

FUNDAMENTALS OF DISCLOSURE IN THE BOND MARKET

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Introduction

The Asian Bond Markets Initiative (ABMI) Brief series aims to provide insights on professional bond markets in ASEAN+3, their development, and necessary or desirable components to issuers, investors, market intermediaries, regulatory authorities and policymakers, academia, and other interested parties.¹

The previous two ABMI Briefs have focused on an introduction to professional bond markets and explained the concept of professional investors and their categories. This ABMI Brief focuses on the fundamentals of disclosure in the bond market and will take the reader through the types of disclosure, the basic requirements, and their variations. It also explains the expressions of disclosure and its obligations in law and regulations and offers specific considerations for stakeholders.

Naturally, disclosure is not limited to the bond market, but this ABMI Brief will focus on aspects of disclosure as they pertain to the bond market. While disclosure applies to all bond market segments, particular emphasis will be placed on descriptions of requirements and practices in the professional bond market.

What Is Disclosure?

Information disclosure—most often simply referred to as “disclosure”—is the overall term for the provision of information, the level of detail, and the manner in which that information is offered and distributed.

HIGHLIGHTS

- ➔ Disclosure is very much related to the general principles of good corporate governance: transparency, fairness, and accountability.
- ➔ To ensure investor protection, regulatory authorities will prescribe comprehensive information disclosure (full disclosure) for any securities and investment instruments offered to the public, including retail investors.
- ➔ The particular significance of defined disclosure in a professional bond market lies in the fact that laws and regulations require less (or much less) information disclosure than for public offerings; defined disclosure is a possible aspect of an exempt regime but a key and essential characteristic in any professional bond market.
- ➔ An adequate balance between disclosure obligations for issuers and information needs for professional investors remains a crucial challenge for any professional bond market.
- ➔ To ensure market integrity, the proper and timely disclosure of corporate and securities information must be established, and their continuous availability must be upheld.

¹ The ABMI Brief series is compiled by Satoru Yamadera, advisor, Economic Research and Development Impact Department; Shigehito Inukai, consultant; and Matthias Schmidt, consultant; with input and expertise from ABMF members and other subject matter experts. ASEAN+3 refers to the 10 members of the Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea.

Disclosure is not unique to the bond market. It describes a concept rather than a single task and, as an obligation on a corporate issuer, is very much related to the general principles of good corporate governance: transparency, fairness, and accountability. Disclosure of corporate information forms the basis for investment decisions made by investors, whether they invest in bonds or other instruments, and is the primary and essential infrastructure for realizing efficient resource allocation in the capital market.

In other words, disclosure is the most important basis upon which issuers can build trust toward investors and for investors to trust an issuer, its organization, and the securities it issues.

As a basic principle, securities issuers who are providers of corporate and instrument information must provide sufficient, accurate, timely, and easy-to-understand information for investors to make investment decisions.

In the context of the bond market, disclosure refers to the activities—one-time and ongoing—of an issuer of debt securities and its agents in making available information to investors, or the market at large, that the issuer is either required or willing to provide about an offer or placement of its debt securities, their registration, listing, and continued trading in the market.²

While common to both the public offering bond market and the professional bond market, the disclosure characteristics—including form and format, content, and frequency—differ significantly between the two markets. The type of disclosure may also vary depending on the type of bond and the nature and status of the issuer, while also taking into consideration the prevailing bond market practices that influence disclosure.

This ABMI Brief seeks to explain the different types of disclosure as well as disclosure characteristics in greater detail. A future ABMI Brief will describe disclosure practices specific to professional bond markets.

The ASEAN+3 Bond Market Forum (ABMF) was established in 2010 under the Asian Bond Markets Initiative by the ASEAN+3 Finance Ministers, with a mandate to support the development of regional local currency bond markets. Since then, ABMF has acted as a platform for dialogue among public and private sector stakeholders in regional bond markets and promoted the exchange and evaluation of ideas among finance ministries, securities regulators, securities exchanges, depositories, custodian banks, underwriters, and other market intermediary organizations. ABMF discussion outcomes have helped to address common issues and formulate policy recommendations.

