



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

