



# DEVELOPING BOND MARKETS IN APEC

## Moving Forward through Public- Private Sector Partnership



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# ABAC/PECC CONFERENCE

- May 10-11, 2004 in Taipei
- APEC Finance Ministers' request for business inputs
- 145 participants
  - Major market players and institutions involved in bond markets
  - ADB and ADBI, regulators, experts
- <http://www.tier.org.tw/pecc/conference/bondmarket2004.htm>



# PRESENTATION OUTLINE

- Key ingredients for development of:
  - Domestic bond markets
  - Regional bond market
- Capacity-building in key areas



# KEY INGREDIENTS: DOMESTIC AND REGIONAL BOND MARKETS

- Domestic bond markets: early stages of development in most economies
- Regional (Asian) bond market: a long way off
- Development of domestic bond markets – paves the way to development of regional bond market
- Needed: broader participation within APEC in initiatives to develop bond markets



# KEY INGREDIENTS: DOMESTIC BOND MARKETS

- Effective coordination - government agencies
- Close public-private sector partnership
- Simultaneous development of
  - Market width
  - Market depth
  - Market infrastructure
- Regulation: transparency and market integrity



# KEY INGREDIENTS: DOMESTIC BOND MARKETS

- Openness and competition among market participants
- Conducive tax regimes
- Securitization and commercially-based measures to support long-term financing



# KEY INGREDIENTS: REGIONAL BOND MARKET

- Open capital accounts and flexible exchange rate arrangements
- Regional policy coordination and cooperation
- Domestic/regional credit enhancement facilities reflecting the market price of capital



# CAPACITY-BUILDING: FOUR KEY AREAS

- Expand region's institutional investor base
- Strong regional credit rating industry
- Effective domestic and region-wide insolvency and creditor rights systems
- Region-wide convergence toward robust global financial reporting standards



# CAPACITY-BUILDING: INSTITUTIONAL INVESTOR BASE

- Public-private sector dialogue and cooperation for broader cross-border investment
- Focus:
  - Government bond issuance program
  - Tax regimes
  - Documentation and market practices
  - Environment for assessing risk and return
  - Regulations governing markets / settlement systems



# CAPACITY-BUILDING: CREDIT RATING INDUSTRY

- Strengthen region's credit rating industry
- Lay groundwork for commercially and technically viable regional ratings
- Focus:
  - Analytical skills in domestic CRAs
  - Key areas crucial to CRAs' performance
  - Harmonization of rating practices within region
  - Regional cooperation: default studies, rating exercises
  - Credit culture / role of credit ratings in markets



# CAPACITY-BUILDING: CREDITOR RIGHTS AND INSOLVENCY

- ▣ ADB: Measures identified; principles developed

- ▣ Focus:

- ▣ Cross-border recognition of insolvency administrations

- ▣ Balance, consistency between

- Secured transactions regimes
- Insolvency law regimes

- ▣ Environment for informal work-outs

- ▣ Education, access to information, legal reforms



# CAPACITY-BUILDING: FINANCIAL REPORTING STANDARDS

- Ensure robust global accounting standards
- Accelerate region-wide convergence
- Focus:
  - Regional forum of domestic accounting standard-setting bodies: expand inputs to development of IFRS
  - APEC: Common policy statement on convergence
  - APEC policy initiative on convergence

