>
<th>Gov./Gov. agency</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2019</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2020</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2021</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>2022</td>
<td>3</td>
<td>13</td>
</tr>
</tbody>
</table>

Gov. = Government Bonds + State Own Enterprise Bond
Samples of ESG bonds issuer in Thailand

**Green Bond**
- Reforestation project
- Environmental friendly car hire purchases
- Renewable energy project
- Loan to reforestation projects
- Renewable energy project

**Sustainability Bond**
- Relief measures to mitigate the social and economic impacts from COVID19
- Housing development projects
- Mass transit system
- Financing green projects

**Social Bond**
- Housing development projects
- Support local farmers

**ESG Bonds**
- Reduce CO2 emissions and increase clean energy usage
- Reduce CO2 emissions and PET bottle recycle projects
- Reduce CO2 emissions and setup fishing vessel inspection system
- Mass transit system

**SLB**
- SLB (Social Bond)
- Social Bond

**BTS**
- Mass Transit System

**B.G.R.I.M. since 1878**
- B.G.R.I.M.

**Energy Absolute**
- Energy Absolute
Outstanding of ESG bonds from corporate sector totaled THB 192 billion (USD 5.8 billion), accounted for 4% of total corporate bond.
Green, Social & Sustainability Information Platform

<table>
<thead>
<tr>
<th>Issuer Name</th>
<th>ThaBMA Symbol</th>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>TTM (Yrs)</th>
<th>Coup. (%)</th>
<th>Rating</th>
<th>Outstanding (Mil.)</th>
<th>Currency</th>
<th>Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES</td>
<td>BAAC256A PP0</td>
<td>19-Aug-2020</td>
<td>19-Aug-2025</td>
<td>2.56</td>
<td>1.76</td>
<td>AAA(tha)/FT- (Thailand)</td>
<td>1450.00</td>
<td>THB</td>
<td>ASEAN-GBS, IMA-CLP</td>
</tr>
<tr>
<td>BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVES</td>
<td>BAAC306A PP0</td>
<td>19-Aug-2020</td>
<td>19-Aug-2030</td>
<td>7.56</td>
<td>2.76</td>
<td>AAA(tha)/FT- (Thailand)</td>
<td>1500.00</td>
<td>THB</td>
<td>ASEAN-GBS, IMA-CLP</td>
</tr>
<tr>
<td>EXPORT-IMPORT BANK OF THAILAND</td>
<td>EXIM259A II/HNW</td>
<td>09-Sep-2022</td>
<td>09-Sep-2025</td>
<td>2.62</td>
<td>2.25</td>
<td>AAA(tha)/FT- (Thailand)</td>
<td>3000.00</td>
<td>THB</td>
<td>Ioma-GBP, ASEAN-GBS, DLP</td>
</tr>
<tr>
<td>EXPORT-IMPORT BANK OF THAILAND</td>
<td>EXIM269A II/HNW</td>
<td>09-Sep-2022</td>
<td>09-Sep-2026</td>
<td>3.62</td>
<td>1.83391</td>
<td>AAA(tha)/FT- (Thailand)</td>
<td>2000.00</td>
<td>THB</td>
<td>Ioma-GBP, ASEAN-GBS, DLP</td>
</tr>
</tbody>
</table>

Long-term Corporate Bonds

<table>
<thead>
<tr>
<th>Issuer Name</th>
<th>ThaBMA Symbol</th>
<th>Issue Date</th>
<th>Maturity Date</th>
<th>TTM (Yrs)</th>
<th>Coup. (%)</th>
<th>Rating</th>
<th>Outstanding (Mil.)</th>
<th>Currency</th>
<th>Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDGE GROUP HOLDINGS PUBLIC COMPANY LIMITED</td>
<td>EDG264A II/HNW</td>
<td>24-May-2019</td>
<td>24-May-2024</td>
<td>1.32</td>
<td>3.15</td>
<td>A/TRIS</td>
<td>3000.00</td>
<td>THB</td>
<td>CBS, ASEAN-GBS, IMA-CLP</td>
</tr>
<tr>
<td>BTS GROUP HOLDINGS PUBLIC COMPANY LIMITED</td>
<td>BTS2026A II/HNW</td>
<td>24-May-2019</td>
<td>24-May-2026</td>
<td>3.32</td>
<td>3.57</td>
<td>A/TRIS</td>
<td>2700.00</td>
<td>THB</td>
<td>CBS, ASEAN-GBS, IMA-CLP</td>
</tr>
<tr>
<td>BTS GROUP HOLDINGS PUBLIC COMPANY LIMITED</td>
<td>BTS2026A II/HNW</td>
<td>24-May-2019</td>
<td>24-May-2029</td>
<td>6.33</td>
<td>3.86</td>
<td>A/TRIS</td>
<td>5000.00</td>
<td>THB</td>
<td>CBS, ASEAN-GBS, IMA-CLP</td>
</tr>
</tbody>
</table>

http://www.thaibma.or.th/EN/BondInfo/ESG.aspx
ESG principles, Standards, Guidelines
Supporting measures (Cont.)

