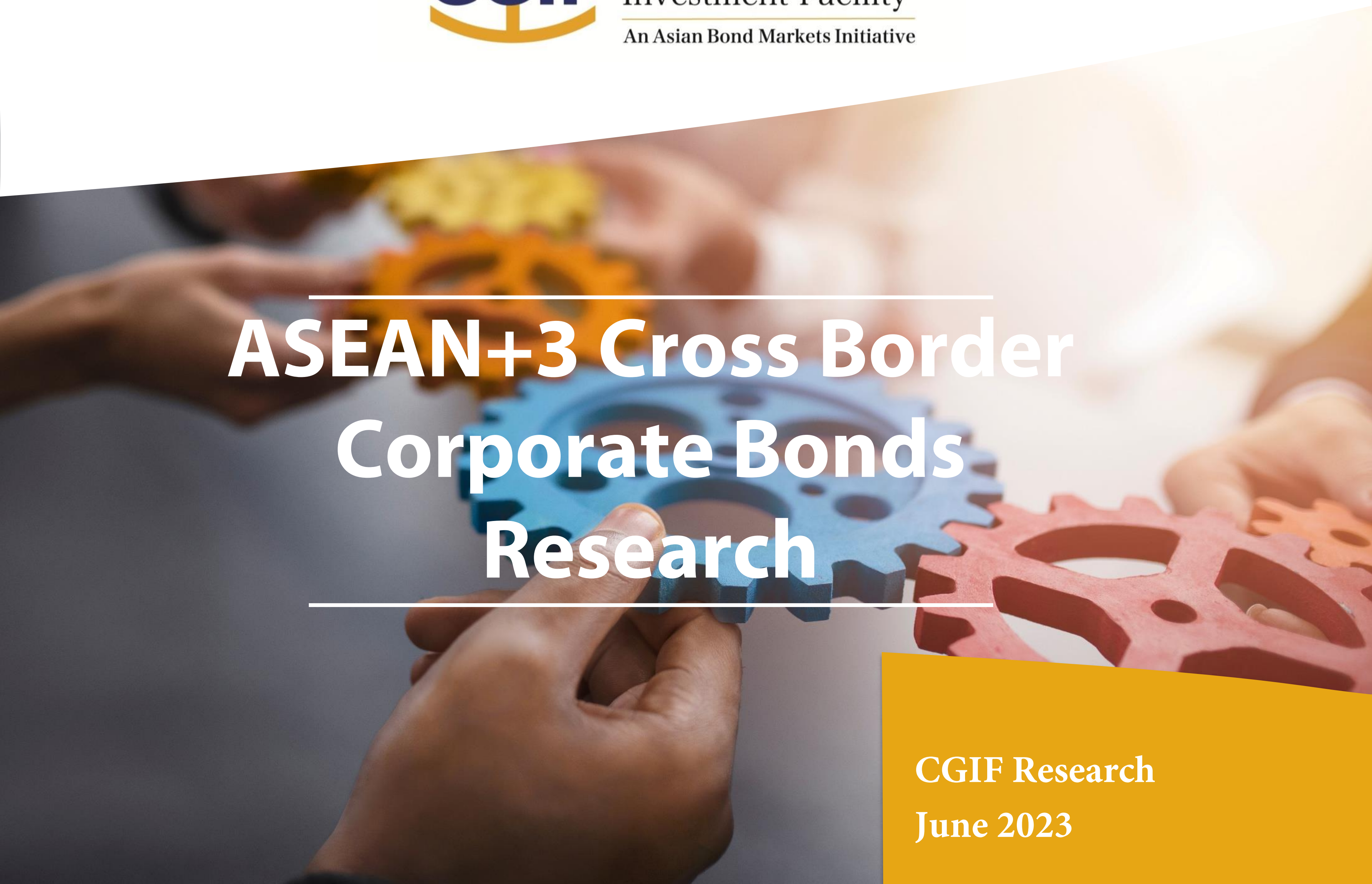
Credit Guarantee & Investment Facility

An Asian Bond Markets Initiative



ASEAN+3 Cross Border Corporate Bonds Research

CGIF Research

June 2023

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I. Overview of Cross-Border Bonds in ASEAN+3

I. Overview of Cross-Border Bonds in ASEAN+3:
Scope of Research

- Bonds mentioned in this research are limited to **corporate bonds** unless otherwise specified.
- The main scope of countries for this research includes the ASEAN6 countries (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam) and China, Japan and Korea.
- Cross-border bonds are categorized as **inbound** and **outbound** which are defined in the table below.

Definition of Inbound and Outbound Bonds

	Definition	Remark
Inbound Bonds	LCY bonds issued by foreign entities	USD (or other major currencies) settled bonds are excluded as they are not the bonds traded in the local market.
Outbound Bonds	FCY bonds issued by local issuers	
	Offshore LCY bonds issued by local issuers	Offshore LCY bonds mean LCY bonds issued and traded offshore. Most of these bonds are settled in USD.

I. Overview of Cross-Border Bonds in ASEAN+3:
Unique Names

- The unique names associated with cross-border bonds in ASEAN+3 are listed in the table below.
  - Mabuhay bonds and Komodo bonds refer to those cross-border bonds in the Philippines and Indonesia. However, these types of cross border bonds are less active than the others.

Unique Names for Cross-Border Bonds

Bond Name	Definition
Panda Bond	CNY bonds issued by foreign issuers, sold in the People's Republic of China.
Samurai Bond	JPY bonds issued by foreign entities in Japan.
Arirang Bond	KRW bonds issued by foreign entities in Korea.
Dim Sum Bond	CNY bonds issued outside of China and settled in CNH (offshore CNY).
Mabuhay Bond	PHP green bond issued by foreign entities in the Philippines
Komodo Bond	IDR bonds issued outside of Indonesia by Indonesian SOEs for infrastructure developments and settled in USD.

I. Overview of Cross-Border Bonds in ASEAN+3: Inbound

Cross-Border Bonds in ASEAN+3: Inbound Bonds, as of 2022

Country	Ratio of LCY bonds issued by foreign entities to total LCY bonds	
	Including bonds settled in major currencies	Excluding bonds settled in major currencies (Inbound Ratio)
Indonesia	28%	0.1%
Malaysia	1%	1%
Philippines	3%	0.3%
Singapore	25%	25%
Thailand	1%	1%
Viet Nam	4%	0%
China	1%	0%
Japan	17%	17%
Korea	0.1%	0%

Source: Bloomberg.

- **Singapore and Japan** are the two ASEAN+3 countries where inbound bonds are active in their domestic markets.
- **Indonesia:** Although a significant number of IDR bonds issued by foreign entities is observed, most of these are not inbound bonds as they are issued outside of Indonesia with being settled in USD or other major currencies.
- **Malaysia:** Although the share of inbound bonds are small, some foreign entities issued MYR-denominated sukuk as Malaysia is the largest sukuk market in the world[1].
- **Thailand:** Although the number of inbound bonds is not significant, some issuers from neighboring countries, primarily Lao PDR, have issued THB-denominated bonds in Thailand.

Note:
1. Refer to Appendix 1

I. Overview of Cross-Border Bonds in ASEAN+3: Outbound

Cross-Border Bonds in ASEAN+3: Outbound Bonds, as of 2022

Country	Ratio of offshore bonds* issued by local entities to total bonds issued by local entities (Outbound Ratio)
Indonesia	70%
Malaysia	15%
Philippines	37%
Singapore	69%
Thailand	16%
Viet Nam	28%
China	3%
Japan	36%
Korea	13%

Source: Bloomberg.

