



# ABMI and GOE

## *SMPG*

Satoru Yamadera

Economist, Office of Regional Economic  
Integration, Asian Development Bank

17 September 2009



# What is the Asian Bond Markets Initiative?

The Asian Bond Markets Initiative (ABMI) was endorsed by the ASEAN+3 Finance Ministers Meeting in August 2003:

ABMI is aim to:

- Develop a robust bond market

- Lessen dependence on bank borrowings

- Avoid the double mismatch of maturity and currency

- Re-channel more Asian savings into the Asian economies

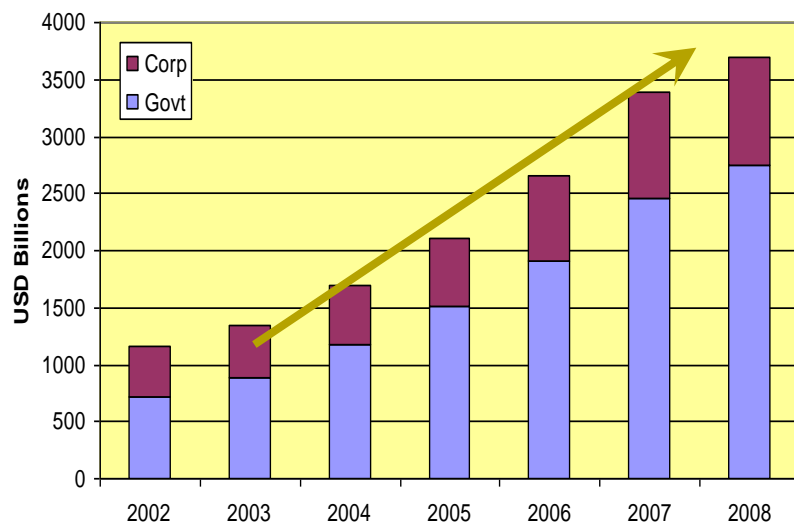
- Promote regional financial harmonization and integration

Lessons from the Asian currency crisis

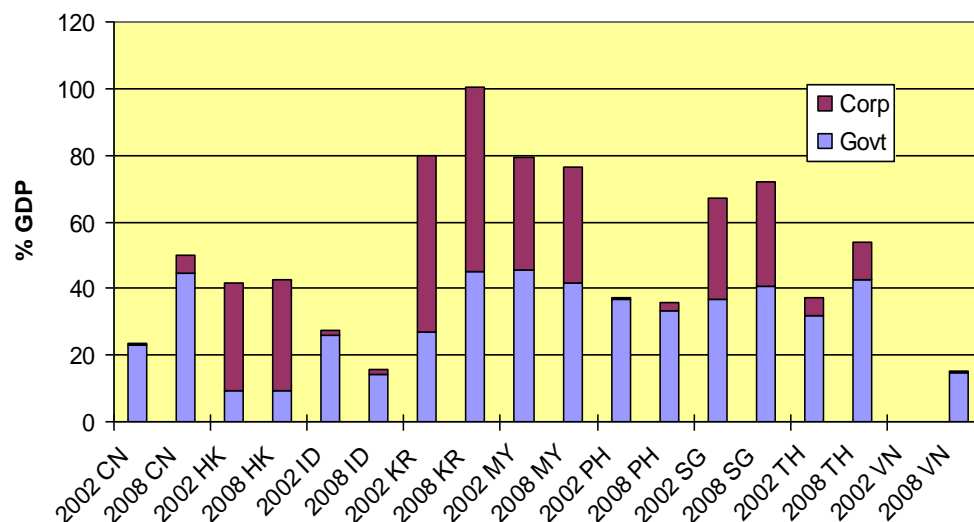
# Local Currency Bonds in ASEAN+3

The LCY bond markets are developing rapidly. But in some markets, more efforts are required.

