



# Technical Assistance Report

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Project Number: 50056-001  
Regional—Research and Development Technical Assistance (R-RDTA)  
March 2017

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

(Financed by the Investment Climate Facilitation Fund under the  
Regional Cooperation and Integration Financing Partnership  
Facility)

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

## ABBREVIATIONS

ABMF	–	ASEAN+3 Bond Market Forum
ABMI	–	Asian Bond Markets Initiative
ADB	–	Asian Development Bank
AFMGM+3	–	ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting
AMBIF	–	ASEAN+3 Multi-Currency Bond Issuance Framework
ASEAN	–	Association of Southeast Asian Nations
ASEAN+3	–	ASEAN plus the People's Republic of China, Japan, and the Republic of Korea
IMF	–	International Monetary Fund
ISO	–	International Organization for Standardization
PRC	–	People's Republic of China
SDOD	–	Office of the Director General, Sustainable Development and Climate Change Department
SF1	–	Sub-Forum 1
SF2	–	Sub-Forum 2
TA	–	technical assistance
TF3	–	Task Force 3 on Strengthening the Regulatory Framework

## NOTE

In this report, "\$" refers to US dollars.

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## RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 50056-001</b>	
<b>Project Name</b>	Support for ASEAN+3 Bond Market Forum under the New Asian Bond Markets Initiative Medium-Term Road Map	<b>Department /Division</b>	SDCC/SDOD
<b>Country</b>	REG	<b>Executing Agency</b>	Asian Development Bank
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>Financing (\$ million)</b>	
✓ Finance	Money and capital markets		1.60
		<b>Total</b>	<b>1.60</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG) Regional integration (RCI)	Pillar 1: Economic opportunities, including jobs, created and expanded Pillar 3: Money and finance	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD) Knowledge solutions (KNS) Partnerships (PAR)	Client relations, network, and partnership development to partnership driver of change Knowledge sharing activities Implementation Regional organizations	No gender elements (NGE)	✓
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting Household Targeting SDG Targeting SDG Goals	No No Yes SDG8, SDG10, SDG17	Not Applicable	
<b>6. TA Category:</b>	A		
<b>7. Safeguard Categorization</b>	Not Applicable		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
None		0.00	
<b>Cofinancing</b>		<b>1.60</b>	
Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility		1.60	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>1.60</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		No	
Use of country public financial management systems		No	

## I. INTRODUCTION

1. The Association of Southeast Asian Nations (ASEAN) plus the People's Republic of China (PRC), Japan, and the Republic of Korea (ASEAN+3) formally announced the Asian Bond Markets Initiative (ABMI) in 2003 to boost development of local currency bond markets. The overreliance on external short-term foreign currency borrowing to finance long-term domestic investments, commonly referred as the double mismatch problem, led to the Asian currency 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 aims 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 design and monitoring framework is in Appendix 1.<sup>1</sup>

2. The regional research and development technical assistance (TA) will support 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.<sup>2</sup>

## II. ISSUES

3. As a result of the efforts made by ASEAN+3 governments, the region's local currency bond markets have expanded since the Asian currency crisis. They are still modest in size, but aggregated outstanding local currency bonds in ASEAN plus the PRC and the Republic of Korea increased from \$1.349 trillion at the end of 2003 to \$10.033 trillion at the end of June 2016, making it now comparable with the size of Japan's bond market.<sup>3</sup> The region was able to weather the global financial crisis in 2007–2008 thanks to the bond markets functioning as a “spare tire” for the stressed banking sector.<sup>4</sup> However, the “taper tantrum” in May 2013 exacerbated concerns over a capital flow reversal if the United States interest rates rose.<sup>5</sup> According to the International Monetary Fund (IMF), investor behavior varies by region and could lead to herd behavior.<sup>6</sup> Another IMF report showed that foreign banks' local currency lending is less sensitive to global shocks than cross-border lending, which is normally United

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<sup>1</sup> The TA first appeared in the business opportunities section of ADB's website on 28 October 2016.

<sup>2</sup> Categorized as knowledge and support technical assistance under the new staff instructions effective 13 March 2017.

<sup>3</sup> The Republic of Korea, Malaysia, and Thailand have made significant advancements so that the size of their local currency bond markets in terms of gross domestic product is now comparable with those of Germany, the United Kingdom, and Switzerland. The PRC market has a lot of room to grow in terms of gross domestic product ratio, but its absolute size is now larger than that of any European countries.

