

ABMI Roadmap

1. Preface

The ASEAN+3 Finance Ministers' Meeting decided to establish six working groups (WGs) on the ABMI at its meeting on August 7, 2003. Since then, comprehensive efforts have been made to develop the region's bond markets, and concrete outcomes are being achieved, such as the issuance of local currency-denominated bonds by MDBs in the region.

Some working groups have completed their designated tasks while others are still working toward their targets.

Based on the above situation, *the concept of an ABMI Roadmap was proposed at the November Focal Group Meeting in Tokyo* and was endorsed by the November Deputies' meeting in Sanya last year.

This paper is intended to revise the present WG framework and to provide an outline of a new framework to further promote and implement the ABMI.

2. Principles in the Framework Revision

The following three prerequisites are presumed: First, the number of working groups should be kept to the minimum necessary so that the efficiency of the ABMI framework can be maintained. Second, continuity and consistency need to be maintained regarding future work that draws on past efforts. Third, flexibility is critical for a new framework to respond to the changing regional environment.

Based upon these three prerequisites, a new mechanism is necessary to gather and share information in an integrated fashion about bond markets-development efforts and to spread the initiative across the region under the strong leadership of the Focal Group.

3. Reorganization of the Working Groups

The present six working groups will be reorganized into the Ad-hoc Support Team for the Focal Group, the TA Coordination Team for the Focal Group, and four Working Groups.

Ad-hoc Support Team for the Focal Group

The Ad-hoc Support Team for the Focal Group (ASTFG) will conduct the following three activities:

➤ ***To complement and fortify the functions of the Focal Group***

The ASTFG will complement and fortify the functions of the Focal Group through providing data and information.

In order to deal with emerging issues that cut across the mandates of the Working Groups, the ASTFG may also organize seminars on those issues.

Likewise, this team might be an appropriate place to support the Focal Group if the Focal Group is decided to conduct an in-depth study on the concept of “Asian Bond Standards” as proposed by Korea, which includes many important issues that may affect the future of entire initiative. (Establishing a special taskforce under the Focal Group is another alternative.)

➤ ***To gather, share, and disseminate information***

The ASTFG will gather, share, and disseminate information on bond markets-developments in ASEAN+3 countries and the activities of other regional fora (i.e., EMEAP and APEC) in an integrated way.

The use of the Asian Bonds Online Website (ABW), which is currently under the jurisdiction of the present WG5, is expected to be an effective tool for this purpose, especially for the prompt sharing of information gathered among the member countries. Since WG5 has successfully established the ABW, the function of “Information Dissemination” currently under the WG5 will be transferred to the ASTFG, which will update, utilize, and disseminate the data on the ABW thereafter. The WG5 and other WGs will continue to convey market voices to the ABW, if appropriate.

➤ ***To compile and update progress reports***

The ASTFG will compile and update progress reports on member countries' bond market developments every six months. The reports will basically be self-assessments by the member countries and also contribute to the coordination of technical assistance (TA) by the TA Coordination Team for the Focal Group (to be discussed later, present WG6).

In this context, the “Study of Impediments to Cross-Border Bond Investment and Issuance in Asian Countries” currently under the WG3 will be transferred to the ASTFG as well, since this study raised issues related to the mandates of all Working Groups and requires a response from each country. Therefore, each member will conduct a self-assessment including counterarguments to the findings of the study. The Bank of Japan and the Bank Negara Malaysia, which have been involved in this work in the present WG3, will continue to support members in this self-assessment after the transfer.

The additional workload or additional layer resulting from the establishment of the ASTFG will be nominal, since setting-up this team is equivalent to refining the existing behind-the-scenes work in each country to support the Focal Group and making its operations more timely and flexible. The ASTFG will consist of either the current Focal Group members or their junior staffs appointed by them.

TA Coordination Team for the Focal Group

While the present WG6 (in charge of pooling technical assistance (TA) providers and recipients and matching them up) has advanced the regional capabilities so far, we acknowledge the importance of coordinating and providing TA in a more timely, more effective, and more visible manner in light of the rapid advancement of the regional bond markets. For these purposes, the coordination team will continue TA coordination and implementation drawing from its accumulated expertise as well as its full understanding of the concrete activities of each Working Group and the ASTFG.

