

Profile of the Asian Bond Market Forum

A gap to be bridged

Since the late 1990s more and more people in Asia have come to recognize the importance of diverse, liquid bond markets. Asia's governments are slowly gaining the confidence for experimentation and have moved toward much policy change.

But conflicting interests and inexperience have discouraged the kind of bold policies that could lead to significant change within a few years, based on the experience of other markets. Private-sector professionals often lament the unsteady progress over the last five or six years, but until now they have not reached out to offer the kind of public service the governments need.

With the arrival of the Asian Bond Market Forum, that has changed. It has been designed to provide a bridge between this ambition for meaningful bond markets and the skills needed to build them. As a neutral, non-profit research institute, the ABMF connects market professionals with policy makers in several ways:

- Informal briefings with regulators over future policy options
- Occasional roundtable discussions to evaluate recent policy
- Government-mandated studies to guide regulatory development
- Result-focused policy working groups that propose reforms

The thoughtful and the demanding cooperate

The ABMF links local universities in each country into a focused research network and database. By bringing finance professionals into specific research projects, it ensures that practical application is married to academic thoroughness.

The resulting proposals carry the kind of unbiased authority not otherwise available. The university partner in each Asian country provides the local office and research infrastructure that keeps the ABMF network current on regulatory and economic planning. It draws its research fellows from corporate and financial members. They provide the grounding of that research in the commercial interests of issuers, investors and the various intermediaries who constitute the financial markets.

Getting the ball to roll ... under control

As Asia's middle class grows, its needs to invest for the future have been putting huge strains on the banking system and the current partly-developed capital markets of Asia. In spite of this enormous demand, institutional inertia and limited financial infrastructure stand in the way of effective bond markets.

The torrent of cash pouring through these limited channels has created imbalances that raise the barriers to bond markets even higher. It threatens the future stability of Asia's growth and makes it harder for banks to rid themselves of bad assets. It also prevents the kind free-flow of information on risk that both borrowers and lenders need to manage their own commercial risks.

To reduce these barriers without triggering new financial imbalances, such as the US S&L crisis or the German Herstatt Bank collapse, each government needs to design its own regulatory change-process. This is to provide for a smooth



transition from the present framework of financial regulation to the next – and then to the next. The ABMF tries to support these processes through its working groups and commissioned studies.

Getting over the hump

The long history of banks as the sole provider of credit makes bond issuance more expensive than borrowing for the pioneer bond issuers. This is the most obvious barrier to these markets. Until adequate infrastructure (regulatory, institutional, operational & fiduciary) for bond markets is in place, this will remain so. One of the proper roles of government is to front the financing for this financial infrastructure, just as it would for any other kind. As volume grows, the markets will pay for themselves and offer a finance channel to complement the banking system, while improving the information available for risk pricing.

By acting as a partner to government regulators, the ABMF has been able to encourage forward-thinking leaders and provide the regional and international examples they need to push through the institutional inertia. The ABMF addresses both market practice and regulatory structure. This means it is able to help governments plan thoroughly for market infrastructure that will both reduce the cost of finance and increase system flexibility.

Something for everyone

Members enjoy a range of benefits and can gain more by being actively involved.

- ABMF publishes a bi-monthly briefing sheet for members, covering significant changes planned in the ten largest markets.
- It holds member roundtables to discuss these changes with market experts.
- Overseas investors can gain an insight into the region's debt capital markets that no one institution can provide.
- It provides a neutral, collegial channel through which members can impress upon a government the need for a specific change.
- Its working groups guide the research that gives such advice the emphasis and strong foundation it needs to get the attention it deserves.

Its government briefings have already made a difference in China, Thailand and the Philippines. As the ABMF grows, it can make a bigger difference, from which all users of Asia's financial market can benefit.

To find out more about the Asian Bond Market Forum and learn how to become a member, write to ABMF, PO Box 715, General Post Office, Hong Kong or send e-mail to info@abm-forum.org.

