

Contact:
Shigehito Inukai
Senior Fellow
National Institute for Research Advancement (NIRA)
(Tel: 81-3-5448-1710) (sinukai@nira.go.jp)

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Proposal for the Establishment of an Asian International Bond (Asian Bond) Market - A Road Map to an Asian Bond Primary Market

Executive Summary

➤ Upgrading of Market Participants and Market Infrastructure in the Asian Region

The development of an Asian financial and capital market as a regional asset is essential to the development of an Asian economic community. The upgrading of regional market infrastructure and the ability of market participants is an essential condition for the development of this market.

We must engage in full-fledged efforts to nurture financial professionals in Japan and Asia who can play in the global arena and build an international standard “stadium” for these players, in order to overcome the backwardness in the development of the Japanese and Asian markets. The creation of a professional league, like the J-League and Asian League in the world of professional soccer, is necessary in the world of the financial and capital markets. Leadership of this league should first be assumed by Japan and South Korea, which lead other Asian nations in terms of the scale and level of development of their domestic capital markets.

➤ Necessity for an “Asian International Bond Market” as the Primary and Secondary Markets for International Bonds

Recent developments in East Asia, centering on Japan, have created the basic conditions, with effort on the part of the relevant actors, for the establishment of an international financial market, like the Eurobond market, in which market professionals are able to freely conduct transactions. Such a market would ensure the further development and continued competitiveness of the region.

The establishment of market infrastructure such as legal systems and settlement systems has made some progress in the domestic financial and capital markets of major countries in the region. However, the development of a self-contained “international bond market” in Asia, a market in which international bonds are issued and traded, has been decisively delayed. Moreover, there is little recognition of the necessity for such a market.

With regard to international bonds, market participants in Asia still depend on the Eurobond

primary and secondary markets, a cooperative system involving Britain and the three Benelux countries predicated on the utilization of financial institutions in the City of London and international securities clearing and settlement systems based in Europe.

In other words, it is a given that, outside domestic markets, the dealers and professionals (including intermediary agents involved in issuance, trading and redemption, rating organizations, lawyers and attorneys) involved with securities issued by Asian issuers, and the systems (securities clearing and settlement systems and related legal systems, etc.) relevant to those securities, will not be Asian, but will rather be based, generally, in Britain, the EU or the US. Given this, issuers in Japan and other Asian nations do not enjoy the same cost advantages or the same convenience (issuing in their own currencies, etc.) as European or US issuers.

International bonds denominated in Asian currencies other than the Japanese yen face a variety of constraints in issuance and secondary market trading not only within their own countries but also in the Eurobond market. In addition, an environment enabling Asian financial institutions, including Japanese financial institutions, to hone their professional skills in order to compete with their European and U.S. counterparts on equal terms has not been fostered.

The establishment of an Asian international bond market (a Eurobond-type Asian bond market) as the type of shared regional offshore market that has not yet clearly taken shape in Asia, would not only be of great significance in providing a venue for the nurturing and training of regional professionals and the generation of market innovations, but also as creating a self-contained, highly cost-effective international bond market that also enables trading in bonds denominated in the respective currencies of the nations of the region, enabling regional savings to circulate within the region.

The realization of such a market would require the establishment of a variety of different types of market infrastructure for a Eurobond market-type international bond market, based on specifically Asian elements and requirements. By linking the domestic markets of Asian countries in a natural and organic manner, it would have the function of preventing a regional spread of economic contagion, as seen in the Asian financial crisis.

At present, what is required are more concentrated efforts to remove a variety of immediate institutional constraints (constraints in domestic legal systems, including inadequate familiarization, constraints in tax laws, the absence of an efficient international securities clearing and settlement system) on the initiative of major market participants in the countries of the region, including Japan.

East Asia is beginning to display the contours of a potential economic community, and it may be assumed that the main issuers and investors in an Asian international bond market would come from Asian nations. The involvement of market participants from outside the region would also be a given. In other words, an Asian international bond market would be open to markets and market participants around the globe.

➤ **Creation and Sharing of a Vision for an Asian International Bond (Asian Bond) Market is Required**

The Asian Bond Markets Initiative (ABMI), which has been promoted by Asian governments and the Asian Development Bank (ADB) over the past several years, is an extremely important initiative, and has produced a variety of important achievements.

More than ever, it is necessary now for market participants (market professionals) such as public-sector securities-issuing organizations, private-sector issuers, brokerage firms and institutional investors, all of which should be participants in an Asian capital market, to develop and share a vision for an Asian international bond (Asian Bond) market.

➤ **Proposal for a Road Map to an Asian International Bond (Asian Bond) Primary Market**

The major points of the proposal are:

- (1) **Necessity for market for Asian international bonds (Asian Bonds) denominated in Asian currencies and proposal for a concrete program (road map) for its realization**
- (2) **Proposal on points to consider regarding legal systems for an Asian international bond (Asian Bond) market (for Japanese issuers, Asian Bonds should be defined independently from corporate bonds under the new Company Law and should be issued with Japanese law as the governing law; we consider this to be possible)**
- (3) **Proposal for the establishment of the Capital Market Association of Asia (CMAA)**
- (4) **Proposal of a dual core approach as the securities clearing and settlement method**

Background to the Proposal

The National Institute for Research Advancement (NIRA), in cooperation with the Corporate Finance and Treasury Association of Japan and the Japan Capital Markets Association (JCMA), launched the “Study Group on Principles and Rules for a Regional Market” and the “Study Group on Integrated Regional Market Infrastructure” (Chairperson: Prof. Hideki Kanda of the University of Tokyo Graduate School of Law) in July 2005 for the purpose of formulating proposals for a strategic vision toward the integration of financial and capital markets in East Asia.

Following this, consultations were held with market professionals, working group meetings were organized as required, and several exchanges of views were held with South Korean capital market experts in Japan and South Korea. In 2006, South Korean market experts who share a common sense of purpose with the team members volunteered to join the study groups, and intensive discussions were held between teams of Japanese and South Korean market experts. Since late 2005, the team

has also been exchanging views with the Asian Development Bank (ADB), which has been promoting the Asian Bond Markets Initiative (ABMI).

On March 27, 2006, a NIRA-ADB joint forum was held in Tokyo, at which the results of studies conducted over the past eight months were presented to participants as a NIRA policy proposal (interim report). At the conclusion of the forum, the draft proposal prepared by the NIRA study team was endorsed by approximately three-quarters of participants. The results of a questionnaire survey conducted following the forum are shown on Page 21.

The proposal presented in this paper is based on discussions held at the forum, and also reflects further consideration and discussion by study group members and other relevant individuals following the forum.

We would also like to mention that this proposal has been formulated on the basis of voluntary and future-oriented collaboration and cooperation between private-sector market experts in Japan and South Korea.

Detailed Discussion

■ Background: Basic Role of a Local Currency-Denominated Asian Bond Market

The main factor that brought about the Asian crisis and that is also behind the continuing instability of the Asian currencies and economies is the dollar peg system. In other words, the major causes of these problems are the requirement for the revaluation of Asian currencies against the U.S. dollar and bloated foreign exchange risks associated with issuing securities denominated in dollars.

On the other hand, while settlements for regional trade among Asian countries are made in U.S. dollars, the dollars used in trade settlements are exchanged into the respective currencies of the countries involved, and as such, their own currencies can be said to be used in regional trade. Therefore, a local currency Asian bond market would save these countries foreign exchange fees, and to the extent that they are backed by export claims (particularly long-term claims such as exports of plants), the existence of exchange risk-free local currency-denominated debts is necessary and warranted.

In addition, long-term capital remains fixed in local currencies when capital is exported to establish production bases in other countries. If funds for direct investment could be raised by issuing bonds denominated in the currencies of the countries in which production will be carried out, the issuers would be able to avoid exchange risks.

From the 1970s onwards, Japanese companies procured funds necessary to support their rapid growth in the Euro capital market in the form of low-cost equity financing (convertible bonds and

bonds with warrants); European and U.S. investors invested in Japan's high economic growth.