Size of LCY Bond Market in the region\*



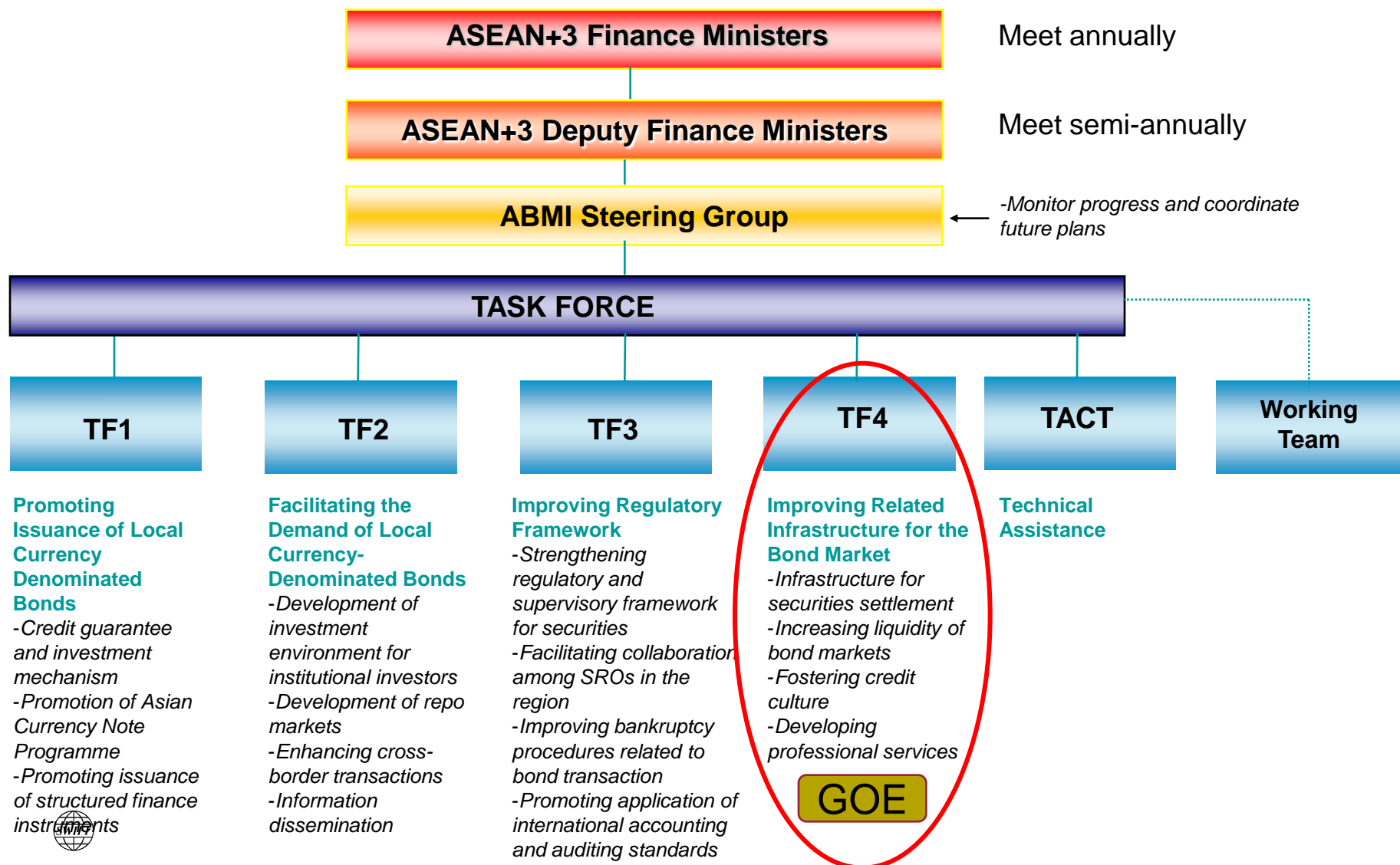
Size of LCY Bonds in % GDP



Source: AsianBondsOnline (<http://asianbondsonline.adb.org>)

\* The region covers P.R. China, Hong Kong, China, Indonesia, Korea, Malaysia, Philippines, Singapore, Thailand and Viet Nam

# The Framework of ABMI



# Group of Experts (GoE)

- An **independent group** under the ambit of the ASEAN+3 countries to discuss key issues related to cross-border bond transactions and settlement issues.
- **private sector entities or individuals** with expertise in cross-border bond or foreign exchange transactions and settlements issues, **nominated by each ASEAN+3 member country**
  - 17 national member institutions and 9 international member institutions including CSDs, local custodians, global custodians, ICSDs
- Provide a non-binding recommendation to the TF4.