* Offshore bonds include FCY bonds and offshore LCY bonds

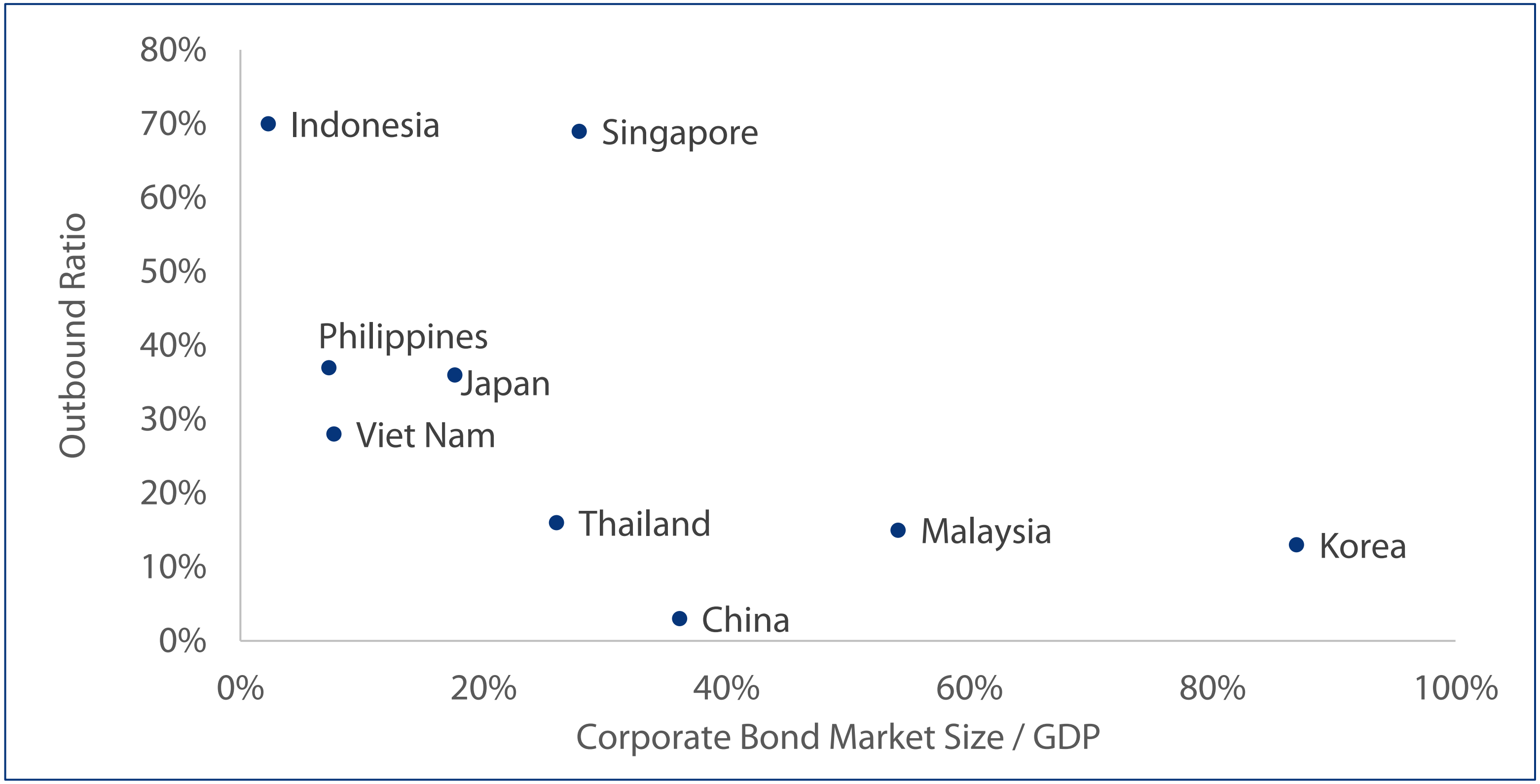
- **Indonesian** companies have a higher reliance on the offshore market for their bond issuances compared to other countries in ASEAN+3 region. Given the fact[1] that FCY bonds show larger average issue size and longer average maturity than LCY bonds, Indonesian companies seem to turn to offshore bond market when the bonds they want to issue are too large or too long for their local market to accommodate.
- Outbound bonds include offshore LCY bonds issued by domestic entities. They are mostly settled in USD. **CNH (offshore Renminbi)** is used for outbound bonds, mostly by Chinese entities.
- **USD** is the dominant foreign currency for outbound bonds of corporates from ASEAN+3 countries.

Note:
1. Refer to Appendix 2

I. Overview of Cross-Border Bonds in ASEAN+3: Outbound

- The countries such as Korea and Malaysia whose relative corporate bond market sizes are large with respect to their economic scales have generally low outbound ratios.
- High ratio of outbound bonds is not necessarily attributed to less active domestic corporate bond market. It can be due to the high convertibility of the local currency like SGD.

Ratio of Outbound Bonds and Relative Corporate Market Size in ASEAN+3, 2022



Note: Outbound bonds include FCY bonds and offshore LCY bonds
Source: Bloomberg; Author's calculations.

I. Overview of Cross-Border Bonds in ASEAN+3:
Sustainable Corporate Bonds

Characteristics of Cross-Border Sustainable Corporate Bonds in ASEAN+3

- The sustainable corporate bonds discussed here are defined as green, social and sustainability bonds.
- The table below shows the sustainable corporate bonds observed in ASEAN+3, with most of these bonds denominated in their local currencies or USD. Sustainable corporate bonds issued in other ASEAN+3 currencies are rare.
- No inbound sustainable corporate bonds are recorded in ASEAN. One PHP bond issued by a Singaporean corporate is the offshore PHP bond, given that the settlement currency is USD.

Number of Cross Border Sustainable Bonds in ASEAN+3 by Currency, 2022

Country	LCY	USD	Other FCYs
Indonesia	7	4	-
Malaysia	256	2	-
Philippines	18	3	CHF 1
Singapore	16	18	AUD 2, HKD 3, INR 2, **JPY 4, PHP 1**
Thailand	64	1	-
Vietnam	-	2	-
China	970	100	EUR 15, GBP 1, HKD 5, **JPY 1**, MOP 4
Japan	487	35	AUD 4, EUR 15
Korea	732	77	AUD 7, CHF 6, **CNY 1**, EUR 9, **HKD 1, JPY 3**

Note: The number of corporate bonds above are based on the ones having sustainable debt instrument indicator from Bloomberg. Matured bonds are included.)
Source: Bloomberg; Author's calculations.

I. Overview of Cross-Border Bonds in ASEAN+3:
Regulatory Environment

- **In terms of flows, the table below refers to cross-border bonds as those FCY-denominated bonds issued by residents (outside their local markets) and LCY-denominated bonds issued by non-residents in specific local markets in ASEAN+3.**
- ASEAN+3 countries vary in their level of capital control measures for foreign exchange transactions involved in cross-border bonds. This will be explained more in specific chapters.

Overview of Regulatory Environment in ASEAN+3

Country*	Resident	Non-Resident			Capital Control Measures for Foreign Exchange Transactions for Bonds
	Issuing FCY-denominated bonds	Non-financial Institution	Financial Institution	Issuing FCY-denominated bonds	
Indonesia	Allowed	Allowed	Allowed	Allowed	Yes
Malaysia	Allowed	Allowed	Allowed	Allowed	Yes
Philippines	Allowed	Allowed	Allowed	Allowed	Yes
Singapore	Allowed	Allowed	Allowed	Allowed	No
Thailand	Allowed	Allowed	Allowed	Allowed	Yes
Viet Nam	Not Allowed	Allowed	Allowed	Not Allowed	Yes
China	Not Allowed	Allowed	Allowed	Not Allowed	Yes
Japan	Allowed	Allowed	Allowed	Allowed	No
Korea	Allowed	Allowed	Allowed	Allowed	No

Note: If from resident, the country refers to the country of incorporation of the issuer. If from non-resident, the country refers to the country of issuance.

Source: ADB Bond Market Guides; IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country-Specific Cross-Border Corporate Bonds

II. Country Specific Cross-Border Bonds

Scope

- Inbound and outbound corporate bonds defined in the Section I are investigated on country level.

- Inbound bonds of non-financial institution (non-FI) are separately investigated to find out their unique characteristics. In fact, cross border bonds are issued mainly by financial institutions, especially banks, because of the following reasons:
  - They often have local branches which issue bonds or certificates of deposits (CDs) locally; and
  - They are eager to look for the currency to save their funding cost after swap.

- Regulations associated with cross-border bonds are investigated at each country level.

II. Country Specific Cross-Border Bonds

1. Indonesia: Inbound

Inbound Bonds in Indonesia issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Japan	35
Others	37
Total	72

Source: Bloomberg.

- **Japan** is the only country in ASEAN+3 whose companies have participated in Indonesia's bond market. All 35 bonds were issued by MUFG Bank Jakarta Branch. It means there are **no bonds issued by non-FI issuers from ASEAN+3** in Indonesia.
- Other inbound bonds from non-ASEAN+3 were issued by **all financial institutions**, most of which are from the US and UK.
- At the end of 2022, there is only one outstanding inbound bond which was issued by **JP Morgan Chase Bank** maturing in 2028.

II. Country Specific Cross-Border Bonds

1. Indonesia: Outbound

Outbound Bonds of Indonesia issued until end of 2022, including matured bonds

Currency	# of bonds
USD	356
KRW	20
JPY	6
SGD	6
Offshore IDR	3
Others	7
Total	398

Source: Bloomberg.

- **Approximately 90%** (356 / 398) of outbound bonds were issued in **USD**.
- Offshore IDR bonds were issued in 1991, 2017 and 2018. The bonds issued in 2017 and 2018 are called **Komodo bonds** which are defined as offshore IDR bonds issued by Indonesian SOEs for infrastructure development projects.
- KRW bonds were issued from 1999 to 2005 mostly by Indorama Ventures and subsidiaries of Daesang (a food company of Korea).
- Out of 6 JPY bonds, three were issued in 2019 by Persero, a power utility SOE, with 0.43% to 1.05% coupon rates. In addition, Federal International Finance and Astra Sedaya Finance issued JPY bonds with 0.55% coupon rate.
- Out of 6 SGD bonds, two were **CGIF-guaranteed bonds.** Three of these SGD bonds were issued by Ciputra Development, a real estate company.

II. Country Specific Cross Border Bonds

1. Indonesia: Regulation

- Although Indonesia has relatively open environment for nonresidents to issue bonds in the country, there are reservations in terms of the level of investments of local investors for bonds issued by non-residents.
- The government of Indonesia intends on widening its investor base for IDR corporate bonds, as the withholding tax rate for IDR corporate bond holdings of foreign investors is reduced.