ThaiBMA’s ESG Bond Index

https://www.thaibma.or.th/EN/Market/Index/ESGIndex.aspx

<table>
<thead>
<tr>
<th>Type</th>
<th>Clean Price</th>
<th>chg. (point)</th>
<th>Gross Price</th>
<th>chg. (point)</th>
<th>Total Return</th>
<th>chg. (point)</th>
<th>Yield</th>
<th>Duration</th>
<th>Convexity</th>
<th>Average TimeTo Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG Bond Index</td>
<td>85.20</td>
<td>0.16</td>
<td>85.41</td>
<td>0.17</td>
<td>87.97</td>
<td>0.17</td>
<td>3.42</td>
<td>8.91</td>
<td>106.32</td>
<td>10.59</td>
</tr>
<tr>
<td>Group 1 ( 1 &lt; TTM &lt;= 3 )</td>
<td>98.84</td>
<td>0.03</td>
<td>98.95</td>
<td>0.03</td>
<td>101.83</td>
<td>0.03</td>
<td>2.36</td>
<td>2.20</td>
<td>6.43</td>
<td>2.29</td>
</tr>
<tr>
<td>Group 2 ( 3 &lt; TTM &lt;= 7 )</td>
<td>95.13</td>
<td>0.07</td>
<td>95.55</td>
<td>0.08</td>
<td>98.52</td>
<td>0.08</td>
<td>3.30</td>
<td>4.31</td>
<td>22.69</td>
<td>4.69</td>
</tr>
<tr>
<td>Group 3 ( 7 &lt; TTM &lt;= 10 )</td>
<td>92.94</td>
<td>0.21</td>
<td>93.53</td>
<td>0.22</td>
<td>97.47</td>
<td>0.23</td>
<td>3.84</td>
<td>7.36</td>
<td>63.32</td>
<td>8.62</td>
</tr>
<tr>
<td>Group 4 (TTM &gt; 10)</td>
<td>79.30</td>
<td>0.20</td>
<td>79.41</td>
<td>0.20</td>
<td>81.59</td>
<td>0.21</td>
<td>3.44</td>
<td>11.66</td>
<td>153.32</td>
<td>13.45</td>
</tr>
<tr>
<td>Government Bond ESG Index</td>
<td>78.67</td>
<td>0.19</td>
<td>78.73</td>
<td>0.19</td>
<td>80.80</td>
<td>0.20</td>
<td>3.38</td>
<td>11.78</td>
<td>155.59</td>
<td>13.47</td>
</tr>
<tr>
<td>SOE Bond ESG Index</td>
<td>89.14</td>
<td>0.09</td>
<td>89.47</td>
<td>0.10</td>
<td>91.52</td>
<td>0.10</td>
<td>2.80</td>
<td>4.80</td>
<td>34.38</td>
<td>5.39</td>
</tr>
<tr>
<td>Corporate Bond ESG Index</td>
<td>94.85</td>
<td>0.12</td>
<td>95.34</td>
<td>0.13</td>
<td>98.91</td>
<td>0.13</td>
<td>3.75</td>
<td>5.03</td>
<td>40.33</td>
<td>5.98</td>
</tr>
<tr>
<td>Group 1 ( 1 &lt; TTM &lt;= 3 )</td>
<td>98.85</td>
<td>0.02</td>
<td>99.07</td>
<td>0.03</td>
<td>101.84</td>
<td>0.03</td>
<td>2.51</td>
<td>1.91</td>
<td>4.98</td>
<td>1.99</td>
</tr>
<tr>
<td>Group 2 ( 3 &lt; TTM &lt;= 7 )</td>
<td>95.93</td>
<td>0.07</td>
<td>96.33</td>
<td>0.08</td>
<td>99.85</td>
<td>0.08</td>
<td>3.48</td>
<td>4.38</td>
<td>23.35</td>
<td>4.80</td>
</tr>
<tr>
<td>Group 3 ( 7 &lt; TTM &lt;= 10 )</td>
<td>94.15</td>
<td>0.22</td>
<td>94.74</td>
<td>0.23</td>
<td>99.16</td>
<td>0.24</td>
<td>3.97</td>
<td>7.35</td>
<td>63.68</td>
<td>8.71</td>
</tr>
<tr>
<td>Group 4 (TTM &gt; 10)</td>
<td>86.01</td>
<td>0.29</td>
<td>86.67</td>
<td>0.30</td>
<td>90.32</td>
<td>0.31</td>
<td>4.29</td>
<td>10.17</td>
<td>126.17</td>
<td>13.16</td>
</tr>
</tbody>
</table>
SEC waived approval fee and filing fees for Green, Social, Sustainability and Sustainability-linked bonds issued between May 2019 and May 2022.

- Previously, an issuer of such bonds is required to pay the approval fee of 10,000 baht for HNW or 30,000 baht for PO.
- Filing fee of 50,000 baht for HNW and PO.

On 1 June 2022,

- Extension of this incentive through 31 May 2025.
- Removed restrictions on the use of proceeds from ESG bonds must be used in Thailand and neighboring countries.
Thank you

www.thaibma.or.th
Facebook: thaibma
36th ABMF - Day 1
SESSION 3
AMBIF and Publication Update

ADB Secretariat
Satoru Yamadera, Advisor, ADB
Prof. Shigehito Inukai, ADB consultant
Matthias Schmidt, ADB consultant
Contents

I. AMBIF: Quick Recap
II. AMBIF Update
III. Bond Market Guides (BMGs): Quick Recap
IV. Planned Bond Market Guides or BMG updates
V. Possible Future Focus: Asset Digitalization

Q&A (after Session 4)
I. AMBIF: Quick Recap

- ASEAN+3 Multi-Currency Bond Issuance Framework
- Developed since 2013, first issuance in 2015
- 7 participating markets
- AMBIF Implementation Guidelines to facilitate issuances
- Single Submission Form
  - Based on information memorandum concept
  - Reviewed, acknowledged, approved, consented to by regulators
- CGIF uses AMBIF bond framework and documentation format in participating markets
II. AMBIF: Update

• Number of AMBIF issuances: 14, including 3 sustainability bonds (details on next slide)
• Korea a possible inclusion in AMBIF in 2023
• Consequently, KOFIA and ADB Secretariat to work on AMBIF Implementation Guidelines for Korea
• Review of Single Submission Form
  • Update on markets, processes, sections as necessary
  • Possible inclusion of ESG information
• Work in relation to Indonesia participation continues
• Discussion for inclusion of Lao PDR has begun
## II. AMBIF Bond Issuance List (as of 17 Jan 2023)

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Sector</th>
<th>Currency and Amount</th>
<th>Tenure</th>
<th>Issuance Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mizuho Bank, Ltd.</td>
<td>Financials (Banking)</td>
<td>THB3.0 billion</td>
<td>3 years</td>
<td>28 Sep 2015</td>
</tr>
<tr>
<td>2 Hattha Kaksekar Limited</td>
<td>Financials (Consumer Finance)</td>
<td>KHR120.0 billion</td>
<td>3 years</td>
<td>14 Nov 2018</td>
</tr>
<tr>
<td>3 AEON Credit Services (Philippines) Inc.*</td>
<td>Financials (Consumer Finance)</td>
<td>PHP900.0 million</td>
<td>3 years</td>
<td>16 Nov 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PHP100.0 million</td>
<td>5 years</td>
<td>16 Nov 2018</td>
</tr>
<tr>
<td>4 CJ Logistics Asia Pte. Ltd.*</td>
<td>Logistics</td>
<td>SGD70.0 million</td>
<td>5 years</td>
<td>25 Mar 2019</td>
</tr>
<tr>
<td>5 Nexus International School (Singapore) Pte.Ltd.*</td>
<td>Education</td>
<td>SGD150.0 million</td>
<td>12 years</td>
<td>3 Dec 2019</td>
</tr>
<tr>
<td>6 Thaifoods Group Plc*</td>
<td>Food Products</td>
<td>THB2.0 billion</td>
<td>5 years</td>
<td>16 Nov 2018</td>
</tr>
<tr>
<td></td>
<td></td>
<td>THB1.0 billion</td>
<td>5 years</td>
<td>16 Nov 2018</td>
</tr>
<tr>
<td>7 RMA (Cambodia) Plc*</td>
<td>Consumer Discretionary (Specialty Retail)</td>
<td>KHR80.0 billion</td>
<td>5 years</td>
<td>9 Apr 2020</td>
</tr>
<tr>
<td>8 Prasac Microfinance Institution Plc*</td>
<td>Financials (Micro Finance)</td>
<td>KHR127.2 billion</td>
<td>3 years</td>
<td>23 Apr 2020</td>
</tr>
<tr>
<td>9 GLP Pte. Ltd.*</td>
<td>Real Estate Management &amp; Development</td>
<td>JPY15.4 billion</td>
<td>9 years</td>
<td>24 Dec 2020</td>
</tr>
<tr>
<td>10 JWD InfoLogistics Public Company Limited*</td>
<td>Logistics</td>
<td>THB700.0 million under THB1.9 billion Guaranteed Bonds Program</td>
<td>5 years</td>
<td>5 Mar 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>THB1.2 billion (second tranche)</td>
<td>9 years</td>
<td>1 Dec 2021</td>
</tr>
<tr>
<td>11 Hanwha Solutions Corporation*</td>
<td>Information Technology</td>
<td>CNH1.0 billion</td>
<td>3 years</td>
<td>19 Apr 2021</td>
</tr>
<tr>
<td>12 Hanwha Q Cells Malaysia Sdn. Bhd.*</td>
<td>Information Technology</td>
<td>MYR150.0 million</td>
<td>3 years</td>
<td>1 Sep 2021</td>
</tr>
<tr>
<td>13 China Education Group Holdings Limited*</td>
<td>Education</td>
<td>CNH500.0 million</td>
<td>3 years</td>
<td>22 Mar 2022</td>
</tr>
<tr>
<td>14 First Real Estate Investment Trust*</td>
<td>Healthcare</td>
<td>SGD100.0 million</td>
<td>5 years</td>
<td>7 Apr 2022</td>
</tr>
</tbody>
</table>

CNH = offshore Chinese yuan, KHR = Cambodian riel, JPY = Japanese yen, MYR = Malaysian ringgit, PHP = Philippine peso, SGD = Singapore dollar, THB = Thai baht.