# Work plan

Dec-07	Apr-08	Jul-08	Oct-08	Jan-09	Apr-09	Jun-09	Sep-09	Oct-09	Dec-09	Jan-10	Feb-10	Mar-10
Establishment of GOE agreed												
	Kick-off meeting among national members (KL)											
		2nd Meeting in Seoul										
			3rd meeting in Bangkok									
				4th meeting in Singapore								
					5th meeting in Tokyo							
						Public conference in HK						
							6th meeting in Manila					
								Interim report to TF4				
									Final meeting			
											recommendation	

# Outline of the interim report

## Background findings:

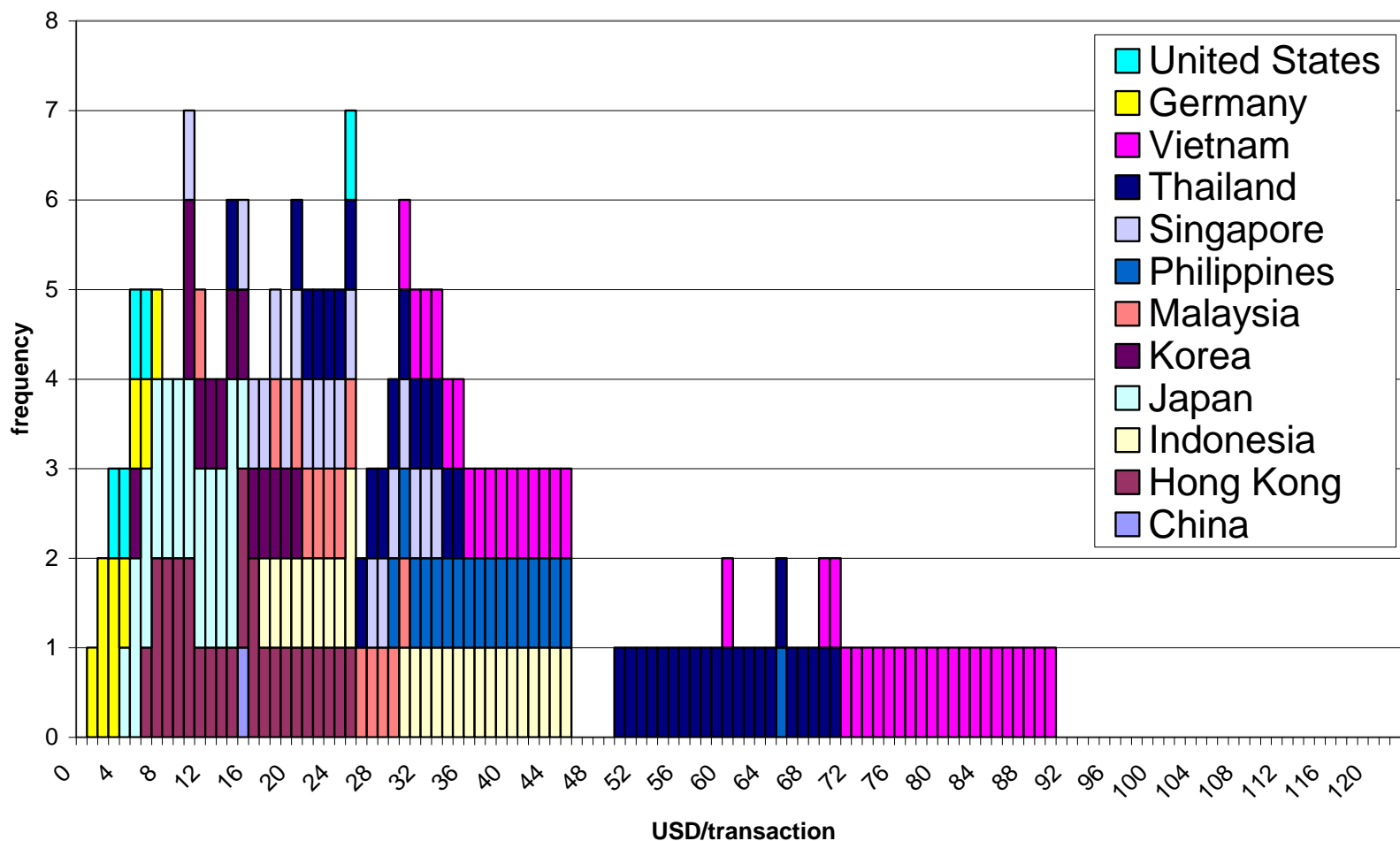
Cross-border bond transaction costs in ASEAN+3 region are higher and vary significantly among the countries, possibly due to:

- Less transaction volume
- Country specific factors such as regulations and restrictions, etc.