At present, the same relationship can be observed between Japan and South Korea, East Asia's industrialized nations, and the ASEAN nations, which are trying to catch up with them. Japanese and South Korean institutional investors, including investment trust funds, can play the role of providers of capital in yen-denominated and won-denominated equity financing by companies from ASEAN nations. This is clearly shown in the current BRICs boom.

In Asia, the broad practical base for the above-mentioned local currency-denominated bonds and equity-linked bonds already exists in the form of trade and direct investment. In addition, physical distribution is very active given the close geographical proximity of countries in Asia, and it therefore goes without saying that local currency-denominated bonds and equity-linked bonds are necessary and warranted in the region.

What is described above is a flow of economic activities that would be generated naturally without any policy initiatives from the governments of countries in the region. Given the circumstances of foreign exchange policy, the degree of liberalization of currency trading and accounting and disclosure practices in the various countries of the region, however, the starting point should be an Asian international bond market created by professional investors, as in the case of the Eurobond market.

However, the Eurobond market remains fundamentally restrictive to major Asian currencies other than the Japanese yen. Given the fact that even the Korean won still faces limited access to the Eurobond market, bonds denominated in other Asian currencies will find it difficult to utilize the market for some time to come.

■ Individual Issues and Assumptions

Q: How should we proceed with the building of a 21st century Asian common international bond market? Specifically, what problems will have to be dealt with in establishing a common Asian market infrastructure in financial and capital markets?

A: First of all, Asian countries need to harmonize their market-related legal systems. To date, financial authorities, central banks and politicians in Asian countries have made extraordinary efforts towards establishing an Asian bond market. At present, continued efforts are under way within the framework of the ASEAN+3 Asian Bond Markets Initiative (ABMI), led by the Asian Development Bank (ADB) with the support of regional finance ministries. What will be important in future, in our opinion, is multilayered cooperation among market professionals, financial institutions, think tanks and policymakers.

In particular, given the importance of the Japanese markets, Japanese issuing companies, institutional investors and others involved in market activities need to take the initiative in reforming Japan's domestic financial and capital markets as the core of the Asian financial and capital markets.

In addition, for the sake of the socioeconomic development of Asia, it will be necessary to foster regional financial and capital markets that transcend the boundaries of domestic markets as common regional market infrastructure, and establish the institutional base for such markets. What is necessary to that end is common Asian institutional systems that go beyond the existing frameworks of each country and support the region's common financial and capital markets.

For example, flexible and simple systems need to be put in place to ensure that legal, tax and other systems related to domestic financial and capital markets will not hamper issuance and secondary trading of international securities on the offshore markets.

We also need to develop simple rules to govern the disclosure and registration of information regarding such securities as well as international securities clearing and settlement systems (which should be designed to be self-contained within the Asian region to make the use of European-based clearing and settlement systems unnecessary).

Furthermore, it is necessary to develop a venue (presumably, a stock exchange) to list (i.e., disclose and register) securities that are issued in the joint international bond market rather than in the domestic markets of participating countries.

We also need to create an independent organization of market participants to formulate voluntary trading rules for the joint international bond market.

What is required is specifically Asian soft infrastructure innovation to create an international securities market that can rival other existing international markets, including the Eurobond market, which has developed an integrated total system for registration of disclosure documents, clearing and settlement of securities, and issuance and secondary trading through the cooperation of Britain and the three Benelux countries, and which is the representative primary and secondary market for free trading of international securities issued by blue-chip issuers.

Fundamentally, securities denominated in Asian currencies other than the Japanese yen still face a welter of constraints in issuance as well as in secondary-market trading not only within the borders of the countries in which they are issued, but also in foreign bond markets including the Eurobond market. For example, in the Eurobond market, securities denominated in Asian currencies other than the yen either cannot be issued institutionally, are difficult to issue or are subject to delays in clearance and settlement. The establishment of an Asian international bond market which can

accommodate issuance and secondary-market trading of local currency-denominated bonds by Asian issuers would therefore be of great significance, in that it would enable issuance to be competitive even in terms of issue cost, which is impossible on the Eurobond market.

However, there are two important conditions: (1) the infrastructure of an Asian bond market should be designed to accommodate not only bonds but also issuance and secondary-market trading of equity securities, and (2) a common international bond market infrastructure established in Asia should not be restricted exclusively to use by market participants from Asia. Asian market participants must not forget the fundamental requirement: we need to build an advanced and open international securities market infrastructure in Asia, one that is open to all participants in global capital markets.

Continued efforts through independent and voluntary cooperation among governments, issuing companies, securities underwriters, rating organizations, lawyers and other market professionals and researchers in Asian countries should lead to the establishment in the near future of common market governance principles that can be called “Asian bond standards.”

Japanese market professionals and market experts, in addition to the Japanese government, as “all-star players” in the Asian league, have a tremendous responsibility to assist in this procedure.

■ “Asian Bond Standards¹” – Towards an Asian Bond Market

The Asian Bond Markets Initiative has been launched, and specific issues relevant to the development of an Asian bond market are now being considered by the governments and finance ministries of Japan and other Asian countries, with the Asian Development Bank serving as secretariat. A variety of important achievements have already been made. To build on these achievements and to help further facilitate the realization of the initiative, a NIRA research project is being carried out by a team led by market participants in order to make specific and highly feasible proposals on the development of market infrastructure, issuing procedures and other issues, which may be termed **Asian Bond Standards**.

The issues and points for consideration that have to date been identified in this research are

¹ (Reference) The new agenda agreed upon at the ASEAN+3 Finance Ministers’ meeting held in Istanbul on May 4, 2005.

1. Study on the possible issuance of Asian currency-basket bonds (a Japanese proposal in the road map to the ABMI)
-Seek economies of scale for the region as a whole by creating a common bond-issuing currency
2. Self-assessment by member countries (a Japanese proposal in the road map to the ABMI)
-Seek to foster a more user-friendly bond market, with member countries conducting studies of obstacles to investment in an Asian bond market pointed out by market participants.
3. Asian Bond Standards (a South Korean proposal)
-Conduct a long-term study on the fundamental requirements for fostering an international bond market in East Asia (establishing market infrastructure and issuing procedures, etc.)

shown below.

➤ Issues and points for consideration:

1. Is it possible to develop an Asian version of the flourishing Eurobond market (which centers on Britain and the three Benelux countries) by employing the basic features of the self-imposed rules for the Eurobond market (the rules first set by the IPMA² and inherited by the ICMA³), but as a uniquely Asian market created by Asian market participants?
2. Instead of a grand design encompassing the entirety of the primary and secondary markets, is it feasible to commence with an intensive consideration of issues related to a **primary market** for Asian bonds, given that it is more realistic and of greater importance and necessity? Considering the scale of the domestic financial and capital markets of Asian countries, the levels of understanding among market participants and the degree of development of relevant domestic legal systems and other infrastructures, it would be of great significance if Japan and South Korea were to cooperate in this consideration (recall the successful hosting of the World Cup in Japan and South Korea).
3. What role should Japanese market participants play to that end? Who should take the initiative among government agencies, public and private sector issuers, regional economic bodies, intermediary organizations and investors? (Issuers may be of the greatest importance because they take the initial action in issuing securities). How should the role of intermediary organizations, particularly financial institutions that operate in cross-border Asian financial and capital markets, be considered?
4. South Korea can be an important partner for Japan as its market is the second largest in Asia after Japan's and it is seriously addressing the utilization of market functions. What institutional constraints and obstacles to progress in the project exist in South Korea?
5. Among specific points for consideration, the following items can be considered of particular importance (for more detail, see the attached "Road Map to a Primary Market for Asian Joint International Bonds (Asian Bonds)"):
 - ① It is necessary to consider the establishment of a "Capital Market Association for Asia" (CMMA) (in the initial stage, looking toward the creation of a primary market for Asian bonds led by the private sector) consisting of Asian issuers and Asian financial institutions, etc.
 - ② How should issuing procedures and syndicate rules be developed for Asian bonds as Eurobond-type international bonds (international bonds not issued on domestic markets)?

