

ASEAN+3 New ABMI Roadmap

I. Overview of efforts made under the current ABMI

1. Since the endorsement of the Asian Bond Markets Initiative (ABMI) by the ASEAN+3 Finance Ministers in 2003, local currency-denominated bond markets in the region have achieved remarkable growth in terms of size and diversity of issuers. Significant issuances of local currency-denominated bonds have been made by various parties including international financial institutions and multinational corporations. In addition, ASEAN+3 countries have made progress on their own reform efforts, ranging from unifying issuing authorities for government bonds and simplifying corporate bond issuance procedures for securitization, to removing barriers for bond issuance by domestic and foreign entities. Reflecting these efforts and progress made, the size of the bond markets in the ASEAN+3 region has reached 2.8 times the size as at the end of 2002.

II. New ABMI Roadmap

2. Towards the further development of liquid and well-functioning bond markets and the effective channeling of the region's abundant savings for the increased investment needs, we the ASEAN+3 member countries view it essential to further take the work under the ABMI forward in order to continuously ensure tangible outcomes. In this regard, on the occasion of the fifth anniversary of the ABMI, the 11th ASEAN+3 Finance Ministers' Meeting in Madrid (5/2008) agreed on the new ABMI Roadmap to provide further momentum to future work that will be undertaken under the ABMI.
3. The objectives of this new comprehensive ABMI Roadmap are for member countries to make voluntary efforts to further develop local currency-denominated bond markets, and through such efforts of the individual country and concerted efforts of ASEAN+3 countries as a group, to seek to develop a regional bond market which is more accessible for both issuers and investors. In addition, efforts are to be made to identify areas where institution building is necessary, and to devise solutions accordingly.
4. To realize the above-mentioned objectives, the issues to be addressed have been identified and categorized into four key areas: (i) Promoting the Issuance of Local Currency-Denominated Bonds (supply-side); (ii) Facilitating the Demand for Local Currency-Denominated Bonds (demand-side); (iii) Improving the Regulatory Framework; and (iv) Improving the Related Infrastructure for the Bond Markets.
The issues covered under the four areas will be addressed in accordance with a priority (see Attachment).
5. The new ABMI Roadmap also finds it crucial to ensure voluntary efforts of the countries in developing their local currency-denominated bond markets. In this regard, member countries will be sought to develop "references for self-assessment", which will serve as their benchmarks. Through the Self-Assessment process and a kind of peer pressure, it is expected that each country is more motivated to make voluntary efforts toward bond market development.
6. To implement the new ABMI Roadmap, a Steering Group and four Task Forces have been established. The Technical Assistance Coordination Team (TACT) will subsist.

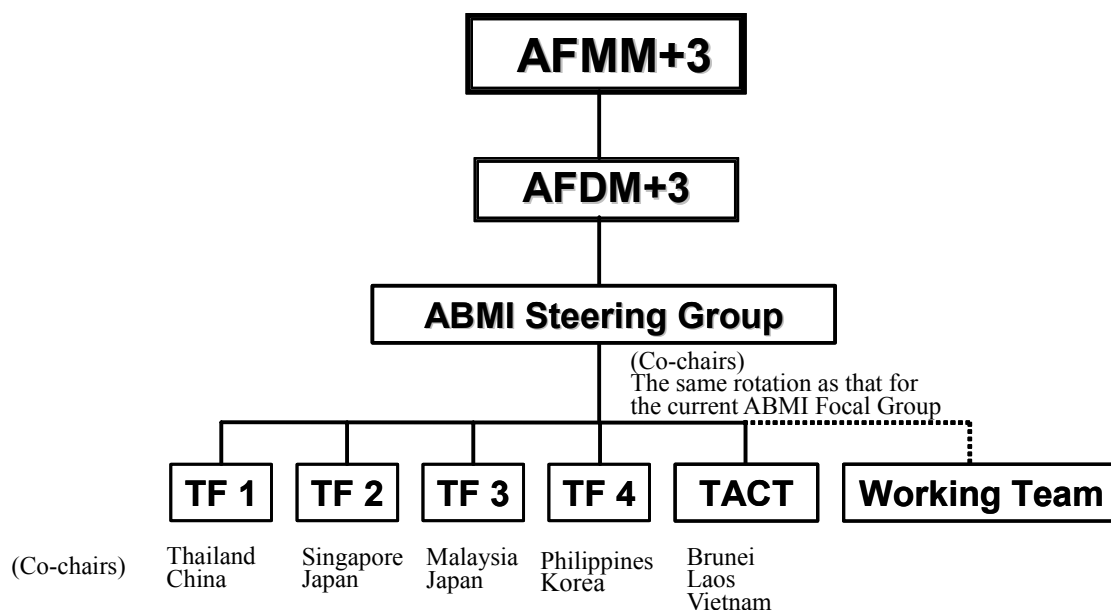
The “Steering Group” has been formed to ensure the effectiveness and efficiency of work under the new ABMI framework. The main roles of the Steering Group are as follows: (i) set, review and revise the ABMI Roadmap; (ii) oversee and provide guidance to the activities of the Task Forces, TACT and Working Team; (iii) formulate strategies to promote public awareness on the ABMI; (iv) monitor the progress of studies by the Task Forces; (v) assign a task to an appropriate Task Force or create, if necessary, a Working Team; and (vi) promote information exchanges among member countries on the developments of local currency-denominated and regional bond markets through a self-assessment process. The Steering Group will report to the ASEAN+3 Finance Deputies’ Meeting (AFDM+3), which will in turn report to the ASEAN+3 Finance Ministers’ Meeting (AFMM+3).

