



# Recent Development in ABF Projects

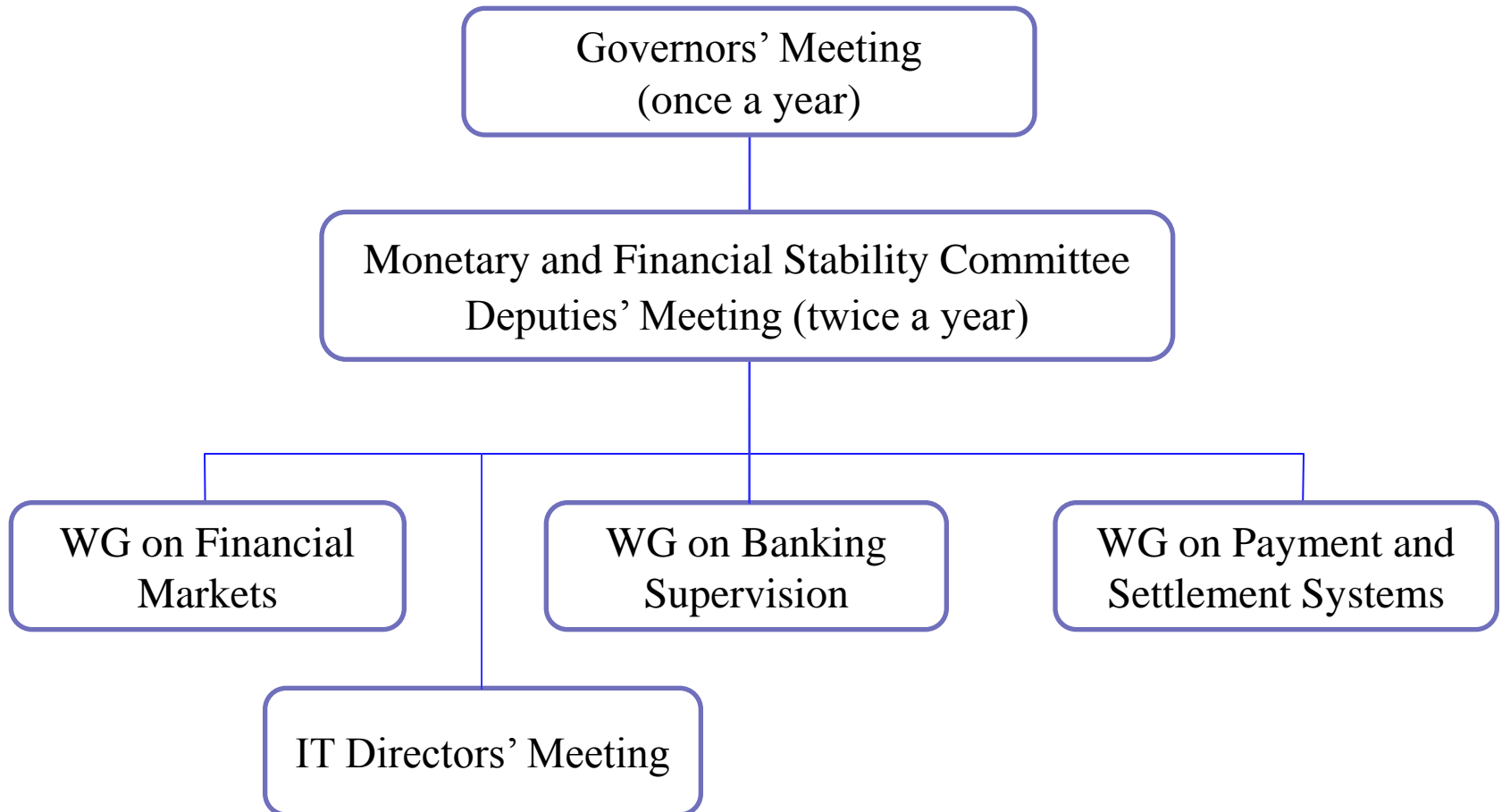
February 23, 2010

Center for Monetary Cooperation in Asia (CeMCoA)  
International Department, Bank of Japan