² IPMA: International Primary Market Association

³ ICMA: International Capital Market Association

③ How should legal frameworks for issuance of Asian bonds be shaped (and which countries' legal systems should be chosen as the basis for them)? It has been confirmed that Japanese issuers of foreign bonds (including Asian Bonds) can use Japanese laws as governing law. In other words, in developing "Made in Japan" international bonds (foreign bonds), the requirement for the assignment of commissioned banks for corporate bonds under the Company Law does not pose a constraint because it includes an option under which the above-mentioned bonds do not constitute corporate bonds⁴. Can South Korean issuers issue bonds using South Korean laws as governing law? Are there any problems with capital controls? What are the constraints under the South Korean legal system and how can they be reconciled?

④ How should the clearing and settlement infrastructure for Asian Bonds as Eurobond-type international bonds be addressed? How should Eurobond-type international bonds in Asia be designed so that they are not regarded as domestic bonds even when they do not utilize the European settlement systems?

As one suggestion, we propose a Dual Core Asian International CSD (Central Securities Depository) approach. This proposal is based on a consideration of how two major international central securities depositories, Euroclear (Belgium) and Clearstream (Luxembourg), are utilized.

The "Dual Core Asian International CSD" approach means that when residents of Japan issue international bonds, they would use the South Korean CSD as the international central securities depository (ICSD), and when residents of South Korea and other non-Japanese issuers issue international bonds, they would use the Japanese CSD (Japan Securities Depository Center, others) as the international central securities depository (ICSD).

Utilizing the central securities depositories that exist in different Asian countries as "Dual Core" ICSDs, just as Euroclear and Clearstream are utilized, it would be possible to create a self-contained international bond market in which Asian bonds could be issued and traded within Asia without relying on the two major central securities depositories in Europe.

Incidentally, when bonds issued by British residents are cleared and settled through Euroclear or Clearstream, those bonds are recognized as Eurobonds (international bonds), instead of as British domestic bonds. It should be noted that bonds issued by Belgian residents are recognized as Eurobonds only when they are cleared and settled through Clearstream, not through Euroclear.

⑤ How should withholding taxes, which are supposed to be exempt on the international bond markets, and other taxes be treated in the Asian bond market?

⁴ Corporate bonds are defined as "those that are monetary claims that are generated by allotment carried out by a company under provisions of this Law with the aforesaid company as debtor and redeemed in accordance with provisions concerning items described in respective items of Article 676 (23, Article 2 of the Company Law)."

- ⑥ How should disclosure of information and registration of disclosure documents (registration, filing or listing) be handled for Asian bonds, which are international bonds? (For example, could the Osaka Securities Exchange be used as the junction point with Asia?)
- ⑦ It may be necessary to reacknowledge and reaffirm the roles of Japanese and Asian financial institutions regarding international securities underwriting, corporate bond management and comprehensive investment management (global custody business).

<International Bonds: Definitions and Explanation>

The term **Eurobonds** does not refer to bonds issued in the Euro zone. It refers to bonds denominated in specific currencies and issued on markets other than the domestic markets of those currencies.

In other words, Eurobonds are bonds that are not registered on their respective domestic markets. They are bonds meant for crossborder clearing and settlement that are usually traded internationally by international syndicates. They are called “**Euroyen bonds**” when denominated in the Japanese yen, “**Eurodollar bonds**” when denominated in the U.S. dollar, and “**Euroeuro bonds**” when denominated in the euro.

Because the **Eurobond** market is essentially beyond the reach of control by the monetary authorities of individual countries, it has to date functioned as a free market with minimal regulations.

(However, the originally free **Eurobond** market is beginning to become subject to the regulations that are being created for the immense “national” territory represented by the European Union. Some commentators therefore claim that Eurobonds are turning into a type of **domestic bonds** that are issued and traded within the framework of quasi-national regulations in the region of Europe. However, this assessment is premature. At present, the EU is attempting to create an entity that goes beyond national borders. The imposition of regulations from this level on the Eurobond market for the sake of its more sound development should not necessarily be regarded as negative, assuming that the public and private sectors cooperate in the establishment of those regulations.)

Foreign bonds are bonds issued by nonresidents and denominated in the currency of the issue market. They are termed “**samurai bonds**” when issued in the Japanese market and “**yankee bonds**” when issued in the U.S. market.

Eurobonds and these **foreign bonds** are termed **international bonds**.

Bonds issued by residents, usually denominated in the currencies of the country of issue, are

called **domestic bonds** when payments for bond purchases, interest payments and redemptions are all conducted in the country of issue.

Given the above definitions, **Asian bonds** or **Asian joint international bonds (Asian Bonds)** would be identical with **Eurobonds** in their original sense, as traded on a free market, and would be a type of **international bond**. Asian Bonds, however, would be bonds denominated in Asian currencies that could be traded freely and exclusively within Asia on a common non-domestic bond market.

(If we regard the above-mentioned developments in the EU as being also essentially positive for Asia and move ahead with their introduction, it may be possible to use them to persuade Asian governments to increase their cooperation with the private sector regarding Asian bonds in a manner similar to that of the formulation of the EU regulations, while maintaining independent efforts by the private sector as a priority. In other words, this can be recognized as an issue of considering cooperative regulations based on the concept of the establishment of a market that is regarded as an offshore market by all the Asian countries involved. For details, see “Some Supplementary Comments on a Common Currency Unit” on Page 25.)

(Reference)

It is now presumably well known that the Euromarket is neither the Euro market, in which the EU's common currency circulates, nor Europe at large. However, there are probably few people who could give a ready answer when asked what the Euromarket is in legal terms. Legally speaking, the Euromarket is a market that is exempt from the legal regulations that exist for the protection of the investing public in industrialized nations, including the euro zone.

Roughly speaking, under securities law in Japan, securities can be privately placed with qualified institutional investors by simply filing reports with the Financial Services Agency (but only in respect of investment fund securities). Foreign securities companies can, from outside Japan, freely solicit subscriptions from designated financial institutions among these qualified institutional investors.

In the fairly liberalized markets of other industrialized nations, the definition of professional investors is broader than the category of qualified institutional investors in Japan, and professional investors are exempt from regulations under their respective national laws. The global federated markets in which these investors operate may be defined as the Euromarket from the legal perspective. Investment funds are professional investors, and individual investors can participate in trading on the Euromarket through investment funds.

(Extracts from relevant sections of Keiji Matsumoto, “Cross Border Securities Transactions and

(Shigehito Inukai)

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Proposal concerning a Road Map to an Asian International Bond (Asian Bond) Primary Market

Based on the view that we should commence with what is immediately feasible, the table below provides an outline of the market infrastructure, which may be termed **Asian Bond Standards**, that should be developed as a framework for the primary market (setting aside the secondary market for the moment). This road map is based on discussions between Japanese and Korean experts and the discussions at the NIRA-ADB Joint Forum held on March 27, 2006.

In preparing the framework below, the author drew upon the “Framework for a Road Map for an Asian Bond Format Modeled on the Eurobond Format,” circulated in a memo regarding “Asian Bond Standards”⁵, a new agenda for discussion in the ABMI proposed by Korean experts and agreed upon at the ASEAN+3 Finance Ministers’ Meeting held in Istanbul on May 4, 2005.

Road Map to an Asian Bond Primary Market⁶

Category (Element of proposal)	Present	Y2007 (the target year for enforcement of the Investment Services Law of Japan)	Y2009 (the target year for enforcement of the Japanese version of the Financial Services and Markets Law)
① Issuing Procedure	ICMA (the market association for the Eurobond market)	an Asian self-regulatory organization → Creation of CMAA ⁷ (To be created with JCMA ⁸ as the parent body) (Initially, an association of issuers and issue markets in Asia)	Harmonization by legal enforcement + CMAA
② Syndicate rule (Subscription rules)	Eurobond syndicate (ICMA)	Asian bond market primary standards (A model to be created on the basis of ICMA rules)	Asian bond market primary standards
③ Governing Law (Issuing) (Governing law for issuance)	English law (Made in the U.K.) Due to constraints under the Commercial Code in Japan, since 1993 all bonds have been issued under English law.	Asian country law ⁹ <ul style="list-style-type: none"> ▪ It has been confirmed that Asian Bonds as foreign bonds, can be issued under Japanese law (Made in Japan) ▪ Whether laws in Korea, an OECD member state, can be used as governing law needs to be verified ▪ Singapore law, others (In the Eurobond market, the accepted practice is to allow issuers from advanced countries to issue bonds under the law of their home countries)	Asian country law

⁵ http://www.mof.go.jp/english/if/regional_financial_cooperation.htm
http://asianbondsonline.adb.org/documents/Asian_Bonds_Standard_2005_May.pdf

⁶ It will be necessary to study rules for the secondary market separately as the primary market develops.