Accordingly, ***the WG6 will be transformed into the TA Coordination***

Team for the Focal Group (TACT), with the expectation of closer collaboration with the Focal Group as well as with the ASTFG

Working Groups

Principles

It is logical to disband the Working Groups once they have completed their mission and to shift our priorities to newly emerging agenda, if any, because the Working Groups have been established to achieve specific goals. To this end, the activities of each Working Group need to be reviewed regularly.

Reorganization of the current Working Groups

Based upon the above principles, we propose that the current Working Groups be reorganized as follows: (Please see the attached document for an easy-to-understand diagram of the changes.) If any new issues emerge in the future, we shall consider how to incorporate them into the framework.

- ***WG1 will adhere to its current mandates in helping to promote local currency denominated bonds.*** The WG1 will complete the ASEAN+3 Withholding Tax Project by the upcoming AFMM+3 and will continue to undertake the Regional Multi-Currency Bond (RMCB) Project. An expansion of the RMCB Project may be explored to study on the future issuance of currency-basket bonds that use a currency-basket as common issuing denomination.
- ***WG2 and WG3 will continue to explore their current agendas because their missions are still being achieved.*** It should be noted that the “Study on Impediments to Cross-Border Bond Investment and Issuance in Asian Countries” will be transferred from the present WG3 to the newly established ASTFG, which will compile the progress report on bond market developments in each country.
- ***WG4 will be abolished,*** because the group has completed its mission and has brought fruitful outcomes.

- ***WG5 will focus more on rating system issues.*** The goal of information dissemination has been achieved with the embarkment of the Asian Bonds Online Website (ABW) in May 2004. Management of the ABW will be transferred to the ASTFG.
- ***WG6 will be transformed into the TA Coordination Team for the Focal Group.***

4. Selection of Chair Countries

Ad-hoc Support Team for the Focal Group:

The Chair Country of the Focal Group, which rotates regularly, will also be the Chair Country of the ASTFG. The ASTFG will create a “cyber secretariat” utilizing the ABMI internal website.

TA Coordination Team for the Focal Group and Working Groups:

The present Chair and Vice Chairs of the WG6 will assume the same positions in the TACT, which will take over the tasks of the WG6.

The present Chairs of the Working Groups will stay in their current positions to ensure continuity in discussions, expertise, information, as well as cooperation and consultation with consultants. At the same time, flexibility should be maintained to allow any country interested in any WG to become a co-chair of the WG.

Review of the Chairmanship

The chairmanship of the TACT and the Working Groups will be reviewed at occasional intervals.

5. Frequency of Meetings

Focal Group: The Focal Group will meet twice a year.

Ad-hoc Support Team for the Focal Group: The ASTFG will constantly share and communicate the information about the progress of the ABMI via E-mail network. The ASTFG makes preparations for the Focal Group and meets if necessary, normally at the same time with the FG.

TA Coordination Team for the Focal Group: Meetings of the TA Coordination Team for the Focal Group will be held at the same time as those of the ASTFG. Ad hoc meetings can be held by the Chair at the request of a Group member.