## Recommendations

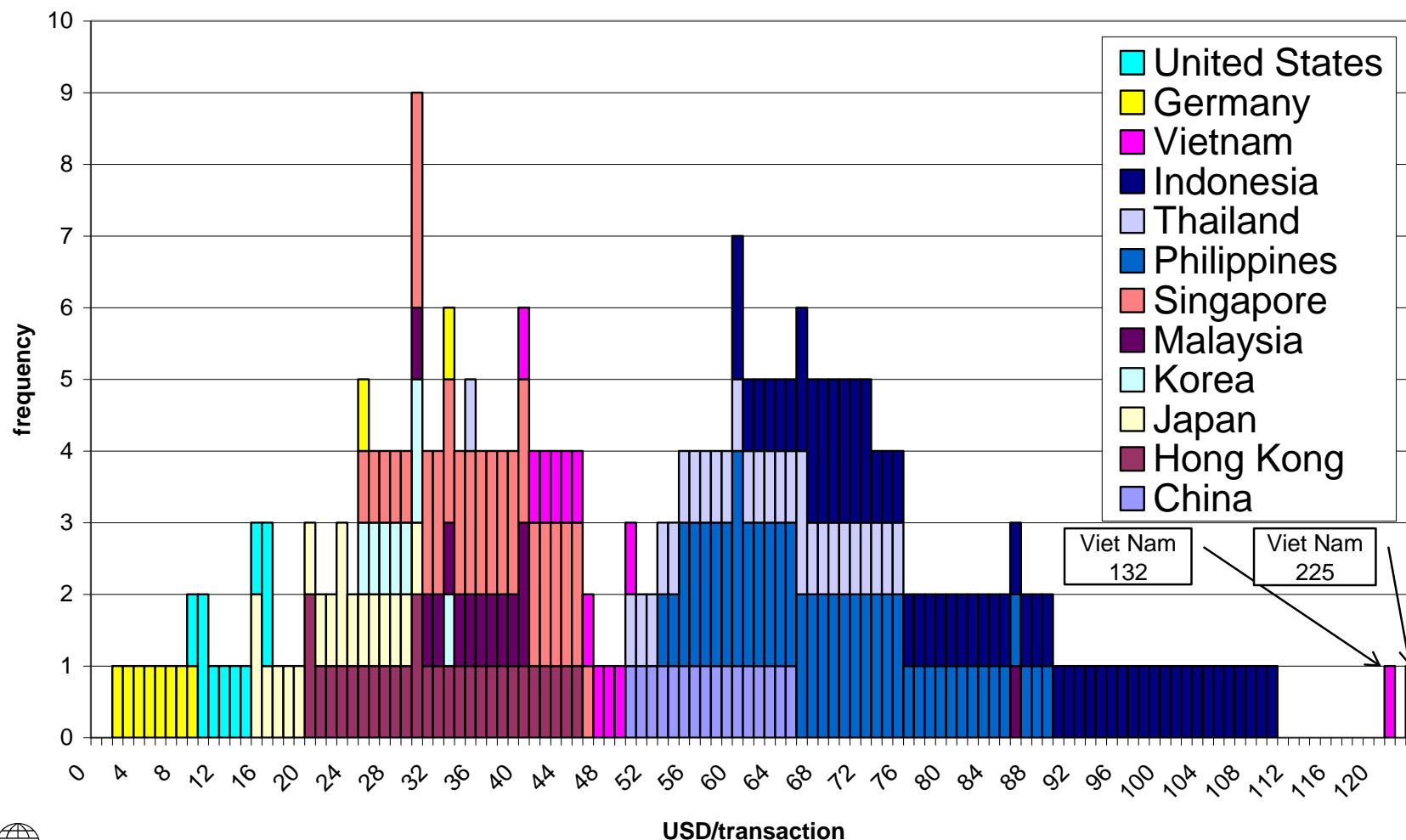
- **General approach:** recommendation to reduce market barriers.
- **Specific approach:** assessments on feasibilities of Regional Settlement Intermediaries to improve cross-border bond settlements.