<sup>4</sup> Various evidence after the global financial crisis shows that local currency bond markets can play an important role in diversifying the financial system and mitigating the impact of financial crises on the real economy. “In Asia, local bond markets served as a ‘spare tire’ when other financing channels (e.g., bank and equity) were impaired at the onset of the global financial crisis, thus mitigating its impact.” International Monetary Fund (IMF), World Bank, European Bank for Reconstruction and Development, and Organisation for Economic Co-operation and Development. 2013. *Local Currency Bond Markets—A Diagnostic Framework*. Washington, DC.

<sup>5</sup> “Taper tantrum” is the term used for the market turbulence in 2013 when the Federal Reserve signaled the end of its quantitative easing.

<sup>6</sup> “[I]nvestor behavior can vary according to the region in which they are domiciled, due to differences in the specific factors that are relevant for them. Therefore, attracting a geographically diverse investor base can help smooth flows.” IMF. 2014. Moving from Liquidity- to Growth-Driven Markets. *Global Financial Stability Report*. April. Washington, DC. p. 92.

States dollar-denominated.<sup>7</sup> These reports suggest that herd behavior in international markets impacting on local currency bond markets could be weakened if investors are more diversified and localized. To mitigate volatility caused by capital flow while benefiting from capital account openness, ASEAN+3 needs further market integration. Investments based on local information, and recycling funds within the region would counteract such herd behavior.

4. Against this backdrop, the New Medium-Term Road Map of the ABMI was endorsed in May 2016 at the 19th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) in Frankfurt, Germany. The new road map outlines various activities during 2016–2019, including existing support for the ABMF as well as new initiatives such as green bonds to help meet the demand for infrastructure developments.

5. Since its establishment, the ABMF has produced various outputs and created impacts with the support of previous TA projects. First, in 2012, the ABMF released the ASEAN+3 Bond Market Guide.<sup>8</sup> This was the first officially recognized publication of bond market regulations and settlement procedures of the respective ASEAN+3 economies. The market guide helped narrow information gaps and increase market transparency, which was often regarded as the biggest barrier to entry. In 2014, to provide policy recommendations to standardize securities transaction flows in the region, the ABMF published the (i) Sub-Forum 1 (SF1) Phase 2 Report: Proposal on ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) as a regionally standardized bond issuance framework; and (ii) Sub-Forum 2 (SF2) Phase 2 Report: ASEAN+3 Information on Transaction Flows and Settlement Infrastructures.<sup>9</sup> After the endorsement of these reports by the ASEAN+3 finance ministers, in 2015, the ABMF released two phase 3 reports: (i) Implementation of the AMBIF: ABMF SF1 Phase 3 Report; and (ii) Harmonization and Standardization of Bond Market Infrastructures in ASEAN+3: ABMF SF2 Phase 3 Report. The SF1 Phase 3 report contained the single submission form to be utilized in the markets participating in the AMBIF and explained procedures to issue an AMBIF bond, which led to the first AMBIF pilot issue in Thailand in September 2015. The SF2 Phase 3 report (i) identified and agreed upon key transactional financial messages to be harmonized and standardized to facilitate cross-border bond transactions, and (ii) successfully demonstrated the readiness of the region to implement key international standards such as International Organization for Standardization (ISO) 20022 by 2020.<sup>10</sup> As a result, implementation of ISO 20022 was included as one of strategic measures in the ASEAN Economic Community Blueprint 2025 for financial integration.<sup>11</sup> In addition, based on the SF1 phase 3 report, the first AMBIF bond was issued in Thailand in September 2015 and the bond was cross-listed in the TOKYO PRO-BOND Market.

6. Based on the New Medium-Term Road Map of the ABMI (para. 4), the ABMF is expected to do the following:

<sup>7</sup> “[T]he shift to more local as opposed to cross-border operations results in a decline in the sensitivity of capital flows to global shocks and yields a reduction in contagion. Foreign banks operating locally rather than through cross-border transactions tend to contract credit much less following domestic shocks in host countries.” IMF. 2015. Navigating Monetary Policy Challenges. *Global Financial Stability Report*. April. Washington, DC. p. 75.

<sup>8</sup> The publication was supported by ADB. 2008 *Technical Assistance for Harmonization of Bond Standards in ASEAN+3*. Manila (TA 6514-REG).

<sup>9</sup> The publications were supported by ADB. 2012. *Technical Assistance for Harmonization of Bond Standards and Market Practices in ASEAN+3: Support for ASEAN+3 Bond Market Forum, Phase 2*. Manila (TA 8049-REG).

<sup>10</sup> The publications were supported by ADB. 2014. *Technical Assistance for Support for ASEAN+3 Bond Market Forum: Regional Standardization of Bond Issuance Framework and Transaction Flows*. Manila (TA 8635-REG).