* Guaranteed by the Credit Guarantee and Investment Facility.


https://asianbondsonline.adb.org/ambif.php#bond-issuance
III. Bond Market Guides: Quick Recap

- Officially: "ASEAN+3 Bond Market Guide(s)"
- First issued in 2012 as a single document (10 markets)
- Objective: to address and correct misperceptions about regional bond markets, market access, practices
- Only authoritative bond market reference (reviewed and approved or consented to by authorities)
- From 2015, issuance of market-specific BMGs
- Since issued for 14 economies in ASEAN+3 [CN (2), HK]
- BMGs now an ADB flagship publication series
IV. Planned Bond Market Guides (BMGs)

• Now that backlog of work caused by the pandemic may slowly normalize, ADB Secretariat and ABMF members can resume usual collaboration on BMGs
• This can still be done via MS Teams or Zoom, carried out via questionnaires and responses, and supplemented by face-to-face meetings, as may be practical
• The same applies to AMBIF Implementation Guidelines
IV. Planned BMGs or BMG Updates

• ABMF members are encouraged to approach ADB Secretariat on the need to update publications (also for Implementation Guidelines), as may be necessary

• Particularly if changes have occurred in relation to
  • Key legislation (securities law)
  • Regulatory environment (regulators or regulations)
  • Market institutions (new functions, participants)
  • Market practices or processes

• BMGs can be revised as a new version (in full) or as an update

• New BMG follows latest template; BMG update: revisions only

• Further inclusions considered: see WG-CCML subjects
IV. Planned BMGs or BMG Updates

• ADB Secretariat had been looking into compiling a new BMG for Brunei Darussalam, now working with BDCB on defining level of detail; this BMG may be the first version to include details on payments subjects
• Work has begun on Cambodia BMG update; SERC providing input
• Multiple iterations of law and regulation changes may make a Viet Nam BMG revision practical
• KOFIA, other KR constituents, ADB Secretariat to consider BMG update
• A possible update to the Singapore BMG is under consideration (also due to impending changes to digital asset legislation)
• A new version of a Japan BMG is also under consideration (due to recent changes in related laws, including digital asset legislation; see next slide)
V. Possible Future Focus: Asset Digitalization

• Technology is unbundling traditional finance. Financial Asset Digitalization may change existing channels of capital flows in this region. Thus, it may create opportunities as well as challenges.

• It is expected that the use of emerging financial technologies, such as distributed ledger technology (DLT) and blockchain, will change financial transactions, existing financial operations, and the economic landscape in the region significantly.

• Deepening regional financial cooperation and promoting the recycling of funds under the new emerging trends, such as financial asset digitalization/tokenization of securities and sustainable finance, requires strategic approaches.
V. Possible Future Focus: Asset Digitalization

• Globally, markets have started to embed asset digitalization in capital market legislation, led by Japan (May 2020), Switzerland (Sep 2020) and Germany (June 2021)

• Japan has enacted legislation to recognize digital securities tokens (May 2020)

• FSC Korea seeking enactment of framework law on digital assets, formed a private-public joint task force on 17 Aug 2022

• Singapore expected to formally add digital securities to digital cash tokens

• UNIDROIT* currently formulating *Principles on Digital Assets*; Principle 4 details “linked assets,” supposing that a particular link between a digital asset (e.g., securities token) and an existing asset (e.g., book-entry bond) may be sufficiently proven and if so, the legal effect of the digital asset may depend on the law regulating the existing asset

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* UNIDROIT is an intergovernmental organization whose objective is to harmonize international private law across countries through uniform rules, international conventions, and the production of model laws, sets of principles, guides and guidelines. (Courtesy of Wikipedia)
The Role of ABMF

• As with other subjects, ABMF can provide a place for discussion among public sector policymakers, regulators and private sector professionals

• ABMF, through ADB Secretariat, can monitor global initiatives and report to members on notable developments

• ABMF can provide an Asian voice, in the form of input, feedback and other contributions to the global discussion and development

• It would be desirable to consider promoting digital transformation regionally to create more opportunities for new financial products/digital assets and enhance cross-border financial transactions

• Asset digitalization will be a focus topic at the ABMF Meeting in Japan
THANK YOU!

ABMF SECRETARIAT

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SESSION 4

Development of professional investors-only bond market

- Introduction of ABMF Brief series by ADB Secretariat
- Country case study: Mongolia by Mr. Dulguun Battulga, Director General, Securities Market Department, Financial Regulatory Commission of Mongolia
36th ABMF - Day 1
SESSION 4 (Part 1)

Development of Professional
Investors-only Bond Market

ADB Secretariat
Satoru Yamadera, Advisor, ADB
Prof. Shigeito Inukai, ADB consultant
Matthias Schmidt, ADB consultant
Contents

I. WG-CCML: Quick Recap
II. WG-CCML: Introduction of ABMF Brief series
III. Q&A (after Mongolia Session)
I. WG-CCML: Quick Recap

Working Group on Comparative Capital Market Law & Regulations

• Aimed at development of professional investors-only bond markets
• Intended to bring together ABMF constituents and market or subject matter experts on topics of common interest or shared challenges
• Objective of sharing accumulated ABMF material and knowledge
• Objective of formulating policy recommendations for stakeholders

• However, pandemic made constituting meetings difficult
• Hence, ADB Secretariat tried to develop key subjects for further study before inviting members to contribute
II. Introduction of ABMF Brief Series

• Evolved from planned WG-CCML Working Papers
  • No longer looking at law journal article (limited relevant readership)
  • Instead hoping to share insights, opinions, policy recommendations
• Different approach from BMGs, Implementation Guidelines
• But using the vast material accumulated during 12 years of ABMF work
• Using dedicated format on basis of established ADB Brief series
  • Each dedicated to a specific topic or subject
  • About 10-12 pages each
  • At this stage, more than 10 issues envisaged
• Initial Briefs were circulated among some ABMF members, interested parties to gain feedback on style, messaging
II. ABMF Briefs Published (31 Jan 2023)

**HIGHLIGHTS**

- Bonds have different characteristics from equities which necessitate a dedicated regulatory framework, including for the professional bond market.
- A professional bond market comprising only professional market participants, including professional investors, is an indispensable tool in developing a well-functioning, liquid, and attractive regional bond and capital market.
- By limiting investors to professional investors only, it is possible to create a bond market with a simple, concise, and effective information disclosure system.
- The introduction of the ASEAN+3 Multi-Currency Bond Issuance Framework by the Asian Development Bank and the ASEAN+3 Bond Market Forum illustrates that existing, typical bond market components can be combined to create a useful professional market concept in any market over time and that the ASEAN+3 Multi-Currency Bond Issuance Framework can act as a nexus to connect regional markets.