### Standard transaction fees of domestic custodians



# Custodian fees in ASEAN+3 (2)

Standard transaction fees of global custodians

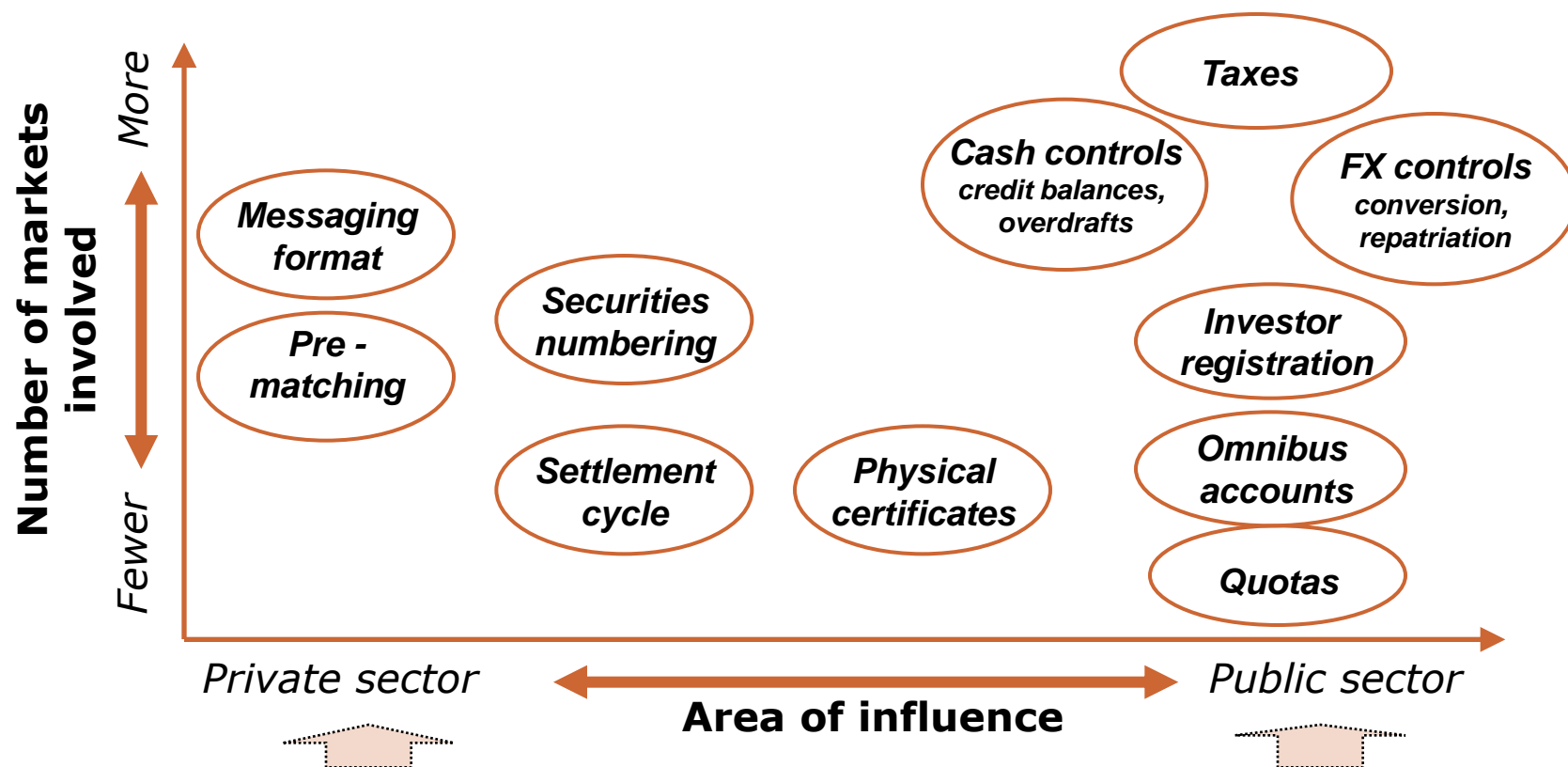


# Identify market barriers in ASEAN+3

## Methodology

1. Conducted extensive market survey on barriers to cross-border bond investments in ASEAN+3
  - Sent questionnaires to more than 100 financial institutions and experts in the region
  - 59 responses
2. Based on the survey findings, conducted market consultations in Singapore, Tokyo, and Hong Kong
  - 30 meetings in these markets
3. Validation by the GOE members
  - Compiling detail market profiles
  - Compiling the assessment scoring table for the evaluation
4. Feedback from the public conference in HK