<sup>11</sup> “Payment and Settlement Systems will be further enhanced in several areas such as promoting standardisation and developing settlement infrastructure for cross-border trade, remittance, retail payment systems and capital markets... This will also require a certain level of harmonisation of standards and market practices based on international best practices (such as ISO 20022) to foster stability and efficiency within as well as outside the region.” ASEAN Secretariat. 2015. *ASEAN Economic Community Blueprint 2025*. Jakarta (para. 18ii).

- (i) increase the number of AMBIF participating markets from the original six markets (Hong Kong, China; Japan; Malaysia; Philippines; Singapore; and Thailand) to as many as possible;
- (ii) create additional AMBIF issuances;
- (iii) identify regulatory and tax hurdles of AMBIF participating markets;
- (iv) identify challenges relating to cross-border collateral and repo as well as securities lending and borrowing;
- (v) promote the adoption of international standards, including ISO 20022, in particular in Cambodia, the Lao People's Democratic Republic, Myanmar, and Viet Nam, which are going to develop key market infrastructures (preferably, standardization of regulatory and tax procedures for cross-border bond transactions in ASEAN+3 will be achieved through the implementation of ISO 20022); and
- (vi) carry out a study to assess the feasibility of establishing an information platform and identify key impediments for establishing electronic trading platform by ASEAN+3 member countries to increase market transparency.

### III. THE RESEARCH AND DEVELOPMENT TECHNICAL ASSISTANCE

#### A. Impact and Outcome

7. The impact will be greater financial stability through regional bond market integration in the ASEAN+3 region. More integrated markets will be less vulnerable to global shocks. The outcome will be strengthened intraregional mobilization of funds within ASEAN+3. The ABMF will support various activities to create the outputs that will facilitate more active intraregional transactions, which will lead to recycling of funds within the region.

#### B. Methodology and Key Activities

8. The TA will support the ABMF to conduct activities<sup>12</sup> stipulated in the New Medium-Term Road Map and provide recommendations to the ABMI Task Force 3 on Strengthening the Regulatory Framework (TF3).<sup>13</sup> The TA outputs are provided in paras. 9–14.

9. **Output 1: ASEAN+3 Multi-Currency Bond Issuance Framework participating markets increased.** The ABMF will discuss, together with regulators, how to increase the number of AMBIF participating markets from the original six to as many as possible.

10. **Output 2: New ASEAN+3 Multi-Currency Bond Issuance Framework bond issuance created.** The ABMF will discuss how to create AMBIF pilot issues, preferably in all AMBIF participating markets, because AMBIF implementation will introduce international bond market practices into domestic bond markets.

11. **Output 3: Regulatory and tax hurdles for ASEAN+3 Multi-Currency Bond Issuance Framework identified.** To promote the AMBIF, the ABMF will conduct a study on tax procedures to identify regulatory and tax hurdles. The initial study will cover AMBIF participating

<sup>12</sup> None of the proposed activities under this TA will commence or be financed in the respective developing member countries unless a no-objection in writing from such developing member countries concerned have been obtained.

<sup>13</sup> ABMI currently has four task forces: Task Force 1 on promoting the issuance of local currency denominated bonds (co-chaired by Thailand and the PRC), Task Force 2 on facilitating demand for local currency bonds (co-chaired by Singapore and Japan), Task Force 3 on improving regulatory frameworks (co-chaired by Malaysia and Japan), and Task Force 4 on improving the infrastructure for bond markets (co-chaired by the Republic of Korea and the Philippines).

markets before expanding coverage to other markets in ASEAN+3. The ABMF will make recommendations to ASEAN+3 policy makers for their consideration.

12. **Output 4: Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified.** The ABMF will conduct a study to identify challenges relating to cross-border collateral and repo as well as securities lending and borrowing. The ABMF will make recommendations to ASEAN+3 policy makers for their consideration.

13. **Output 5: International standards, including International Organization for Standardization 20022, adopted, or their adoption plan in the key market infrastructures announced.** The ABMF will organize workshops to support the implementation of ISO 20022 in ASEAN as stated as one of strategic measures in ASEAN Economic Community Blueprint 2025.<sup>14</sup>

14. **Output 6: Initial assessment of possible information platform conducted.** Together with the ABMI Task Force 2, which is responsible for managing AsianBondsOnline, the ABMF will discuss the improvement of AsianBondsOnline as the initial step toward establishing a regional information platform.

15. **Risks.** The project risks are (i) unexpected political events that disrupt regional cooperation among the ASEAN+3 member states, (ii) unexpected financial shocks and market disruptions that prioritize domestic issues over regional integration efforts, (iii) weak commitment from and involvement of the ABMF members due to resource constraints, and (iv) lack of resources of the ASEAN+3 member states to implement recommendations.