Introduction

The ASEAN+3 Bond Market Forum (ABMF) Brief series aims to provide insights on professional bond markets, their development, and necessary or desirable components to issuers, investors, market intermediaries, regulatory authorities and policymakers, academics, and other interested parties.1

In this first edition of the series, the ABMF team will cover the characteristics of bonds and the bond market, the distinctions between professional bond markets and bond markets open to all investors, and briefly look at the facets and features of a professional bond market in an easy-to-understand manner.2 One main objective of this inaugural Brief is to familiarize readers with the critical concept of and terminology associated with professional bond markets. Subsequent Briefs will each focus on specific subjects and explain relevant aspects of professional bond markets.

This ABMF Brief series may not be published at regular intervals but instead issued in clusters, as many of the topics relating to professional bond markets are closely connected. At the same time, the ABMF team has been seeking collaboration with and contributions from bond market and other subject matter (e.g., legal, regulatory) experts on market best practices. Hence, briefs on individual subjects may be published when they are ready.

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1 The ABMF team is comprised by: Satoko Yamanaka, Advisor; Economic Research and Regional Cooperation Department, Shigeki Ishii, consultant; and Matthias Schmidt, consultant, with input and expertise from ABMF members and other subject matter experts. ABMF is an initiative of the Association of Southeast Asian Nations (ASEAN) plus the People’s Republic of China, Japan, and the Republic of Korea.

2 This Brief series will use the term “bond market” as the market for debt instruments with a maturity of more than 1 year, in contrast to the money market, which centers on debt instruments with a tenure of less than 1 year. At the same time, some markets in the region may regard commercial paper or similar products, being debt instruments with a tenure of less than 1 year, as bonds in terms of trading statistics and for tracking in the bond market.
II. ABMF Briefs Published (31 Jan 2023)

**HIGHLIGHTS**

➔ The concept of professional investors is formed and stipulated by the relevant securities or capital market law(s) and/or regulations from the viewpoint of ensuring regulatory flexibility and creating a conducive environment for the bond market as a genuine financing and investment option.

➔ When professional investors do business with other professional investors, the strict investor protection measures designated for nonprofessionals need not be applied.

➔ Institutional investors make up the key professional investor categories and represent the vast majority of investments and holdings in the bond market.

➔ Creating and developing a specified market (or segment) for professional investors, including the nurturing of professional investors, is especially important for the sustainable development of the financial and capital market in every economy and the region to which it belongs.

➔ The implementation of a professional investor concept and its definitions are only complete if robust selling and transfer restrictions are defined to ringfence the professional bond market from investors that are not professionals.

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**Introduction**

The ASEAN+3 Bond Market Forum (ABMF) Brief series aims to provide insights on professional bond markets, their development, and necessary or desirable components to issuers, investors, market intermediaries, regulatory authorities, and policymakers. The first brief in this series provided a general introduction to the professional bond market in ASEAN+3. It also mentioned professional investors as a key component of a professional bond market and touched on their characteristics. This brief is dedicated to explaining the concept of professional investors, starting from their definition, types, and categories, as well as their role in the bond market. We will also cover the underlying legal and regulatory frameworks, qualifications, and eligibility criteria for professional investors. In addition, we explain how they obtain, maintain, or change their professional investor status and elaborate on measures to distinguish the professional bond market. The different types and attributes of professional investor concepts in individual ASEAN+3 economies are also explained in this brief.

**Professional Investor Concepts**

Professional investors are defined and categorized by their roles, rights, and obligations. While professional investor concepts may not be limited to the bond market, they are essential for the bond market because bond denominations and trade sizes are much larger than equities. Professional investor concepts become relevant in relation to any concessions from public offering market practices.

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1. ASEAN+3 refers to the six members of the Association of Southeast Asian Nations plus the People’s Republic of China, Japan, and the Republic of Korea.
II. ABMF Briefs in Production

Brief 3 - Fundamentals of Disclosure
- Initial vs continuous
- Full vs defined
- Timely disclosure
- Thematic bonds
- Disclosure components
- Disclosure items (example on next page)
- Disclosure channels

Brief 4 - Disclosure Details
- Key disclosure documents
- AMBIF / Single Submission Form
- Profile listing
- Overview of disclosure items in ASEAN+3
- Regional disclosure practices
II. ABMF Briefs: Glimpse on Disclosure Items

<table>
<thead>
<tr>
<th>Table [1] – Issuance Documents for Bonds aimed at Professional Investors in ASEAN+3 Bond Markets or Market Segments</th>
</tr>
</thead>
</table>

| Economy | Professional Market or Market Segment | Cover Letter | Application Form | Certificate of Incorporation | Business License | The Compliance | Articles of Association | Authorised Signatories List | CIs of BdB, Sector | CIs of BdB, Sector | Board Resolution or Shareholder Resolution | FX Rules, Related Permit | Certification of Exempt Securities | Notification to Authority | Confirmation from Authorities | (Oof’s) Announcement | Key Disclosures | Terms & Conditions | Subscription Agreement | Annual Report | Confirmation of Transfer Restrictions (with issuance Process) | Issuer Statement of Issuance | Issuer Statement of Change of No. Material Change of Adequate Ratios |
|---|
| Int’l (Reference) | | | | | | | | | | | | | | | | | | | | | | |
| BR | Offers to SI | | | | | | | | | | | | | | | | | | | | | |
| KH | PO to Prof | | | | | | | | | | | | | | | | | | | | | |
| CN | Exchange | | | | | | | | | | | | | | | | | | | | | |
| HK | Prof | | | | | | | | | | | | | | | | | | | | | |
| ID | PO to Prof | | | | | | | | | | | | | | | | | | | | | |
| JP | PRO-BOND | | | | | | | | | | | | | | | | | | | | | |
| KR | QIB | | | | | | | | | | | | | | | | | | | | | |
| LA | | | | | | | | | | | | | | | | | | | | | | |
| MY | Offers to SI | | | | | | | | | | | | | | | | | | | | | |
| MM | | | | | | | | | | | | | | | | | | | | | | |
| PH | QB | | | | | | | | | | | | | | | | | | | | | |
| SG | Wholesale | | | | | | | | | | | | | | | | | | | | | |
| TH | PP-II | | | | | | | | | | | | | | | | | | | | | |
| VN | PP to Prof | | | | | | | | | | | | | | | | | | | | | |

Notes: * = required; (•) = if applicable or used; ° = conditional (e.g. if nonresident issuer or specific issuer type); • = required in part (e.g. as information item rather than a separate document); ⊗ = concession(s) for large, listed or existing issuers. Items to be checked/confirmed. Findings for corporate issuers and single-issue (straight) bonds only; categories should be read as ‘[…] or equivalent’ since exact descriptions in each market may vary; some entries represent interpretations of prescribed items; table does not include prescriptions by sector or industry regulators.
II. ABMF Briefs: Proposed Topics

[topics and sequence not fixed or finalized]

• English language in professional bond markets
• Governing law and jurisdiction (with ABLI)
• Enforcement of judgments and awards (with ABLI)
• Due diligence practices
• AMBIF explained
• Arbitration or Mediation
• Asset digitalization

➢ Ideas and collaborations welcome!
Asian Business Law Institute (ABLI), based in Singapore

- Published works on recognition and enforcement of foreign judgments
  - Asian principles
  - Country reports
- But no domain expertise in bond market
- Objective: get ABLI input on legal considerations
  - English language acceptance
  - Choice of jurisdiction
  - Ability to obtain and enforce judgments
  - Challenges and considerations
- ADB Secretariat considering joint sessions with ABLI and ABMF members
III. Questions & Answers Session

We welcome all questions, suggestions, or needs for clarification during the meeting, via chat, during the coffee breaks, or afterward via phone or email.