Issuers	Investors
• **Nonresident Issuers:** Bank Indonesia does not have regulations concerning the sale of bonds by nonresidents, which mean there are no capital controls measure for bond-issuing nonresidents.	• **Local investors:** Institutional investors in Indonesia can freely invest in bonds issued by nonresidents. Nevertheless, pension funds and some types of mutual funds may not invest in securities issued by nonresidents. • **Foreign investors:** The withholding tax rate for foreign investors is reduced from 20% to 10% for their IDR corporate bond holdings.

Source: ADB Bond Market Guide Updates for Indonesia; IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

2. Malaysia: Inbound

Inbound Bonds in Malaysia issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Korea	21
Singapore	10
Thailand	6
Supranational	6
Others	38
Total	82

Source: Bloomberg.

- "Others" refer to Muslim countries like Kuwait, Turkey or UAE. Companies from these countries issued **sukuk** in Malaysia to tap the biggest sukuk market in the world.
- Korean issuers are all financial institutions which issued MYR bonds from 2008 to 2012.
- Out of 10 issued by Singapore entities, eight were **sukuk** issued by two issuers, Bumitama and First Resources.
- Thai issuers are all banks who issued callable bonds with original maturity of 10 years.
- Three multilateral organizations ("supranational"), ADB, IBRD and IFC, issued MYR bonds. However, they haven't issued MYR bonds since 2011.
- As of end 2022, there are 7 outstanding bonds, three were issued by CIMB Thai bank and four were **sukuk** issued by four different issuers.

II. Country Specific Cross-Border Bonds

2. Malaysia:
Non-FI ASEAN+3 Inbound

Characteristics of Non-FI (Financial Institution) ASEAN+3 Inbound in Malaysia

- Most of these bonds are sukuk (11 out of 13)
- Out of 14 non-FI inbound bonds in Malaysia, 13 are issued by companies from ASEAN+3, notably from Singapore and China. The remaining is also sukuk issued by Abu Dhabi National Energy from UAE.
- All bonds are rated AA in terms of local rating scale in Malaysia (13 out of 14).
- Eleven of 13 bonds were issued from 2012 to 2014, while two were issued in 2019.
- Maturities range from 2 to 7 years, with 5 year being the most common tenor.

[ASEAN+3 Issuers in Malaysia]

Issuer	Country	Sukuk	RAM Rating	# of Issues	Issue Year	Maturity (Years)
Bumitama Agri	Singapore	Yes	AA3	4	2014, 2019	5
First Resources	Singapore	Yes	AA2	4	2012-2014	5, 7
Media Chinese Intl	China	No	AA3	2	2012, 2014	3, 5
Nobel Group	China	Yes	AA2	3	2012, 2013	2, 3

Source: Bloomberg

II. Country Specific Cross-Border Bonds
2. Malaysia: Outbound

Outbound Bonds of Malaysia issued until end of 2022, including matured bonds

Currency	# of bonds
USD	445
HKD	86
CNY	41
JPY	37
SGD	33
THB	1
Offshore MYR	1
Others	14
Total	658

Source: Bloomberg.

- **Approximately 68%** (445 / 658) of outbound bonds were issued in USD.
- Most of the HKD bonds were issued by Maybank and CIMB, the top two banks of Malaysia.
- Out of 41 CNY bonds, 38 were Dim Sum bonds and 3 were panda bonds. Maybank issued both dim sum and panda bonds.
- Maybank was the most active issuer of JPY bonds while Cagamas was the most active of SGD bonds.
- In 2016, KNM issued **one THB-denominated bond** with **CGIF's guarantee**.
- Offshore MYR is not a funding option for Malaysian entities as no issue has been made since 1993.

II. Country Specific Cross-Border Bonds

2. Malaysia: Regulation

- The openness of Malaysia's bond market is depicted by allowing both FCY-denominated bonds by both resident and nonresident companies in the country. In addition, foreign investors can also participate in Malaysia's bond market, as there are no specific regulations for them.
- A considerable restriction in Malaysia's bond market for cross border bonds is the investment limits for some local investors in bonds issued by nonresidents.

Issuers	Investors
• **Nonresidents** may issue FCY-denominated bonds in the country. Prior approval from BNM is required only for issuance of MYR-denominated bonds by nonresidents. • **Residents** are free to issue FCY-denominated bonds overseas, subject to compliance with corresponding Foreign Exchange Policy Note 2[1].	• **Local investors** may invest in nonresidents' bonds, but with specific limits. For insurance companies, only 10% of their total assets may be invested in bonds by nonresidents. For private retirement schemes, there are no guidelines on investment limits on bonds by nonresidents, but no more than 50% of total funds may be invested in non-Shariah-compliant assets for funds of resident clients with domestic MYR borrowing. • There are no specific regulations on **foreign investors** in Malaysia's bond market.

Note 1: Refer to Appendix 3

Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

3. Philippines: Inbound

Inbound Bonds in Philippines issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Supranational	6
Others	7
Total	13

Source: Bloomberg.

- There have been **no issuances of inbound bonds from companies in other ASEAN+3 countries**.
- At the end of 2022, there is one outstanding inbound bond issued by IFC, which is labeled as green bond.
- ADB and IBRD haven't issued PHP bonds since 2013.
- Other issuers are the banks from the US and Netherland.

II. Country Specific Cross-Border Bonds

3. Philippines: Outbound

Outbound Bonds of Philippines issued until end of 2022, including matured bonds

Currency	# of bonds
USD	210
JPY	6
Offshore PHP	1
Others	3
Total	220

Source: Bloomberg.

- **About 95%** (210 / 220) of outbound bonds were issued in **USD**.
- **Three JPY bonds** were issued by Power Sector Asset & Liability Corp. and were **guaranteed by the ADB and the Philippine government**.
- A 7-year offshore PHP bond was issued by Petron Corp. in 2010.
- At the end of 2022, there were 37 outstanding bonds, all of which are denominated in USD. Among them, 10 are perpetual callable bonds, which are treated as equity, not debt, in the capital structure of issuers.

II. Country Specific Cross-Border Bonds

3. Philippines: Regulation

- Nonresidents wanting to issue bonds in the Philippines will need to secure BSP's approval.

Issuers	Investors
• **Nonresidents'** issuance of notes and bonds or similar instruments in the domestic market requires BSP approval before execution. • **Resident companies' foreign bonds** that are not publicly guaranteed and will be serviced using foreign exchange purchased from authorized agent banks (AABs) or AAB-forex corps are only subject to notification and registration to the BSP. • **Resident banks** that wish to issue unsecured subordinated debt overseas must secure the approval of the BSP.	• **No specific regulations or incentives for local or foreign investors of cross border bonds.** • Resident institutional investors can invest in bonds issued by nonresidents. However, for investment portfolio, institutional investors may purchase foreign exchange up to USD60 million a year.

Note: BSP = Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

4. Singapore: Inbound

Inbound Bonds in Singapore issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
China	153
Korea	81
Japan	45
Malaysia	33
Supranational	22
Others	4,577
Total	4,911

Source: Bloomberg.

- Similar with Japan's, **Singapore's bond market is very active in welcoming inbound bonds**.
- Financial institutions from Europe and US are the most active issuers of SGD bonds.
- At the end of 2022, there are 662 outstanding bonds. Among ASEAN+3, Japan has the highest number of issuers of SGD-denominated bonds, with 8 companies. This is followed by Malaysia with 7 issuers, Korea with 6 issuers, and China with 4 issuers.
- Issuers of outstanding inbound bonds from Japan and China are all financial institutions whereas those from Korea and Malaysia are non-financial institutions.

II. Country Specific Cross-Border Bonds

4. Singapore: Non-FI ASEAN+3 Inbound

Characteristics of Non-FI ASEAN+3 Inbound bonds in Singapore

- Out of 72 inbound bonds of non-financial institutions, 19 are from ASEAN+3. Specifically, 9 are from China and 6 are from Korea.
- Four other issuers from ASEAN issued SGD-denominated bonds, wherein two had CGIF guarantee.
- Unrated bonds are more common than rated bonds despite local investors being unfamiliar to foreign issuers.
- Although SGD is known to be a widely-used currency among foreign issuers, there has been only two SGD bonds issued by non-FI issuers from ASEAN+3 since 2020.

[Non-FI ASEAN+3 Issuers in Singapore]

Issuer	Country	Guarantee	Rating	# of Issues	Issue Year	Maturity (Years)
Cathay Pacific Airways	China	No	N/A	2	2006	5
Century Sunshine Group	China	No	N/A	2	2015,17	3
China Bright Intl.	China	No	N/A	1	2008	3
China Everbright	China	No	N/A	1	2013	2
CHT Holdings	China	No	N/A	1	2006	3

II. Country Specific Cross-Border Bonds

4. Singapore: Non-FI ASEAN+3 Inbound

[Non-FI ASEAN+3 Issuers in Singapore, Continued]

Issuer	Country	Guarantee	Rating*	# of Issues	Issue Year	Maturity (Years)
Daewoo E&C	Korea	No	N/A	1	2020	3
Grand China Air HK	China	Parent	N/A	1	2014	3
Hankore Env Tech	China	No	N/A	1	2006	7
Kolao Holdings	Lao PDR	**CGIF**	AA	1	2014	3
Logindo Samudramakmur	Indonesia	No	AA-	1	2015	5
Perisai Capital Labuan	Malaysia	Parent	N/A	1	2013	3
Posco Daewoo	Korea	No	N/A	1	2015	2
Posco International	Korea	No	N/A	3	2017-22	2-3
Profesional Telekomunika	Indonesia	**CGIF**	AA	1	2014	10
SK Telecom	Korea	No	N/A	1	2011	3

Source: Bloomberg
* Ratings are all from S&P.