# EMEAP

- The Executives' Meeting of East Asia-Pacific Central Banks
- Established in 1991, as a cooperative organization among central banks and monetary authorities in eleven economies.
  - Reserve Bank of Australia
  - People's Bank of China
  - Hong Kong Monetary Authority
  - Bank Indonesia
  - Bank of Japan
  - The Bank of Korea
  - Bank Negara Malaysia
  - Reserve Bank of New Zealand
  - Banko Sentral ng Pilipinas
  - Monetary Authority of Singapore
  - Bank of Thailand
- Objective: (i) informal exchange of information and discussion of issues concerning economic and financial developments in the region, (ii) strengthen the cooperative relationship among its members.

# EMEAP : Governance Structure



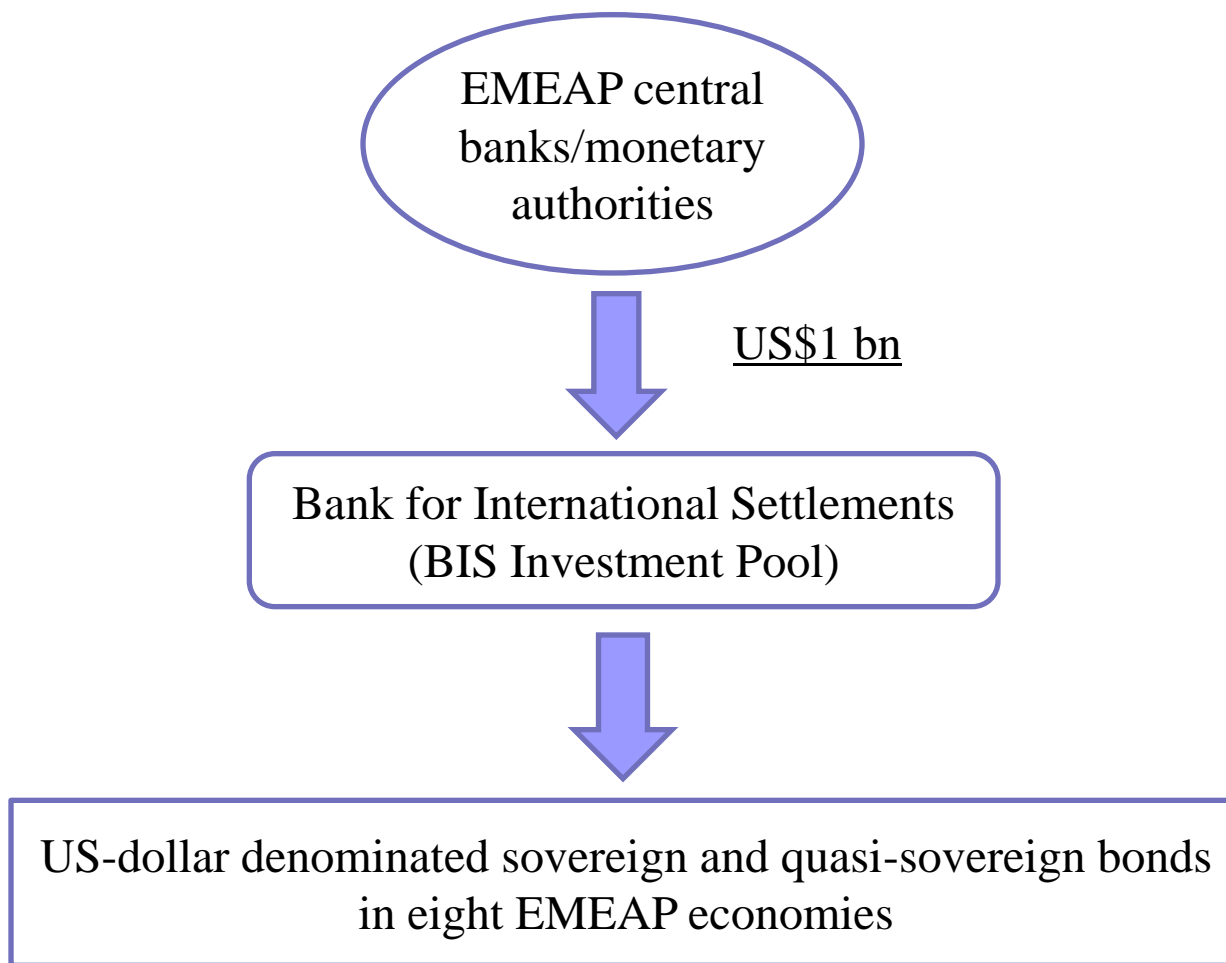
# Asian Bond Fund (ABF) Projects

- Objective: to develop local bond markets for the purpose of promoting resilience of Asian economy (through diversifying the funding sources, etc).
- Focus on sovereign bond markets.
- EMEAP central banks/monetary authorities established investment funds.
- EMEAP members apply a part of their foreign exchange reserves to ABF investment.
  - ✓ Invest in sovereign and quasi-sovereign bonds in eight EMEAP economies (China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore and Thailand)