But we first ask for your kind attention to the session on Mongolia.
THANK YOU!

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SI
DEVELOPING PROFESSIONAL-ONLY
OTC MARKET IN MONGOLIA

Session 4 (Part 2)
DULGUUN BATTULGA
DIRECTOR-GENERAL, SECURITIES MARKET DEPARTMENT,
FRC MONGOLIA

Feb 01, 2023
1. Mongolian Macroeconomic Snapshot
2. Mongolian Capital Market Development
3. The Need for Professional-Only OTC Market
4. Regulatory Actions by the FRC
5. Development of the OTC Market
6. Results
7. Learnings from International Best Practices
8. Future Plans
MACROECONOMIC SNAPSHOT

- Mongolian economy has been **recovering** from the effects of the COVID-19 pandemic
- Macroeconomic recovery in 2022 **outperformed** government estimates.
Capital market growth continued during the pandemic year.
The MSE TOP-20 index increased 130%, becoming the World’s Best Performing Index in 2021.
The FRC has updated its regulations on **mutual funds** and **publicly listed bonds** in 2020-2021.

- **51 new products** were approved and listed during 2020-2022.
- Systemically important **commercial banks** are expected to become public in 2022-2023.

**CAPITAL MARKET DEVELOPMENT**

### 2020
- **2020 October**
  - First Closed Ended Mutual Fund

### 2021
- **2021 August**
  - First MNT&USD Corporate Bond
- **2021 March**
  - 2nd Closed Ended Mutual Fund

### 2021 November
- First Digital Bond

### 2022
- **2022 May**
  - 2nd Open-Ended Mutual Fund
- **2022 October**
  - First Systemically Important Bank IPO
- **2022 December**
  - 2nd Systemically Important Bank IPO
Publicly traded securities market was heavily dominated by stock trading in 2020. 
- Unregulated privately placed corporate bond market was larger than publicly traded bonds.
- As regulator, the FRC needed to take action to regulate this unregulated market.

**Mongolian Stock Exchange Trading Volume (2020)**

- Stocks: MNT 53.9 bn (82.5%)
- Corporate Bonds: MNT 5.8 bn (8.9%)
- Investment Funds: MNT 5.8 bn (7.8%)
- Government Bonds: MNT 0.9 bn (0.9%)

**Unregulated Market Volume (2020)**

- MNT 20-30 bn

Privately Placed Corporate Debt Instruments
Predominant market practice was to finance through privately placed debt instruments. For issuers, it was cheaper and faster to raise capital through private placements. More companies raised capital by privately placed debt instruments in 4 years than publicly issued corporate bonds had in 20 years.

<table>
<thead>
<tr>
<th>Demand</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 2017 – 2020</td>
<td>Between 2001 – 2020</td>
</tr>
<tr>
<td>Privately Placed Debt instruments</td>
<td>Publicly Issued Corporate Bonds</td>
</tr>
<tr>
<td>46.5 billion MNT</td>
<td>30.6 billion MNT</td>
</tr>
</tbody>
</table>

The cost of issuing Privately Placed Debt Instruments is lower and faster. Expensive and time consuming to issue Publicly Issued Corporate Bonds.
Predominant market practice was to sign a debt obligation contract without any official securities ownership registration.

For investors, privately placed debt instruments provided 3-6% higher interest returns compared to commercial bank savings.

**Issues for Investors:**

- **Liquidity** issues because secondary market for privately placed debt instruments was not developed.
- **No securities ownership registration**
- **Lack of transparency and oversight**

With more high-risk debt instruments coming into the market, the risk of retail investors' rights becoming violated were increasing.
REGULATORY ACTIONS BY THE FRC

- Developed and approved **professional investors-only OTC market** regulations in consultation with international donor organizations
- **Mongolian Association of Securities Dealers (MASD)** was appointed to operate and manage the OTC market as a Self-Regulatory Organization

**OTC Market specific regulations**

- Resolution No. 995 of 2020 approved the Regulation on Operation of the OTC Market
- FRC Chairman approved the specific regulations of OTC market of MASD in 2021
- Pursuant to Article 12 of the Law on Innovation, relevant amendments were made to the Regulation on Operation of the OTC Market

**Benefits and advantages**

- New OTC market regulations developed in-line with international standard
- Operated by the professional brokers association, ensuring market-wide participation
- Time-saving, cost-efficient procedures for companies to issue securities to professional investors
- Created a definitions and requirements for professional investors and HNWIs
- Established a fully digital, transparent system with monitoring systems in place
- Secondary market for OTC market corporate bonds has been established, increasing liquidity
Currently, following products are **tradeable** on the OTC Market

- Non-publicly issued corporate bonds
- Startup company stocks

The following products are **only tradeable** on the OTC Market

- Non-publicly issued corporate bonds

In the future, following products **can be traded** on the OTC Market

- Local currency government bonds
- Non-publicly issued company stocks
- Asset Backed Securities
- Derivatives
### OTC MARKET: PARTICIPANTS

- Only **professional investors, institutional investors** and **high-net-worth individuals** are allowed to participate in the OTC Market through **MASD member** brokers and financial firms.

<table>
<thead>
<tr>
<th>Issuers</th>
<th>Direct Participants</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>Brokerage firms</td>
<td>Professional Investors</td>
</tr>
<tr>
<td>Banks</td>
<td>Underwriters</td>
<td>Institutional Investors</td>
</tr>
<tr>
<td>Non-Bank Financial Institutions</td>
<td>Dealers</td>
<td>HNWIs</td>
</tr>
<tr>
<td></td>
<td>Custodian Banks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment Funds</td>
<td></td>
</tr>
</tbody>
</table>
The following investors are defined as **professional investors, institutional investors** and **high-net-worth individuals** in the current OTC Market regulations:

### Professional Investors
- Investment Funds
- Pension Funds
- Bank
- Micro Financial Institutions
- Insurance firms
- Underwriters
- Dealers
- International Banks & Financial firms

### Institutional Investors
- Government
- Central Bank
- Development Bank of Mongolia
- Deposit Insurance Corporation
- Government Special Funds
- Insurance Funds
- Companies incorporated in Mongolia with over MNT 2.5 bil in revenues and MNT 1.0 bil in shareholder capital
- Foreign entities

### HNWIs
- Mongolian citizens with over MNT 10 mil monthly incomes, or MNT 500 mil net assets, and with over 1 year of investment experience
- Foreign nationals
OTC MARKET: TRADING PROCESS

- **Primary market** operations on the OTC Market platform is done by the Mongolian Association of Securities Dealers (MASD), and the **Registration Committee** within the MASD.
- Registration application submission, review, registration and trading is conducted fully digitally on the platform.
The FRC was able to achieve its policy goals through the development of the OTC Market:

1. OTC market in line with international practices
2. Time-saving, cost-efficient procedures for issuers
3. Proper regulation of non-publicly issued corporate debt instruments
4. Enhanced KYC procedures in compliance with AML/CTF regulations and standards
5. Establishment of secondary market for corporate bonds on OTC, increasing liquidity
6. Establishment of capital market targeted for professional investors
7. Fully digital, transparent system with monitoring systems in place
8. Official registry and custody of non-publicly issued debt instruments at Central Securities Depository
OTC MARKET DEVELOPMENT: RESULTS

