



Completion Report

Project Number: 50056-001
Technical Assistance Number: 9303
May 2021

Support for ASEAN+3 Bond Market Forum under the New Asian Bond Markets Initiative Medium-Term Road Map

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9303-REG: Support for ASEAN+3 Bond Market Forum under the New Asian Bond Markets Initiative Medium-Term Road Map		Amount Approved: \$1,600.000	
		Revised Amount: Not applicable	
Executing Agency: Asian Development Bank	Source of Funding: Investment Climate Facilitation Fund	Amount Undisbursed: \$172,378.79	Amount Used: \$1,427,621.21
TA Approval Date: 17 March 2017	TA Signing Date: 17 March 2017	TA Completion Date	
		Original Date: 31 July 2019	Latest Revised Date: 31 December 2020
		Financial Closing Date: 1 March 2021	Number of Extensions: 2
TA Type: Research and development TA		TA Arrangement: Not applicable	

Description

The Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea (ASEAN+3), formally established the Asian Bond Markets Initiative (ABMI) in 2003 to boost the development of local currency bond markets. The overreliance on external short-term foreign currency borrowing to finance long-term domestic investments, commonly referred to as the double mismatch problem, led to the Asian financial crisis in 1997–1998. The ABMI was intended to address the double mismatch problem by promoting local currency-based long-term finance, i.e., local currency bonds. The ABMI also aimed to channel savings within ASEAN+3 toward long-term investment. The Asian Development Bank (ADB) has served as the ABMI's Secretariat since inception as a part of ADB's strategy to support greater financial, fiscal, and macroeconomic stability in the region. The regional research and development technical assistance (TA) supported the ABMI's ASEAN+3 Bond Market Forum (ABMF), which was established in May 2010 by the ASEAN+3 finance ministers as an important regional platform to foster standardization of market practices and harmonization of regulations relating to cross-border bond transactions in ASEAN+3.

Expected Impact, Outcome, and Outputs

The expected impact was greater financial stability through regional bond market integration in the ASEAN+3 region. More integrated markets are less vulnerable to global shocks. The outcome strengthened the intraregional mobilization of funds within ASEAN+3. The ABMF supported various activities to create the outputs that will facilitate more active intraregional transactions, which will lead to recycling of funds within the region. The expected outputs were: (i) ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) participating markets increased; (ii) new AMBIF bond issuance created; (iii) regulatory and tax hurdles for AMBIF identified; (iv) challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified; (v) international standards, including International Organization for Standardization (ISO) 20022, adopted, or their adoption plan in the key market infrastructures announced; and (vi) initial assessment of possible information platform conducted.

Implementation Arrangements

ADB was the executing agency (EA) for the TA. The Financial Cooperation and Integration (FCI) Team of the Office of the Director General, Sustainable Development and Climate Change Department, which then moved to the Office of the Chief Economist and Director General, Economic Research and Regional Cooperation Department (EROD), implemented the TA in consultation with ABMF members and the ABMI Task Force 3 (TF3) co-chaired by the governments of Japan and Malaysia and supervised the consultants' work. FCI Team closely coordinated with ADB's Southeast Asia Department, East Asia Department, Private Sector Operations Department, and Finance Sector Group of Sustainable Development and Climate Change Department in its implementation. The project was implemented for 46 months, from March 2017 to December 2020. All consultants (6 international consultants for 63.4 person-months and 1 national consultant for 39 person-months) were engaged as individual consultants in accordance with ADB's Guidelines on the Use of Consultants. The terms of reference for the TA consultants were well formulated. The performances of the consultants were rated between excellent and satisfactory.

Conduct of Activities

The completion date of the TA was extended from 31 July 2019 to 31 December 2020 to ensure continuity of work on ABMF, including the publication of the reports and updates on Bond Market Guides and to support regular meetings of ABMF. The TA supported 11 ABMF meetings (2 in 2017, 3 in 2018, 3 in 2019, and 3 in 2020).

All six outputs of the TA envisaged in the design and monitoring framework (see details below) have been delivered within the extended TA completion date and were within the scope of work required in the approved TA paper.