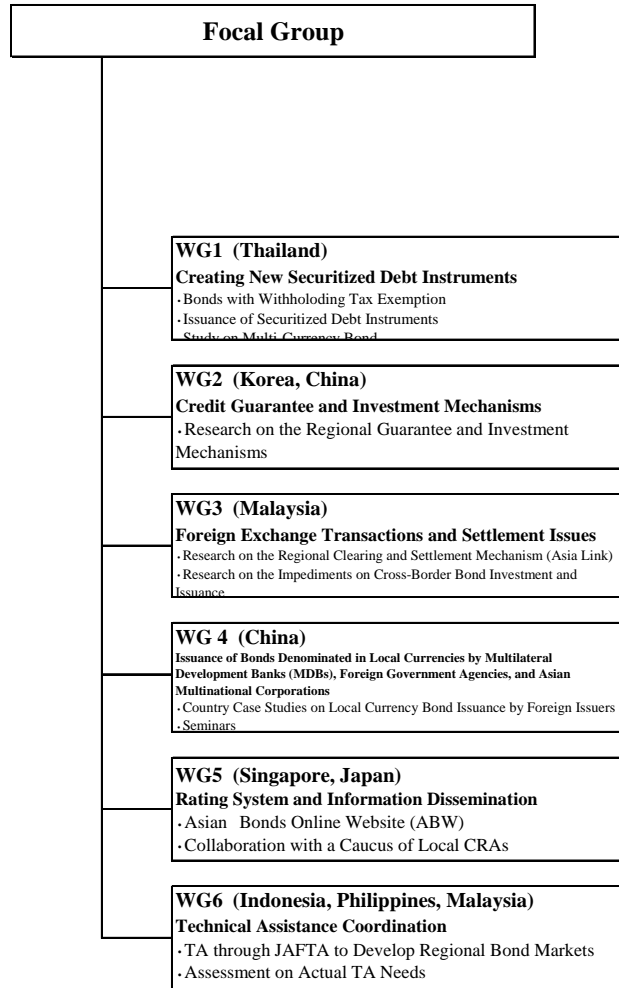
Working Groups: The Working Group meetings will continue to be held twice or three times a year at least two weeks prior to the Focal Group meetings to allow enough time to prepare the WG progress reports.

6. The ADB's Contribution to ABMI

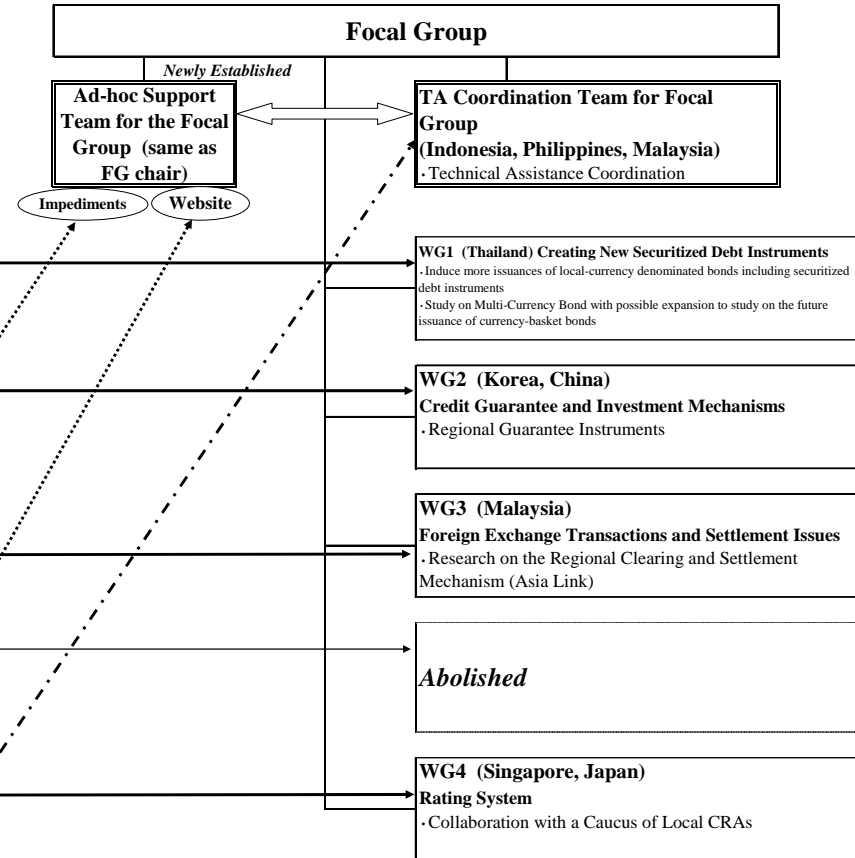
The Focal Group and each Working Group have received support regarding various issues from the ADB since the launch of the ABMI.

After the reorganization of the Working Groups, we would expect the ADB will continue to contribute to the newly established Ad-hoc Support Team for the Focal Group and TA Coordination Team for the Focal Group as well as the Working Groups as ever by utilizing its expertise.