⁷ A market association for capital markets in Asia: (CMAA: Capital Markets Association for Asia)

⁸ JCMA: The Japan Capital Markets Association

⁹ See Keiji Matsumoto, “Cross Border Securities Transactions and Corporate Finance,” Kinzai Institute for Financial Affairs, Inc., 2006

④ Settlement	Euroclear (Brussels, Belgium), Clearstream (Luxembourg)	Dual Core ¹⁰ Asian international CSD (As a realistic solution enabling the early launch of the market, an approach using custodian services is an option)	Dual Core Asian international CSD
⑤ Withholding Tax	Exempt	Exempt, based on the use of International Settlement as discussed above (to be confirmed)	Exempt
⑥ Accounting Standards	Decided by country of a bond issuer	Harmonization of some accounting standards (Differences with international standards can be dealt with by specifying the differences)	Harmonization of accounting standards
⑦ Disclosure (Filing)	Securities exchange (Mainly LSE, Lux)	Major securities exchanges in Asia <ul style="list-style-type: none"> ▪ JPN (For instance, Osaka Securities Exchange) ▪ KOR (KRX) ▪ SGP (SGX) 	Securities exchange (JPN, KOR, SGP, etc.)
⑧ Electronic Disclosure	Introduced by each country	Harmonization of regulations, Linkage with EDINET ¹¹ with XBRL	Harmonization of regulations, Linkage with EDINET
⑨ Documentation	Use of Eurobond (ICMA) format	Development of Asian bond format (JCMA and CMAA develop a model format)	Use of Asian bond format
⑩ Credit ratings	Market practices, Market judgment	Market practices, Market judgment (Market practices, including use of Japanese rating organizations)	Market practices, Market judgment

With an eye on future progress toward the Asian Currency Unit (ACU) for Asian currency-basket bonds now under consideration by the ADB, and in a bid to help make the positive efforts being exerted more fruitful, it seems essential to implement extra measures and, for example, creating ACU-denominated bond futures and currency futures markets on securities exchanges within Asia (on the Osaka Securities Exchange, for instance) to make the Asian joint international bond (Asian Bond) market more user-friendly.

¹⁰ The “Dual Core Asian International CSD” approach is one in which Japanese residents use, for example, the South Korean CSD as the international central securities depository (ICSD) when they issue international bonds, and residents of South Korea and other non-Japanese issuers use the Japanese CSD as the international central securities depository when they issue international bonds. By utilizing the central securities depositories in different Asian countries as “Dual Core” ICSDs, analogously to the two major central securities depositories for the Eurobond market, Euroclear and Clearstream, it will be possible to create a joint international bond market enabling Asian bonds to be issued and traded exclusively within Asia without relying on these two major central securities depositories.

¹¹ EDINET (Electronic Disclosure for Investors' Network) is a network system for electronic disclosure of information operated and provided by the Financial Services Agency (FSA) for investors as one of its administrative services. “An electronic disclosure system for disclosure documents such as financial statements based on the Securities and Exchange Law.”

Explanation of the Three Key Items in the Proposal for a “Road Map to an Asian International Bond (Asiabond) Market”

- I Initiative to Establish the Capital Markets Association for Asia (CMAA)
 - II Points for Consideration Concerning Practical Legal Matters Regarding the Creation of the Asian International Bond Market
 - III Framework for a “Dual Core Asian International CSD”
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I Initiative to Establish the Capital Markets Association for Asia (CMAA)

Given the likelihood that the Eurobond market, which has a long history as an international and offshore bond market, will increasingly become more like an onshore market following the EU directive for an integrated market, we propose the creation and development of an Asian offshore capital market as an Asian regional shared international bond market, with Asian issuers that have previously actively employed the Eurobond market and Asian underwriters as the main market participants and with support from the Asian Development Bank and U.S. and European financial institutions.

In terms of its relation to regulations employed in the domestic markets of the nations involved, an Asian offshore capital market would from the beginning be clearly defined as a common offshore international bond market, and we would seek to establish a market structure that would not impede the flow of funds between the onshore and offshore markets of the region, soliciting cooperation and coordination among the regulatory authorities of the countries concerned in order to avoid friction when domestic laws are revised.

An Asian common international bond market would be a gateway for common international bonds denominated in Asian currencies that have not to date been accepted on the Eurobond market, and would enable these bonds to be cleared and settled within Asian time zones.

Considering the degree of maturation and market depth of Asian domestic markets as well as the level of development of domestic traders in Asian countries, it is desirable that major Asian issuers with considerable experience of issuing on the Eurobond market act as the main participants, with major Asian dealers and international securities companies with excellent records in cross-border transactions within the Asian region and elsewhere as advisors, in forming a Capital Markets Association for Asia (CMAA) as an entity that will promote the establishment of an Asian common international bond primary market by setting rules and market practices for the primary market (issue procedures, syndication rules, and methods for information disclosure and filing and announcement of disclosure documents).

The concept of involving issuers in addition to underwriters at the initial stages of establishment

of the framework emerges from the fact that an Asian international bond market is conceived of as a venue for procurement of long-term industrial funds, and also that, as Japan's experience of corporate bond market reform commencing with bond placement by the former Nippon Telegraph and Telephone Corporation suggests, the leadership and cooperation of issuers as users of the capital market will be necessary to ensure active trading in an Asian secondary market. With regard to the establishment of the secondary market in particular, securities companies and investment banks that act as brokers of market transactions and intermediaries of financial transactions can do no better than avoiding the risk of holding their own positions by buying or selling against the market. Therefore, even without reference to reform of the Japanese corporate market, the firm commitment and leadership of bond issuers are obviously necessary for the establishment and development of a secondary market with limited liquidity.

The Asian Capital Markets Study Group, created in Tokyo in October 2003 at the initiative of the National Institute for Research Advancement (NIRA) and the Japan Capital Markets Association (JCMA), is to be developmentally reorganized this year with the participation of major Asian securities dealers and a small number of international securities companies with excellent records in cross border transactions within and outside the Asian region.

Specifically, major private sector issuers with considerable experience in issuing on the Eurobond market will, as users of an Asian offshore capital market, propose a framework of user-friendly market practices, and securities dealers participating as advisors will provide advice and guidance to help in the design of an institutional framework that is also acceptable to underwriting participants.

With respect to institutional design, at least the following five working groups are to be established within the CMAA, and will commence discussions by the end of 2006 towards the formulation of proposals and recommendations in their respective areas. We recommend that these working groups present their first set of recommendations by the end of 2007, to coincide with the Road Map.

- 1. Working Group on Disclosure**
- 2. Working Group on Disclosure Law and Underwriting Contracts (Legal and Documentation)**
- 3. Working Group on New Issue Practices and Syndication Rules**
- 4. Working Group on Clearing and Settlement (Common group with CSD group)**
- 5. Working Group on Market-making Rules (Market Practices)**

Recommendations from the International Primary Market Association (IPMA) (now the International Capital Market Association (ICMA)) will be used as a reference when the

Working Groups are engaged in consideration of details.

➤ **Role and Scope of the CMAA with the IPMA as a Reference (Draft)**

The CMAA will be concerned with new issue procedures, including procedures for disclosure, in an Asian offshore capital market, but it will be neither an exchange nor a regulator empowered by statute. The CMAA's rules will take the form of recommendations, which will be based on the general agreement of the major participants in the Asian offshore capital market. This agreement is to be secured on the basis of consensus among issuers and underwriters. The CMAA will have no power to sanction and members will be free to ignore any particular recommendation when launching an issue.