Output 1: AMBIF participating markets increased. Cambodia joined AMBIF in 2018. From the beginning of its corporate bond market, Cambodia established its market along with AMBIF. After formal enactment of a new Prakas on Debt Securities Offering for Qualified Investors in 2020, the AMBIF Implementation Guidelines for Cambodia was published in December 2020.

In Viet Nam, based on our advice, the Securities Law was revised in 2020 to create a professional investors-only bond market, which started in 2021. It is expected to be included in AMBIF if market practices under the revised regulation are developed, and the AMBIF Single Submission Form can be recognized by the authorities.

In Indonesia, along with our advice, the definition of professional investors was created in 2017, and a regulation on the Public Offering of Debt Securities and/or Sukuk (Islamic Bonds) to Professional Investors was enacted in 2018. In addition, a regulation on Issuance of Debt Securities and/or Sukuk not through a Public Offering was enacted in 2019 and came into force in 2020, which may be able to create a legal basis for AMBIF.

Output 2: New AMBIF bond issuance created. Eight (8) AMBIF bonds were issued during the TA period in Cambodia, the Philippines, Singapore, Thailand, and Japan. Collaboration with the Credit Guarantee and Investment Facility (CGIF) effectively created more awareness and issuances. This proved the importance of collaboration within the regional initiatives under ABMI as guided by the ABMI Medium-Term Road Map. Further issuances are expected as the merits of AMBIF are recognized.

Output 3: Regulatory and tax hurdles for AMBIF identified. The discussion paper titled *Account Structure Study to Improve Know-Your-Customer Processes for Regulatory and Tax Reporting in ASEAN+3* was submitted to the ABMF in November 2020. The report was based on the study together with ABMF international experts. The report identified problems in tax reporting and proposed utilization of a globally recognized identification standard called Legal Entity Identifier. The discussion under ABMF was reported to TF3 of ABMI. The proposed approach will be considered not only for taxation but also for regulatory reporting, such as a reporting of foreign exchange. In the Philippines, ABMF contributed to the Comprehensive Tax Reform Program Package 4: Passive Income and Financial Intermediary Taxation Act (PIFITA). A comparative capital income tax study was prepared and presented by FCI Team to the Philippine authorities during the Briefing on the Capital Income and Financial Services Taxation in November 2017.

Output 4: Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified. The ABMF conducted a survey on cross-border collateral and repo as well as securities lending and borrowing. The survey result was reported to ABMF and TF3 in 2017 and 2018. The discussion created an interest for a new business among some ABMF member financial institutions. As an output of the discussion, the article on *Asia's Cross-Border Collateral Agreements* was published in *Asian Economic Integration Monitor 2017*.

Though the importance of cross-border collateral and repo transactions was recognized, it faced challenges in data collection as there is no reporting requirement for offshore repo transactions; hence, it was not easy to capture cross-border transactions. Based on anecdotal information, limited use of Asian local currency bonds for cross-border collateral was identified. To promote more involvement of the authorities, the issue was taken up by the Cross-Border Settlement Infrastructure Forum (CSIF) and the Asia Prime Collateral Forum (APCF) under TF4 of ABMI.

Output 5: International standards, including ISO 20022, adopted, or their adoption plan in the key market infrastructures announced. In addition to PRC and Japan which adopted ISO 20022 already, Cambodia, Lao People's Democratic Republic, and Singapore have implemented ISO 20022 in their market infrastructures. The implementation is expected in Myanmar in 2020; in the Philippines and Thailand in 2021; in Hong Kong, China in 2022; and in Viet Nam by 2025. The global adoption is scheduled by 2025. Along with the adoption of ISO 20022, further utilization of the standard for various regulatory and tax reporting will be considered.