### C. Cost and Financing

16. The TA is estimated to cost \$1,600,000, which will be financed on a grant basis by the Investment Climate Facilitation Fund<sup>15</sup> under the Regional Cooperation and Integration Financing Partnership Facility and administered by ADB. Detailed cost estimates and a financing plan are in Appendix 2.

### D. Implementation Arrangements

17. ADB will be the executing agency for the TA. The Office of the Director General, Sustainable Development and Climate Change Department (SDOD) will implement the TA in consultation with ABMF members and the ABMI TF3 co-chaired by the governments of Japan and Malaysia, and will supervise the consultants' work. The SDOD will closely coordinate with ADB's Southeast Asia Department, East Asia Department, Private Sector Operations Department, Economic Research and Regional Cooperation Department, and Finance Sector Group in implementation. The project will be implemented over 30 months from April 2017 to September 2019.

18. The TA will require 50 person-months of individual international consultant services and 30 person-months of individual national consultant services, comprising (i) 20 person-months for a lead bond business and financial operation specialist, (ii) 10 person-months for a financial

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<sup>14</sup> The PRC and Japan have already implemented ISO 20022 in their central bank, interbank, and securities settlement infrastructures.

<sup>15</sup> Established by the Government of Japan.



legal expert, (iii) 6 person-months for a financial information technology expert, (iv) 5 person-months for a financial tax law expert, (v) 4 person-months for a financial service standards expert, (vi) 3 person-months for a cross-border collateral and repo transaction expert, (vii) 2 person-months for an economic and finance editor, and (viii) 30 person-months for a national consultant.

19. A team from the SDOD comprising at least two international staff (one of them acting as the project manager), one national officer, and one operations assistant will work as the secretariat of the ABMF to support and facilitate communication and coordination among the experts in the region to implement the TA. The SDOD team will organize ABMF meetings in close coordination with the members.

20. The consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference for consultants are in Appendix 3. Disbursement under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). An ADB staff team from the Sustainable Development and Climate Change Department will regularly monitor and administer the individual contracts, and manage the combined outputs to achieve the TA objectives. In the event that ADB staff act as resource persons for the purpose of effectiveness, travel costs are charged to the TA, but their salaries and benefits are absorbed by internal administrative expense budget.<sup>16</sup>

21. The ABMI TF3 will monitor and evaluate TA implementation at least twice per year. The ABMI TF3 will evaluate the TA continuously and provide guidance as necessary. After the assessment by the ABMI TF3, the ABMF's reporting will be elevated to the ASEAN+3 deputies' meeting twice a year, and then to the AFMGM+3, which is held at the same time as ADB's Annual Meeting. The outcome of the ABMF and report to the AFMGM+3 will be published, if appropriate. In addition, good practices and lessons learned will be reflected in the TA completion report.

#### **IV. THE PRESIDENT'S DECISION**

22. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$1,600,000 to be financed on a grant basis by the Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility for Support for ASEAN+3 Bond Market Forum under the New Asian Bond Markets Initiative Medium-Term Road Map, and hereby reports this action to the Board.

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<sup>16</sup> A memo from ADB's Budget, Personnel, and Management Systems Department and Strategy and Policy Department (26 June 2013) provides guidance on charging costs to TA and internal administrative expense budgets. It states that, for preparatory works, implementation, and administrative support, ADB staff are not eligible to charge corresponding salaries and benefits to the TA. If the TA paper clearly specifies in its cost estimates that it will provide support such as travel and administrative expenses, then such costs should be charged to the TA.