II. Country Specific Cross-Border Bonds
4. Singapore: Outbound

Outbound Bonds of Singapore issued until end of 2022, including matured bonds

Currency	# of bonds
USD	1,976
JPY	301
HKD	145
CNY	103
PHP	20
KRW	15
MYR	10
IDR	8
Others	690
Total	3,271

Source: Bloomberg.

- Approximately 60% (1,976 / 3,271) of outbound bonds were issued in USD.
- **Currency profile:** At the end of 2022, there were 1,682 outstanding bonds, 63% of which are denominated in USD. Issuances in CNY is the highest, with 69 bonds, followed by the 29 JPY bonds and 7 KRW bonds.
- **Issuer profile:** Out of 1,682 outstanding bonds, only 163 bonds are issued by non-financial institutions. Looking closely at the ASEAN+3 currencies, there are 6 CNY bonds, 4 JPY bonds and one MYR bond outstanding from non-financial issuers.
- Out of the 10 MYR bonds, 8 are sukuk issuances of Bumitama Agri and First Resources.

II. Country Specific Cross-Border Bonds

4. Singapore: Regulatory Update

- Singapore is already an established financial hub in the ASEAN+3 region. Nevertheless, Singapore's government is still keen on attracting new issuers – both resident and nonresidents – to issue bonds on the local market through bond grant schemes.
  - Under the bond grant schemes of the Monetary Authority of Singapore (MAS), some expenses of eligible issuers may be subsidized for up to 100% of the eligible expense per qualifying bond.

Available Bond Grant Schemes in Singapore

	Sustainable Bond Grant Scheme	Global-Asia Bond Grant Scheme
Validity	31 May 2023	31 December 2024
Eligible Issuers	First-time and repeat issuers of green, social, sustainability and sustainability-linked bonds	First-time companies and non-bank financial institutions with an Asian nexus.
Bond Characteristics	Currency: Any currency Issue size: At least SGD200 million or a bond program size of at least SGD200 million with an initial issuance of at least SGD20 million. Tenor: at least 1 year Issuance Venue and Listing: Singapore Others: With external review or rating from external reviewers from Singapore; part of the sustainability advisory and assessment work performed by financial institutions in Singapore	Currency: Asian or G3 currencies; with rating from credit rating agency regulated by the MAS if denominated in SGD Issue size: Same as sustainable bond grant scheme Issuance Venue and Listing: Singapore Tenor: at least 1 year
Eligible expenses	Costs incurred related to independent external review or rating done based on any internationally-recognized green/social/sustainability bond principles or framework.	Arranger fees, audit fees, credit rating fees, legal fees, listing agent fees, listing fees.

Source: Monetary Authority of Singapore

II. Country Specific Cross-Border Bonds
5. Thailand: Inbound

Inbound Bonds in Thailand issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Lao PDR	29
Korea	9
Japan	4
Malaysia	1
Singapore	1
Supranational	8
Others	34
Total	86

Source: Bloomberg.

- Inbound bonds are not active in Thailand as there were only 27 outstanding bonds at the end of 2022. A total of 86 inbound bonds were issued in the local market.
- Companies from **Lao PDR** have been actively issuing bonds in Thailand. As a result, it became the most significant country in terms of the number of inbound issues in Thailand.
- Banks from Korea issued THB bonds only from 2011 to 2013 and banks from Japan issued THB bonds only from 2015 to 2018.
- Supranationals like ADB, IBRD and CABEI (Central American Bank for Economic Integration), issued THB bonds only from 2005 to 2011.
- KNM, an issuer from Malaysia, and Yoma, an issuer from Singapore, both issued THB bonds with **CGIF guarantee**.

II. Country Specific Cross-Border Bonds

5. Thailand: Non-FI ASEAN+3 Inbound

Characteristics of Non-FI ASEAN+3 Inbound bonds in Thailand

- Out of 34 non-FI inbound issues, 32 are from ASEAN+3. Specifically, 29 are from Lao PDR.
- Issuers from Lao PDR are all energy companies which also cater to the Thai market.
- Three non-Laotian issuers are KNM from Malaysia, Noble from China, and Yoma from Singapore. Their bonds have CGIF guarantees.
- All bonds are locally rated. Laotian companies' bonds are all investment grades despite non-guarantee. Others are all AAA rated due to CGIF guarantee.

[Non-FI ASEAN+3 Issuers in Thailand]

Issuer	Country	Guarantee	Local Rating	# of Issues	Issue Year	Maturity (Years)
EDL-Generation	Lao PDR	No	BBB-	16	2014-19	3-15
KNM Group	Malaysia	CGIF	AAA	1	2016	5
Nam Ngum 2 Power	Lao PDR	No	A	10	2017-20	3-12
Noble	China	CGIF	AAA	1	2013	3
XayaBuri Power	Lao PDR	No	BBB+	3	2022	3-5
Yoma Strategic Holdings	Singapore	CGIF	AAA	1	2019	5

II. Country Specific Cross-Border Bonds

5. Thailand: Outbound

Outbound Bonds of Thailand issued until end of 2022, including matured bonds

Currency	# of bonds
USD	302
JPY	15
MYR	6
CNY	2
Offshore THB	2
Others	21
Total	348

Source: Bloomberg.

- About 87% (302 / 348) of outbound bonds were issued in USD.
- At the end of 2022, there were only 65 outstanding bonds, 60 of which are denominated in USD. Among ASEAN+3, MYR is the only currency with 3 outstanding bonds, which were issued by CIMB Thai bank.
- Thai companies had tapped JPY bond market until 2012. Since then, there has been only one JPY bond issuance in 2017.
- Two CNY bonds were issued in 2015 as dim sum bonds, which are offshore CNY bonds issued outside of Mainland China.
- Both offshore THB bonds were listed in SGX. Given that there have been only two offshore THB bonds in the history, it does not appear to be a common funding option for Thai companies.

II. Country Specific Cross-Border Bonds

5. Thailand: Regulation

- Thailand's regulatory environment for cross border bonds have been generally open for cross-border bonds. In 2018, the SEC Thailand introduced the concept of "MTN program", which is essentially a bond issuance program which allows both residents and non-residents to issue THB-denominated and FCY-denominated bonds.
  - Offers under the MTN program to high-net-worth individuals and retail investors are required to be rated as investment grade.

Issuers	Investors
• **Nonresident issuers** are allowed to issue THB-denominated bonds under the "Baht bond program", given that the tenor of bonds is at least 3 years. In addition, FCY-denominated bonds of foreign issuers require SEC Thailand's approval. • **Resident issuers** of newly issued FCY bonds must apply for approval to the SEC and demonstrate that an offer for sale/resale of such bonds will be made to investors in foreign countries. In addition, the denomination and settlement of these bonds must be made in foreign currencies.	• Effective December 2020, there is no investment limit in foreign assets for **resident institutional investors** regulated under the SEC. At the same time, resident retail investors, regardless of their financial asset sizes, are allowed to invest in foreign securities without going through local intermediaries for up to USD5 million (previously USD200,000) an investor a year. • Effective January 29, 2020, Office of Insurance Commission (OIC) relaxed the regulation by allowing insurance companies to invest up to 30% of their total investment assets (a relaxation from 15% investment limit) in bonds by nonresidents.

Source: ADB Bond Market Guide for Thailand; IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

6. Viet Nam: Inbound

Inbound Bonds in Vietnam issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Total	0

Source: Bloomberg.

- There is no inbound bond in Viet Nam available from Bloomberg.

II. Country Specific Cross-Border Bonds

6. Viet Nam: Outbound

Outbound Bonds of Vietnam issued until end of 2022, including matured bonds

Currency	# of bonds
USD	18
Offshore VND	1
Total	19

Source: Bloomberg.

- **95%** (18 / 19) of outbound bonds were issued in **USD**. In fact, all were USD except offshore VND bond.
- At the end of 2022, 7 USD bonds are outstanding. Out of these, only one is rated (B2 by Moody's and B by Fitch) which is also green-labelled. The issuer of this bond is BIM LAND JSC.