Output 6: Initial assessment of possible information platform conducted. Together with ABMF, AsianBondsOnline (ABO) conducted a user survey in 2017. Based on the survey result, the first major revamp of the website was done in July 2018. Based on another survey and feedback from ABMF, series of minor improvements of ABO has been conducted.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	<p>The TA is based on the ABMI Medium-Term Road Map and guidance provided by the ASEAN+3 governments. In addition, it is fully aligned with Strategy 2030's sixth and seventh operational priority: 'strengthening governance and institutional capacity' and 'fostering regional cooperation and integration'.</p> <p>The TA helped the creation of the Cambodian corporate bond market. The TA supported establishing a legal foundation for the first corporate bond issuance in 2018 and supported the drafting of the new Prakas on Debt Securities Offering to Qualified Investors, promulgated in 2020. The TA also supported various regulatory reforms in and experience sharing among the ASEAN+3 member markets. For Indonesia, the FCI Team provided technical inputs for the capital market reform to the Indonesian authorities to support their drafting of the Omnibus Law in 2020. For Viet Nam, the FCI Team supported the revision of the Securities Market Law in 2020 to create a professional investors-only bond market that can protect retail investors while regulatory flexibility can be given to the market participants.</p> <p>By developing AMBIF, further recycling of funds in the region would be facilitated. Impediments for cross-border transactions such as tax reporting and collateralization were identified. Further standardization is expected to enable smoother data exchange. As a result, the bond markets in the region have been integrated more, thus, contributing to greater regional financial stability.</p>	Highly relevant
Effectiveness	<p>All outputs of the TA in the design and monitoring framework in Appendix 1 were fully achieved. Due to coronavirus disease, the official meetings such as the ABMI TF Meetings and the Deputies meetings had to be shortened. Thus, the communication with the officials was not so active because the presentation time had to be limited. However, online ABMF meetings were organized flexibly; these brought more participants than physical meetings as stakeholders interested in ABMF could join easily. Effectiveness can also be demonstrated by the fact that ADB's support of the regional discussions through the TA and timely publication of supporting reports were highly appreciated and endorsed by ASEAN+3 officials who had the full ownership of the TA.</p>	Highly effective
Efficiency	<p>ADB, as EA of the TA and Secretariat of the ABMI, exhibited leadership on creating AMBIF issuances together with CGIF.</p> <p>ABMF international experts representing private sector institutions to ABMF kindly volunteered to provide knowledge and expertise and even supported drafting reports for ABMF discussions.</p> <p>Funds were used as expected, but all activities and outputs were accomplished with less funding than anticipated. \$172,379 of the TA funding was undisbursed. The TA produced 14 publications during the TA period, aside from internal documents utilized for ABMI TF discussions. ADB staff was also highly efficient since they proactively engaged in subject matters of ABMF studies. The TA completed the publication of the ASEAN+3 bond market guides for all markets. The AMBIF implementation guidelines were published by utilizing consultants as well as ABMF experts.</p> <p>The TA was extended to ensure the delivery of the publications and support to the regulatory reforms of the member economies as they were inevitably influenced by the various political factors.</p>	Highly efficient
Overall Assessment	<p>The outcome performance indicator fell slightly short of the target due to the growth of overall global debts. But the TA produced the expected outputs in line with the expectations of the ABMI Medium-Term Road Map, strengthened intraregional mobilization of funds by the outputs, thus, created the expected impact. Through the process of drafting the bond market guides, the experiences of other markets were shared. Knowledge gained through the drafting of the guides also helped support bond market developments of less developed markets. In addition, the knowledge gained through ABMF was shared with non-ASEAN+3 member economies, particularly with Mongolia.</p>	Highly successful
Sustainability	<p>The TA is likely sustainable since good progress has been made, and the firm and solid support from ASEAN+3 officials continue to support further work in this area. ASEAN+3 requested ADB to continuously support the ABMF. ABMF has demonstrated its ability to mobilize expertise in the region to support less developed markets.</p>	Likely sustainable