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the TA is Aligned with</b>			
Greater financial stability through regional bond market integration in the ASEAN+3 region <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<p><b>Outcome</b> Intraregional mobilization of funds within ASEAN+3 strengthened</p>	<p>By 2020: Intraregional portfolio debt share of ASEAN+3 increases to more than 17% (2014 baseline: 12.96%)</p>	<p>Asian Development Bank's Asia Regional Integration Center's Integration Indicators</p>	<p>Unexpected political event that disrupts regional cooperation among the ASEAN+3 member states</p> <p>Unexpected financial shocks and market disruptions that prioritize domestic issues over regional integration efforts</p>
<p><b>Outputs</b></p> <p>1. AMBIF participating markets increased</p> <p>2. New AMBIF bond issuance created</p> <p>3. Regulatory and tax hurdles for AMBIF identified</p> <p>4. Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified</p> <p>5. International standards, including ISO 20022, adopted or their adoption plan in the key market infrastructures announced</p>	<p>By 2019:</p> <p>1. At least 1 more member country joins AMBIF (2015 baseline: 6)</p> <p>2. At least 2 AMBIF bonds issued (2015 baseline: 1)</p> <p>3. A report on tax and regulatory hurdles submitted to ABMI TF3 (2016 baseline: NA)</p> <p>4. A report on cross-border collateral and repo as well as securities lending and borrowing submitted to ABMI TF3 (2016 baseline: NA)</p> <p>5. Adoption or adoption plan of ISO 20022 officially announced by 6 markets of ASEAN+3 (2016 baseline: 2)</p>	<p>1a. Announcement by a newly participating country</p> <p>1b. Announcement by ASEAN+3 governments</p> <p>2. Announcement by issuers and listing or registration of AMBIF bonds</p> <p>3a. ABMF reporting to ABMI TF3</p> <p>3b. ABMI TF3 monitoring of the progress of ABMF</p> <p>4a. ABMF reporting to ABMI TF3</p> <p>4b. ABMI TF3 monitoring of the progress of ABMF</p> <p>5. Announcement by central banks, central securities depositories, and regulators in ASEAN+3</p>	<p>Weak commitment by and involvement of the ABMF members due to resource constraints</p> <p>Lack of resources of the ASEAN+3 member states to implement recommendations</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
6. Initial assessment of possible information platform conducted	6. A plan to improve ABO and market demand for an information platform submitted to ABMI TF3 (2015 baseline: NA)	6a. ABMF reporting to ABMI TF3 6b. ABMI TF2 and TF3 monitoring of the progress of ABO and ABMF	
<p><b>Key Activities with Milestones</b></p> <p>1. AMBIF participating markets increased</p> <p>1.1 Discuss possible demand for AMBIF with regulators and market participants of the markets not included in AMBIF (April 2017–December 2018)</p> <p>1.2 Create proposals to submit to regulators on how to participate in AMBIF (April 2017–September 2019)</p> <p>1.3 Draft AMBIF implementation guidelines for newly participating markets (April 2017–March 2019)</p> <p>1.4 Publish new AMBIF implementation guidelines for newly participating country (May 2017–September 2019)</p> <p>2. New AMBIF bond issuance created</p> <p>2.1 Discuss creation of AMBIF pilot issues with potential issuers and investors (April 2017–December 2018)</p> <p>2.2 Support AMBIF pilot issuance (April 2017–March 2019)</p> <p>3. Regulatory and tax hurdles for AMBIF identified</p> <p>3.1 Conduct a study on AMBIF tax procedures (April 2017–January 2018)</p> <p>3.2 Discuss preliminary findings with AMBIF members (April 2017–January 2018)</p> <p>3.3 Submit a preliminary report to ABMI TF3 (March 2018)</p> <p>3.4 Submit a final recommendation to ABMI TF3 (March 2019)</p> <p>4. Challenges relating to cross-border collateral and repo as well as securities lending and borrowing identified</p> <p>4.1 Conduct a study on cross-border collateral and repo as well as securities lending and borrowing (April 2017–January 2018)</p> <p>4.2 Discuss preliminary findings with AMBIF members (April 2017–January 2018)</p> <p>4.3 Submit a preliminary report to ABMI TF3 (March 2018)</p> <p>4.4 Submit a final recommendation to ABMI TF3 (March 2019)</p> <p>5. International standards, including ISO 20022, adopted or their adoption plan in the key market infrastructures announced</p> <p>5.1 Organize workshops in the ASEAN+3 member states to explain importance of standardization (April 2017–January 2019)</p> <p>5.2 Support central banks, central securities depositories, and relevant regulators to create their adoption plan (April 2017–January 2019)</p> <p>5.3 Submit a progress report to ABMI TF3 (March 2019)</p> <p>5.4 Publish progress report and bond market guides for ASEAN+3 countries (April 2017–September 2019)</p> <p>6. Initial assessment of possible information platform conducted</p> <p>6.1 Discuss preferable improvements of ABO with ABMF members (April 2017–December 2017)</p> <p>6.2 Conduct a survey on market demand for establishing an information platform (September 2017–December 2017)</p> <p>6.3 Submit a preliminary report to ABMI TF2 and TF3 (March 2018)</p> <p>6.4 Submit a final recommendation to ABMI TF2 and TF3 (March 2019)</p>			
<p><b>Inputs</b></p> <p>Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility: \$1,600,000</p>			

<b>Assumptions for Partner Financing</b>
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Not applicable
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ABMI = Asian Bond Markets Initiative; ABO = AsianBondsOnline; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; ISO = International Organization for Standardization; TA = technical assistance; TF2 = Task Force 2; TF3 = Task Force 3 on Strengthening the Regulatory Framework.