Old Framework



New Framework



Terms of Reference of The Ad-hoc Support Team for the Focal Group
and The TA Coordination Team for the Focal Group
under The Asian Bond Markets Initiative

1. Background

After almost two year has passed since ASEAN+3 Ministers endorsed the Asian Bond Markets Initiative (ABMI), ASEAN+3 countries considered it necessary to revise the present WG framework under the ABMI to further promote and implement the initiative.

The concept of an ABMI Roadmap was proposed by Japan at the November Focal Group Meeting in Tokyo and was endorsed by the November Deputies' meeting in Sanya last year. After the discussions over the draft both at March Focal Group Meeting and April Deputies' Meeting in Vientiane this year, the Roadmap was revised and finalized.

Under the Roadmap, we will set up the Ad-hoc Support Team for the Focal Group (ASTFG), and transform current Working Group 6 into the TA Coordination Team for the Focal Group (TACT).

2. Purposes/Functions

(1) Ad-hoc Support Team for the Focal Group

The ASTFG will be established with the aim of gathering and sharing information in an integrated fashion about bond markets-development efforts, and spreading the initiative across the region under the strong leadership of the Focal Group (FG).

The FG had been set up to coordinate activities of the Working Groups in a

systematic and harmonized manner, and its main function is to monitor the progress of the Working Groups and coordinate their future action plans. The ASTFG will support and fortify such function of the FG and making its operations more timely and flexible.

Respecting one of the principles of framework revision “the number of working groups should be kept minimum necessary”, the ASTFG will be set up by refining the existing behind-the-scenes work in each country to support the FG, and reinforcing the cyber network with the help of the ABMI internal website. In this respect, we note that the additional workload/layer resulting from the establishment of the ASTFG should be nominal, and any duplication/overlap of work should be strictly avoided.

With the consideration of the nature of the team, we will name the newly established body as an “Ad-hoc Support Team for the Focal Group (ASTFG)”.

The ASTFG will conduct the following three activities:

To complement and fortify the functions of the Focal Group

The ASTFG will complement and fortify the functions of the Focal Group through providing data and information.

To gather, share, and disseminate information

The ASTFG will gather, share, and disseminate information on bond markets-developments in ASEAN+3 countries and the activities of other regional fora (i.e., EMEAP and APEC) in an integrated way.

To compile and update progress reports

The ASTFG will compile and update progress reports on member countries’ bond market developments every six months.

(2) TA Coordination Team for the Focal Group

In order to provide TA in a more timely, more effective, and more visible manner in light of the rapid advancement of the regional bond markets, the Working Group 6 will be transformed into the TA Coordination Team for the

Focal Group (TACT), with the expectation of closer collaboration with the Focal Group as well as with the ASTFG.

The TACT will maintain the existing form of WG6 and continue TA coordination and implementation to all the Working Groups drawing from its accumulated expertise as well as its full understanding of the concrete activities of each Working Group and the ASTFG.

3. Membership

(1) Ad-hoc Support Team for the Focal Group

The ASTFG will consist of either the current Focal Group members or their staffs named by them.

(2) TA Coordination Team for the Focal Group

The TACT will consist of the members of the current Working Group 6.

4. Frequency and venue

(1) Ad-hoc Support Team for the Focal Group

The ASTFG will constantly share and communicate the information about the progress of the ABMI via E-mail network. The ASTFG makes preparations for the Focal Group and meets if necessary, normally at the same time with the FG.

(2) TA Coordination Team for the Focal Group

The TACT Meetings will be held at the same time as those of the ASTFG. Ad hoc meetings can be held by the Chair at the request of a Group member.

5. Chairmanship

(1) Ad-hoc Support Team for the Focal Group

The Chair Country of the Focal Group, which rotates regularly, will also be the Chair Country of the ASTFG. The ASTFG will create a “cyber secretariat” utilizing the ABMI internal website.

(2) TA Coordination Team for the Focal Group

The present Chair (Indonesia) and Vice Chairs (Malaysia and Philippines) of the WG6 will assume the same positions in the TACT, which will take over the tasks of the WG6.

Flexibility should be maintained to allow any country interested in TACT to become a co-chair of the team. The chairmanship of the TACT will be reviewed at occasional intervals.

6. Others

The new framework introduced by the ABMI Roadmap and these terms of reference will be effective immediately after the endorsement by the ASEAN+3 Finance Ministers.