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# BRIEFER ON CAPITAL MARKETS DEVELOPMENT & FINANCIAL LIBERALIZATION INITIATIVES INVOLVING THE SEC

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*Guide to various capital markets  
initiatives in the region*

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Market and Securities Regulation Department  
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# ASEAN (Association of South-East Asian Nations)

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## I. AEC

### ASEAN Economic Community 2015

The ASEAN Leaders adopted the ASEAN Economic Blueprint at the 13th ASEAN Summit on 20 November 2007 in Singapore to serve as a coherent master plan guiding the establishment of the ASEAN Economic Community 2015.

- AEC envisages the following key characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.
- The AEC areas of cooperation include:
  - human resources development and capacity building;
  - recognition of professional qualifications;
  - closer consultation on macroeconomic and financial policies;
  - trade financing measures;
  - enhanced infrastructure and communications connectivity;
  - development of electronic transactions through e-ASEAN;
  - integrating industries across the region to promote regional sourcing; and
  - enhancing private sector involvement for the building of the AEC.
- In short, the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

## II. ACMF

The **ASEAN Capital Markets Forum** (ACMF) is a forum which comprises capital market regulators from 10 ASEAN jurisdictions (Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam).

- Established in 2004 under the auspices of the ASEAN Finance Ministers.
- ACMF initially focused on harmonization of rules and regulations before shifting towards more strategic issues to achieve greater integration of the region's capital markets under the ASEAN Economic Community (AEC) Blueprint 2015.
- The ACMF meets twice a year, and is currently chaired by Datuk Ranjit Ajit Singh, Chairman, Securities Commission Malaysia.
- Recent key achievements of the ACMF include:

1. ASEAN Disclosure Standards for Equity and Bonds (formerly ASEAN and Plus Standards Scheme) and Expedited Review Process (MOU)

- **The ASEAN Disclosure Standards Scheme** was developed to facilitate cross-border offerings of securities and support fund-raising activity in the region. The Scheme is benchmarked against the International Organization of Securities Commissions' ("IOSCO") disclosure standards on cross-border offerings. In addition, the Scheme fully adopts the IFRS and the ISA.
- The Scheme brings ease and cost savings to all issuers who make multi-jurisdiction offerings of plain equity and debt securities that require the registration of prospectuses or registration statements within ASEAN. Under the framework, issuers will be required to comply with a set of common disclosure standards, known as the "**ASEAN Disclosure Standards**".
- The ASEAN Disclosure Standards' Documents
  - **Equity Securities:** ASEAN Equity Securities Disclosure Standards
  - **Debt Securities:** ASEAN Debt Securities Disclosure Standards
- The Implementation of the Scheme
  - The ACMF agreed that the timeframe for the adoption of the ASEAN Disclosure Standards by ACMF members would depend on the readiness of each member on an opt-in basis.
  - On 1 April 2013, the ACMF announced that the Securities Commission Malaysia, the Monetary Authority of Singapore and the Securities and Exchange Commission, Thailand, that they have implemented the ASEAN Disclosure Standards Scheme.
- Memorandum of Understanding on Streamlined Review Framework
  - This Memorandum of Understanding sets out the understanding amongst the Signatories in respect of a framework for the streamlined review of applications for approval to list or make offers of Equity Securities or Plain Debt Securities in multiple ASEAN jurisdictions and of Prospectuses to be issued in relation to such offers ("Framework").
  - The signing of the MOU on Streamlined Review Framework has by eligible members (Singapore, Malaysia and Thailand) was held on March 3, 2015 in conjunction with the 22nd ACMF meeting in Kuala Lumpur hosted by the SC, the current Chair of ACMF.

2. ASEAN capital market integration plan (“Implementation Plan”) which was endorsed at the 13th ASEAN Finance Ministers Meeting in April 2009 in Pattaya, Thailand.