II. Country Specific Cross-Border Bonds
6. Viet Nam: Regulation

- In 2022, the State Bank of Viet Nam (SBV) drafted a circular ("Circular 12") which affects the foreign borrowings (loans and bonds) of local entities in Viet Nam. This draft circular aims to:
  - Apply a cap on borrowing cost of floating rate foreign borrowings. It is important to note that there is no cap on the fixed rate foreign borrowings.
  - Make a compulsory FX hedging as safeguard against currency fluctuation
  - When foreign borrowings are secured by collateral assets located in Viet Nam, foreign lenders and bondholders must appoint Vietnamese credit institutions (including foreign bank branches) or other Vietnamese entities to act as security agents
  - Clarify use of proceeds (UOPs) for both short-term foreign borrowings and medium- and long-term foreign borrowings.
    - Permitted UOPs for medium- or long-term foreign borrowings are (i) financing investment projects of borrowers, (ii) increasing the capital of borrowers for legitimate production or business purposes, provided that the ratio of medium- and long-term debt to equity does not exceed 3:1 and (iii) refinancing foreign debts of borrowers.

Source: SBV
SBV - Draft Circular on conditions for foreign loans of enterprises not guaranteed by the Government

II. Country Specific Cross-Border Bonds

7. China: Inbound

Inbound Bonds in China issued until end of 2022, including matured bonds

Issuers' countries	# of Pandas	# of Dim Sums
Singapore	13	90
Japan	3	52
Malaysia	3	38
Korea	1	40
Supranational	28	345
Others	459	3,098
Total	507	3,663

Issuers' industries	# of Pandas	# of Dim Sums
Financial	272	3,565
Non-financial	235	98
Total	507	3,663

Note: Issuers whose country of incorporate is classified as Hong Kong are excluded.
Source: Bloomberg.

- Panda bonds are defined as CNY bonds issued in Mainland China by foreign entities and dim sum bonds are the offshore CNY bonds issued outside of Mainland China by foreign entities.
- **Dim sums are much more active than panda bonds** for foreign issuers' CNY bond market participation.
- Among ASEAN+3 companies, **Singaporean companies** are the most active participating in CNY bond market among ASEAN+3, both onshore and offshore, followed by Japan.
- While dim sum bonds are dominated by financial institutions (which include supranational and SPVs), **panda bonds are significantly issued by non-financial entities**.

II. Country Specific Cross-Border Bonds
7. China:
Non-FI ASEAN+3 Inbound

Characteristics of Non-FI ASEAN Inbound bonds in China

- Out of 100 Non-FI inbound issues, 12 are from ASEAN+3, of which 9 are from Singapore.
- 3-year is the most common tenor, and most bonds are unrated by local rating agencies.
- There is one CGIF guaranteed bond.
- Mitr Phol Sugar bond is a dim sum bond and rated A+ by Thai Rating and Information Services Co., Ltd., a local credit rating agency in Thailand.

[Non-FI ASEAN+3 Issuers in China]

Issuer	Country	Guarantee	Local Rating	# of Issues	Issue Year	Maturity (Years)
Asia Water Technology	Singapore	No	AAA	2	2021	5
ERATAT Lifestyle	Singapore	No	N/A	1	2013	2
Hanwha Solution	Korea	**CGIF**	N/A	1	2021	3
Mitr Phol Sugar	Thailand	No	N/A	1	2015	3
Mitsui	Japan	No	N/A	1	2012	5
Swiber Holdings	Singapore	No	N/A	1	2014	3
Trafigura Group	Singapore	No	N/A	5	2018-21	3

Source: Bloomberg.

II. Country Specific Cross-Border Bonds

7. China: Outbound

Outbound Bonds of China issued until end of 2022, including matured bonds

Currency	# of bonds
USD	29,723
JPY	655
SGD	298
KRW	70
IDR	12
THB	2
VND	2
Dim Sum	6,180
Others	2,324
Total	39,266

Source: Bloomberg.

- 76% of outbound bonds (29,723 / 39,266) were issued in USD. Excluding the dim sum bonds, this ratio climbs to 90%.
- Dim sum bonds issued by Chinese companies are included in outbound bonds as they are targeted to be invested by foreign investors. Most dim sum bonds were issued by financial entities.
- Among ASEAN+3 currencies, **JPY** has been widely used for outbound bonds of Chinese companies, followed by **SGD** and **KRW.**
- IDR, THB and VND bonds were all issued by HSBC HK. Notably, IDR and VND bonds are all settled in USD.

II. Country Specific Cross-Border Bonds

7. China: Regulation

- China aims to make its bond market more competitive, as recent regulations indicate the expansion of the possible issuer and investor bases in the country.

Issuers	Investors
• On December 2015, the China Securities Regulatory Commission (CSRC) began the program for **Panda bonds** to be issued on the exchange bond market. • Resident companies which would issue bonds with tenor of more than 1 year must apply in advance to the National Development and Reform Commission (NDRC) for filing and registration.	• **Qualified domestic institutional investors** can invest in bonds overseas but must be within their foreign exchange quotas and regulatory limits. For instance, insurance companies are allowed to invest of up to 15% of their total assets of the previous quarter in foreign bonds, in which the total investments do not exceed the investment payment limit approved by the State Administration of Foreign Exchange (SAFE). On the other hand, the Social Security Fund's overseas investment ratios are calculated at cost and may not exceed 20% of total assets. • Effective 1 November 2022, the CSRC, People's Bank of China, and SAFE expanded the range of financial instruments which **qualified foreign institutional investors** can invest in.

Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

8. Japan: Inbound

Inbound Bonds in Japan issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
Korea	172
China	68
Malaysia	22
Thailand	5
Indonesia	3
Singapore	3
Supranational	155
Others	1,345
Total	1,773

Source: Bloomberg.
Out of JPY bonds issued by foreign entities, only those classified as domestic, domestic MTN and Samurai are included.

- JPY bonds issued by foreign entities totaled 37,746 which include the bonds issued in the global market. Out of them, 1,773 bonds were issued in Japan.
- **Korean issuers** have the highest number of JPY bonds among ASEAN+3, followed by China and Malaysia.
- Companies from Thailand, Indonesia and Singapore also issued JPY bonds in Japan. GLP, a Singaporean company, issued JPY bond in 2020 with **CGIF guarantee**.

II. Country Specific Cross-Border Bonds

8. Japan: Non-FI ASEAN+3 Inbound

Characteristics of Non-FI ASEAN+3 Inbound bonds in Japan

- Out of 302 non-FI inbound issues, 128 are from ASEAN+3. Korean issuers have the largest contribution, with 93 inbound bonds.
- Korean companies were most active in issuing JPY bonds from 2007 to 2009.
- Issuers from Indonesia, Malaysia, Singapore and Thailand were all locally rated except three issues from one Thai issuer, all of which were guaranteed by a top tier local Japanese bank.

[Non-FI ASEAN+3 countries in Japan]

Country	Number of Issuers	Number of Bonds	Year of Issuance	Maturity (Years)	Local Rating
China	4	15	1994-96	3-7	AA+ for 1
Indonesia	1	3	2019	3,5,10	All BBB+
Korea	35	93	1993-2022	1-7	Some rated
Malaysia	1	11	1993-97	5 to 16	All BBB+
Singapore	1	1	2017	5	A
Thailand	3	5	1997, 07-09	3-10	A- for 2

Source: Bloomberg.

II. Country Specific Cross-Border Bonds

8. Japan: Outbound

Outbound Bonds of Japan issued until end of 2022, including matured bonds

Currency	# of bonds
USD	6,884
CNY	55
SGD	45
IDR	35
THB	4
KRW	2
Offshore JPY	0
Others	2,515
Total	9,540

Source: Bloomberg.

- 72% of outbound bonds (6,884 / 9,540) were issued in USD. This ratio climbs to 83% if calculated with only outstanding bonds at the end of 2022.
- Among ASEAN+3 currencies, **CNY** comprised the highest number of outbound bonds, followed by **SGD** and **IDR**.
- Out of 55 CNY bonds, 52 are dim sum bonds which are offshore CNY bonds issued outside of Mainland China.
- Most SGD bonds are certificates of deposit (CDs) issued by Singapore branches of different Japanese banks. They are mostly issued outside of Singapore despite being issued in SGD.
- IDR bonds were all CDs issued by MUFG Jakarta branch.
- THB bonds are all 3-year bonds issued by different banks.
- Both KRW bonds were issued in 1997 and no KRW bonds have been issued since then.

II. Country Specific Cross-Border Bonds
8. Japan: Regulation

- Japan's bond market is very open to foreign issuers and investors. There are no restrictions in terms of the currency used for issuing bonds domestically.

Issuers	Investors
• **Nonresident issuers** can freely issue bonds – regardless of currency – in Japan, as they are not subject to any approvals from the government. A public offering of bonds or notes issued by nonresidents are subject to statutory disclosure requirements under the Financial Instruments and Exchange Act.	• **Nonresident investors** may invest in any bonds or notes issued in Japan without any restrictions.

Source: ADB Bond Market Guide for Japan; IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

II. Country Specific Cross-Border Bonds

9. Korea: Inbound

Inbound Bonds in Korea issued until end of 2022, including matured bonds

Issuers' countries	# of bonds
China	61
Indonesia	20
Singapore	12
Japan	2
Supranational	4
Others	62
Total	161

Source: Bloomberg.