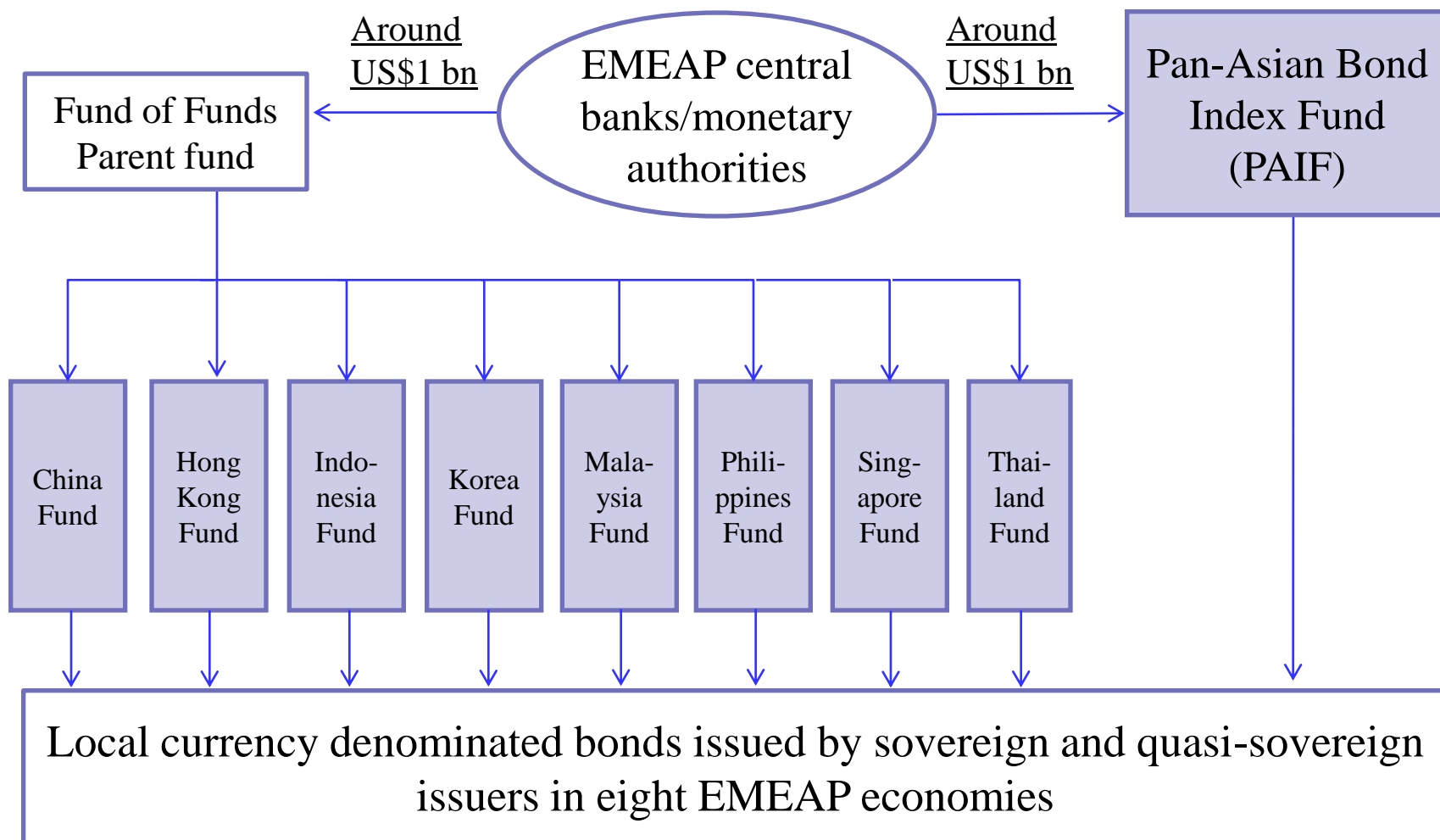
# Asian Bond Fund (ABF) Projects

	ABF1	ABF2
Start of Investment	July 2003	March 2005
Investment Style	Passively managed against designated benchmark indices	
Qualifying Assets	<ul style="list-style-type: none"> <li>• Sovereign and quasi-sovereign bonds issued in eight EMEAP economies</li> <li>• Denominated in USD</li> </ul>	<ul style="list-style-type: none"> <li>• Sovereign and quasi-sovereign bonds issued in eight EMEAP economies</li> <li>• <b>Denominated in domestic currencies</b></li> </ul>