The Asian Development Bank publishes the ASEAN+3 Bond Market Guide series, which was created and is updated by ABMF, for interested parties. The economy-level bond market guides serve as reference material to learn more about individual regional markets' development, help address misperceptions, and disseminate regional bond market information to a larger audience. ABMF has proposed, agreed on, and helped implement the ASEAN+3 Multi-Currency Bond Issuance Framework as one practical initiative toward harmonizing the professional bond markets in ASEAN+3 member economies.

As part of its efforts, ABMF created the Working Group for Comparative Capital Market Law and Regulations to research market foundations and practices. The working group will share observations and policy input with constituents and the public, particularly on the regional professional bond markets.

Initial Versus Continuous Disclosure

While disclosure as a concept describes an ongoing process, bond market practices distinguish between disclosure of relevant information prior to or at the time of a bond issuance, which is referred to as “initial disclosure,” and disclosure of information by the issuer

² **Registration:** the act of registering a bond with a marketplace or self-regulatory organization in selected markets as a prerequisite for trading in the over-the-counter market and, thereby, committing to applicable disclosure. **Listing:** typically, the act of submitting a bond issue or other securities to an exchange for the purpose of trading, price finding, disclosure, or securities profiling. **Profile listing:** this term refers to listing on an exchange for the purpose of corporate and program information disclosure and securities profiling without the intent to trade the debt securities. The term and the actual profile listing feature may not yet be established in all bond markets in ASEAN+3. However, it remains a very important concept for professional bonds that are not traded on the exchange market but, instead, are placed and traded in the over-the-counter market.

during the tenor of the bond—that is, once issued and until maturity—which is aptly termed “continuous disclosure.” Both initial and continuous disclosure are evident in the public offering and professional bond markets, and they form a large part of the obligations of an issuer to provide prescribed information to investors and, where applicable, to regulatory authorities and the market at large.

Initial Disclosure

Initial disclosure in a public offering bond market is typically comprehensively prescribed in law and regulations and focused on providing investors with as much and as appropriate information as possible to base their investment decision on; in contrast, in a professional bond market or market segment, initial disclosure is based on a level of disclosure that is acceptable and essential to the market and its participants (see details in **Disclosure Requirements**).

Initial disclosure consists of a number of issuance-related documents, including the key disclosure document (explained later in this brief), and is aimed at the supply of information to investors to solicit their investment and—where applicable—to regulatory and listing authorities for registration, consent, or approval, as the case may be.

Continuous Disclosure

Continuous disclosure represents the obligation of the bond issuer to supply investors, regulators, and the market at large (as may be applicable) with relevant information on the issuer’s business and overall condition in order for investors to decide whether to continue to hold and how to value the bond. Continuous disclosure obligations for the issuer start once a bond is issued and cease only when the bond is repaid.

Continuous disclosure consists of two parts:

- (i) the periodic release of updated information on the issuer, typically financial information and other data committed to by the issuer in the issuance documentation; and
- (ii) the disclosure of material events as and when they occur or come to the attention of the issuer.

The periodic data includes annual, semiannual, or quarterly updates (as may be prescribed in the applicable regulations or listing rules of an exchange)

on audited and unaudited financial data for fiscal and other periods. Periodic data may also include regular updates on the use of proceeds from the bond or the resulting business activities. Where the issuer or the bond have a credit rating, updates on the review of the issuer and instrument credit rating by credit rating agencies are part of continuous disclosure once they become available.

For debt securities issued via a public offer, the type of material event is typically prescribed in law or regulations, while for an offering to professional investors, the reportable events may be agreed upon between issuer and investors and stated in the issuance documentation. Typical reportable events include default on a major debt obligation, material losses, liquidity issues, investigations, censures or penalties, major lawsuits, a change in credit rating or ownership, the loss of major contracts, and similar occurrences.