- Development of the OTC Trading platform started in **May 2021** and started trading in **Sep 2021**
- At launch, 3 companies issued **MNT 16.5 billion** ($5.8M) worth of corporate bonds in **Sep 2021**
- As of **Dec 2022**, 61 companies issued **MNT 903.7 billion** ($300M) of corporate bonds since launch

**Mongolian Stock Exchange**
Trading Volume (2022)

- Asset Backed Securities: 17%
- Investment Funds: 2%
- Corporate Bonds: 23%
- Stocks: 58%

**OTC Market**
Trading Volume (2022)

- MSE Total: MNT 595 bn ($170M)
- OTC Total: MNT 1,140 bn ($330M)

Unregulated, Privately Placed Corporate Debt Instruments: 0
OTC MARKET: CORPORATE BONDS

- 45 issuers raised MNT 650 billion ($200M) through 52 corporate bonds on the OTC Market in 2022
- Secondary market trading activity picked up, with 43% of total volume in 2022
Two of the **largest issuers** on the OTC Market were the state-owned Development Bank of Mongolia and Mongolian Mortgage Corporation, which issued USD bonds.

### Development Bank of Mongolia

<table>
<thead>
<tr>
<th>Corporate bond issuer</th>
<th>Development Bank of Mongolia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount issued</td>
<td>USD 100 million</td>
</tr>
<tr>
<td>Interest rate</td>
<td>9.6%</td>
</tr>
<tr>
<td>Bond currency</td>
<td>US dollar equivalent</td>
</tr>
<tr>
<td>Term</td>
<td>3 years</td>
</tr>
<tr>
<td>Coupon frequency</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>Principal repayment</td>
<td>At maturity</td>
</tr>
<tr>
<td>Tranches</td>
<td>2 tranches</td>
</tr>
<tr>
<td>Use of proceeds</td>
<td>Investments into strategically important industries and projects</td>
</tr>
</tbody>
</table>

### Mongolian Mortgage Corporation

<table>
<thead>
<tr>
<th>Corporate bond issuer</th>
<th>Mongolian Mortgage Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount issued</td>
<td>USD 150 million</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6.8 - 7.0%</td>
</tr>
<tr>
<td>Bond currency</td>
<td>US dollar equivalent</td>
</tr>
<tr>
<td>Term</td>
<td>3 years</td>
</tr>
<tr>
<td>Coupon frequency</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>Principal repayment</td>
<td>At maturity</td>
</tr>
<tr>
<td>Tranches</td>
<td>Open</td>
</tr>
<tr>
<td>Use of proceeds</td>
<td>Mortgage financing, implementation of debt management</td>
</tr>
</tbody>
</table>
INTERNATIONAL BEST PRACTICES

- OTC Market framework was developed in line with international best practices, recommendations and research studies

**OTC Market International Practices**

- Financial Investment Services and Capital Market Act
- Enforcement Decree of the Financial Investment Services and Capital act
- Regulation on Financial Investment Business

**Recommendations**

- Corporate Bond Advisor Final Report
- ASEAN +3 Bond Market Guide Mongolia, 2021
- List of Recommendations by ADB ABMF Secretariat and Consultant (unpublished)

**Research and Studies**

- IFC, Building Local Bond Markets: An Asian Perspective
- ADB, ASEAN +3 Bond Market Guide
- ADB, Information on Transaction Flows and Settlement Infrastructures

- The Financial Industry Regulatory Authority
INTERNATIONAL RECOMMENDATIONS

- OTC Market framework was developed in line with international recommendations

- FRC to improve bond market structure through well designed professional OTC market
- To establish credit rating agency to support the implementation of Basel I and Basel II
- To establish OTC as a mezzanine between public offering and private placement markets

- To develop institutional and professional investor segment to increase participation of high-net-worth individuals in the capital market
- To define high-net-worth individual and reflect in current regulations
- To increase participation of professional investors by developing a sustainable OTC market for corporate debt instruments
OTC MARKET: FUTURE DEVELOPMENT PLANS

2023 onward

Trading of Government Bonds on OTC Market platform
  • To attract participation of both foreign and domestic institutional investors by trading local currency Mongolian Government Bonds on OTC

Introducing blockchain technology to OTC Market platform
  • Utilize blockchain technology to increase efficiency of custody and settlement
  • Increase accuracy and transparency of trading data
  • Increase security through added layer of authentication methods
  • Elongate trading hours to boost trading activity and liquidity
  • Easier access for international investors

Improving institutional investor base in the OTC market
  • To introduce more regulatory actions targeted to improving institutional investors access to the OTC market
SESSION 5

Recovery from COVID-19 and government bond market development

- **Brief Introduction** by Mr. Satoru Yamadera, Advisor, ADB (5 mins)
- **Case of Cambodia: First Government Bond Issuance** by Mrs. Malineath Kun, Chief of Government Security Office, Ministry of Economy & Finance
- **Case of Lao PDR: Outline of Government Bond Market & Establishment of Debt Management** by Mr. Thotsaphone Sitphaxay, Technical Staff, Planning and Evaluation Division, Public Debt Management Office, Ministry of Finance
First Cambodia Government Securities Issuance

February 1, 2023

Present by: Mrs. Malineath KUN
Chief of Office of Government Securities

Department of Debt Management
General Department of International Cooperation and Debt Management
Ministry of Economy and Finance of the Kingdom of Cambodia
Outlines

I. Backgrounds
II. 4 Priority Policy Measures
III. Issuance Plan Fiscal Year 2022
IV. Results of Government Securities Issuance
V. Challenges
VI. Issuance Plan Fiscal Year 2023
I. Backgrounds

❖ Public Debt Management Strategy 2019 – 2023 has set out the goal to promote the development of domestic government securities market for diversifying financing sources. Among the other priority activities is to amend the Law on Government Securities (2007).


❖ Based on the actual context, the government approved and put into implementation «Preliminary PFDGS» on 1st October 2021 responding to the government’s urgent funding needs and issue the government securities in the market for the first time in 2022.

❖ Meanwhile, the «Comprehensive PFDGS 2022 - 2028» is being drafted. Its purpose is to build a prudent and comprehensive management system for government securities issuance and trading.
The Preliminary PFDGS sets out 4 priority policy measures as follows:

1. Determine the issuance currency and size
2. Determine the principles for the utilization of proceeds from Government Securities issuance
3. Determine the revenue – expenditure management mechanism policy relevant to government securities transactions
4. Determine the phase of government securities issuance
Phases of Government Securities Issuance

1st Phase
NBC Arrangement without Dealers/Underwriters
Applicable in 2022

2nd Phase
NBC/CSX Arrangement with Dealers/Underwriters
Applicable in 2022 or early 2023 based on actuality