Lessons Learned and Recommendations

Implementation and/or delivery	<p>The process of drafting the bond market guides helped establish good communication and relationship with all relevant stakeholders involved in the market development. In other words, preparing a paper only within limited parties would not be effective. The relationship established became invaluable assets of ABMF, which helped with the introduction of AMBIF and necessary regulatory changes in the member markets.</p> <p>As the scope of ABMF discussion is getting wider to include problems outside of bond markets such as taxation and foreign exchange regulation, thorough coordination and closer collaboration with the relevant authorities is indispensable. Hence, it would take more time and effort to produce a good outcome.</p>
Knowledge building	<p>Since ABMF could bring experts from both private and public sectors, discussion and outputs could be based on practical hands-on information, which was particularly valuable for the authorities in less developed markets. The knowledge necessary for local currency bond market development was shared in the process of drafting the bond market guides, and the relevant authorities could compare their regulatory and institutional framework with other markets.</p> <p>Since ASEAN+3 officially agreed to invite non-ASEAN+3 official to ABMF as an observer, the knowledge transfer can be extended to outside of ASEAN+3. Based on the agreement, Mongolia has joined in ABMF, and drafting of the Bond Market Guide for Mongolia was supported in close coordination with East Asia Department under OneADB. The knowledge gained through ABMF should be shared with other regions continuously.</p>
Stakeholder participation	<p>ABMF international experts, representing private sector institutions to ABMF, were always supportive and cooperative. They kindly offered their support and assistance and joined technical missions to draft the account structure study and cross-border collateral management study. They also contributed to the drafting of the reports. Besides, the participants from the central banks, securities regulators, and the ministries of finance were responsive to various requests to conduct the studies. ABMF has been functioning as a platform to link the relevant experts for financial market development. Though there is no financial support for participation, the number of participants in the meetings has grown to more than 150, therefore being recognized as a prominent regional forum that can deliver meaningful outputs at every meeting. To maintain such good recognition, careful planning and effective delivery of outputs have to be continued.</p>
Partnership	<p>In the process of the TA implementation, FCI Team closely coordinated with ASEAN Capital Market Forum (ACMF), consisting of ASEAN securities regulators. ABMF meetings were also focused to share the progress of ACMF's initiatives. Since the development of the thematic bond market is becoming the region's expected interest, the collaboration can be strengthened.</p> <p>ABMF has become a regional platform to discuss various financial market-related issues. ABMF meetings were often organized with collaboration with local regulatory authorities as well as the Asia-Pacific Financial Forum under the Asia Pacific Economic Cooperation Business Advisory Council to gain regional influence. To promote standardization, ABMF closely worked with eXtensible Business Reporting Language International, a global community to improve business reporting standards, and Global Legal Entity Identifier Foundation, established by the Financial Stability Board. Further collaboration with other standard promotion organizations can be sought.</p> <p>During the missions to the ASEAN+3 member economies, FCI Team visited the Japanese embassies and the offices of Japan International Cooperation Agency (JICA) to share the progress of ABMF activities as the TA was financed by the Investment Climate Facilitation Fund established by Japan under the Regional Cooperation and Integration Financing Partnership Facility. The visits were always welcomed; thus, periodical communication with the embassies and the JICA offices should be continued.</p>

Follow-up Actions

The finance ministers and central bank governors of ASEAN+3 at the 22nd ASEAN+3 Finance Ministers and Central Governors Meeting on 2 May 2019 endorsed a new ABMF Medium-Term Road Map 2019–2022.¹ Based on the Road Map, the co-chairs of the ABMF TF3 requested ADB to provide another TA to support ASEAN+3's commitments continuously. Particularly it was agreed to continue efforts to narrow capacity and information gaps and help mitigate differences in legal frameworks in member economies, minimize the reliance on proprietary systems and promote standardization, and enhance joint actions among the initiatives under ABMF. Thus, under the guidance of the ABMF TF3, ADB as Secretariat of the ABMF will work on a new TA to deliver outputs along with these expectations.

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¹ The Road Map is available at: https://asianbondsonline.adb.org/documents/abmf_medium_term_road_map.pdf.

