

Chairman's Press Release on the Asian Bond Markets Initiative

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The Asian Bond Markets Initiative (ABMI) aims to develop efficient and liquid bond markets in Asia, which would enable better utilization of Asian savings for Asian investments. The ABMI would also contribute to the mitigation of currency and maturity mismatches in financing. It is a key step forward in ASEAN+3 finance cooperation.

There has been notable progress on the ABMI. At this juncture, it is appropriate to announce the progress and future direction of the Initiative.

1. Asian Bond Markets Initiative: Progress Achieved

Given the complexity of the issues and the varying levels of bond market development in member countries, six voluntary working groups have been established to address the following areas:

Working Groups	Chair
Creating new securitized debt instruments	Thailand
Credit guarantee mechanisms	Korea
Foreign exchange transactions and settlement issues	Malaysia
Issuance of bonds denominated in local currency by Multilateral Development Banks (MDBs), foreign government agencies and Asian multinational corporations	China
Local and regional rating agencies	Singapore and Japan
Technical Assistance Coordination	Indonesia, Philippines and Malaysia

These six groups met in Tokyo on June 16, 2003 and made important progress through in-depth deliberation among ASEAN+3 officials. It is recognized that the public sector's role has to focus primarily on the improvement of the infrastructure for bond markets. Therefore, in seeking the active participation of the private sector, the working groups held discussions with MDBs, government agencies, private insurers, and other market participants during the meeting. A proposal was put forward to establish a mechanism for disseminating information on bond markets. This issue will be handled by the group chaired by Singapore and Japan.

2. Challenges Ahead

Looking ahead, the following issues need to be further studied:

A. Facilitating Access to the Market through a Wider Variety of Issuers

A robust primary and secondary bond market in Asia requires a wide variety of issuers and products which could be addressed by encouraging:

- (1) Sovereign bond issuance by Asian governments to establish benchmarks;
- (2) Asian government financial institutions to issue bonds in Asia to meet their financing requirements ;
- (3) The creation of asset-backed securities markets, including collateralized debt obligations (CDOs);
- (4) Bond issuance in the region by MDBs and government agencies;
- (5) Bond issuance in the region for funding foreign direct investment in Asian countries; and
- (6) The expansion of local currency-denominations of bonds- introduction of currency-basket bonds.

B. Enhancing Market Infrastructure to Foster Bond Markets in Asia

To develop efficient and deep domestic and regional bond markets, there must be a conducive environment for the active participation of both issuers and investors. In this context, the following issues merit further consideration:

- (1) Provision of credit guarantees through the active use of existing guarantors and the possible establishment of an Asian Regional Guarantee Facility;
- (2) Strengthening of the rating system by enhancing the role of domestic rating agencies, as well as considering the possible establishment of an Asian Credit Rating Board;
- (3) Establishment of a mechanism for disseminating information on issuers and credit rating agencies;
- (4) Facilitating foreign exchange transactions and addressing settlement issues on cross-border transactions;
- (5) Enhancing capacity building through conduct of market research and technical assistance programs for promotion of policy dialogue and human resources development among member countries; and
- (6) Examining legal and institutional infrastructure, such as company/corporate laws, securities transaction laws and tax laws.

3. Future Steps

The six voluntary working groups will adopt a step-by-step and pragmatic approach, giving priority to the development of domestic bond markets as appropriate. They will consult regularly with a wide range of market participants to ensure that their deliverables meet the requirements of the private sector and investors. This developmental process will be complemented by the technical assistance programs supported by the Japan-ASEAN Financial Technical Assistance Fund and the ADB. The working groups will report the progress through the ASEAN+3 Finance Ministers process.