The CMAA will be mandated by its members to facilitate the operation of the Asian inter-regional / cross-border markets. The smooth functioning of the markets may involve legal or documentation questions, best market practice, clearing and settlement, regulation, disclosure and other factors.

In line with an increase in the number of major Asian dealers participating in the regional common international bond market and the development of the market itself, it is likely that an Asian Capital Market Dealers Association will be formed separately to help promote the market with the CMAA and an association of issuers. Until then, however, it is assumed that the CMAA will function as a self-regulatory organization.

➤ **Practical issues**

·Experience in cross-border transactions within and outside the region

→ Almost all the dealers that qualify are Japanese

·Liquidity

(Disparity in capital strength, financing capacity, trading capabilities, etc. among dealers within the region)

·Disparity in the depth of domestic financial and securities markets of countries in the region

·Differences in the securities trading environment

Universal banking → Countries other than Japan, South Korea = Non-OECD

Separation between banking and securities businesses

→ Japan and South Korea = OECD

Countries under Articles IV, VIII of IMF Articles of Agreement

→ Differences in regulations on foreign currency trading and foreign currency-denominated bond trading

(Hirohiko Suzuki)

II Points for Consideration Concerning Practical Legal Issues involved in the Creation of an Asian International Bond Market

1. Starting point for foreign bonds in the Japanese market

(1) Domestic bonds

Protection of bondholders: Commissioned banks and meetings of bondholders under the jurisdiction of Japanese courts

Commissioned banks, appointed by issuing companies, are “obliged to manage corporate bonds for bondholders fairly and honestly on the basis of the duty of a good manager.”

Under the new Company Law, the duty of a commissioned bank is more clearly defined as “receipt of payments, protection of claims of corporate bonds and other matters concerning management of corporate bonds.”

Historically, this approach to the role of commissioned banks has been based on the thinking that because corporate bonds are acquired by the investing public, the principal should be guaranteed in the same way as bank deposits. Thus, the function of refinancing loans provided by the main banks was the historical starting point of corporate bonds.

(2) Foreign bonds

With respect to foreign bonds, by contrast, the international approach to the protection of bondholders of the place of issuance (the US or Europe) apply, based on the principle of bondholders’ own risk, and Japan follows this thinking.

2. 1993 Revision of the Commercial Code

In exchange for the abolition of issue limits on corporate bonds, the appointment of commissioned banks became mandatory. As a result, all foreign bonds of Japanese issuers have been issued using foreign laws as governing law. Because fees associated with the heavy responsibility of commissioned banks were too high, trustees (despite the name, having rights but no duties) and paying agents or fiscal agents (mere paying agents for issuers) charging relatively low fees as per US or European market practice, or the method of direct relationship between issuers and bondholders as per German and Swiss market practice, were used.

3. The Company Law coming into force in May 2006

(1) Position of the Justice Ministry

The Company Law to be enforced from May 2006 provides a definition of corporate bonds (Article 2, No.23). Corporate bonds are to be allocated and redeemed according to the stipulations of the Company Law. According to the Justice Ministry's interpretation of the law, corporate bonds as well as non-corporate bonds may be issued.

(2) Practical responses

For an issuing company, a bond is simply a vehicle for borrowing a large amount of money from a large number of investors. However, differing priorities exist for repayment of the same debt (seniority), and this point needs to be clarified.

On the other hand, if issuers choose not to appoint commissioned banks in placing foreign bonds to avoid the high fees involved, those foreign bonds, with a few exceptions, will be issued outside the definition of corporate bonds under the Company Law and as such will not be regarded as corporate bonds under the Company Law.

Thus, foreign bonds are likely to be issued as "foreign non-corporate bonds that rank *pari passu* with corporate bonds."

If they are not defined as corporate bonds, issuance of foreign bonds will not require a resolution by the board of directors. However, this is the interpretation of the Justice Ministry and is not a judicial decision. For the sake of legal safety, therefore, issuing companies are likely to opt for the authorization of issuance of foreign bonds under a resolution of the board of directors as for issuance of domestic bonds (no harm would be done in doing something that is not required as a precautionary measure, and there should be no practical problem in doing so because the system enabling lump-sum authorization by representative directors already exists). Because the bonds need to be subject to the negative pledge clause and the "*pari passu*" clause of existing foreign bonds, and because international consistency will be necessary, they may still probably be termed foreign corporate bonds outside Japan.

4. Withholding tax

Nonresident holders of foreign bonds issued by Japanese private-sector issuers are exempt from the 20% withholding income tax. The special taxation measures law that stipulates this exemption is effective for "the exemption of the withholding tax for private foreign bonds issued on and before March 31, 2008." The National Tax Agency confirms that foreign bonds as described in 3. (2) above by private-sector foreign issuers include not only corporate bonds but also non-corporate bonds.

5. Asian international bonds issued by Japanese issuers under the Company Law

Asian international bonds to be issued by Japanese issuers are expected to include straight bonds and bonds with share subscription rights.

Straight bonds are likely to be issued as foreign bonds with the same seniority as corporate bonds using fiscal agents or under the exemption from the mandatory appointment of commissioned banks for corporate bonds with denominations of ¥100 million or more (Article 702 of the Company Law).

In the case of bonds with share subscription rights, as denominations of ¥100 million or more are not practicable, these bonds are likely to be placed as foreign bonds with the same seniority as corporate bonds.

With regard to governing law, given the interpretation of the Justice Ministry that bonds issued without commissioned banks may not be regarded as corporate bonds regardless of whether they are domestic bonds or foreign bonds, Asian international bonds to be issued by Japanese issuers are likely to be governed by Japanese law to save costs.

6. Japanese investors

Japanese investors who purchase Asian international bonds will be professional i.e. qualified institutional investors (QII), as in the case of the Eurobond market, rather than generally investors as in the case of samurai bonds. The scope of QII investors is expected to be broadened under the new Financial Products Transaction Law, because offering to investors other than QII investors would require the filing of securities registration statements and prospectuses under Japan's Securities and Exchange Law.

(Keiji Matsumoto)

III Framework for a “Dual Core Asian International CSD”

<To Be Model> and <Can Be Model>

1. Concept

Japan and South Korea mutually cooperate in building a highly feasible framework of central securities depositories by making the maximum use of existing functions. The framework will provide safe, efficient and cost-competitive clearing and settlement services to the Asian Bond (Primary) Market.

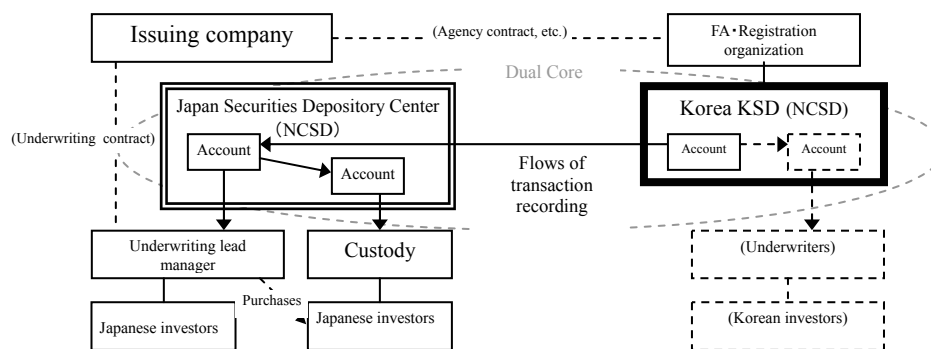
2. Basic scheme

<To Be Model>

(1) Both Japan and South Korea improve their own issuance and settlement systems and also mutually cooperate in building the central securities depository framework, aiming to make this

common international bond market infrastructure available at an early date.