Disclosure Requirements

Disclosure requirements may be prescribed in law, regulations, or exchange rules, depending on the nature of the bond market segment and investor types. They tend to vary by market due to legal tradition, composition of the market, expectations of its participants, or as market practices develop. One key distinction between different types of disclosure is whether it concerns a public offer of a bond or a placement in the professional bond market.

Irrespective of the type, disclosure requirements encompass both initial disclosure, which obliges issuers to disclose certain corporate and securities-related information in the primary market, and continuous disclosure, which requires the issuer to disclose specified information on a regular and continuous basis in, effectively, the secondary market.

Full Disclosure

For a public offer of debt securities to all investors (including retail investors), disclosure is typically defined in law and/or regulations and the provision of the stipulated information is compulsory.³ This follows the mandate of regulatory authorities to give maximum protection to retail investors for any offers of securities investments to the public and results in the prescription of disclosure requirements in comprehensive detail.

³ This ABMI Brief series uses the term “retail investors” for individuals and investors that are not classified in any other manner.

Consequently, disclosure requirements for public offers are usually described as “full disclosure.”

Full disclosure itself generally means that the issuer discloses to the investor(s) all important matters that are necessary to complete the transaction and fulfill both parties’ objectives and that the sell side (the issuer and its agents) does not omit or hide relevant information. The critical point here is that the more information disclosed, the better.

Full disclosure is aimed at providing investors with information as comprehensive as possible to allow them and their advisers to make an informed investment decision. To ensure full disclosure, policy bodies and regulatory authorities, including exchanges, usually prescribe the disclosure form, format, and contents in law and regulations, including a list of required documents and their constituent parts. As a result, the effort to produce full disclosure documents and, consequently, the cost of issuance for a public offering tends to be higher.

When defining a professional investor concept, it is desirable to include appropriate mechanisms for the ringfencing of the professional market to ensure the protection of investors who are not professional. We will come back to this ringfencing requirement and typical mechanisms toward the end of this brief.

Some public offering markets reference full disclosure as “statutory disclosure,” owing to its compulsory nature. After all, the securities market regulator will firmly require the issuer and the related parties (i.e., firms supporting the issuance) to comply with all disclosure prescriptions and set penalties or prohibitions in case of infringements or violations. Consequently, the issuer, underwriter(s), and other issuer agents will endeavor to ensure that disclosure items and activities are supplied and carried out as prescribed, including the results of any due diligence by these parties prior to the actual public offering period.

At the same time, it is not advisable to use full disclosure and statutory disclosure as synonyms in all circumstances. In some jurisdictions, other types of disclosure (e.g., to professional investors) are also compulsory, if perhaps based on concessionary prescriptions in relation to the public offer regimes.

Hence, the ABMI Brief series will use the term statutory disclosure only when the context so requires.⁴

Defined Disclosure

In contrast, offerings or placements of debt instruments to professional investors only may be based on reduced or streamlined information disclosure, which, however, is still sufficient for these investor types; such concessions may be referred to as “concise,” “defined,” or “limited” disclosure. This level of disclosure is called limited or concise because it may consist of much less information than is required for a public offer; it is referred to as defined since the level of information to be provided by the issuer is specifically defined in the documentation for each issuance. The ABMI Brief series will use the term “defined disclosure” from here on. Defined disclosure is a possible aspect of an exempt regime (as described in ABMI Brief No. 1), but it is a key and essential characteristic in any professional bond market.

Defined disclosure is easier for an issuer as it is likely to be cheaper—and faster—to produce and deliver since much of the information normally provided under full disclosure rules may not need to be included when issuing to professional investors only. Instead, the disclosure standard (i.e., the level of detail of information to be disclosed) is typically agreed between the issuer and the targeted professional investors, likely with the support of the underwriter, legal counsel, and other market intermediaries.

At the same time, regulatory authorities will set minimum disclosure requirements for offers to professional investors in law or regulations; these requirements are often broad and allow flexibility in developing the actual disclosure standard. If a professional market or market segment exists, the actual disclosure standard may have already been defined between issuers and professional investors as a matter of market practice.

