

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Capital Market Development Expert and Team Leader (5 person months)

1. The team leader is expected to have significant expertise (10 to 15 years) in capital market development, including experience with shari'ah compliant products. Experience in the Asia Pacific region is preferable. The team leader will be responsible for preparing the draft capital market masterplan, including related diagnostic studies, and facilitating agreement on new initiatives to address policy, legal, regulatory, supervisory, institutional, and capacity constraints to development of the capital market in Brunei. The team leader's duties will include the following.

- (i) With inputs from other international experts and in coordination with the work undertaken by the Government and other development partners, oversee the preparation of the following diagnostic studies:<sup>1</sup>
  - a. Identification of potential issuers of debt and equity products over the short, medium and long term (e.g. export oriented sectors, government linked companies, venture capital funds, foreign firms, etc);
  - b. Review of current legal and regulatory framework for the capital market (conventional and shari'ah compliant products) to clarify gaps therein and impediments to development based on best practice principles;
  - c. Institutional arrangements for capital market development to identify gaps therein and impediments to development based on best practices;
  - d. Supporting infrastructure for capital market development (secondary trading, securities clearance and settlement, etc);
  - e. Capacity (technical and human resource) for capital market development activities, including investor awareness.
- (ii) Based on diagnostic study findings, and taking into account the nascent nature of the market, its small size, together with limited population, prepare a draft Capital Market Masterplan: (a) identifying the role and value to the economy of a well functioning capital market; (b) highlighting effective ways to position it; and (c) clarifying actions needed to achieve this objective (legal and regulatory, institutional, infrastructure, capacity), including a related timetable (short, medium and long term milestones).
- (iii) Coordinate the preparation of the Payment and Settlement Blueprint by the Payment and Settlement Expert.
- (iv) Organize workshops to discuss the draft master plan and draft payment and settlement blueprint.
- (v) Organize study tours to appropriate markets to clarify policy options and enhance related capacity.
- (vi) Oversee finalization of the draft masterplan and blueprint, including clear benchmarks to track progress in capital market development and payment, settlement and clearance system.
- (vii) Prepare a strategy for Phase II, including projected cost for implementing recommendations relating to information technology (hardware and software, capacity enhancement, etc.).

---

<sup>1</sup> The diagnostic should not include a detailed analysis of the pension and insurance sectors, accounting and auditing framework or human resource capacities, but should refer to existing studies and ongoing work in these areas.

- (viii) With inputs from other experts, prepare a consolidated draft workplan, draft final and final report:
- (a) Workplan to be submitted by the end of the two week after mobilization (for each consultant) to IA and ADB for comment prior to finalization.
  - (b) Summary monthly progress reports to IA and ADB highlighting status of key workplan deliverables, implementation issues and proposed changes. Note, deliverables should be submitted pursuant to the timeframe set forth in the workplan.
  - (c) Draft final report to be submitted to IA and ADB 1 month before TA completion.
  - (d) Final report to be submitted at the end of the Project to IA and ADB.

**B. International Legal and Regulatory Expert (3 person months)<sup>2</sup>**

2. The expert/s are expected to have significant experience in capital market regulation in developed and developing markets, including regulation of payment and settlement systems, and working knowledge of the implementation of International Organization of Securities Commission (IOSCO) best practice principles and objectives of securities regulation, and Group of 30 (G-30) recommendations for payment and settlement. Experience in the Asia Pacific region and in markets that offer shari'ah compliant financial products is preferable. The expert's duties will include the following:

- (a) In coordination with the team leader and payment and settlement systems expert prepare a draft diagnostic study on the legal and regulatory framework for the capital market (equity and debt, conventional and shari'ah compliant products, and related tax issues), and payment and settlement, to clarify gaps therein and impediments to development based on best practice principles;
- (b) Prepare a report setting forth findings and recommendations on legal and regulatory reforms needed to support a functional capital market and modernized payment and settlement system. The report should include copies of relevant legislation incorporating best practice standards from other common law jurisdictions.
- (c) Support the team leader in all matters relating to laws and regulations in the capital market and payment and settlement system.
- (d) Assist the team leader to organize and implement workshops and seminars that discuss legal and regulatory issues.
- (e) Prepare workplan, progress reports, and deliverables as required by the team leader.

**C. International Bond Market Expert (2 person months)**

3. The expert is expected to have significant experience in primary and secondary bond markets. Knowledge of shari'ah compliant products is preferable. The expert's duties will include the following:

---

<sup>2</sup> Where recommendations to promote a modernized payment and settlement system include the need for new legislation, an additional 2 months of level of effort for the legal expert can be added from contingency funds to assist the Government in preparing draft legislation.