Fund Manager	Bank for International Settlements	Private Fund Managers (one for each fund)
Investors	EMEAP central banks only	Phase 1: EMEAP central banks only Phase 2: EMEAP central banks and <b>other public and private sector investors</b>

# ABF1 Framework



# ABF2 Framework



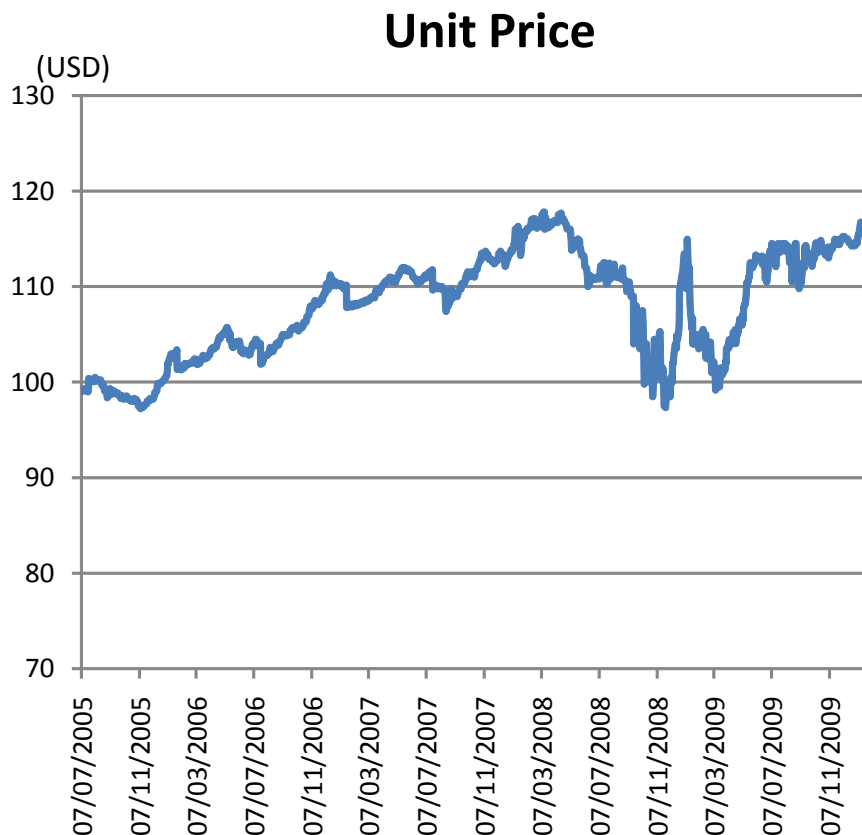
□ Components that are/will be open to investment by public and private sector investors