<sup>a</sup> Defined by project

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**

(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Investment Climate Facilitation Fund<sup>a</sup> under the Regional Cooperation and Integration Financing Partnership Facility</b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants <sup>b</sup>	1,023.0
ii. National consultant <sup>c</sup>	99.0
b. International and local travel <sup>d</sup>	222.0
2. Training, seminars, and conferences <sup>e</sup>	50.0
3. Miscellaneous administration and support costs <sup>f</sup>	130.0
4. Contingencies	76.0
<b>Total</b>	<b>1,600.0</b>

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, ABMF = ASEAN+3 Bond Market Forum.

<sup>a</sup> Established by the Government of Japan and administered by the Asian Development Bank.

<sup>b</sup> Assuming \$20,460 per month for 50 months.

<sup>c</sup> Assuming \$3,300 per month for 30 months.

<sup>d</sup> Assuming \$5,000 per trip to attend nine ASEAN+3 Bond Market Forum meetings and four other missions for three international consultants, and \$3,000 per trip to attend nine ASEAN+3 Bond Market Forum meetings for one national consultant.

<sup>e</sup> Asian Development Bank staff can be regarded as resource persons.

<sup>f</sup> Includes data support and publication costs of ABMF recommendations and reports.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Consultants

1. **Lead bond business and financial operation specialist** (20 person-months). The lead specialist is expected to provide knowledge and expertise to produce all expected outputs of the technical assistance (TA). The lead specialist must coordinate with other international consultants to help deliver the outputs. The lead specialist must be able to support the other international consultants and provide appropriate advice based on his or her financial operational experience in the Association of Southeast Asian Nations (ASEAN) countries; and ASEAN plus the People's Republic of China, Japan, and the Republic of Korea (ASEAN+3). The specialist will

- (i) together with the financial legal expert, provide detailed analyses of laws and regulations on cross-border bond issuance in ASEAN+3 to draft and update bond market guides for ASEAN+3;
- (ii) together with the financial legal expert, provide knowledge support for regulators' discussions on the implementation of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), and draft AMBIF implementation guidelines for newly participating markets;
- (iii) based on his or her experience as global and regional custodian in ASEAN+3, support the financial tax law expert in carrying out a study to identify regulatory and tax hurdles for the AMBIF;
- (iv) based on his or her experience as global and regional custodian in ASEAN+3, support the cross-border bond transaction expert to conduct a study on cross-border collateral and repo as well as securities lending and borrowing;
- (v) based on his or her experience as global and regional custodian in ASEAN+3, support the financial information technology expert and financial service standards expert to implement international standards such as International Organization for Standardization (ISO) 20022 in ASEAN+3;
- (vi) support the financial information technology expert to conduct a survey on information platforms;
- (vii) provide knowledge support to the regulators and central banks where the markets are at an early stage of bond market development;
- (viii) together with the financial expert, recommend measures to harmonize laws, regulations, and taxation across ASEAN+3 in line with best international practices, taking into account activities to be undertaken under the TA;
- (ix) support the chair of ABMF Sub-Forum 1 (SF1) and Sub-Forum 2 (SF2) as appropriate;
- (x) organize and participate in the ASEAN+3 Bond Market Forum (ABMF) meetings of the Asian Bond Markets Initiative (ABMI), market visits, and events; and
- (xi) perform other tasks as reasonably requested by the Asian Development Bank (ADB).

2. The specialist must have

- (i) more than 15 years of significant and extensive operational experience in custody business and as a network manager in ASEAN+3;
- (ii) extensive knowledge and experience in the custody industry and profound operational knowledge of market and settlement practices, securities transaction information technology systems, taxation, and regulations related to securities transactions, repo, and collateral management in ASEAN+3;

- (iii) profound knowledge of laws, regulations, and taxation related with custody business in ASEAN+3, Europe, and the United States;
- (iv) extensive knowledge and experience in domestic and cross-border collateral management, with clear understanding of laws, regulations, taxation, and operational procedures in ASEAN+3;
- (v) comprehensive knowledge of information systems and processing, including financial service standardization supporting custody business, which is particularly relevant for settlement and corporate actions in ASEAN+3;
- (vi) experience in developing and implementing financial information systems supporting financial transactions in ASEAN+3;
- (vii) an extensive personal network with financial experts to understand bond markets in ASEAN+3;
- (viii) significant experience in communicating with the central banks and financial regulators in ASEAN+3 regarding issues related to capital market and financial transactions; and
- (ix) excellent oral and written communication skills in English.