Where bonds issued only to professional investors are listed on an exchange, the disclosure standard may be defined by the exchange as a part of their listing rules for professional issuances. This defined disclosure will incorporate any minimum requirements set by regulators but typically accept issuer disclosure in line with market practice and according to acceptable international standards in the professional bond market.

⁴ For example, in Japan, full disclosure requirements refer to “statutory disclosure” as the type of disclosure for the public offering bond market, in contrast to disclosure requirements in the exchange rules, which are referred to as “timely disclosure.”

The concept of profile listing on an exchange and its significance in defined disclosure is briefly explained in a later section in this brief.

Timely Disclosure

Timely disclosure is not so much a separate type of disclosure but instead a characteristic for both full and defined disclosure. As a concept, it describes that an issuer should disclose in a timely manner to its investors, or the market at large, any significant or material event that may affect its ability to service its debt or that significantly changes its organization structure, ownership, or business interests. Since this requirement applies during the life cycle of a debt instrument, timely disclosure is a feature of the continuous disclosure obligations of an issuer under the general disclosure principle, whether it is part of any statutory disclosure or not.

Timely disclosure may take different forms depending on the market. While any bond market with continuous disclosure obligations will require some element of timely disclosure, some markets have implemented timely disclosure as a principle of their market characteristics and, hence, the term timely disclosure has become synonymous with disclosure in general. At the same time, exchanges might stipulate in their listing rules specific time limits for the disclosure of material events, such as a certain cut-off time or end-of-day, or by defining a list of such events and any applicable disclosure deadlines for each of them. This comes as a result of most material information being price sensitive—that is, likely influencing the quoted or traded price on an exchange.

Additional Disclosure for Thematic Bonds

In addition to issuer and financial information, thematic bonds require disclosure on specific aspects of the bonds, both as part of initial disclosure and, particularly, in the form of continuous disclosure during the tenor of the instrument.⁵ Specific disclosure obligations include updates on the compliance with stated goals and commitments by the issuer, such as the use of proceeds or certain ratios.

The significance of disclosure for thematic bonds (e.g., green bonds, social bonds, sustainability bonds, and other such instruments) lies in the need to regularly update investors—and, potentially, regulators and other interested parties—on the thematic aspects, even if there are no changes or periodic updates to the financial status or other circumstances of the issuer.

Significance of Defined Disclosure in a Professional Bond Market

The particular significance of defined disclosure in a professional bond market lies in the fact that laws and regulations require less (or much less) information disclosure than for public offerings. Yet, professional investors still require specific relevant information to be able to arrive at an investment decision. Less information is not necessarily better. Maintaining an adequate balance between disclosure obligations for issuers and information needs for professional investors remains a crucial challenge for any professional bond market and influences a number of other market characteristics. The ongoing interactions between market participants (i.e., issuers, investors, and intermediaries) are shaping market practice to the point that parties produce and consume the level of detail that they are comfortable with or that is acceptable to them in business terms.

The actual format and content of defined disclosure obligations is often agreed as part of market practice (including listing rules on an exchange) and may also incorporate international conventions. Part of such market practice is the adoption of a key disclosure document, often in the form of a template or with a range of content options serving as building blocks, including the use of specific clauses or covenants. In addition, market participants will agree on the need for and format of expert documents—such as legal opinions, auditor statements (for the purpose of the bond issuance), or asset valuation statements. Some of these disclosure components are detailed in the next section.

⁵ Thematic bonds are traditional fixed-income instruments that allow investors to finance specific investment themes—such as climate change, health, food, education, and access to financial services—and target individual Sustainable Development Goals through investing (according to the United Nations Development Programme's Sustainable Finance Hub).

Disclosure Components and Disclosure Items

To ensure adequate disclosure in a given market, policy bodies and regulatory authorities prescribe the disclosure form, format, and contents, or market participants set disclosure standards through market practice. As mentioned, disclosure is not a single task and it is also not achieved just through a single document or set of information. Disclosure is made up of disclosure components, including a list of required documents, and contains disclosure items that represent single facts about the issuer and the bonds that—once combined—offer adequate disclosure information about an issuer and the instrument.