DESIGN AND MONITORING FRAMEWORK

Impact		
Greater financial stability through regional bond market integration in the ASEAN+3 region ^a		
Results Chain	Performance Indicators with Targets and Baselines	Achievements
Outcome Intraregional mobilization of funds within ASEAN+3 strengthened Outputs <ol style="list-style-type: none"> 1. AMBIF participating markets increased 2. New AMBIF bond issuance created 3. Regulatory and tax hurdles for AMBIF identified 4. Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified 5. International standards, including ISO 20022, adopted or their adoption plan in the key market infrastructures announced 6. Initial assessment of possible information platform conducted 	By 2020: Intraregional portfolio debt share of ASEAN+3 increases to more than 17% (2014 baseline: 12.96%) By 2019: <ol style="list-style-type: none"> 1. At least 1 more member country joins AMBIF (2015 baseline: 6) 2. At least 2 AMBIF bonds issued (2015 baseline: 1) 3. A report on tax and regulatory hurdles submitted to ABMI TF3 (2016 baseline: NA) 4. A report on cross-border collateral and repo as well as securities lending and borrowing submitted to ABMI TF3 (2016 baseline: NA) 5. Adoption or adoption plan of ISO 20022 officially announced by 6 markets of ASEAN+3 (2016 baseline: 2) 6. A plan to improve ABO and market demand for an information platform submitted to ABMI TF3 (2015 baseline: NA) 	ASEAN+3's Intraregional share of portfolio debt in 2019 increased to 16.64%. Cambodia joined in AMBIF. As a result, the AMBIF participating member economies have increased from 5 to 6. 8 AMBIF bonds were issued during the TA period. Discussion paper: <i>Account Structure Study to Improve Know-Your-Customer Processes for Regulatory and Tax Reporting in ASEAN+3</i> was submitted to ABMF and reported to Task Force 3 of ABMI in November 2020. A survey result of the cross-border collateral and repo as well as securities lending and borrowing was reported to ABMF and TF3 in 2017 and 2018. As an output of the discussion, the article on <i>Asia's Cross-border Collateral Agreements</i> was published in <i>Asian Economic Integration Monitor 2017</i> . Collateral management discussion was succeeded to APCF and CSIF under TF4. In addition to PRC and Japan, Cambodia, Lao PDR, and Singapore have implemented ISO 20022. The implementation is expected in Myanmar in 2020, in the Philippines and Thailand in 2021, Hong Kong, China in 2022, and Viet Nam by 2025. The Global adaptation is scheduled by 2025. Together with ABMF, ABO conducted a user survey in 2017, which led to the first major revamp in July 2018. Based on another survey and feedback from ABMF, series of minor improvements of ABO has been conducted.

^a Defined by project

Actual Key Activities with Milestones

1. AMBIF participating markets increased

- 1.1 Discuss possible demand for AMBIF with regulators and market participants of the markets not included in AMBIF (February 2017–December 2018)
- 1.2 Create proposals to submit to regulators on how to participate in AMBIF (February 2017–July 2019)
- 1.3 Draft AMBIF implementation guidelines for newly participating markets (February 2017–March 2019)
- 1.4 Publish new AMBIF implementation guidelines for a newly participating country (May 2017–July 2019)

2. New AMBIF bond issuance created

- 2.1 Discuss creation of AMBIF pilot issues with potential issuers and investors (February 2017–December 2018)
- 2.2 Support AMBIF pilot issuance (February 2017–March 2019)

3. Regulatory and tax hurdles for AMBIF identified

- 3.1 Conduct a study on AMBIF tax procedures (February 2017–January 2018)
- 3.2 Discuss preliminary findings with AMBIF members (February 2017–January 2018)
- 3.3 Submit a preliminary report to ABMI TF3 (March 2018)
- 3.4 Submit a final recommendation to ABMI TF3 (March 2019)

4. Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified

- 4.1 Conduct a study on cross-border collateral and repo as well as securities lending and borrowing (February 2017–January 2018)
- 4.2 Discuss preliminary findings with AMBIF members (February 2017–January 2018)
- 4.3 Submit a preliminary report to ABMI TF3 (March 2018)
- 4.4 Submit a final recommendation to ABMI TF3 (March 2019)

5. International standards, including ISO 20022, adopted or their adoption plan in the key market infrastructures announced