- The Implementation Plan was based on six principles agreed upon by the ACMF. They are:
  - Adoption of international standards to the maximum extent possible.
  - Progressive liberalization to facilitate more open access and cost reduction through greater competition.
  - Sequencing of regional integration initiatives taking into account ease of implementation, market preferences and technical linkages.
  - Engage the ASEAN Secretariat as the main coordinator.
  - Consistent implementation of policies to support regional integration at country level, with effective monitoring mechanisms.
  - Strong communication plans and consultative processes to build consensus and set priorities for integration initiatives.

b. Other ACMF Initiative include:

1. ASEAN Trading Link and ASEAN Post-trade link

- The ASEAN Trading Link is a business-to-business gateway for Pioneer Brokers to offer their clients the full range of investment opportunities provided by the connected ASEAN Exchanges.
- This initiative allows connected brokers to execute trades directly to the ASEAN Trade Link connected exchange without having to be licensed in that market by that exchange.
- Bursa Malaysia (BM), Singapore Exchange (SGX), and Stock Exchange of Thailand (SET) have already established linkage.
- The Exchanges of Singapore, Malaysia and Thailand are developing post-trade link for trading via ASEAN Trading Link.
- ASEAN Products available include:
  - a) FTSE/ ASEAN Index
  - b) FTSE/ ASEAN 40 Index

- c) Global X FTSE/ ASEAN 40 Exchange Traded Fund (ETF) – the first ASEAN-centric investment product listed on the New York Stock Exchange
- d) CIMB FTSE ASEAN 40 Exchange Traded Fund:
  - o Represents 40 of the largest stocks listed across Singapore, Malaysia, Indonesia, Thailand, and Philippines.
  - o The Net Asset Value of the CIMB FTSE ASEAN 40 ETF has returned 11.32% on average annualised basis since inception in 2006.

## 2. Framework for the Cross-Border Offering of ASEAN Collective Investment Schemes (CISs)

- The ASEAN CIS Framework is one of the initiatives undertaken by the ACMF as part of the regional capital market integration plan endorsed by the ASEAN Finance Ministers in 2009.
- The Framework enables fund managers operating in a member jurisdiction to offer CIS constituted and authorised in that jurisdiction (“ASEAN CIS”) to retail investors in other member jurisdictions under a streamlined authorization process.
- On October 1, 2013, Malaysia, Singapore and Thailand signed a Memorandum of Understanding (MOU) to establish the ASEAN CIS Framework for cross-border offering of Collective Investment Schemes (CIS). The intention is for participating jurisdictions to set up the framework based on a set of criteria for recognizing funds under the framework. The criteria will include a set of requirements to be satisfied by the fund operator and trustee, and a set of rules to be observed by the funds in respect of such matters as the assets that the fund may invest in and investment limits.
- **CIS Handbook:** The member jurisdictions have also published the Handbook for CIS Operators of ASEAN CISs which provides guidance to fund managers on various administrative and procedural matters including the application procedures, the use of local distributors in the offering process, and the procedures for remittance of funds.
- During the ACMF held on 3 March 2015, the authorisation for five funds as Qualifying Collective Investment Schemes (CIS) under the ASEAN Framework for cross-border offering of CIS, which was implemented in August 2014, was announced. The five qualified funds were approved by the

SC and MAS while the SEC Thailand is in the process of reviewing one fund application. These qualified funds are allowed to be offered to retail investors in the signatory countries including Malaysia, Singapore and Thailand.

### 3. ASEAN Corporate Governance Initiative

- The ASEAN Corporate Governance Scorecard was introduced in 2011.
- The scorecard is a corporate governance initiative of the Association of Southeast Asian Nations (ASEAN), under the ASEAN Capital Markets Forum (ACMF) Implementation Plan for the development of an integrated capital market, to complement other ACMF initiatives and promote ASEAN as an asset class. The scorecard hopes to raise corporate governance standards of publicly listed companies (PLCs) in ASEAN countries and increase their visibility to investors. The ASEAN Corporate Governance initiative helps raise corporate governance standards and practices to give greater international visibility to well-governed ASEAN companies and to complement other ASEAN Capital Market Forum (ACMF) initiatives in promoting the region as an asset class.
- This initiative is part of a broader agenda for ASEAN regional capital market integration under the ACMF which is supported by the ADB through the "Promoting an Interlinked ASEAN Capital Market" technical assistance.