# Identification of Major Barriers



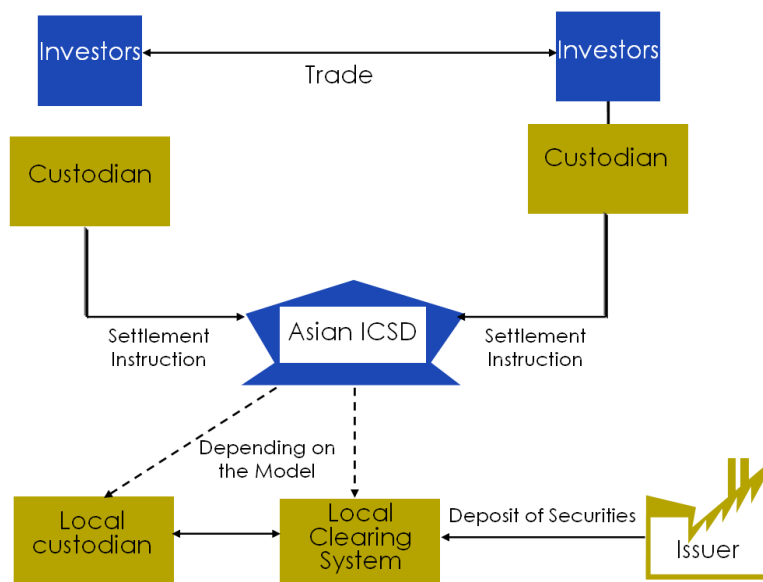
## Improve information flows in the markets

Timely information, uniform disclosure, price transparency, market statistics, information on corporate actions and legal information such as bankruptcy and insolvency laws.

# Assessment of possible Regional Settlement Intermediaries

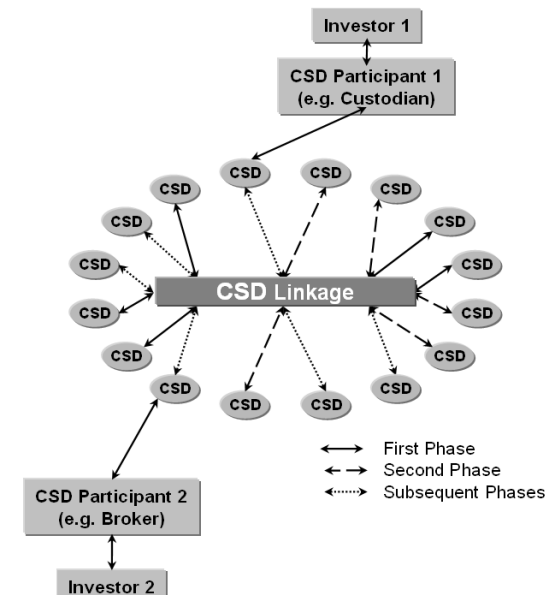
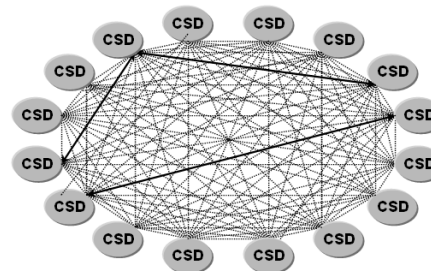


## Asian ICSD



## CSD Linkage in Asia

Bilateral CSD linkages  
(spaghetti model)





# Thank you

Information:

GoE Website: <http://asean3goe.adb.org>

AsianBondsOnline:

<http://asianbondsonline.adb.org>

Satoru Yamadera: [syamadera@adb.org](mailto:syamadera@adb.org)