# PAIF

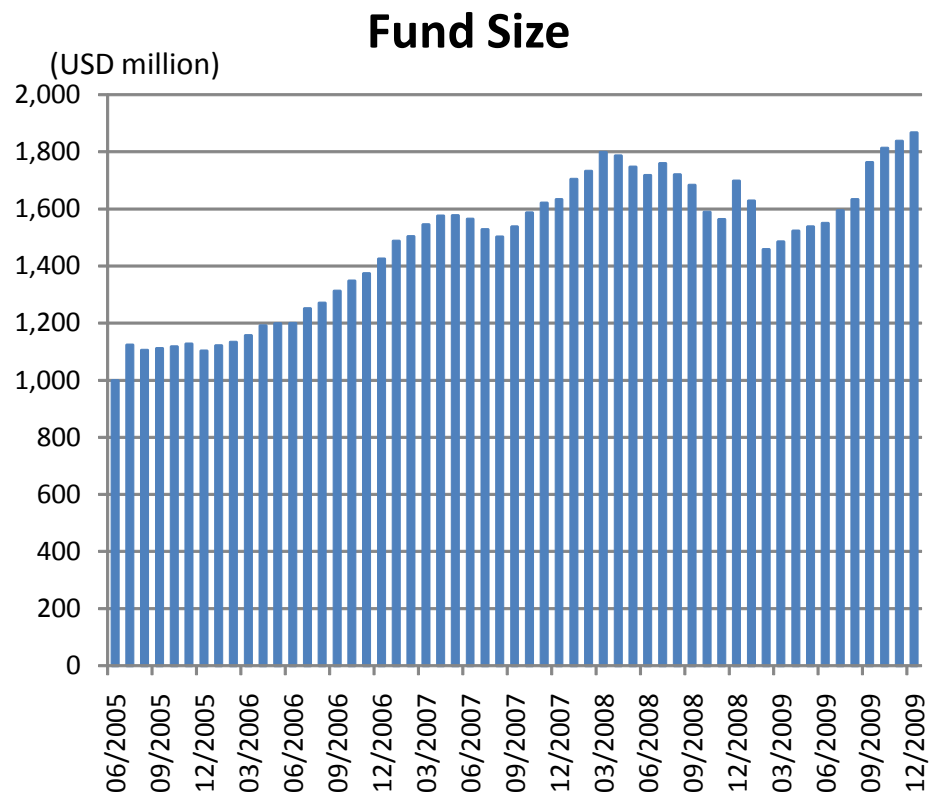
Product Type	Bond ETF (Exchange Traded Fund)
Listing	Hong Kong Stock Exchange in July 2005 Tokyo Stock Exchange in June 2009
Investments	Local currency denominated bonds issued by sovereign and quasi-sovereign organizations in China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore and Thailand
Investment Style	Passive
Benchmark	iBoxx ABF Pan-Asia Index composed by International Index Company Limited
Fund Manager	State Street Global Advisors
Trustee & Custodian	HSBC Institutional Trust Services