### III. AFAS/ WC-FSL

Recognising the growing importance of trade in services, ASEAN countries officially launched their joint effort to work towards free flow of trade in services within the region through the signing of [ASEAN Framework Agreement on Services \(AFAS\)](#) on 15 December 1995 by ASEAN Economic Ministers (AEM) during the 5th ASEAN Summit in Bangkok, Thailand.

- ASEAN Member States shall extend to one another preference in trade in services.
- The objectives of the Member States under the ASEAN FAS are:
  - to enhance cooperation in services amongst Member States in order to improve the efficiency and competitiveness, diversify production capacity and supply and distribution of services of their service suppliers within and outside ASEAN;
  - to eliminate substantially restrictions to trade in services amongst Member States; and to liberalize trade in services by expanding the depth and scope of liberalization

beyond those undertaken by Member States under the GATS with the aim to realizing a free trade area in services.

- At present, ASEAN has concluded 8 packages of commitments under the AFAS signed by the AEM through 5 rounds of negotiations since 1 January 1996. These packages provide for details of commitments from each ASEAN Member Country in the various services sectors and subsectors.
- In addition, there has also been five additional packages of commitments in financial services under the AFAS signed by the ASEAN Finance Ministers (the second, third, fourth, fifth, and sixth Packages of Commitments of Financial Services under the AFAS) as prescribed by the [Working Committee on Financial Services Liberalization \(WC-FSL\)](#).
- The WC-FSL is mandated to facilitate the negotiations of financial services liberalization under the AFAS, as well as providing facilitation of financial services liberalization by ASEAN with its dialogue partners.

#### IV. CMD/ WC-CMD

**Capital Market Development:** Intended to build capacity and lay the long-term infrastructure for development of ASEAN capital markets, with a long-term goal of achieving cross-border collaboration between the various capital markets in ASEAN.

- The [Working Committee on Capital Market Development \(WC-CMD\)](#) has been actively working on initiatives to help integrate and develop regional capital markets.
- To play its part in developing regional capital markets under the AEC Blueprint 2015, WC-CMD's key initiatives in 2012 were to:
  - update the ASEAN Bond Market Development Scorecard;
  - provide a platform for exchange of views and learning points on capital market developments in ASEAN countries;
  - enhance understanding on OTC derivatives developments and emerging regulations; and
  - work with the ASEAN Secretariat on the Joint Study on Capital Market Integration.
- **Bond Market Development (BMD) Scorecard:** With the ASEAN Leader's endorsement of the AEC Blueprint, the WC-CMD decided to develop a focused and targeted approach towards addressing key market gaps in ASEAN local currency bond markets by 2015. The WC-CMD decided to develop a set of "bond market development indicators" as its main priority action for 2010-2011. The set of indicators which was structured as a BMD scorecard, would serve as benchmark reference points for ASEAN finance officials to measure the state of ASEAN's bond market development, openness and liquidity, and provide a basis with which to identify market gaps and track the removal of such gaps over time.

## V. ACMI Blueprint

### ASEAN Capital Market Infrastructure Blueprint

To enhance the value of the ASEAN Trading Link (ATL), the 17th AFMM in April 2013 agreed to establish a cross-committee to develop a blueprint for the establishment of post-trade linkages for clearing, settlement and depository. The cross-committee comprises members from the ASEAN Capital Markets Forum (“ACMF”), ASEAN Working Committee for Capital Account Liberalisation (“WC-CAL”), ASEAN Working Committee for Capital Market Development (“WC-CMD”) and ASEAN Working Committee for Payment & Settlement Systems (“WC-PSS”).

- The cross-committee has developed the ASEAN Capital Market Infrastructure (ACMI) Blueprint which aims to enable ASEAN issuers and investors accessing ASEAN’s capital markets to do so efficiently from any one single access point. This can be achieved through integrated access, clearing, custody and settlement for investors tapping cross-border ASEAN capital markets for equities, government and corporate bonds.
- The ACMI Blueprint proposes to:
  - leverage on existing ASEAN Exchanges market infrastructure;
  - enhance ASEAN Exchanges market infrastructure capabilities to include ASEAN bonds (i.e. extend beyond equities); and
  - build trading, clearing, depository and settlement linkages through a multilateral linkage model.