- Despite KRW corporate bond market being very active for domestic issuers, it is rare to see KRW bonds issued by foreign entities. Total number of KRW bonds issued by foreign entities including matured bonds is 161, and only 7 remained outstanding at the end of 2022.
- From the ASEAN+3 region, companies from China are the most active issuers of inbound bonds in Korea, followed by Indonesia and Singapore.
- Most of bonds from China are short-term CDs issued by various Chinese banks through their local branches in Korea.
- Indonesian entities issued KRW bonds from 1999 to 2005. Some are Indonesia manufacturers whose parent companies are Korean companies.
- Out of bonds from Singapore, Singapore Power issued 4 KRW bonds in 2001 and 2004 with Korean local ratings.

II. Country Specific Cross-Border Bonds

9. Korea: Non-FI ASEAN+3 Inbound

Characteristics of Non-FI ASEAN+3 Inbound bonds in Korea

- Out of 77 non-FI inbound issues, 38 are from ASEAN+3. From these, 20 are from Indonesia and 11 are from China.
- Issuers from Indonesia are all Indonesia subsidiaries whose parents are Korean companies and issued KRW bonds mostly in 1999 to 2002. Some were guaranteed by their parents in Korea.
- Since 2016, there has been only one issue, which was issued by LVMC Holdings in 2022. Although it is a Laotian company, the parent company is Korean.

[Non-FI ASEAN+3 Issuers in Korea]

Issuer	Country	Guarantee	Rating	# of Issues	Issue Year	Maturity (Years)
Big Way Co.	Japan	Korea Guarantee Insurance	N/A	2	1997	3
China Eastern Airlines	China	No	N/A	2	2016	3
China Great Star Intl.	China	No	N/A	1	2014	5
China Hao Ran Recycling	China	No	N/A	1	2015	5

Source: Bloomberg

II. Country Specific Cross-Border Bonds

9. Korea:
Non-FI ASEAN+3 Inbound

[ASEAN+3 Issuers in Korea, Continued]

Issuer	Country	Guarantee	Local Rating*	# of Issues	Issue Year	Maturity (Years)
China Ocean Resources	China	No	N/A	3	2010-13	3
East Asia Holdings	China	No	N/A	2	2012-15	1, 4.5
Hanil Jaya Metal Works	Indonesia	Hanil Cement	A	1	1999	3
LVMC Holdings	Lao PDR	No	N/A	1	2022	5
PT Cheil Samsung Indonesia	Indonesia	Cheil Jedang	AA-	2	1999-02	3
PT Indomiwon	Indonesia	No	BBB	5	1999-02	1-3
PT Miwon Indonesia	Indonesia	Daesang	BBB	2	2000-01	1
PT Saehan Textiles	Indonesia	No	N/A	1	1999	3
PT SK Keris	Indonesia	SK Chemical	BBB+	9	1999-05	1-3
S&C Engine Group	China	No	N/A	1	2012	5
Singapore Power	Singapore	No	A+	4	2001-04	3
Wanli Intl. Holdings	China	No	N/A	1	2015	5

* Lowest rating was indicated in case issues of same issuer were rated differently.
Source: Bloomberg.

II. Country Specific Cross-Border Bonds

9. Korea: Outbound

Outbound Bonds of Korea issued until end of 2022, including matured bonds

Currency	# of bonds
USD	3,522
JPY	347
HKD	196
SGD	81
CNY	41
MYR	21
THB	9
Offshore KRW	0
Others	259
Total	4,476

Source: Bloomberg.

- 79% of outbound bonds (3,522 / 4,476) were issued in USD. This ratio climbs to 84% if calculated with only outstanding bonds at the end of 2022.
- Among ASEAN+3 currencies, **JPY** is the most widely used, followed by **HKD** and **SGD**.
- Out of 41 CNY bonds, 40 are dim sum bonds. The remaining one, which is not classified as dim sum by Bloomberg, is also offshore CNY bond listed in Korea.
- MYR- and THB-denominated outbound bonds were all issued between 2008 and 2013 by banks and other financials.

II. Country Specific Cross-Border Bonds

9. Korea:

Regulatory Updates

- Notifications to the Ministry of Economy and Finance of Korea (MOEF) are required for both nonresident issuers and resident issuers of FCY-denominated bonds.
- Insurance companies face some limitation on the credit quality of bonds by nonresident issuers which they would like to invest in.

Issuers	Investors
• **Nonresident issuers** must only provide a notification to the Ministry of Economy and Finance of Korea (MOEF). • Sale or issuance of FCY-denominated bonds abroad by **resident issuers** requires notification to a designated foreign exchange bank. **Resident issuers** must notify the MOEF for FCY-denominated bond issuances of exceeding USD30 million-equivalent or KRW-denominated bonds abroad.	• **Resident insurance companies** encounter investment limitations, since they can only invest in investment grade bonds issued by nonresidents. On the other hand, for pension funds, according to the National Pension Fund Act, there are no restrictions on the composition of the National Pension Fund's foreign currency assets. • **Nonresident investors** may freely purchase bonds issued by residents. However, bond investments that are not made through an account exclusively for investment must be reported to a designated foreign exchange bank or Bank of Korea.

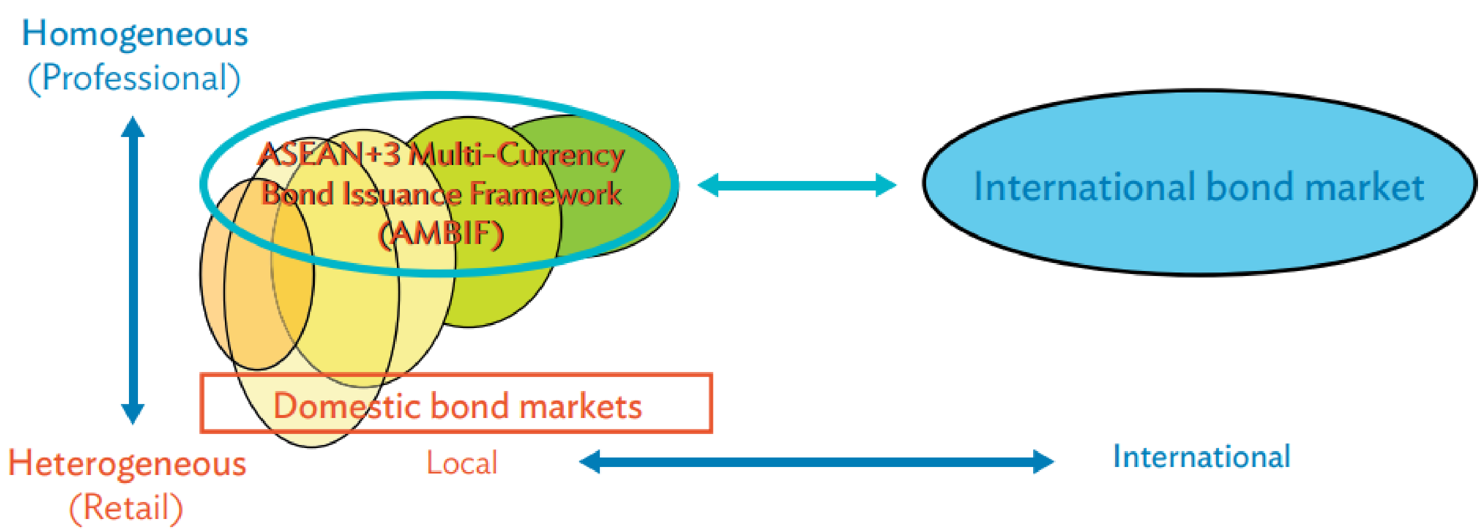
Source: IMF Annual Report on Exchange Arrangements and Exchange Restrictions 2021

III. Initiatives to Promote Cross-Border Bonds

III. Initiatives to Promote Cross-Border Bonds
AMBIF

- AMBIF stands for the ASEAN+3 Multi-Currency Bond Issuance Framework. AMBIF facilitates intra-regional bond and note issuance and investment by creating common market practices, utilizing a common document for submission (Single Submission Form), and highlighting transparent issuance procedures.
- AMBIF ultimately seeks to connect ASEAN+3 bond markets at the level of their domestic professional market segments. Overall, this "AMBIF market" will comprise the professional investor concepts, professional market concepts, and exempt market concept.

Illustration of the Vision for the "AMBIF Market"



Source: ADB

- As of end of 2022, 16 corporate bonds are issued under AMBIF, of which 14 of these are guaranteed by CGIF. Of these, four bonds are cross-border bonds which all received CGIF's guarantee.

Issued AMBIF Bonds

Issuer	Amount	Issuance Year	Tenor (Y)	Notable details
Mizuho Bank	THB3 billion	2015	3	
Hattha Kaksekar Limited	KHR120 billion	2018	3	
AEON Credit Services (Philippines) Inc.*	PHP900 million	2018	3	
CJ Logistics Asia Pte. Ltd.*	SGD70 million	2019	5	
Nexus International School (Singapore) Pte. Ltd.	SGD150 million	2019	12	Inter-ASEAN transaction for Malaysia-based group company
Prasac Microfinance Institution Plc	KHR127.2 billion	2020	3	
RMA (Cambodia) Plc	KHR80 billion	2020	5	
GLP Pte. Ltd. *	JPY15.4 billion	2020	9	JPY-denominated bond issued by a Singaporean entity
Thaifoods Group Plc *	THB2.0 billion THB1 billion	2020 2021	5 5	
JWD InfoLogistics Public Company Limited *	THB700 million THB1.2 billion	2021 2021	5 9	
Hanwha Solutions Corporation*	CNH1 billion	2021	3	Offshore renminbi bond
Hanwha Q Cells Malaysia Sdn. Bhd.*	MYR150 million	2021	3	
China Education Group Holdings Limited*	CNH500 million	2022	3	Offshore renminbi bond
First Real Estate Investment Trust*	SGD100 million	2022	5	

Source: AsianBondsOnline.
* CGIF guaranteed bonds, of which colored ones are cross-border bonds.