Next Phase
- By 2025 to achieve a fully system.
- 2026 – 2028 to review and improve.
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Phase 1 (2022) NBC Arrangement without Dealers/Underwriters</th>
<th>Phase 2 (2022 - 2023) NBC/CSX Arrangement with Dealers/Underwriters</th>
<th>Next Phase (2024 onward)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issuance Channel</td>
<td>NBC</td>
<td>NBC and/or CSX</td>
<td>NBC and/or CSX</td>
</tr>
<tr>
<td>2</td>
<td>Issuance Mode</td>
<td>Private Placement and/or Auction</td>
<td>Private Placement or Underwriting and/or Auction</td>
<td>Private Placement or Underwriting and/or Auction</td>
</tr>
<tr>
<td>3</td>
<td>(Eligible Dealers/Underwriters)</td>
<td>None</td>
<td>Commercial banks and/or MDIs and/or Securities Firms</td>
<td>Commercial banks and/or MDIs and/or securities firms</td>
</tr>
<tr>
<td>4</td>
<td>Listing</td>
<td>CSX (Profile Listing)</td>
<td>CSX (Profile or Normal Listing)</td>
<td>CSX (Profile or Normal Listing)</td>
</tr>
<tr>
<td>5</td>
<td>Securities Depository</td>
<td>NBC (By providing relevant data to CSX)</td>
<td>NBC and/or CSX</td>
<td>NBC, CSX, or establish a Central Securities Depository</td>
</tr>
<tr>
<td>6</td>
<td>Cash settlement</td>
<td>NBC</td>
<td>NBC and/or Commercial banks</td>
<td>NBC and/or Commercial banks</td>
</tr>
<tr>
<td>7</td>
<td>Trading Platform</td>
<td>NBC Platform</td>
<td>NBC and/or CSX Platform</td>
<td>CSX Platform</td>
</tr>
<tr>
<td>8</td>
<td>Target Investors</td>
<td>Commercial banks and MDIs</td>
<td>- Commercial banks and MDIs</td>
<td>Institutional investors and/or Retail investors</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Securities firms, Insurance Companies and NSSF</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Product Features</td>
<td>Actual determination after market consultation and a feasibility study on the issuance</td>
<td></td>
<td>Review and update the feasibility study on the issuance</td>
</tr>
<tr>
<td>10</td>
<td>Taxation</td>
<td>As per esteemed decision of the MEF’s Minister</td>
<td></td>
<td>Continue reviewing and updating as needed</td>
</tr>
</tbody>
</table>
III. Issuance Plan Fiscal Year 2022

- **Total size of Issuance**: around **KHR 1,2 trillion** (equivalent to **USD 300 million**) in accordance with the Annual Budget Law 2022.

- **Issuance Channel**: through **National Bank of Cambodia as the Fiscal Agent** using **NBC Platform**.

- **Instrument selection**:
  
  A) **Par Value**: 1,000,000 Riel (One Million Riel)
  
  B) **Tenor**: 1yr, 3yrs, & 5yrs
  
  C) **Coupon Rate Type**: Fixed
  
  D) **Coupon Payment**: Semi-annual (counted from issuance day)
  
  E) **Day Count Base**: Actual/Actual
  
  F) **Principal Repayment**: Bullet

  G) **Issuance Methods**: Auction
### IV. Results of Government Securities Issuance

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt;</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt;</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt;</th>
<th>4&lt;sup&gt;th&lt;/sup&gt;</th>
<th>5&lt;sup&gt;th&lt;/sup&gt;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tenors</strong></td>
<td>1-Year</td>
<td>3-Year</td>
<td>1-Year</td>
<td>3-Year</td>
<td>1-Year</td>
<td></td>
</tr>
<tr>
<td><strong>Auction Date</strong></td>
<td>7/Sept/2022</td>
<td>21/Sept/2022</td>
<td>11/Nov/2022</td>
<td>30/Nov/2022</td>
<td>14/Dec/2022</td>
<td></td>
</tr>
<tr>
<td><strong>Coupon Rate</strong></td>
<td>2%</td>
<td>2.44%</td>
<td>2.20%</td>
<td>3.20%</td>
<td>2.20%</td>
<td></td>
</tr>
<tr>
<td><strong>Participants</strong></td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>1</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td><strong>Successful Bidders</strong></td>
<td>8</td>
<td>N/A</td>
<td>5</td>
<td>N/A</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Offered Quantity</strong></td>
<td>41,800 units</td>
<td>38,800 units</td>
<td>49,300 units</td>
<td>1,000 units</td>
<td>29,000 units</td>
<td>159,900 units</td>
</tr>
<tr>
<td><strong>Award Auction</strong></td>
<td>41,800 units</td>
<td>0</td>
<td>24,300 units</td>
<td>0</td>
<td>6,000 units</td>
<td>72,100 units</td>
</tr>
<tr>
<td><strong>Applied Yield</strong></td>
<td>2.20%</td>
<td>N/A</td>
<td>2.20%</td>
<td>N/A</td>
<td>2.20%</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>KHR 41.7 Billion</td>
<td>N/A</td>
<td>KHR 24.3 Billion</td>
<td>N/A</td>
<td>KHR 6 Billion</td>
<td>KHR 72 Billion</td>
</tr>
<tr>
<td><strong>Discount</strong></td>
<td>KHR 82 Billion</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>KHR 82 Billion</td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td>KHR 41.8 Billion</td>
<td>N/A</td>
<td>KHR 24.3 Billion</td>
<td>N/A</td>
<td>KHR 6 Billion</td>
<td>KHR 72.1 Billion</td>
</tr>
</tbody>
</table>
V. Challenges

Market situation changed dramatically that effect the coupon rate which does not attract investors.

Financial institutions are interested in 1 year tenor only.

Liquidity in Khmer Riel is limited.

Potential investors that are nonfinancial institutions unable to join auction in Central Bank Platform.

Charges high fee by custodian agent for applying bid.

No secondary Market for trading Government Securities.
VI. Issuance Plan Fiscal Year 2023

- **Total size of Issuance**: around **KHR 813 trillion** (equivalent to **USD 200 million**) in accordance with the Annual Budget Law 2023.

- **Issuance Channel**: through **National Bank of Cambodia/ Cambodia Stock Exchange as the Fiscal Agents** using **NBC/CSX Platform**.

- **Instrument selection**:
  
  A) **Par Value**: **1,000,000 Riel** (One Million Riel)
  
  B) **Tenor**: 1yr, 2yrs, 3yrs, 5yrs, 10yrs, 15yrs
  
  C) **Coupon Rate Type**: **Fixed**
  
  D) **Coupon Payment**: Semi-annual (counted from issuance day)
  
  E) **Day Count Base**: Actual/Actual
  
  F) **Principal Repayment**: **Bullet**
  
  G) **Issuance Methods**: Auction/Private Placement
Thank you!
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
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<td>Introduction and legal framework</td>
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<td>2.</td>
<td>Types of local currency bonds</td>
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<td>3.</td>
<td>Bond Market via Stock Market</td>
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<td>4.</td>
<td>Figures and conditions</td>
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<td>Bond Holders</td>
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<td>6.</td>
<td>Bond issuance plan</td>
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<tr>
<td>7.</td>
<td>Challenges</td>
</tr>
<tr>
<td>8.</td>
<td>Assitances</td>
</tr>
<tr>
<td>9.</td>
<td>Key Achieves</td>
</tr>
</tbody>
</table>
I. INTRODUCTION AND LEGAL FRAMEWORK

Lao PDR has developed some key legal framework in order to facilitate its local currency bond issuance since 2017, which are as the following:

Decree
on Government Bond
No.: 101/gov, March 23, 2017

Law
of Public Debt Management
No.: 46/na, June 18, 2018
II. TYPES OF LOCAL CURRENCY BONDS

- **T-Bill** (Issued through central bank – BOL)
- **T-Bill** (Issued through Lao Securities Exchange – LSX)
- **BBB** Budget Balancing Bond (on LSX)
- **DB** Development Bond
- **ACB** Arrears Clearance Bond
II. TYPES OF LOCAL CURRENCY BONDS