Relevant laws or regulations will specify those documents and the applicable disclosure items, and market practice may supplement or vary those items over time. Guaranteed or secured bonds, those issued under a program, and thematic bonds (e.g., green and social bonds) may require additional issuance documents and disclosure items on the guarantor, collateral, issuer, and the bond or notes, as well as details on projects to be financed, use of proceeds, and sustainability goals, as the case may be.

While the regulatory process in some professional bond markets or market segments prescribes the submission of separate documents containing specific information, other markets or market segments only require that such disclosure information be provided as an integral part of the applicable key disclosure document. As such, a comparison of issuance documents alone would likely show discrepancies or inconsistencies between markets. Hence, the distinction into issuance documents and disclosure items is employed to allow a more practical, granular comparison of the information components required for a bond issuance aimed at professional investors. This ABMI Brief will focus on the disclosure components in general, while disclosure items will be discussed and compared in one of the next ABMI Briefs in greater detail, with a particular emphasis on professional bond markets.

Disclosure Components

The actual disclosure information is carried in disclosure “components,” which are formal or statutory documents, statements and letters, contracts, confirmations, certifications, or similar documents from the issuer and related parties. The disclosure components include a key disclosure document, which

typically carries much of the important information related to an issuer and the bond, financial statements, audit and legal opinions, valuation statements by an asset valuer, or relevant contracts. One other important disclosure component is the so-called “terms and conditions,” which describe the features of the debt instrument to be issued.

While disclosure documents across markets are often similar and have similar names (more on that later), their contents differ in relation to the market segment they are used for—public offering market or professional market—and their composition may be determined by law and regulations, by market practice, or a combination of both.

One additional aspect of disclosure components is the manner in which the disclosure is distributed to the investor or other interested parties. This can entail the distribution of physical documents, publication on the issuer’s website, or the provision of information to or via a third party such as an exchange or marketplace (see details in **Disclosure Channels**).

Incorporation by Reference

When a company issuing bonds already has its shares listed on a stock exchange, the issuer will be required to fulfill disclosure obligations as a listed company, pursuant to market rules and underlying regulations. In such a case, and if market rules and regulations so permit, the issuer might be able to utilize disclosure information already published to the exchange in its disclosure to prospective or existing bond investors. This concept is referred to as “documents incorporated by reference” (or simply “incorporation by reference”), since it allows the issuer to avoid distributing duplicate information. This method is attractive for listed companies carrying out regular bond issuance and is of particular interest if the issuer publishes disclosure documents and information in English and can, thus, reach professional investors across multiple markets.

In practice, such an issuer’s key disclosure document for a proposed bond issue will contain a reference to where the financial statements can be found on the issuer’s and/or exchange’s website, typically with a description of the information to be found at the referenced location.

See also **Profile Listing** for a brief description of a typical place of disclosure for professional issuances.

Table: Key Disclosure Documents in ASEAN+3 Economies with Public Offering and Professional Bond Market Segments

Economy	Key Disclosure Document	
	Public Offering Market (Full Disclosure)	Professional Market (Defined Disclosure)
Brunei Darussalam	prospectus	(no prescription)
Cambodia	prospectus	prospectus
China, People's Republic of	"prospectus" ^a	CIBM: "private placement agreement"
	prospectus	Exchange market: information memorandum
Hong Kong, China	prospectus	offering circular
Indonesia	prospectus	prospectus
		information memorandum (infomemo)
Japan	prospectus	information memorandum (specified securities information)
Korea, Republic of	prospectus	information memorandum
Malaysia	prospectus	principal terms and conditions
Philippines	prospectus	information memorandum
Singapore	prospectus	offering memorandum
Thailand	prospectus	offering circular
Viet Nam	"dossier" ^b	"dossier"

ASEAN+3 = Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China, Japan, and the Republic of Korea;
CIBM = China Inter-Bank Bond Market.

Notes: Information as of December 2022.