The four Task Forces have been created to address the abovementioned four key areas.

A Working Team would be set up if necessary to execute a specific recommendation by the Steering Group once a decision has been made on its institutional design or mechanism. The TACT will subsist, given the importance of technical assistance to lessen the disparity of bond market development among member countries.

The four Task Forces, TACT and the Working Team will report to the Steering Group.

New Working Structure of the ABMI



New ABMI Roadmap

Issues to be addressed	Order		
	First	Second	Third
<u>Task Force 1: Promoting the Issuance of Local Currency-Denominated Bonds (supply-side)</u>			
1) Credit guarantee and investment mechanism	✓		
2) Promotion of Asian Currency Note Programme	✓		
3) Promoting issuance of structured finance instruments			
a) Debt instruments for infrastructure financing	✓		
b) Securitized instruments		✓	
c) Regional basket currency bonds			✓
4) Development of derivatives and swap markets		✓	
5) Promotion of Underwriters in the Region		✓	
<u>Task Force 2: Facilitating the demand for Local Currency-Denominated Bonds (demand-side)</u>			
1) Development of an investment environment for institutional investors including private pension systems, mutual funds, collective investment scheme and insurance companies	✓		
2) Development of an investment environment for individual investors		✓	
3) Development of repo and securities borrowing and lending (SBL) markets		✓	
4) Enhancing cross-border transactions			
a) Regulations on capital movement and foreign exchange transactions			✓
b) Taxation system for nonresidents (e.g. transaction tax, withholding tax and tax on capital gain)			✓
5) Disseminating the efforts under the ABMI to institutional investors in the ASEAN+3 countries (e.g. through roadshow, conference, update of bond market situation of each country and Asian Bond Online website)	✓		
<u>Task Force 3: Improving the Regulatory Framework</u>			
1) Strengthening the regulatory and supervisory framework for bond markets			
a) Promoting application of the IOSCO principles for securities regulations	✓		
b) Promoting a transparent and conducive legal and regulatory framework for bond issuance, listing and disclosure rules		✓	
c) Capacity building for regulators/supervisors	✓		

Issues to be addressed	Order		
	First	Second	Third
2) Facilitating collaboration among securities dealers associations and self-regulatory organizations in the region (including facilitating establishment of such associations and organizations, if necessary)			
a) Promoting cooperation among regulatory/supervisory authorities as well as securities dealers associations and self-regulatory organizations in the region	✓		
b) Promoting conducive standards and practices for issuance and trading of bonds among regulatory/supervisory authorities, securities dealers associations and self-regulatory organizations in the region (related to the present study “Asian Bond Standards”)		✓	
3) Improving bankruptcy procedures related to bond transactions			✓
4) Promoting application of accounting and auditing standards broadly consistent with international standards		✓	
Task Force 4: Improving the Related Infrastructure for the Bond Markets			
1) Infrastructure for securities settlement			
a) Promoting application of the CPSS/IOSCO recommendations for securities settlement systems	✓		
b) Facilitating discussion by private sector participants on desirable regional settlement systems (including activities under the Group of Experts)	✓		
2) Increasing liquidity of bond markets			
a) Disseminating and enhancing a primary dealer system for the government bonds	✓		
b) Developing and maintaining a benchmark yield curve	✓		
c) Improving trading platform		✓	
d) Developing/Enhancing information dissemination system for secondary bond markets (including the possibility of utilizing of self-regulatory organizations)			✓
3) Fostering credit culture			
a) Assessing the existing data related to local currency-denominated bond markets and development of, if necessary, such data		✓	
b) Development of a credit risk database		✓	
c) Enhancing the credibility and visibility of local credit rating agencies		✓	
4) Developing professional services such as financial analysts		✓	