# Price and Fund Size (PAIF)



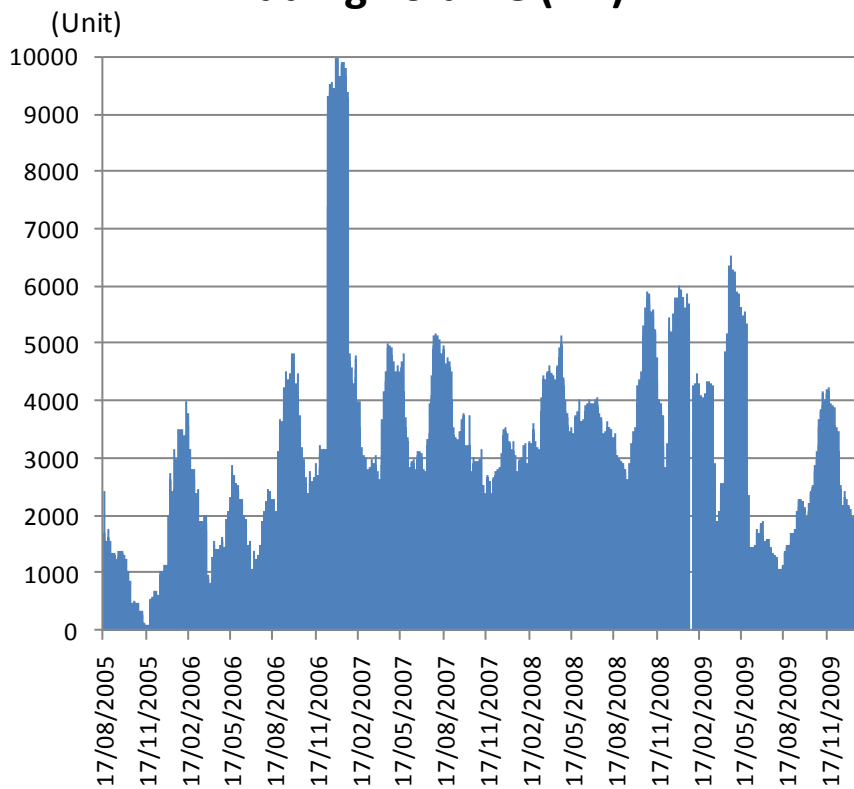
Note: Stock Exchange of Hong Kong



Note: end of month

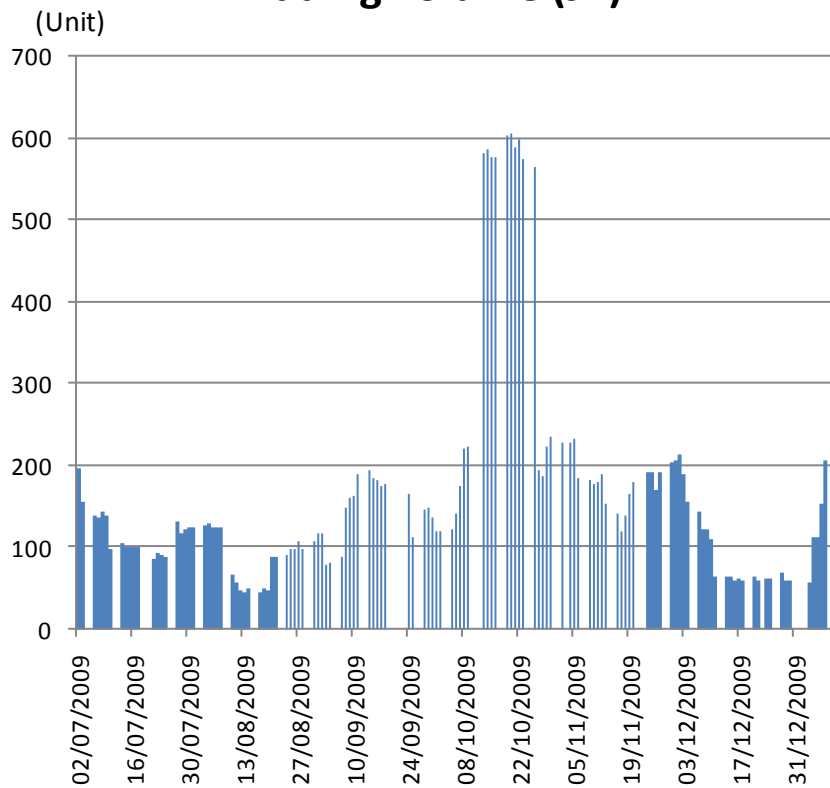
# Trading Volume (PAIF)

## Trading Volume (HK)



Note: 30 days moving average.