## VI. AMRO

### ASEAN+3 Macroeconomic Research Office (AMRO)

Independent Surveillance Unit of Chiang Mai Initiative Multilateralization Financial Stability (CMIM)

- The Surveillance Unit of the ASEAN+3 countries (ASEAN, China, Japan and Korea)
- Monitors and analyses regional economies, and
- Contributes to (a) early detection of risks, (b) policy recommendations for remedial actions and (c) effective decision-making of the Chiang Mai Initiative Multilateralization (CMIM).



# ASEAN+3 (China, Japan, South Korea)

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## VII. ABMI

**Asian Bond Markets Initiative (ABMI)** aims to develop efficient and liquid bond markets in Asia, which would enable better utilization of Asian savings for Asian investments. The ABMI would also contribute to the mitigation of currency and maturity mismatches in financing. It is a key step forward in ASEAN+3 finance cooperation.

- Endorsed at the ASEAN+3 Finance Ministers Meeting in Manila, the Philippines on 7 August 2003 (China, Japan, Korea and ASEAN)
- It is an initiative supported by the Asian Development Bank and funded by the Government of Japan. It is designed to promote bond market development in the region.
- Activities of ABMI focus on the following two areas:
  - Facilitating access to the market through a wider variety of issues; and
  - Enhancing market infrastructure to foster bond markets in Asia

## VIII. ABMF/ AMBI Task Force 3: Regulation

**ABMI ASEAN+3 Bond Market Forum**, operating under the ambit of ASEAN+3 and comprising of bond market experts from the region, was established in September 2010 as a common platform to foster standardization of market practices and harmonization of regulations relating to cross-border bond transaction in the region.

- The ABMI set up four task forces to study supply, demand, regulation and market infrastructure. The Asian Bond Market Forum (ABMF) is a working group of specialists under the regulation task force, responsible for developing a strategy to harmonise regulations across the group of disparate member countries.
- ABMF members comprise national members and experts as well as international experts and are drawn from public and private sector organisations.
- The ABMF will discuss various bond market issues to further develop liquid and well-functioning bond markets, and effectively channel the region's abundant savings for its increasing investment needs.
- The ABMF shall provide ASEAN+3 officials with the viewpoints and recommendations of the regions' bond market experts on issues that will be adopted by Task Force 3 (TF3) of the Asian Bond Markets Initiative (ABMI).
- **ABMF Phase 1: ASEAN+3 Bond Market Guide**

- The ASEAN+3 Bond Market Guide is a comprehensive report on bond market in the ASEAN+3 region. The Guide is a product of the collaborative efforts of ASEAN+3 Bond Market Forum (ABMF) members and is the first report endorsed by ASEAN+3.
- The Guide is composed of two volumes. Volume 1 provides a comparative analysis on market infrastructures including legal and operational systems, regulations and market practices in the region, together with individual market guides of 11 economies, namely the People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; People's Democratic Republic of Lao; Malaysia; Philippines; Singapore; Thailand; and Viet Nam. Volume 2 provides detailed information on bond transaction flows including technical information on matching, settlement cycle, numbering and coding, and others. The Guide is expected to benefit the bond markets in the region by enhancing investors' understanding on the markets.
- **ABMF Phase 2: ASEAN+3 Bond Market Forum**
  - The ASEAN+3 Bond Market Forum aims to discuss various bond market issues in order to enhance the mobilization of regional savings for regional investments, and to improve information flow in regional markets.
  - The ASEAN+3 Bond Market Forum consists of two forums:
    - Sub-Forum 1 (SF1): The objective of SF1 is to close the information gap in regulations, market practices, and other areas in the region's bond markets.
      - **ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)** – in its Phase 1 report, SF1 concluded that while ASEAN+3 economies were heterogeneous in nature, a sufficient number of common elements were evident in bond markets across the region. This led to the belief that connecting the markets on the basis of a common solution would be the best way to achieve ABMF's key mandate of retaining and recycling ASEAN+3 savings within the region. Based on these key findings of Phase 1, SF1 members agreed to connect markets through an intra- regionally standardized bond issuance framework that would allow issuers in participating economies to issue bonds in any participating location with the use of standardized or simplified documentation and information disclosure requirements, subject to compliance with the existing domestic legal and regulatory requirements.