- **T-Bill**
  (Issued through central bank – BOL)

- **T-Bill**
  (Issued through Lao Securities Exchange – LSX)

- **BBB**
  Budget Balancing Bond (on LSX)

- **DB**
  Development Bond

- **ACB**
  Arrears Clearance Bond
II. TYPES OF LOCAL CURRENCY BONDS

1. T-Bill (Issued through central bank – BOL)

T-bill issuance through BOL (weekly)

MOF

3. Result notification (Thu)
4. Cash settlement (Fri)

BOL

5. T-bill on paper (Fri or later)

Institutional investors

1. Issuance notification (Mon)
3. Result notification (Thu)
2. Subscription (Mon-Wed)
4. Cash settlement (Fri)

Source: Economic Research and Regional Cooperation Department, ADB

Local Currency Bond Market Development in Lao PDR
II. TYPES OF LOCAL CURRENCY BONDS

2. T-Bill and BBB (Issued through Lao Securities Exchange – LSX)

Source: Economic Research and Regional Cooperation Department, ADB
III. Bond Market via LSX

**PLAN (2018-2022)**

- **2018/2019**
  - LAK 1,000 billion

- **2019/2020**
  - LAK 1,700 billion

- **2020/2022**
  - LAK 1,500 billion
  - LAK 1,700 billion

**Total Plan (2018-2022):**
5,900 billion (LAK)

Timeline (2018 – 2021)
III. BOND MARKET VIA LSX

Bonds issued (since 2018)

LAK 5,387 billion

91% of Planned (LAK 5,900 billion)

Repayment has been around

LAK 2,275 billion

Issuance: The Government had issued bonds through the Lao Securities Exchange (LSX) since the end of 2018. Up until now (22 November 2022), we have been able to sell approximately LAK 5,387 billion and repaid around LAK 2,275 billion (09 December 2022).

Process: LSX will initially send a Notice for Payment (Principal and Interest) to MOF for two weeks before the actual due date of payment so the MOF will have times to prepare documents related to the repayment.
IV. FIGURES AND CONDITIONS

T-BILL and BBB

Was introduced in December 2018 (First Batch) for LAK 1,000 billion, which was completed selling in June 2019.

The Second Batch was in Sep 2019 with the amount of LAK 1,700 billion, which was completed in Aug 2020.

The Third Batch was in 2020 in the amount of LAK 3,200 billion and remaining (LAK 528 billion) active through this year 2022.

<table>
<thead>
<tr>
<th>YR</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5.00%</td>
</tr>
<tr>
<td>3</td>
<td>6.80%</td>
</tr>
<tr>
<td>5</td>
<td>6.95%</td>
</tr>
<tr>
<td>7</td>
<td>7.20%</td>
</tr>
<tr>
<td>10</td>
<td>7.50%</td>
</tr>
<tr>
<td>15</td>
<td>7.70%</td>
</tr>
<tr>
<td>20</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

YR

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V. BOND HOLDERS

External Investor
0.2%

Domestic Investors
1.0%

Financial Institutions
98.8%
VI. BOND ISSUANCE PLAN 2023-2026

The Plan for Bond Issuance through LSX for 2023-2026 is around LAK 2,500 billion per year for budget financing and debt repayment purposes.
VII. CHALLENGES

- High Cost.
- Market is limited.
- Low Bond Purchases.
- Inefficient Advertising.
- Low Investor’s Trust and Interest.
- Lack of Transferable.
- Low Credit Rating.
VIII. Assistances

MOF has received financially supports from World Bank for the study towards **Financial Management Information System (FMIS)** to enhance the connection with various financial institutions regarding to the financial transactions.

IMF suggested to increase to effectiveness of market competitiveness by using **the Action Mechanism**.

Also, received the support from Asian Development Bank (ADB) for the study towards **The Development of Local Currency Bond Market**

Joined the **Seminars** with Nomura Institute and AMRO.
IX. KEY ACHIEVES

➢ To promote the domestic market
➢ Repayment Mechanism
➢ Increase the interest rate of bonds
Establishment of Debt Management
Establishment of Debt Management

**CONTENT**

1. Introduction
2. Legislation
3. Macro Policy
4. Measurements
5. Implementation
I. INTRODUCTION

The government has continued to improve and solve the issue of public debt management to be able to enforce and manage the debt on a basic basis to avoid falling into a state of non-payment of debt (Default) by making improvements both in terms of legislation and macro policy framework as well as strengthening various measures.
II. LEGISLATION

1. The Ministry of Finance has a public debt management law that has been completed and approved by the national assembly in 2018 – Revising

2. Created the mid-term of debt management plan, especially in terms of measures and funded to manage debt

3. Successfully created the contingent liability reserve and completely opened the contingent liability account.

4. The government has determined and approved a resolution of the national assembly regarding the national agenda on solving the challenges of the economic-financial.
III. MACRO POLICY

The Ministry of Finance has created a medium-term budget plan (2021-2025) and approved by the National Assembly.

Which defined in a policy framework to manage financial administration by reducing the budget deficit to no more than 3% of GDP per year.

We defined the potential domestic revenue plan to be surpluses, which to be able to accumulate the remaining revenue sources as accumulated financing for debt repayment.
The government has suspended commercial loans to invest in various projects, as well as the issuance of loan guarantees to state-owned enterprises.

Determined as a national agenda to increase revenue collection and against fiscal revenue leakage, aiming to increase the percentage of revenue collection to reach 17% of GDP in 2025.
IV. MEASUREMENTS

➢ Increasing the strictness in debt management by implementing prudential financing policies

➢ Mobilizing various sources of borrowing to urgently resolve the liquidity issues

➢ Suspension of market term borrowing to implement public investment projects

➢ Suspension of the issuance of loan guarantees to state-owned enterprises implement investment projects
IV. MEASUREMENTS

➢ Continues to cooperate with all International Financial Organizations that provide Official Development Assistance (ODA) to Lao

➢ Implementing more strict policy for the government new borrowing and investment including Official Development Assistance (ODA)

➢ Continuing the negotiation with some creditors to restructure the debt or suspend debt repayment
IV. MEASUREMENTS (CON.)

➢ There has been a reorganization by establishing of the Public Debt Management Department to manage the public debt in particular

➢ Restructure the debt by controlling the annual budget deficit to be no more than 3% of GDP

➢ Upgrade the public debt management system by utilizing the use of Debt Management and Financial Analysis System – DMFAS (from version 5.3 to 6.0)
IV. ACTUAL IMPLEMENTATION

Conveniences

- The government has been able to manage the debt payment effectively (both previous years and the current year)
- Ensuring for the country from not becoming an insolvent country
- Maintain the Deficit from rising.
IV. ACTUAL IMPLEMENTATION

Challenges / Obstacles

- Continuously affected by the outbreak of COVID-19, the global conflicts, oil prices and inflation
- The increased adjustment of the benchmark interest rates of the US dollar and the current situation of vulnerability of national economy
- Degradation of Rating Credit of Lao PDR
THANK YOU.

Local Currency Bond Market Development in Lao PDR and Establishment of Debt Management

Thotsaphone SITPHAXAY
Technical Employee of Planning and Evaluation Division
Public Debt Management Department
Ministry of Finance of Lao PDR
Wrap Up

Mr. Satoru Yamadera
Asian Development Bank
THANK YOU VERY MUCH FOR YOUR PARTICIPATION
See you again tomorrow