## Trading Volume (JP)

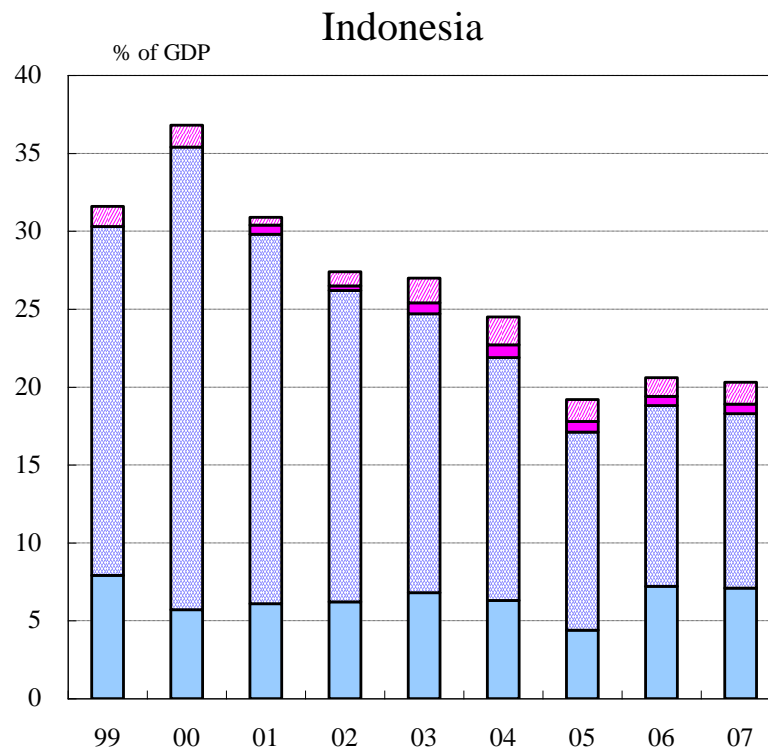
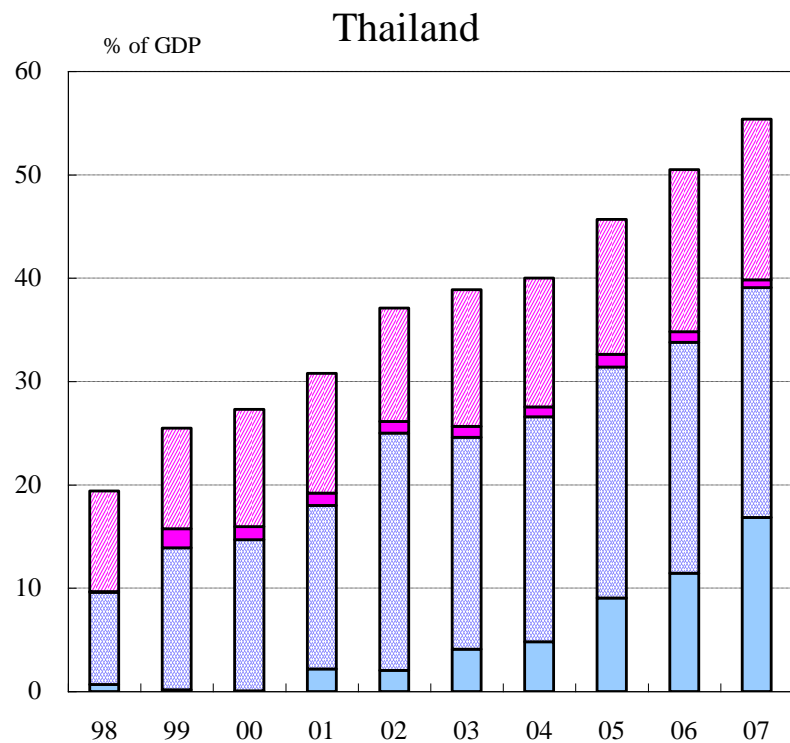


Note: 10 days moving average.

# Achievements of ABF Projects

- Raised investor awareness and interest in Asian bonds by providing the Asian bond funds.
- Served as a catalyst that has triggered regulatory and tax reforms and market infrastructure improvements in the eight member economies.
  - Changes in taxation system for foreign investors
  - Deregulations for bond investment by foreign investors
  - Development of legal system and IT infrastructure
- A successful case in cooperation with private sector.