- 5.1 Organize workshops in the ASEAN+3 member states to explain the importance of standardization (February 2018–October 2019)
- 5.2 Support central banks, central securities depositories, and relevant regulators to create their adoption plan (February 2017–January 2019)
- 5.3 Submit a progress report to ABMI TF3 (March 2019)
- 5.4 Publish progress report and bond market guides for ASEAN+3 countries (August 2017–December 2020)

List of Publications Delivered by this TA:

1. ASEAN+3 Multi-Currency Bond Issuance Framework Implementation Guidelines for Cambodia, December 2020
2. The Bond Market in Hong Kong, China, An ASEAN+3 Bond Market Guide Update, September 2020
3. ASEAN+3 Bond Market Guide, Inter-Bank Bond Market in the People's Republic of China, August 2020
4. ASEAN+3 Multi-Currency Bond Issuance Framework: Implementation Guidelines for the Philippines (February 2020)
5. Exchange Bond Market in the People's Republic of China, October 2019
6. Good Practices for Developing a Local Currency Bond Market: Lessons from the ASEAN+3 Asian Bond Markets Initiative (May 2019)
7. ASEAN+3 Bond Market Guide, Viet Nam, October 2018
8. ASEAN+3 Bond Market Guide, Republic of Korea, May 2018
9. ASEAN+3 Bond Market Guide, Cambodia, February 2018
10. ASEAN+3 Bond Market Guide, Myanmar, February 2018
11. ASEAN+3 Bond Market Guide, Lao People's Democratic Republic, October 2017
12. ASEAN+3 Bond Market Guide, Philippines, October 2017
13. ASEAN+3 Bond Market Guide, Brunei Darussalam, October 2017
14. ASEAN+3 Bond Market Guide, Indonesia, August 2017

Following the ICFF Implementing Guidelines, the acknowledgment of the Government of Japan as the source of funding was stated in all publications.

6. Initial assessment of possible information platform conducted

- 6.1 Discuss preferable improvements of ABO with ABMF members (February 2017–December 2017)
- 6.2 Conduct a survey on market demand for establishing an information platform (September 2017–December 2017)
- 6.3 Submit a preliminary report to ABMI TF2 and TF3 (March 2018)
- 6.4 Submit a final recommendation to ABMI TF2 and TF3 (March 2019)

Actual Inputs

Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility:
\$1,600,000

ABMF = ASEAN+3 Bond Markets Forum; ABMI = Asian Bond Markets Initiative; ABO = AsianBondsOnline; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; APCF = Asia Collateral Management Forum; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; CSIF = Cross Border Settlement Infrastructure Forum; ICFF = Investment Climate Facilitation Fund; ISO = International Organization for Standardization; Lao PDR = Lao People's Democratic Republic; NA = Not applicable; PRC = People's Republic of China; TA = technical assistance; TF2 = Task Force 2 on Facilitating the Demand of Local Currency Denominated Bonds; TF3 = Task Force 3 on Strengthening the Regulatory Framework.

Source: Asian Development Bank.

TECHNICAL ASSISTANCE COST**Table A2.1: Technical Assistance Cost by Activity**
(\$'000)

Item	Amount		
	Original	Revised	Actual
1. Consultants	1,344.0	1,344.0	1,298.0
2. Training, seminars and/or conferences ^a	50.0	50.0	122.7
3. Miscellaneous TA administration	130.0	130.0	6.9
4. Contingency	76.0	0.0	0.0
Total	1,600.0	1,600.0	1,427.6

TA = technical assistance.

^aThis budget item was for meeting materials, venue rentals, snacks, and meals of the events.

Source: Asian Development Bank estimates.

Table A2.2: Technical Assistance Cost by Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility
(\$'000)

	ICFF	Total Cost
1. Original	1,600.0	1,600.0
2. Revised	0.0	0.0
3. Actual	1,427.6	1,427.6
4. Unused	172.4	172.4

ICFF = Investment Climate Facilitation Fund.

Source: Asian Development Bank estimates.