<An example of Asian Bond issuance by a Japanese company>



NCS: National Central Securities Depository

- i. An issuer conducts issuing procedures in the country in which the bonds will be issued using laws of the issuer's home country as governing law.
- ii. An issuer uses the national central securities depository (NCS) of the country in which the bonds are issued as the local securities depository.
 - ✓ A Japanese issuer issues an Asian bond using the Korea Securities Settlement Corporation (KSD) as the local securities depository.
- iii. A mechanism is established by means of linkage of the NCS of the country in which the bonds are issued and the NCS of the issuer's home country enabling investors in the issuer's home country to settle the Asian Bonds at the same low cost as domestic bonds.
 - ✓ Investors in the issuer's home country acquire the Asian Bonds through the NCS of the home country
 - In Japan, it can be assumed that the Japan Securities Depository Center (the home-country NCS) links directly with overseas securities depositories (NCSs, etc.) as in the foreign stock transfer system.
 - ✓ Investors in the country in which the bonds are issued can purchase the Asian Bonds through that country's NCS.
 - ✓ The NCSs of both countries serve as the "Dual Core" to form a "Virtual International CSD."
 - ✓ Japan and South Korea, given the comparative depth of both their issuing companies and investors and their superior clearing and settlement infrastructures, mutually cooperate as a "Dual Core" in providing the concrete clearing and settlement infrastructure for the Asian Bond Market.
 - It is a precondition that the infrastructure will be open to issuers from Asian countries other than Japan and South Korea. (However, most investors will probably be Japanese or South Korean due to the linkage between depository organizations.)

- The NCSDs of Japan and South Korea will be required to further strengthen their cooperation in the areas of information technology (IT), institutional arrangements, business services, etc. and enhance the level of their services through institutional and system reforms in order to become internationally viable NCSDs (policy measures will be required).
- ✓ The feasibility of the following points should be verified:
 - Is this approach advantageous from the medium-term perspective compared to the alternative approaches to be discussed below? Is advance investment in NCSDs feasible?
 - Do the NCSDs of Japan and South Korea have sufficient human resources for planning and system development? (In particular, can the Japan Securities Depository Center play an international role at present?)

<Can Be Model> (Plan C is deemed realistic and desirable)

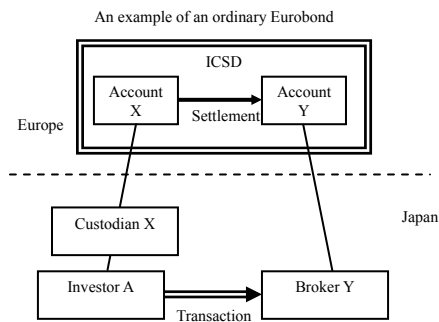
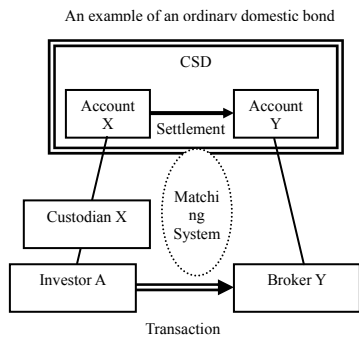
(2) If the approach described above is judged as difficult to realize in an appropriate time frame, it may be possible to gradually develop the clearing and settlement infrastructure for the Asian Bond market using the alternative approaches below (“Can Be Model”) to eventually realize the “To Be Model” (such as the approach described above and “Asia Settle,” etc.).

i. Plan A: Market participants (including issuing companies) contribute capital to set up a new specific-purpose CSD in order to establish the clearing and settlement system.

- ✓ Are there prospects for active transactions that can justify costs? It seems difficult to get the new CSD off the ground. What are the chances of its success?
- ✓ Market participants may find the new CSD impractical and costly if there is no standard interface for various financial products (matching and settlement systems, etc.).

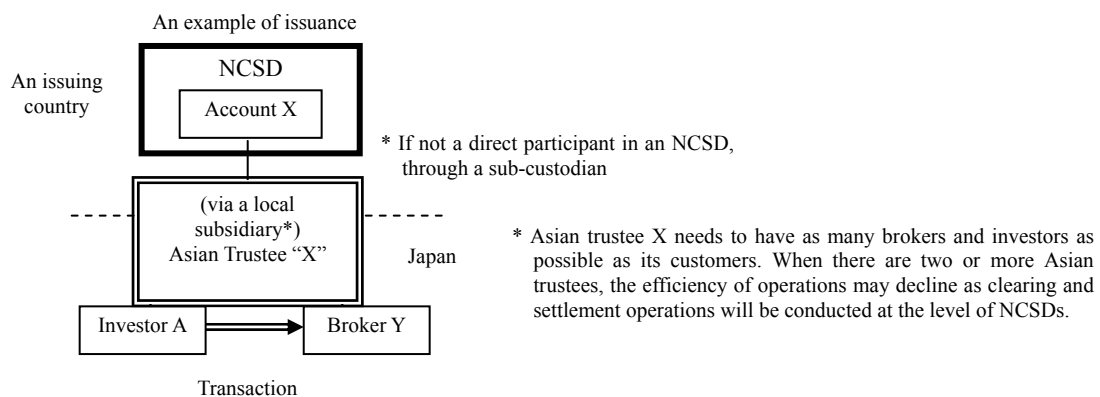
ii. Plan B: Asian Bonds are cleared and settled like Eurobonds (international CSDs are used)

- ✓ ICSDs (such as Euroclear) for Eurobonds are also used for Asian Bonds. Because they are treated as ordinary Eurobonds, the approach does not require separate initial costs.
- ✓ This would enable the same level of usability for Asian bonds as for Eurobonds. However, if we assume intra-regional primary and secondary markets, this approach is not efficient because the clearing and settlement infrastructure is not located in the region. In addition, it is not compatible with the concept of the establishment of a self-contained, highly cost-effective international bond market in Asia.
- ✓ As a South Korean research report has pointed out, this approach is likely to present problems concerning the time lag in fund settlements and the limited acceptance by ICSDs of Asian currency-denominated bonds.



iii. Plan C: A major custodian bank (an Asian trustee) provides clearing and settlement services by linking up with a local securities depository (a local NCSD, etc.) (with the expectation that centralized depository services will be realized through competition).

- ✓ Is it likely that a custodian service provider will emerge to undertake the above-described services in the Asian region? It will probably depend on potential custodian banks' business strategies and the fees they can hope to earn from providing such services.
- ✓ If mutual efforts of NCSDs make the "Dual Core Asian ICSD" approach a reality, they can play the role of a major custodian service provider as they are.
- ✓ Further, it is also possible that an NCSD acts as an Asian trustee and establishes direct links with local securities depositories. If this scenario was applied to Japan and South Korea, it would equal the "To Be Model" described above.



2. Other issues

(1) Legal problems involved in securities settlements

i. With respect to governing law for securities clearance and settlements, in Japan, under Article 10 of the Rules Concerning the Application of Laws, the applicable law is the governing law of the country in which the objects are located. After the ratification of the Hague Convention, it became possible to apply governing law of the country of the account management organization an investor uses, in line with an account contract (application of the current legal doctrine concerning the

depositing of securities by two or more depositors) .

- ✓ Legal frameworks for the clearing and settlement of foreign securities in South Korea and other countries need to be clarified.
- ii. The harmonization of laws concerning securities clearance and settlements in Asian countries is desirable (trends at the International Institute for the Unification of Private Law (UNIDORIT) should be followed).

(2) Other points to be considered

- i. If it is possible for Asian international bonds to use a domestic NCS D through the “Dual Core” approach or other methods, it is hoped that these bonds, like domestic bonds, will be recognized by the Bank of Japan as eligible to function as collateral bonds and that it will be possible to use the collateral loan system.
- ii. High-liquidity issues may be considered for handling by central counterparty (CCP) clearing corporations in each country.
 - ✓ Debt assumption and netting by CCP can be expected to reduce counterparty risks and enable economizing on liquidity.
 - ✓ In Japan, the scope of bonds to be handled by the Japan Government Bond Clearing Corporation (JGBCC), the independent CCP, may be expanded to include international Asian bonds. However, this would require that the international bonds are eligible for handling by the Japan Securities Depository Center.
- iii. Whichever approach is used, it will be desirable to help develop custodians (“Asian trustees”) to expand and integrate depository services for domestic and foreign securities.
 - ✓ In Japan, the use of custodian services is expanding as a result of the implementation of the central depository system for non-government bonds.
 - ✓ Custodian banks should consider a framework that makes it easier to raise settlement funds (such as a scheme to enable securities to be cleared to be easily used as collateral and a scheme to economize on liquidity by offsetting).
 - ✓ The market will gain considerable depth if rating services and tripartite repurchase agreements involving deposited securities are expanded.