III. Initiatives to Promote Cross-Border Bonds

ACMF

ACMF Action Plan 2021-2025

Source: ACMF.

- In March 2021, the ASEAN Finance Ministers endorse the ASEAN Capital Markets Forum (ACMF) Action Plan 2021-2025 with three strategic objectives:
  - To enhance and facilitate better pan-ASEAN connectivity to realize the growing potential of its capital market
  - To promote and sustain the inclusiveness of capital markets within the region; and
  - To strengthen and maintain the orderliness and resilience of ASEAN capital markets
- The second strategic point includes the following:
  - To facilitate for cross-listing and offering of REITs and business trusts
  - To explore of a "bond private placement corridor" to help in facilitating infrastructure financing.
  - To extend ASEAN CIS Framework for infrastructure funds and other investment funds

IV. CGIF in ASEAN+3 Cross-Border Bonds

IV.CGIF in ASEAN+3 Cross-Border Bonds
List of CGIF Guaranteed Cross Border Bonds

- As of end of 2022, 10 cross-border corporate bonds were guaranteed by CGIF.

Issuer	Country	Currency	Issue Year	Tenor (Y)	Size*	Status
Noble	HK	THB	2013	3	$98M	Matured
Kolao	Lao PDR	SGD	2014	3	$48M	Matured
Protelindo	Indonesia	SGD	2014	10	$138M	Issued
ASF	Indonesia	SGD	2014	3	$76M	Matured
KNM	Malaysia	THB	2016	5	$78M	Defaulted
Yoma	Singapore	THB	2019	5	$70M	Issued
Nexus	Malaysia	SGD	2019	12	$110M	Issued
GLP	Singapore	JPY	2020	9	$149M	Issued
Hanwha	Korea	CNH	2021	3	$153M	Issued
CEG	China	CNH	2022	3	$76M	Issued

* USD Value at the time of issuance.

IV.CGIF in ASEAN+3 Cross-Border Bonds

List of Quasi CGIF Guaranteed Cross Border Bonds

- The bonds below are not strictly cross border transactions because they were issued by entities based in the same country as the bonds themselves. However, they are introduced here as "quasi cross border bonds" because the issuers may be perceived as foreign due to their foreign parent companies and their relative unfamiliarity in the local market.

Issuer	Country*	Issuance Currency	Issue Year	Maturity (Y)	Size**	Status
IVL Singapore	Thailand	SGD	2015	10	195 M	Issued
AEON Philippines	Japan	PHP	2018	3/5	900 M / 100 M	Matured / Issued
CJ Logistics Asia	Korea	SGD	2019	5	70 M	Issued
Hanwha Q Cells	Korea	MYR	2021	3	150 M	Issued

M = million; Y = year
* Country of issuer' parent company
** In terms of the issuance currency

IV.CGIF in ASEAN+3 Cross-Border Bonds
Characteristics of CGIF-Guaranteed Cross-Border Bonds

- **SGD and THB** are the two most active currencies for cross border bonds guaranteed by CGIF.
  - SGD is the most frequent with 5 times, followed by THB with 3 times.
  - JPY and CNH were also used.
  - PHP and MYR were used to support local subsidiaries whose parents are from +3 countries.

- Following are the reasons why issuers seek CGIF guarantees for their cross-border.
  - Extending investor base is a common reason for all cases.
  - Quasi cross-border issuers are all under “having cross-border operations”.

Reasons	Issuers
Having cross-border operations	KNM, Nexus, GLP, Hanwha
Achieving the amount or tenor which is hard to be achieved from domestic markets	Kolao, Protelindo, ASF, Yoma
Reducing the funding costs	Noble, CEG

V. Summary

V. Summary
Overall

- Financial institutions are the most active issuers of cross-border bonds in ASEAN+3 region since their local branches can issue bonds locally or they look for the currency which can reduce their funding cost after swap.

- For non-financial institutions, key factors affecting the issuance of cross-border bonds in ASEAN+3 are:
  - Business operations in ASEAN+3. If companies have subsidiaries or operations in other ASEAN+3 region, they are more likely to issue.
  - Convertibility and cost of currency. JPY and SGD are widely used for cross-border bond issuances as they are easily converted to other currencies and are low interest rate currencies.

- USD remains as the most common currency used for outbound bonds in ASEAN+3, which is possibly because of its high tradability and familiarity with foreign investors.

- Regulations do not really restrict the issuance of cross-border bonds; in fact, they recognize the importance of cross-border bonds and only meant to provide limits to protect their domestic economies.

V. Summary
Inbound (1)

- The activeness of inbound is more dependent on the currency's convertibility than the development of corporate bond market.
  - Japan and Singapore are the only countries where foreign issuers are actively participating in their local currency bond markets.
  - Although Korea, Malaysia and Thailand have developed corporate bond markets in the region, they are not widely used by foreign issuers for their funding.
  - CNH is much more widely used than CNY by foreign issuers due to its merit on the convertibility.

- Regulations are not generally obstacles for inbound bonds.
  - Different degree of foreign issuers' participations is not attributed to different degree of regulations among the countries.
  - Inactiveness of issuance of cross-border bonds is simply because there is no strong demand on the currency from the foreigners' perspective.

V. Summary
Inbound (2)

- Malaysia and Thailand have distinct characteristics for inbound bonds although cross-border bonds denominated in MYR and THB are not so much observed.
  - Foreign issuers issue MYR sukuk in Malaysia because it is the biggest market for sukuk.
  - Thailand is the market where companies from Thai's neighboring countries like Lao PDR tap for their bond issuances as THB is partially used in those countries.

- Inbound sustainable bonds are rare in the region.
  - Sustainable bonds issuances have been growing in ASEAN+3 but they are mostly issued in their own local currencies or USD.
  - Only some inbound sustainable bonds have been issued in ASEAN+3.

V. Summary
Outbound (1)

- Domestic bond market size is negatively correlated with reliance on outbound bonds.
  - China, Korea, Malaysia and Thailand have relatively large domestic corporate bond markets among ASEAN+3, which exhibit relatively low "outbound bonds to total bonds" ratios compared to other countries in the region.

- Offshore LCY bonds are not the active option for external funds except China.
  - Komodo bonds (offshore IDR bonds issued by Indonesia SOEs) issuances have been inactive since 2018. Offshore LCY bonds (settled in USD) issued by the entities from ASEAN+3 are rare.
  - CNH bonds, offshore CNY bonds, are called dim sum bonds which are different from other offshore LCY bonds because Dim Sum bonds are mostly settled in CNH, not USD.
  - Dim sum bonds are popular not only for Chinese issuers who want to raise external funds but also for non-Chinese issuers.

V. Summary
Outbound (2)

- USD is the most widely used foreign currency for outbound bonds.
  - USD occupies 60% to 95% of FCY bonds from the countries in ASEAN+3 except Lao PDR where THB is the most widely used.
  - Dominance of USD is higher than 90% in Indonesia, Philippines and Vietnam.
  - JPY and CNY are the most widely used among ASEAN+3 currencies.

- USD is also the most widely used foreign currency for sustainable bonds issued by ASEAN+3
  - EUR and AUD follow USD in terms of number of sustainable bonds issued by ASEAN+3.
  - Among ASEAN+3 currencies, JPY is the most widely used, followed by CNY, HKD and PHP.

V. Summary
By country (1)

Description of Cross-Border Bonds		
Local Market	**Inbound Bonds**	**Outbound Bonds**
Indonesia	• As of 2022, only financial institutions issue IDR bonds in Indonesia. Japanese companies are the most active issuer of inbound bonds in the country.	• In 2018, Komodo bonds – offshore IDR bonds – were introduced in the market. These bonds are issued by Indonesian state-owned enterprises (SOEs) for infrastructure projects.
Malaysia	• Inbound bonds of Malaysia are sukuk issuances of companies from other ASEAN+3 and the Middle East.	• Outbound bond ratio is relatively low in ASEAN, which means that Malaysian companies rely on offshore bond market less than those from peer countries when they consider bond issuance. • Among FCY bonds, USD occupies 65%, the second lowest next to Singapore, which implies that Malaysia companies consider non-USD FCYs more than those of peer countries.
Philippines	• Inbound bonds are not common in the country. There are no issuances from companies in ASEAN+3 region.	• USD occupies 95% of FCY bonds, one of the highest among ASEAN+3. • Out of 6 JPY bonds issued so far, three were issued by PSALM and had guarantees from ADB and the Philippine government.

