



# The Role of the Private Sector in Bond Market Development

## *Insights from the Work of ABAC and PECC*

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## **The private sector's role in development**

- Proper role in market economy: innovation and competition
- Wide scope for helping enhance public sector's effectiveness and for direct collaboration with public sector



# Dialogue among private sector, academe and government on bond market development

- 1999-2005: Various recommendations from PECC, APEC Business Advisory Council (ABAC), Asian Bankers' Association (ABA), Association of Credit Rating Agencies in Asia (ACRAA) on ways to develop local currency bond markets
- 2004: ABAC/PECC bond market conference in Taipei (in collaboration with ABA and ACRAA)
- 2005: ABAC/PECC/ADB Institute bond market conference in Tokyo
- 2006: PECC bond market symposium in Washington, DC



# Shared vision of participants from academe, business and government

- Substantial improvement in width, depth and market infrastructure of local currency bond markets, and an enabling environment for expanded private sector activity in these markets.
- Emergence of a regional bond market where bonds issued in Asian currencies can be freely invested in and traded by both domestic and foreign participants.



# Priorities: legal, policy, regulatory and administrative reforms

- Relax regulations on market participation, products, transactions, short-selling and the use of derivatives
- Reform of accounting and investment rules, tax and insolvency laws, banking/capital market regulations, administrative procedures, pension systems
- Address basic legal/judicial issues
- Build benchmark treasury yield curve across a broad range of maturities
- Improve domestic coordination
- Move toward flexible exchange rate regimes



## Priorities: capacity-building

- Measures to expand the institutional investor base
- Developing a strong credit rating industry in the region
- Promoting effective domestic and region-wide insolvency and creditor rights systems
- Promoting region-wide convergence toward robust global accounting standards



## Moving forward

- Mechanism for public-private partnership: APEC public-private sector forum on bond market development
- Adoption of a common set of region-wide general principles for bond market development cooperation



# 1. APEC public-private sector forum on bond market development

- ABAC/ADB/PECC Tokyo conference (2005)
  - Underscored the need for effective mechanisms for public-private sector collaboration to develop emerging bond markets
  - Importance of involving developed economies and international institutions
- Public-private sector dialogues
  - Involve developed/developing economies
  - Utilize Advisory Group on APEC Financial System Capacity-Building
  - Reports to facilitate information and experience sharing



## **2. General principles for region-wide bond market development cooperation**

- Guide to effective cooperation, based on recommendations from private sector, officials, regulators, international institutions, academic experts
- Help promote synergy among various efforts being undertaken by different regional organizations



## 2. General principles for bond market dev't cooperation

- Preamble
- Public-private partnership
- Global and regional integration
  - Elimination of restrictions to cross-border investment and issuance
  - Region-wide convergence toward global standards and practices



## **2. General principles for bond market dev't cooperation**

- Domestic-level coordination
- Regional-level cooperation
  - Address interlocking measures
  - Coordination among regional organizations
- Strengthening market mechanisms



## 2. General principles for bond market dev't cooperation

- The role of government
  - Provide enabling environment for market participants
  - Importance of government bond market
- Cooperation in the context of diversity



# Conclusions

- **Private sector**: willing and able to play significant role in bond market development
- **Regional organizations and industry associations** (e.g., ABAC, PECC, ABA, ACRAA): key facilitators
- **APEC**: considerable potential to provide vehicle for regional public-private partnership and enhance efforts of individual economies, sub-regional groups