(Satoshi Yoshida)

Some Supplementary Remarks on a Common Currency Unit

With regard to the establishment of the Asian common international bond market we have proposed, we believe that every possible effort should be made to avoid domestic law-based responses to the issues involved (options will be limited if the traditional method of country-by-country response is adopted). Envisioning the Asian common international bond market as an offshore market independent of any of the countries involved, an effort to seek the cooperation of the public sectors of East Asian countries, as was done in the case of the EU regulations, is worth considering.

In this case, when the exchange rates of East Asian currencies become stable, the development of a supranational offshore market for common international bonds, dominated by the East Asia Currency Unit (EACU²³), which was proposed by NIRA in 2005 and which the private sectors of East Asian countries will likely come to consider making use of in the future, should come within sight (recall that interbank settlements of eurocheques, proposed by European banks in the early 1980s, came to be made in the European Currency Unit (ECU), supported by exchange rate stability under the European Monetary System).

In any event, the emergence in the near future of a situation in which the use of a common currency unit was dominant in the private sector should provide important support for the development of a supranational Asian bond market.

(Kazuaki Sono, Shigehito Inukai)

²³ NIRA Market Governance Report 2005, Grand Design for Comprehensive and Cross-sectoral Market Legal Framework Part II Supplementary Chapter 2.4 Proposal on the Initiative to Establish an “East Asian Free Securities (Bond) Market”

1. The development of a regional financial and capital market is indispensable for the development of an East Asian economic community. To achieve this, it will be essential to upgrade the capacity of regional market participants.
2. In the world of financial institutions and institutional investors, the inexperience of buy-side participants and the obsolete patterns of sell-side participants have stymied reforms of Japan’s financial and capital markets. The situation should be corrected by fostering more financial professionals who can take an active part in the international arena.
3. In East Asia, centering on Japan, the situation is becoming ripe for proactive efforts to establish a Eurobond market-type free market to ensure the competitiveness and further development of the region. A free securities market would also enable professionals to be nurtured and trained. We therefore propose the creation of an East Asian free securities (bond) market.
4. The obstacles to the creation of a free securities (bond) market as an offshore market that effectively integrates both onshore and offshore markets are no longer insurmountably high. However, nobody seems to be taking action to remove the remaining obstacles. If nothing is done, there are genuine concerns that the Japanese financial and capital markets and the Tokyo international financial market might remain merely enormous local markets.
5. It is possible to assume that the main participants among both issuers and investors in a free securities (bond) market in East Asia, which is beginning to display signs of the possibility of becoming an economic community, will be from East Asian countries. Thus, it is highly desirable that financial instruments should be developed to cater to their needs and convenience.
6. Seeking to mitigate the risk of unexpected fluctuations in exchange rates and pursuing the achievement of exchange rate stability among Asian currencies, we propose the creation of a basket of major East Asian currencies, including the Japanese yen, the Chinese yuan and the Korean won, with the timing of appropriate adjustments of the Chinese yuan’s exchange rate as the trigger for implementation, and also propose the commencement of discussions to pave the way for the issuance and trading of Asian bonds using the basket of East Asian currencies as the common unit of account. We tentatively call this the East Asia Currency Unit (EACU) as the unit of account for bonds. In the theory of unregulated foreign exchange trading, the creation of a common unit of account is deemed possible as an agreement regarding foreign exchange transactions, based on consensus among market participants.
7. Active discussion of the problems to be overcome should be launched with a vision of the creation of an East Asian free securities (bond) market as the target to be achieved.

**NIRA-ADB Joint Forum: “The Prospects for an Asian Bond Market”
(March 27, 2006)
Questionnaire Results**

Following the conclusion of the Forum, in which approximately 90 people participated, a questionnaire was distributed. It is noteworthy that approximately three-quarters of respondents to the questionnaire expressed favorable opinions with regard to the tentative proposals that were presented.

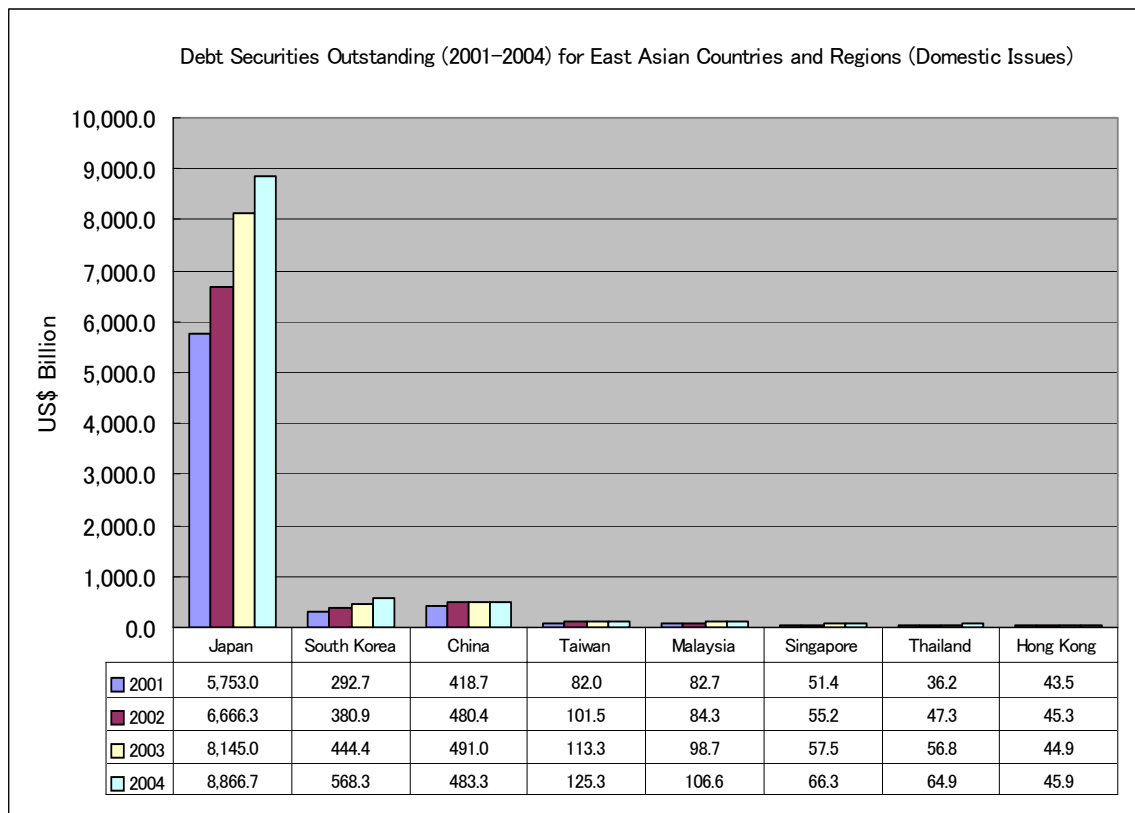
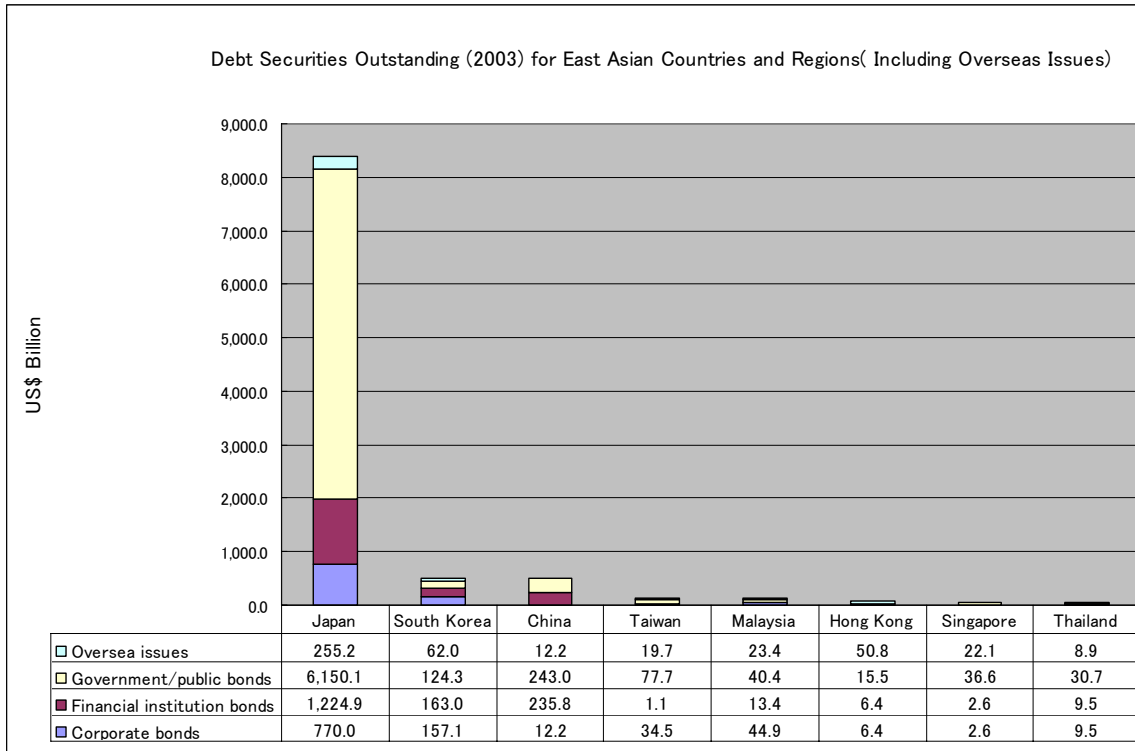
Very clearly	To some extent	Not at all	Regarding the establishment of a Eurobond market-type Asian bond market(Asiabond market)	Number of respondents	%	Percentage of positive opinions
12	1	0	Must be established	13	25.5%	78.5%
14	13	0	Should be established	27	53.0%	
4	4	0	The domestic capital market and Eurobond Market are sufficient	8	15.7%	
0	0	1	Is unnecessary	1	1.9%	
1	1	0	No answer	2	3.9%	
31	19	1	Total	51	100.0%	
60.8%	37.3%	1.9%				