^a There is no formal definition of the term prospectus as a key disclosure document in rules and regulations in the CIBM, and the Chinese characters used for the key disclosure document in a public offering do not distinguish between the type of issuance. English translations of applicable regulations refer to a prospectus as the key disclosure document for a public offering.

^b Dossier, the French word for case or file, represents the complete issuance documentation prescribed or agreed for an issuance type.

Sources: Asian Development Bank. *ASEAN+3 Bond Market Guide Series*. Manila; ASEAN+3 Bond Market Forum research based on public domain sources.

Disclosure Items

Disclosure items represent single, important facts or specific pieces of information about an issuer's circumstances, stakeholders, financial information, and outlook, as well as relevant details about the conduct of its business, the proposed debt securities, and other relevant data. Examples are assets and liabilities or profit (as part of a balance sheet or financial statement), a qualifying statement by auditors, a credit rating (as part of a credit rating agency's report), a major contract or business win, or a pending lawsuit. As individual pieces of information, they may represent limited value for the investor but, taken together, they provide a complete picture for investors, regulatory authorities, and interested parties.

Key Disclosure Document

As the name suggests, the key disclosure document is expected to contain significant information on the issuer and the instrument to be issued.

Common to the key disclosure document for both public offers and private placements, or other offers to professional investors, are the general descriptions of the issuer and proposed instrument (e.g., name of issuer and instrument, tenor, interest rate, interest payment frequency) and the issuer's key financial data (e.g., balance sheet and financial statements for a number of recent financial years).

At the same time, the terminology and actual content of a key disclosure document typically differs between a public offering market and a professional bond market segment, as explained below. The table offers a view of the terms adopted for the key disclosure document in those ASEAN+3 economies that have both a public offering and professional bond market.

Full Disclosure. The key disclosure document for a public offer is the prospectus, and it usually refers to full disclosure. The term "base prospectus" is typically used in a shelf-registration for public offerings. Some regional markets have made a habit of adopting the term prospectus or even "short prospectus" for any key disclosure document regardless of disclosure type, but—ideally—to avoid ambiguity the term should not be used in the disclosure context for a professional market or for offers to professional investors. At the same time, regulations or rules in regional markets are translated from the national language into English and the term prospectus may just be adopted as a default option while the designations for key disclosure documents in the national language may be more differentiated.

The contents of the prospectus as a key disclosure document is highly structured and regulated, with a formal and detailed table of contents; the arrangement of the contents should be logical and clear; the issuer shall interpret the specific meanings of matters discussed and terms used in the prospectus in order for investors to understand the topics stated; information sources and dates have to be clearly described; plain, accurate, and standardized wording and descriptions in English or the national language are required; marketing statements are to be avoided. The document should indicate the issuance approval(s) sought or received, and any qualifying remarks from auditors or intermediaries as a result of their due diligence.

The prospectus contains information on terms and conditions of the bonds being offered; the basic situation of the issuer such as its credit rating and financial position, management, and business outlook (including within its industry); the use of proceeds and its appropriateness; as well as parties involved in the issuance. Details on the issuance process, related dates, the rights and obligations of the prospective bondholders in this process, interest payment methods and frequency, and information on safeguarding (investor protection) mechanisms—such as the appointment of a bond trustee or bondholders representative (as may be applicable)—and a

description of their function are also typically required. In view of the investor protection element of a public offer, specific focus in the prospectus is also placed on information that explains the potential risks resulting from an investment in the proposed instrument, as well as the risk factors that influence the issuer's business prospects.

For a public offering, a prospectus must be submitted together with a registration statement (in effect, a request for approval) to the regulatory authority, as part of the regulatory (approval) process. Depending on the market, the prospectus may get "registered" (i.e., formally acknowledged and made a formal public document). A prospectus needs to be published via mass media and be made available at locations where the securities are offered to the public, such as at securities companies or bank counters (see **Disclosure Channels**).

Defined Disclosure. In the professional bond market or market segment, the term "prospectus" is not generally used because it appears to imply requiring full disclosure of information.