3. **Financial legal expert** (10 person-months). The financial legal expert is expected to support harmonization and standardization of regulations in ASEAN+3 through the implementation of the AMBIF. The expert will also support self-regulatory organizations in ASEAN+3 to foster regional market practices comparable with those of the international bond market. The expert will

- (i) provide detailed analyses of laws and regulations on cross-border bond issuance in ASEAN+3, paying special attention to the professional market segments;
- (ii) provide knowledge support for regulators' discussions on the implementation of the AMBIF;
- (iii) provide analyses of laws, regulations, and taxation on primary and secondary bond markets across the ASEAN+3 countries, particularly those on foreign investment and cross-border issuance and trading;
- (iv) identify laws, regulations, and taxation impeding the development of each ASEAN+3 market, and provide knowledge support for the economies at an early stage of bond market development;
- (v) recommend measures to harmonize laws, regulations, and taxation across the region in line with best international practices, taking into account activities to be undertaken under the TA;
- (vi) together with the lead bond business and financial operation specialist, update the bond market guides for ASEAN+3 markets and draft AMBIF implementation guidelines for newly participating markets;
- (vii) support the chair of ABMF SF1 and SF2, as appropriate;
- (viii) organize and participate in ABMF meetings, market visits, and events; and
- (ix) perform other tasks as reasonably requested by ADB.

4. The expert must have

- (i) more than 15 years of profound experience in underwriting or issuing international securities;
- (ii) extensive knowledge in laws, regulations, and taxation and market practices in ASEAN+3;
- (iii) extensive research experience in securities law and regulations as well as taxation for capital markets in ASEAN+3, Europe, and the United States;
- (iv) extensive knowledge in issuing corporate and government bonds through both public listings and private placement in ASEAN+3, Europe, and the United States;

- (v) profound knowledge on guidelines, rules, and standards developed by international self-regulatory organizations such as the International Capital Market Association and the International Swaps and Derivatives Association;
- (vi) significant experience in communicating with central banks and financial regulators in ASEAN+3 regarding issues related to capital market and financial transactions; and
- (vii) excellent oral and written communication skills in English.

5. **Financial information technology expert** (6 person-months). The expert is expected to support implementation of international standards in ASEAN+3 together with the financial service standards expert. The expert will support identifying transaction flows related with cross-border bond transactions including taxation, cross-border collateral, and repo, which needs to be considered when central securities depository and real-time gross settlement systems linkages are realized. In addition, the expert will support a study on information platforms. The expert is expected to provide support to the central banks and central securities depositories in ASEAN+3 to develop systems to comply with international standards. The expert will

- (i) collect all relevant information to clarify transaction procedures involved in cross-border bond transactions, which will lead to harmonization of messaging formats in the region;
- (ii) develop a reference model of delivery-versus-payment bond transaction flows and study standardization of message formats and items, particularly in relation to central securities depository and real-time gross settlement systems linkages;
- (iii) identify impediments in clearing and settlement infrastructure and flows of each ASEAN+3 market, and provide knowledge support for the economies at an early stage of bond market development;
- (iv) support the implementation of ISO international standards in ASEAN+3;
- (v) facilitate and support the work of the ABMF members and experts to produce information on transaction procedures;
- (vi) support the cross-border bond expert on a study for cross-border collateral management with respect to clearing and settlement infrastructure;
- (vii) draft a survey on information platforms;
- (viii) draft a report on information platforms;
- (ix) support ABMF discussion on information platforms;
- (x) update the transaction flows of bond market guides for ASEAN+3 markets;
- (xi) support the chair of ABMF SF1 and SF2, as appropriate;
- (xii) organize and participate in ABMF meetings, market visits, and events; and
- (xiii) perform other tasks as reasonably requested by ADB.

6. The expert must have

- (i) more than 15 years of significant work experience in designing and developing clearing and settlement systems in ASEAN+3;
- (ii) extensive knowledge of information systems, particularly clearing and settlement in ASEAN+3;
- (iii) significant experience in communicating with the central banks and central securities depositories in ASEAN+3 to develop systems and information technology infrastructure;
- (iv) a strong background in financial services standardization in Asia; and
- (v) excellent oral and written communication skills in English.