Very clearly	To some extent	Not at all	Regarding the establishment of AIPMA(Asian International Primary Market Association) (Name of organization later changed to CMAA)	Number of respondents	%	Percentage of positive opinions
8	2	0	Must be established	10	19.6%	74.5%
12	16	0	Should be established	28	54.9%	
1	10	0	No opinion	11	21.6%	
1	1	0	No answer	2	3.9%	
22	29	0	Total	51	100.0%	
43.1%	56.9%	0.0%				

Very clearly	To some extent	Not at all	Regarding the establishment of a dual core settlement system	Number of respondents	%	Percentage of positive opinions
5	1	0	Must be established	6	11.8%	66.7%
7	5	0	Alternative proposals should be implemented first	12	23.5%	
7	9	1	Should be established	16	31.4%	
7	8	0	No opinion	15	29.4%	
0	1	0	No answer	2	3.9%	
26	24	1	Total	51	100.0%	
51.0%	47.0%	2.0%				

Very clearly	To some extent	Not at all	Points to be aware of in terms of practical legal issues	Number of respondents	%
17	31	3	Total	51	100.0%
33.3%	60.8%	5.9%			

Reference



NIRA Study Group on a Strategic Vision for Integration of East Asia's Financial Markets

Partial List of Members and Observers

● Academic Experts	
Hideki Kanda	Professor of Law, Graduate School of Law and Politics, University of Tokyo (Chairperson)
Naoyuki Yoshino	Professor, Graduate School of Economics, Keio University
Kazuaki Sono	Professor Emeritus, Hokkaido University and Tezukayama University
Tatsuo Uemura	Professor, School of law and Graduate School of law, Waseda University
Kenji Kawamura	Assistant Professor, Kanto Gakuin University
● Market Participants	
Satoshi Yoshida	General Manager, IT Planning Department, Daiwa Securities SMBC Co. Ltd. (Joint Group Leader)
Hirohiko Suzuki	Director, Barclays Capital Japan Limited (Joint Group Leader)
Keiji Matsumoto	Special counsel and lawyer, Mori Hamada & Matsumoto (Special Adviser to the Joint Group)
Masaaki Uchiyama	President & CEO, Trade Win Co., Ltd.
Sadakazu Osaki	Executive Fellow, Nomura Institute of Capital Markets Research
Hideya Komori	General Manager, Transaction Banking, Japan, Standard Chartered Bank Tokyo Branch
Ryoji Sato	Administrative Officer, General Manager of President's Office, Legal Department and Risk Control Department, Hitachi Capital Corp.
Koichiro Hiraiwa	Senior Executive Manager, Business Development Section, Financial Business Sector, NTT Data Corporation
Hironao Fukushima	Managing Director, Financial Strategic Solution Group, Investment Banking Headquarters, ORIX Corporation
Masaharu Murakami	Senior Manager, eB Product Planning Group, eB Business Unit, Payment Solutions Sector, NTT DATA Corporation
Tatsuya Mizuno	Director, Fitch Ratings Ltd.
Toru Yoshimi	Vice President Commercial Division, Swift Japan
● Observers	
Mitsuhiro Kakinuma	Executive officer, Stakeholder Relations Management Research Group, Iino Kaiun Kaisha Ltd.
Nobusuke Tamaki	Former Senior Researcher, NIRA (currently Treasury Department, Deposit Insurance Corporation of Japan)
Yasuhiro Harada	President & CEO, Rating and Investment Information Inc. (R&I)
Kazuyuki Hirai	Director, General Affairs Department, Project Management Professional, Chuo Mitsui Information Technology Co., Ltd.
Kazuhiisa Fujimura	Regional Head, Swift Japan

Hideaki Matsunaga	Deputy General Manager, Bonds & Financial Products Department, Japan Securities Dealers Association
Isao Yoshizawa	Senior Vice President, Head of Customer Services Team, Kabutocho Custody & Proxy Dept., Settlement & Clearing Services Div., Mizuho Corporate Bank, Ltd.
● Research Collaborator in South Korea	
Gyutaeg Oh	CEO and President, Korea Fixed Income Research Institute and Professor, Chun-Ang University
● NIRA Research Team	
Shigehito Inukai	Senior Fellow, NIRA and Secretary-General of the Japan Capital Markets Association (Project Team Leader)
Lee Gangzhe	Senior Researcher, International Cooperation Department, NIRA
Naoko Mori	Researcher, International Cooperation Department, NIRA
Takahiro Matsumoto	Former Researcher, Policy Research Department, NIRA
Mayumi Bando	Researcher, International Cooperation Department, NIRA
HYUN SUK	Research Assistant, NIRA
(Research Collaborator)	
Hiroumi Nakano	Senior Researcher, Planning & Research Division, Business Policy Forum Japan (Corporate Finance and Treasury Association of Japan-The Japan Capital Markets Association)

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Chairman: Yotaro Kobayashi, Chief Corporate Advisor, Fuji Xerox Co., Ltd.

President: Motoshige Itoh, Professor, Graduate School of Economics, University of Tokyo

Chairman of NIRA Research Council:

Yuichi Shionoya, Honorary Professor, Hitotsubashi University

Yebisu Garden Place Tower, 34th Fl., 4-20-3, Ebisu Shibuya-ku, Tokyo
150-6034, Japan

<http://www.nira.go.jp/>

Please contact:

NIRA Planning and Public Relations Division

Phone: +81-3-5448-1735 Fax: +81-3-5448-1745

<Note concerning the proposals made in this research project>

This is an original and independent research project, and is not directly related to the ASEAN+3 Finance Ministers' Process and the Asian Bond Market Initiative (ABMI).

No part of the proposals made here was formulated in collaboration with domestic or overseas authorities or organizations, and the proposals do not reflect the opinions or intentions of any outside organizations.