- Sub-Forum 2 (SF2): SF2 focuses on enhancing regional straight-through-processing through the harmonization of transaction procedures and standardization of messages.
  - **ASEAN+3: Information on Transaction Flows and Settlement Infrastructure** – this report, consisting of three parts, is the result of Phase 2 studies of ABMF SF2 and enhances the findings of Phase 1. Part 1 provides an overview of ASEAN+3 bond markets and their infrastructure. Part 2 reports on the bond market-related issues of economies in the region. Part 3 contains diagrams of ASEAN+3 bond market infrastructures, domestic bond transaction flows, and cross-border bond transaction flows. The contents of the report are as follows.

# APEC (Asia-Pacific Economic Cooperation)

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## IX. ARFP

The [Asia Region Funds Passport](#) is a region-wide initiative being led by Australia, New Zealand, Republic of Korea, and Singapore. Ministers representing the governments of these economies signed a Statement of Intent on 20 September 2013 at the APEC Finance Ministers' meeting in Nusa Dua, Bali. In signing the statement of intent, ministers of the four economies recognise the value of creating better connections between financial markets in the Asia region and the benefits deriving from it.

- The Asia Funds Region Passport (the passport) will, once implemented, provide a multilaterally agreed framework to facilitate the cross-border marketing of managed funds across participating economies in the Asia region.
- In the longer term, the passport could also facilitate funds from the Asian region being marketed in Europe through an Asian/European mutual recognition agreement.
- To develop and gauge regional interest in the concept, the passport was explored through the APEC Finance Ministers' Process (FMP). This provided a region-wide working platform to collaborate with finance policy makers, regulators, industry and technical experts in forums such as policy dialogues and capacity building workshops.
- Following workshops with members of 13 APEC economies (Australia, Singapore, Hong Kong, Japan, Republic of Korea, Thailand, Malaysia, Indonesia, Vietnam, the Philippines, the United States, Chinese Taipei and New Zealand), economies were invited to form a working group that would develop the detailed technical arrangements. Australia, Republic of Korea, New Zealand and Singapore accepted this invitation.
- On 20 September 2013, finance ministers from Australia, South Korea, New Zealand and Singapore signed a Statement of Intent in Nusa Dua, Bali, Indonesia on the Asia Region Funds Passport. The statement outlines an undertaking by signatories to publicly consult on detailed passport arrangements and sets out a process to see the passport implemented by 2016.
- The Governments of the working group economies publicly released the detailed rules and operational arrangements for the passport on 27 February 2015. Consultation closes on 10 April 2015.

## X. APFF

The [Asia Pacific Financial Forum](#) is one of the key initiatives of the APEC Business Advisory Council (ABAC) that aims to promote private-public dialogue in order to promote regional financial market development and connectivity in the Asia Pacific.

- The ABAC was created by the APEC Economic Leaders in November 1995 to provide advice on the implementation of the Osaka Action Agenda and on other specific business sector priorities, and to respond when the various APEC fora request information about business-related issues or to provide the business perspective on specific areas of cooperation.
- The APFF initiative was first discussed at an Asia Pacific Financial Markets Integration forum convened at RMIT University in March 2012 and organised by ABAC and the Australian APEC Study Centre. This high level event was followed by a regional symposium in Sydney in April 2013 organised by the Australian Treasury and ABAC entitled “Asia Pacific Financial Market Development“. In September 2013 APEC Finance Ministers and Leaders agreed with recommendations to form the APFF.
- This APFF involves financial market experts, policymakers and regulators, representatives from peak industry bodies, multilateral development banks and academics to develop policy ideas and recommendations.
- The APFF is organised into five work streams on:
  - Insurance and pensions;
  - Lending;
  - Capital markets;
  - Financial market infrastructure; and
  - Market linkages and structural issues
- The objective of the APFF is to promote greater synergy, identify and address gaps, build institutional capacity, as well as accelerate the evolution of regional cooperation toward greater consistency and coherence in the development of regional financial markets.

**Sources:**

ABAC Website: <https://www.abaonline.org>

ADB ASEAN + 3 Bond Markets Initiative Group of Experts Website: <https://wpqr1.adb.org>

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