- (a) Provide support to the team leader in preparing study identifying potential issuers of debt over the short, medium and long term;
- (b) In coordination with the work undertaken by the Government and other development partners, assist the team leader and other international experts in preparing diagnostic reports and related recommendations to address legal, regulatory, institutional, and related infrastructure and capacity gaps and impediments to bond market development based on best practice principles;
- (c) Prepare a report summarizing findings and making recommendations to promote development of (i) an issuance strategy for government securities that prepares the market for regular issues, targeted to specific maturities, with a view to determining the benchmark for other government issues, initially targeting the short end of the maturity spectrum; (ii) measures to anchor the strategy for issuing government paper within a sound fiscal policy stance and medium term expenditure framework; (iii) a domestic yield curve; (iv) a secondary market for government securities, including a review of the primary dealer function and development of recommended incentives to improve secondary market trading, including the rights and obligations of primary dealers, and (v) interbank and money markets.
- (d) Support the team leader in all matters relating to bond market development.
- (e) Assist the team leader to organize and participate in related workshops and seminars.
- (f) Prepare workplan, progress reports and deliverables, as required by the team leader.

#### **D. International Payment and Settlement Expert (3 person months)**

4. The expert is expected to have a strong background in banking and finance and significant operational experience in payment and settlement systems, including securities settlement. Experience in the Asia Pacific region is preferable. The expert's duties will include the following:

- (a) In coordination with the team leader and other international experts, and in consultation with Government and private sector stakeholders prepare the following diagnostic studies (i) legal and regulatory framework for payment and settlement to identify gaps therein and impediments based on best practice principles; (ii).institutional arrangements for payment and settlement to identify gaps therein and impediments to development based on best practices; (iii) supporting infrastructure for payment and settlement; (v) human resource capacity to implement modernized payment and settlement systems.
- (b) In coordination with the team leader, other international experts, and the work undertaken by the Government and other development partners supporting financial sector development, prepare a blueprint of sequenced reform activities for establishing a modernized payment, settlement and clearance system for financial transactions and traded securities. The draft Blueprint should include a stock taking of what is available at present and a roadmap of proposed actions for improving the legal and regulatory framework, institutional arrangements, and human resource capacity, and supporting infrastructure, including key actions to be taken over the short, medium and long term. The Blueprint should also identify key actions needed to establish money and interbank markets to provide efficient liquidity management, effect delivery vs. payment for securities settlement (including government bonds), establish a real time gross settlement

methodology for Brunei, and include a workable solution in terms of ownership, governance and operation of the automated clearing house. The Blueprint should also include supplementary materials and/or model guidelines to build local understanding and promote best practices.

- (c) In coordination with the team leader, organize several workshops, including preparation of related materials, to present the diagnostic report and build consensus on the various aspects of the draft Blueprint. Use the training workshops to enhance understanding and capacity of identified counterparts to carry out depository, issuing and payment agent, registrar, custodian, transfer agent and payment and settlement functions.
- (d) In coordination with the Financial Sector Information Technology expert develop a framework for a suitable information, communications and information technology platform to support the payment and settlement system, settlement and clearance of traded securities, and the proposed e-government integrated payment gateway.
- (e) Assist the team leader to organize and participate in related workshops.
- (f) Prepare workplan, progress reports and deliverables, as required by the team leader.

#### **E. International Financial Sector Information Technology Expert (3 person months)**

5. The expert is expected to have significant experience in developing and implementing financial sector information systems, with a focus on capital market and payment and settlement systems. Experience in the Asia Pacific region is preferable. The expert's duties will include the following:

- (a) In coordination with the team leader and other international experts, prepare a draft diagnostic study on the current information technology framework and platform for the capital market and supporting payment and settlement system to clarify gaps therein and impediments to development based on best practice principles;
- (b) In coordination with the Government and the payment and settlement expert, review the proposed e-government integrated payment gateway project. Provide comments, supplementary materials and recommendations on the best way forward.
- (c) Prepare a report summarizing findings and making recommendations to (i) enhance capacity to carry out depository, issuing and payment agent, registrar, custodian, transfer agent, and clearance and settlement functions; (ii) support establishment of money and inter-bank markets; (iii) develop a suitable information, communications and technology platform for trading, payment and settlement.
- (d) Assist the team leader to organize related workshops and seminars.
- (e) Prepare workplan, progress reports and deliverables, as required by the team leader.