The APEC Public-Private Sector Forum on Bond Market Development

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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, Coolum: APEC FMM endorsed subsequent holding of the Forum – second Forum scheduled for July in Cusco, 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