The typical key disclosure document for offers or placements to professional investors is called an "information memorandum," which is commonly used as a disclosure document for defined disclosure in international bond markets and professional bond markets or market segments in Asia. Other key disclosure documents used in professional markets globally, such as an offering memorandum or private placement memorandum, tend to have similar or comparable content. The term "offering circular," while sounding very similar, is used in both the professional investor market as well as the public offering market. This ABMI Brief series will use the term information memorandum when referencing the key disclosure document for professional bond markets.

The contents of an information memorandum follow professional bond market practice and, other than general and key financial information, are often limited to specific types of information requested by professional investors, such as the rights and obligations of the issuer and investors in relation to the private placement (in the absence of a bond trustee or bondholders representative), the disclosure standard (explained above), the governing law and jurisdiction, dispute resolution, and any covenants the issuer has agreed to.

Where market regulators have specified disclosure obligations in the professional bond market, these may form the baseline for the information memorandum and influence the sequence and level of detail of the information presented.

Importance of Due Diligence on Disclosure Information

Due diligence is an investigation usually conducted by the underwriter(s) of a bond and carried out through the issuance process for the purpose of confirming the completeness and accuracy of information in disclosure documents. The due diligence process covers the issuer's business operation, performance, and business environment, and checks for any material omissions, misleading statements, or untrue expressions in the issuer's representations. Due diligence aspects may cover compliance with international accounting standards, audit findings, and also legal subjects such as major contracts or potential lawsuits.

Due diligence is a mandatory business practice for a public offering and is also required in a private placement to professional investors as long as disclosure documents (e.g., prospectus, information memorandum, or similar key disclosure documents or their preliminary versions) and any other materials are presented in the course of soliciting prospective investors. From the issuer's viewpoint, it reduces the chance of being sued by underwriters for using inappropriate information material in soliciting investors; from the underwriter's perspective, it reduces the chances of being sued by investors for providing untrue or incomplete information.

Due diligence is typically only conducted for corporate bond issues and is independent from authorities' checks in the context of issuance, registration, or listing approvals. Market practice may not require due diligence for government bonds in the domestic bond market because the government is defined as a "disclosure exempt entity" and its bonds are considered a risk-free investment. If a government issues bonds in a foreign market in a foreign currency, international syndicate members may require a certain level of due diligence. This ABMI Brief series will dedicate a future edition to the practice of due diligence and its many aspects.

Issuance Documents

"Issuance documents" in this context refer to distinct legal or supplementary documents that are raised and circulated to professional investors, or legal documents or forms required to be submitted or lodged by an issuer of debt securities aimed at professional investors (or their agent, as the case may be), in the process of obtaining approval or consent from regulatory and market authorities or to register their issuance. The term issuance documents is used instead of issuance documentation, which tends to summarize all elements of information produced for a bond issuance.

Issuance documents may also be configured according to the requirements of a shelf registration system and/or note issuance program (e.g., medium-term note program), or a combination thereof, if these characteristics exist in a given market and depending on relationships with disclosure channels and the degree of development of disclosure regimes. There will be more on these specifics in a subsequent ABMI Brief.

Disclosure Channels

Disclosure channels represent the means by which disclosure information is disseminated to investors, regulatory authorities, and the market at large. Disclosure might occur through traditional or electronic means. However, the disclosure channel(s) and the means of disclosure remain influenced by the nature of the offering: To ensure adequate protection of retail investors, the distribution of a physical prospectus is still much preferred, while professional investors often obtain data on private placements through e-mail, issuer or sales agent portals, or third-party information providers. Yet, the acceptance of digital channels by all consumers of information will likely further shape disclosure practices in financial and capital markets in the future.

One important prescription for the distribution of both physical documents and electronic records thereof is the need to keep the information in both formats synchronized, so as to not disadvantage any party receiving the disclosure information in their format of choice.

Paper Documents

Traditionally, an issuer and its agents would print the key disclosure document, term sheet, sales contract, or supporting documents and distribute them to the points of sale in paper form. Hence, securities firms and other sales agents would present a potential investor with physical documents to read and review, and often require some form of acknowledgment that such a review had occurred (e.g., by physical sign-off of a clause in the sales contract or order form).