# Size of Local Currency Bond Markets



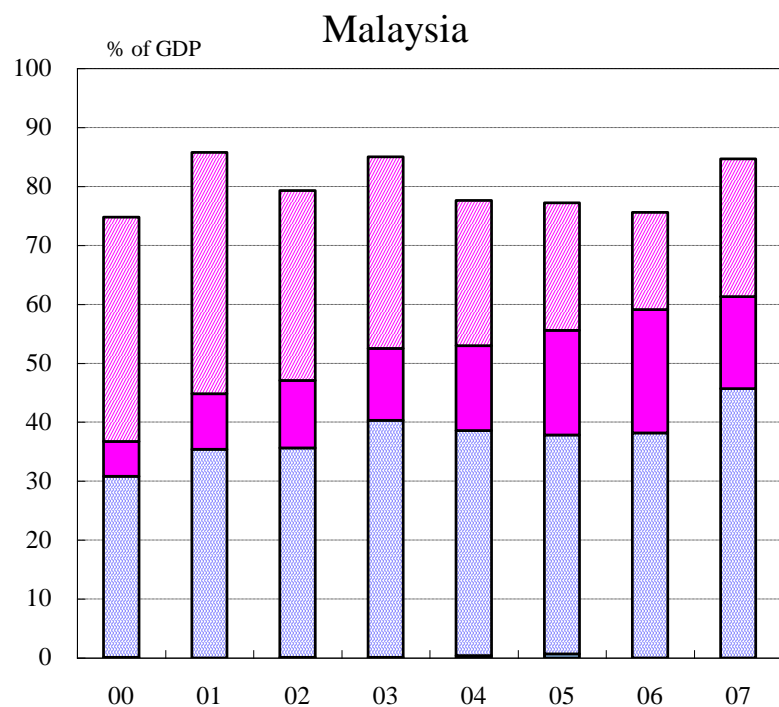
Central Bank

Other Public Entities

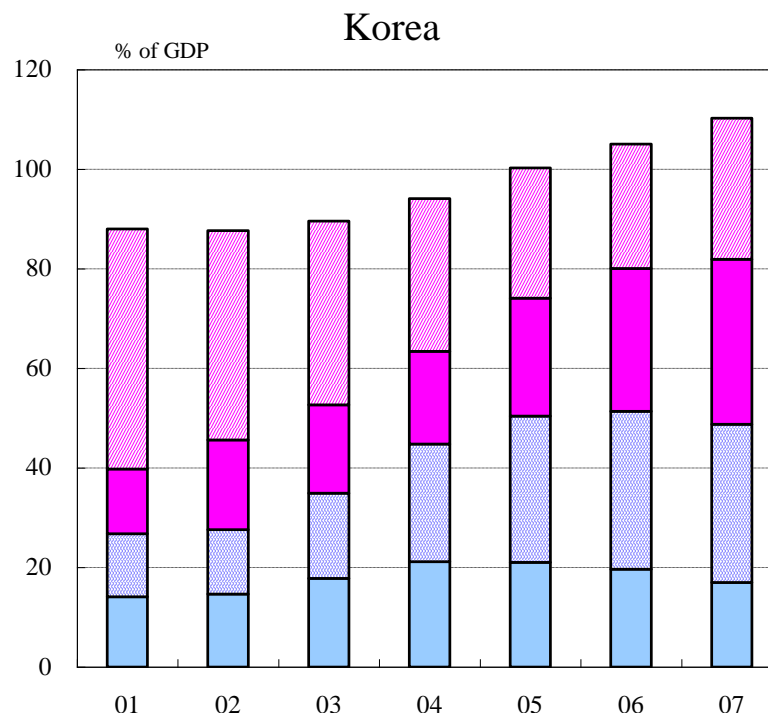
Financial Institutions

Other Corporations

# Size of Local Currency Bond Markets



(Note) Data of central bank bonds are available up to 2005.



■ Central Bank     
 ■ Other Public Entities     
 ■ Financial Institutions     
 ■ Other Corporations

(Note 1) Based on Government Bond and Corporate Bond data from ADB AsianBondsOnline (ABO), the former is subdivided into Central Bank Bond (data for each central bank) and Other Public Bond, and the latter is subdivided into Financial Institutions Bond (Thailand and Malaysia: ABO <BIS base> data; Korea: Bank of Korea data; Indonesia: Bank Indonesia data) and Other Corporate Bond.

(Note 2) ABO Corporate Bond includes bonds issued by government and public enterprises.

Sources: ADB AsianBondsOnline, Bank of Thailand, Bank of Korea, Bank Negara Malaysia, Bank Indonesia.

# Future Issues

- Complete the shift to Phase 2 of ABF2.
  - ✓ Currently only China Fund remains in Phase 1.
- Attract more investors to ABF2 in cooperation with private sector.
- Increase in secondary market transactions.
- Regulatory enhancements and further deregulation.