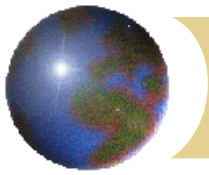


*The APEC Public-Private  
Sector Forum on Bond Market  
Development*

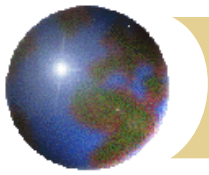
**Julius Caesar Parreñas**

**APEC Business Advisory Council (ABAC)**



## *Background*

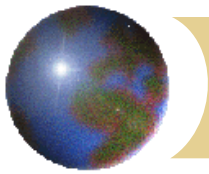
- ⊕ Recent years: various public-private sector dialogues on bond market development
- ⊕ 2006 September, Hanoi: APEC FMM welcomed proposal by ABAC
- ⊕ 2007 May, Melbourne: First APEC Public-Private Sector Forum on Bond Market Development
- ⊕ 2007 August, Cuzco: APEC FMM endorsed subsequent holding of the Forum – second Forum scheduled for July in Cuzco, Peru



# *2007 Melbourne Forum*

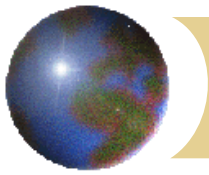
## ✦ Collaborators:

- ✦ Advisory Group on APEC Financial System Capacity-Building
- ✦ ABAC
- ✦ Australian Treasury
- ✦ Finance Ministries of Indonesia, Philippines, Vietnam
- ✦ APEC Senior Finance Officials



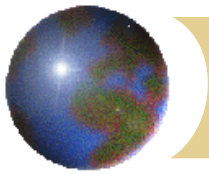
## *Aim and objectives*

- ❖ Aim: facilitate dialogue among officials, market players and experts from private sector and international institutions on how to develop bond markets (especially corporate)
- ❖ Objectives:
  - ❖ Promote public-private collaboration in bond market development
  - ❖ Identify needed policy/regulatory reforms
  - ❖ Identify needed capacity-building initiatives



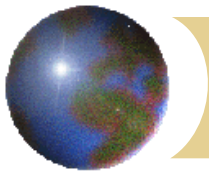
# *Participation*

- ✚ Senior finance officials and regulators
- ✚ Representatives from the financial industry
- ✚ Experts from international public and private institutions



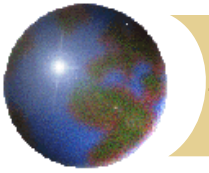
## *Structure of the Forum*

- ✚ Introductory session: overviews on current policy initiatives, corporate bond markets, public-private collaboration
- ✚ Session on Indonesia
- ✚ Session on the Philippines
- ✚ Session on Vietnam
- ✚ Concluding panel discussion: capacity-building and public-private collaboration



## *Key Messages*

- ✚ Corporate bond markets lagging behind government bond markets
- ✚ Issues:
  - ▣ Limited liquidity and depth
  - ▣ Underdeveloped market infrastructure
  - ▣ Remaining weaknesses in the legal, policy and regulatory framework

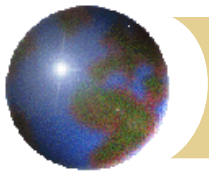


# *Key Messages*

## ***Enhance liquidity and depth***

- ✚ Enhance liquidity through
  - ▣ Diversification of instruments, maturities
  - ▣ Development of secondary and repo markets

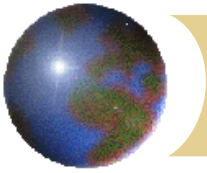




# *Key Messages*

## ***Enhance liquidity and depth***

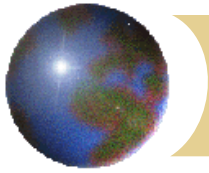
- ❖ Enhance depth through
  - ❖ Promoting diverse issuer base
  - ❖ Promoting diverse investor base
  - ❖ Greater clarity of monetary policy objectives
  - ❖ Promoting investor education
  - ❖ More level playing field for market participants
  - ❖ Uniformity in market rules, regulations and practices



# *Key Messages*

## ***Develop market infrastructure***

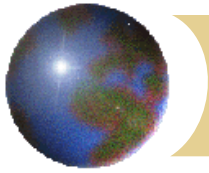
- ✿ Reducing constraints on market making and price discovery
  - ✿ Establish benchmark treasury yield curves across a broad range of maturities
  - ✿ Robust disclosure rules, listing requirements, accounting standards
  - ✿ Post-trading information structures
  - ✿ Transparent clearing and settlement infrastructure



# *Key Messages*

## ***Develop market infrastructure***

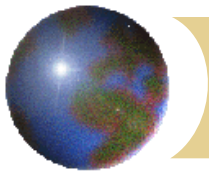
- ❖ Competitive credit rating industry
  - ❖ Region-wide consistency
- ❖ Markets to facilitate risk management, auctioning, OTC, ABS



## *Key Messages*

### ***Develop legal, policy and regulatory framework***

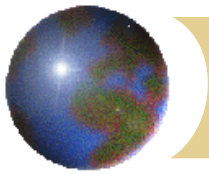
- ❖ Remove discriminatory application of rules and regulations
- ❖ Improve coordination/collaboration among agencies
- ❖ Consistent, transparent, harmonized rules and approaches – for innovation



## *Key Messages*

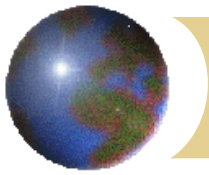
### ***Develop legal, policy and regulatory framework***

- Legal infrastructure – enforce contracts protect creditor rights
- Eliminate negative impacts of taxes
- Greater exchange rate flexibility
- Openness to overseas investor participation



## *Key messages*

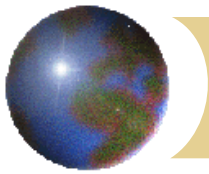
- ⊕ Governments/regional institutions already taking steps to address a number of these challenges
- ⊕ Need for greater collaboration with private sector
- ⊕ Need for more efficient collaboration and coordination among international institutions



## *Key messages*

### ***Domestic level:***

- ✚ Channels for regular dialogues with financial industry
- ✚ Identify areas of public-private cooperation in further developing market and market infrastructure
  - ✚ E.g., product development, consistent principles for market development

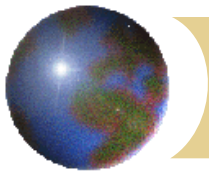


## *Key messages*

### ***Regional level:***

- APEC Public-Private Sector Forum on Bond Market Development
- Active participation by regulators and officials from all APEC economies
- Trans-Pacific cooperation to strengthen existing regional efforts to develop robust and liquid bond markets





## *The Future of the Forum*

- ⊕ Second Forum (Cusco, July 8/9)
- ⊕ Current arrangement:
  - ⊞ Informal (Advisory Group+ABAC)
  - ⊞ Voluntary (funding from sponsors, participating organizations)
- ⊕ Beyond Cusco: further develop into a peer review mechanism?
  - ⊞ Implications on institutional arrangements and funding