Naturally, the distribution of disclosure documents in paper form brings its challenges, not least the practical aspects in economies with a large demographic spread. A lack of selling agent locations in such markets may also contribute to the limited disclosure of information and public awareness of disclosure in general.

Profile Listing on an Exchange

Profile listing is the concept of listing a bond on a recognized exchange for the sole purpose of making an issuer's disclosure information readily available to a larger number of existing and potential investors. Profile listing is subject to the listing and disclosure rules of an exchange and may offer the viewing or downloading of issuance documents and continuous disclosure updates in electronic form or as digital records via the exchange's website. A detailed explanation of profile listing, its purpose, and function will follow in a subsequent ABMI Brief.

Digital Records

Increasingly, traditional disclosure is replaced or at the very least supplemented by making disclosure information available in electronic form, while also increasingly allowing the issuer and its agents to submit disclosure information to regulators, exchanges, and other market institutions as digital records.

Some ASEAN+3 markets have adopted the submission of electronic records for bond issuances to professionals, where the issuer or an agent registers their proposed issuance online, provides templated basic information, and uploads their issuance documentation in electronic form, typically as PDF documents and/or XML file documents. This is particularly evident for exchanges, which then make such electronic documents available for general viewing on their websites since they function as places of disclosure for listed instruments.

Public Media

For public offerings of bonds, disclosure prescriptions often include the publication of the offer in at least one general newspaper, also referred to as mass media.

This practice dates back to newspapers being the only widely available printed information source, but it also provides wide coverage for the issuer to attract potential investors. The actual disclosure is often limited to an abridged prospectus that both serves as an advertisement as well as a description of the locations where full disclosure information may be obtained.

In contrast, bond markets aimed at professional investors typically do not permit the publication of private placements in mass media and use this feature as a clear distinction between private placements and public offerings—disclosure in mass media would automatically default a bond offering to a public offering format and invoke all relevant full disclosure prescriptions.

Social Media

At present, the publication of disclosure in social media may not yet be counted as an acceptable form to satisfy formal publication prescriptions; however, social media posts are probably acceptable as supplementary information disclosure in public offerings.

Issuer Website

As mentioned earlier, issuers may be permitted to incorporate their standard disclosure information into issuance documentation. Such standard information would typically be available on the issuer's website. Depending on the type of instruments issued by a company, the information available from an issuer's website might vary considerably.

Bond Information Services

Information on bonds and notes issued in a given market is often easily available for both retail and professional investors through a number of official online resources as well as market intermediaries and information vendors. Investors are principally able to obtain information on bond and note issuance, issuer details, and underlying financial data through the information disclosure prescriptions in law and regulations. In addition, a number of market institutions may also offer—typically through their websites—comprehensive information on the bond market, ranging from general descriptions of the bond market, individual market features, and instruments to the detailed provision of prices or yields, yield curves, and other statistical data. Some of these services may be fee-based.

The information disclosure requirements and, hence, the available information details and underlying data, may differ between market segments in a given jurisdiction or between jurisdictions. At the same time, the information disclosure requirements for different bond and note types within the same market may also vary. However, the increasing adoption of international standards and practices across the region's markets—with support from ABMF—will ensure that the same range, breadth, and depth of information should be available for the same type of instruments in similar or comparable market segments across all ASEAN+3 markets.

Credit Rating Agencies and Bond Pricing Agencies

Few market intermediaries have the same need for detailed disclosure and other information on issuers and their debt securities as credit rating agencies or bond pricing agencies. Consequently, credit rating agencies and bond pricing agencies collect, process, maintain, and display a significant amount of information and data in addition to the actual credit ratings. Much of that information is available for general viewing since these agencies increasingly use public domain information to justify their rating decisions and pricing information to track the issuer's performance throughout the tenor of the bond or note. These agencies may publish such data on their websites or provide subscription services.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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