7. **Financial tax law expert** (5 person-months). Together with the financial legal expert and the lead bond business and financial operation specialist, the expert is expected to produce



a report on regulatory and tax hurdles for the AMBIF. The expert should be able to identify and draft regulatory and tax hurdles for the AMBIF. The expert will

- (i) provide knowledge on taxation and regulatory practices, particularly in ASEAN;
- (ii) provide a comparative analysis of ASEAN capital market regulations;
- (iii) provide a comparative analysis of ASEAN taxation in relation to capital markets;
- (iv) draft a report on regulatory and tax hurdles for the AMBIF;
- (v) organize and participate in ABMF meetings and events; and
- (vi) perform other tasks as reasonably requested by ADB.

8. The expert is expected to have

- (i) more than 5 years of significant work experience in financial regulation and tax law analysis of ASEAN,
- (ii) work experience within law firms with experience of bond issuance and tax procedures,
- (iii) good communication experience with the central banks and regulators in ASEAN+3, and
- (iv) excellent oral and written communication skills in English.

9. **Financial service standards expert** (4 person-months). Together with the financial information technology expert and the lead bond business and financial operation specialist, the expert is expected to support implementation of international standards in ASEAN+3. The expert will

- (i) provide knowledge on financial service standardization to ABMF members;
- (ii) support ASEAN+3 central banks, central securities depositories, and regulators to implement international standards such as ISO 20022;
- (iii) provide advice to the financial industries of ASEAN+3 to smoothly implement international standards, including ISO 20022;
- (iv) provide country-specific advice on the implementation of international standards, if requested;
- (v) draft a progress report on implementation of international standards in ASEAN+3;
- (vi) organize workshops to support standards implementation in ASEAN+3 together with other consultants and ADB;
- (vii) participate in ABMF meetings and events; and
- (viii) perform other tasks as reasonably requested by ADB.

10. The expert is expected to have

- (i) more than 10 years of significant work experience in financial services standardization,
- (ii) profound understanding of the ISO process,
- (iii) good communication experience with the central banks and central securities depositories in ASEAN+3, and
- (iv) excellent oral and written communication skills in English.

11. **Cross-border collateral and repo transaction expert** (3 person-months). Together with the financial legal expert, financial information technology expert, and the lead bond business and financial operation specialist, the expert is expected to study challenges for cross-border collateral and repo as well as securities lending and borrowing in ASEAN+3. The expert will

- (i) provide knowledge in cross-border bond business and cross-border collateral management,

- (ii) draft a report on cross-border collateral and repo as well as securities lending and borrowing in ASEAN+3,
- (iii) participate in ABMF meetings and events, and
- (iv) perform other tasks as reasonably requested by ADB.

12. The expert is expected to have

- (i) more than 10 years of significant work experience in custody business, especially in cross-border bond business and cross-border collateral management in ASEAN+3;
- (ii) profound understanding of laws, regulations, and taxation in ASEAN+3 that affect cross-border collateral management;
- (iii) good communication experience with the central banks and central securities depositories in ASEAN+3; and
- (iv) excellent oral and written communication skills in English.

13. **Economics and finance editor** (2 person-months), Under the supervision of relevant Sustainable Development and Climate Change Department staff, the editor will review and edit reports to ensure that they are coherent and readable, are based on sound economic arguments, and conform to the highest publication standards. The editor must have extensive knowledge in finance and economics, particularly in payment settlement systems and financial markets of ASEAN+3. The editor will

- (i) edit outputs of the ABMF in accordance with ADB style and usage;
- (ii) be responsible for proofreading the text, tables, and charts of the publications from the preliminary draft to the final copy;
- (iii) ensure data integrity and consistency in the final manuscript;
- (iv) be involved in rounds of revisions to ensure that the papers do not contain grammatical mistakes or misprints before forwarding to the printer; and
- (v) perform other editorial tasks as required by ADB.

## **B. National Consultant**

14. **Project coordinator** (30 person-months). The coordinator should be able to support (i) communication with international consultants and ABMF members across the region, and (ii) meeting logistics for meetings that will potentially be held in various ASEAN+3 markets. The coordinator will be stationed at ADB headquarters in Manila. The coordinator will

- (i) support the lead bond business and financial operation specialist, financial legal expert, financial information technology expert, financial tax law expert, financial service standards expert, and cross-border collateral and repo transaction expert, with the administrative tasks required to organize ABMF meetings;
- (ii) support all the consultants to collect necessary information for various studies undertaken by the ABMF;
- (iii) communicate and coordinate closely with all ABMF members and consultants to administer various activities of the ABMF;
- (iv) organize and participate ABMF meetings and events, including frequent conference calls between ABMF members and consultants, as scheduled;
- (v) proactively plan and manage relevant logistical and administrative arrangements for a series of ABMF meetings;
- (vi) monitor the schedule of activities and progress of TA implementation; and
- (vii) perform other tasks as required by ADB.