

### Asian Bond Market Initiative

#### Significance of the ABMI

The Asian Bond Market Initiative (ABMI), launched under the ASEAN+3 Finance Ministers' forum, is a comprehensive approach to develop a regional bond market in East Asia. Its aim of creating a deep, broad and liquid bond market in Asia would further enhance the efficiency of channelling Asian savings into long-term investments in the region. A deeper Asian bond market will also improve the management of maturity mismatches present in financing economic activities, facilitate management of currency and interest rate risks, and improve the overall efficient allocation of capital.

Following the Chiang Mai Initiative, the ABMI is the most significant ASEAN+3 regional financial co-operation project. Essentially, it reflects the collective effort of the ASEAN+3 finance, central bank and monetary authorities to improve the financial infrastructure and initiate appropriate policies in supporting regional bond market development. Implementation of the ABMI is through a structured approach. Six voluntary working groups have been set up to identify issues and impediments to bond market development in a range of areas through regular meetings (see chart). Studies are also being undertaken by these working groups to recommend modalities for regulatory and legal frameworks that will facilitate cross-border issuance and investment within the region. The working groups also consult regularly with key private sector stakeholders, such as multilateral development banks, financial intermediaries and market participants.

#### Malaysia's commitment

Malaysia is fully committed to the successful development of the ABMI and Bank Negara Malaysia is an active member in all the working groups. Malaysia chairs the Working Group on Foreign Exchange Transactions and Settlement Issues (Bank Negara Malaysia), and co-chairs the Working Group on Technical Assistance Co-ordination with Indonesia and the Philippines (Securities Commission). In leading the Working Group on Foreign Exchange Transactions and Settlement Issues, it has been acknowledged that the creation of a deep and liquid bond market in Asia needs to be complemented with a sound and efficient bond settlement system mechanism. Efforts are, therefore, being directed towards establishing a conducive and enabling environment to facilitate foreign exchange transactions and to address issues related to timely and cost-effective settlement of cross-border transactions.

As part of the work programme, the Working Group organised a Symposium on Foreign Exchange Transactions and Settlement Issues in Kuala Lumpur on 20 October 2003 to deliberate on issues pertaining to foreign exchange transactions and settlement issues in cross-border bond transactions.

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