V. Summary
By country (2)

Description of Cross-Border Bonds		
Local Market	**Inbound Bonds**	**Outbound Bonds**
Singapore	• In ASEAN, Singapore's market is very active for inbound bonds. Among bonds issued by non-financial institutions, unrated bonds seem to be more common than rated bonds.	• Occupancy of USD among FCYs is 60%, the lowest in ASEAN+3. Aside from USD, JPY, HKD and CNY are currencies widely used by Singaporean companies when issuing FCY bonds. • While MYR doesn't significantly occupy FCY bonds in Singapore, Singapore is the highest in MYR inbound bonds among ASEAN+3 due to two companies' MYR sukuk issuances.
Thailand	• Introduced in 2017, "Baht bonds" are THB bonds issued by foreign institutions in the local market of Thailand. These are introduced in the market to encourage non-resident issuers to participate in the Thai bond market. • Laotian issuers dominate the inbound bonds of Thailand, possibly due to the proximity, familiarity, and cultural affinity between 2 countries.	• Outbound bond ratio is relatively low in ASEAN, which means that Thai companies rely on offshore bond market less than those from peer countries when they consider bond issuance. • Issuances of JPY bonds had been observed until 2012 but have become rare after then.
Viet Nam	• No inbound bond has been issued in Viet Nam.	• USD dominates the currency of outbound bonds in Viet Nam, with only one bond issued in offshore VND.

V. Summary
By country (3)

Description of Cross-Border Bonds		
Local Market	**Inbound Bonds**	**Outbound Bonds**
China	• Dim sum bonds are much more active than panda bonds for foreign issuers. While dim sum bonds are mostly issued by financial entities, panda bonds are significantly issued by non-financial entities. • Singaporean companies are the most active in issuing CNY-denominated bonds.	• China shows the lowest outbound bond ratio in ASEAN+3. FCY bonds occupy only 3% of the bonds issued by Chinese companies. • Aside from USD, JPY and SGD are the most common currency of outbound bonds. • Dim sum bonds issued by Chinese entities are also outbound bonds as they are targeted to be invested by foreign investors. Financial entities are the main issuers.
Japan	• Of the countries in ASEAN+3, Japan has the most open environment for foreign issuers in the local bond market, together with Singapore. • Korean companies are the most active in issuing bonds in Japan. Especially they were very active from 2007 to 2009.	• Aside from USD, Japanese companies issued offshore CNY bonds. • While SGD and IDR are the next frequent currencies after USD and CNY, their issuances were certificates of deposits.
Korea	• Although there is a specific name, Arirang bond, for KRW inbound bonds, it is rare to see KRW bonds issued by foreign entities.	• JPY is the most widely used FCY for outbound bonds of Korean companies, next to USD. • HKD, SGD and CNY bonds were more issued than MYR and THB bonds whose issuances were concentrated from 2008 to 2013.

V. Summary
ABMF, ACMF and CGIF

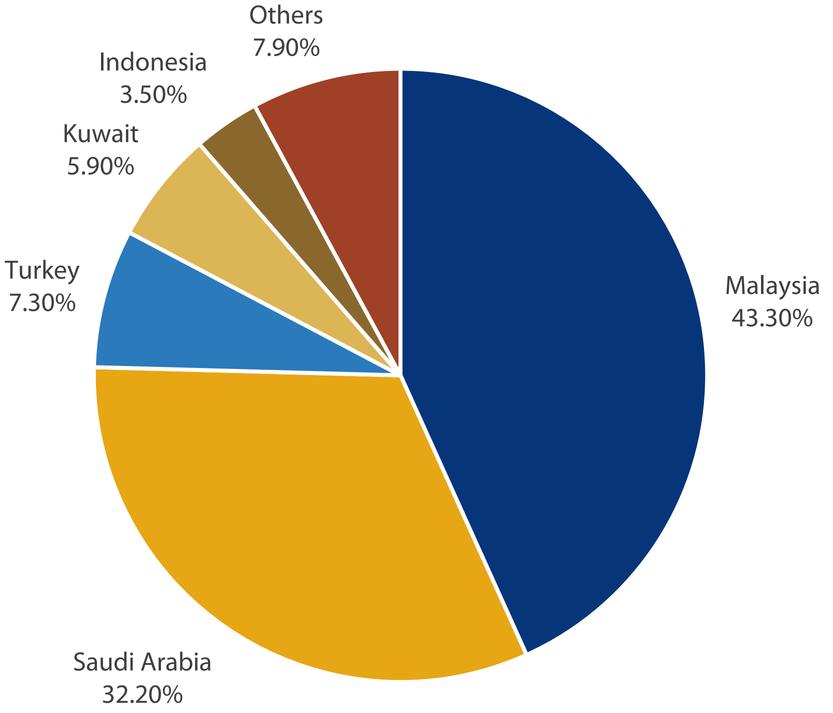
- Cross-border bond issuances within ASEAN+3 are promoted by regional initiatives.
  - AMBIF facilitates regional cross-border bond issuances by way of utilizing a common document for submission and highlighting transparent issuance procedures.
  - ACMF is aimed to enhance and facilitate better pan-ASEAN connectivity to realize the growing potential of its capital market

- CGIF has been promoting regional cross-border bond issuances.
  - One of the difficulties in issuing bonds offshore is the unfamiliarity of the issuer in the foreign market, which can be overcome with CGIF guarantee.
  - 10 cross-border issuances (14 if quasi cross-border bonds are included) have been supported by CGIF to date.
  - There has been a growth in regional cross-border issuances which have both AMBIF and CGIF guarantee.

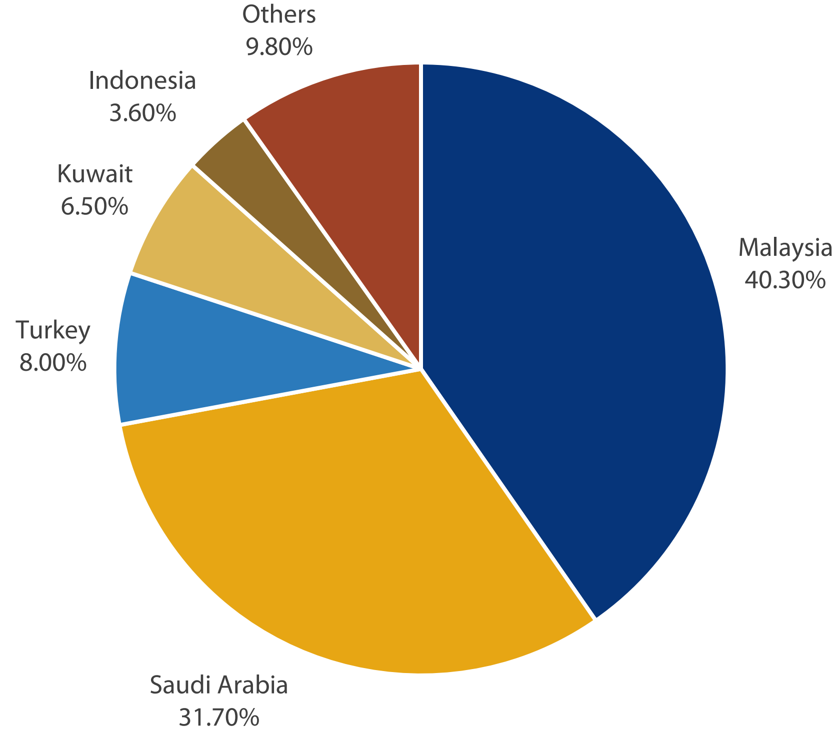
Appendices

- In 2022, Malaysia ranked as the top sukuk market in terms of the total outstanding sukuk globally as well as in terms of the total annual issuance value.

New Bond Issuances in Global Sukuk Market by Domicile, 2022



Total Outstanding Sukuk in Global Sukuk Market by Domicile, 2022



Source: Bank Negara Malaysia; Malaysia International Islamic Financial Center

Appendix 2

- Indonesian bond issuers tend to look into the offshore market for longer and bigger funding, instead of tapping its domestic market.

Historical Corporate Bond Issuances of Indonesian Corporates, in issuance currency

Year	IDR		FCY	
	Average Issue Size (in USD millions)	Average Tenor (in years)	Average Issue Size (in USD millions)	Average Tenor (in years)
2018	36.99	4.60	547.98	11.14
2019	36.03	4.98	532.45	11.17
2020	34.06	5.34	423.91	10.94
2021	33.73	5.40	593.39	12.46
2022	33.06	5.39	608.18	12.33

Source: Bloomberg; Author's Calculations

Appendix 3

- Foreign Exchange Policy (FEP) Notice 2 in Malaysia provided this guideline for resident entities in borrowing foreign currencies.
  - For business entities, resident entities refer to a corporate incorporated or established, or registered with or approved by any authority, in Malaysia; or an unincorporated body registered with or approved by any authority in Malaysia.

Guidelines on Borrowing in Foreign Currency among Malaysian Resident Corporates under the Foreign Exchange Policy Notice 2

Resident Entity is allowed to borrow in foreign currency in any amount from the following:	• A licensed onshore bank • An entity within the Resident Entity's group or from the Resident Entity's Direct Shareholder except for an Entity which is a non-resident financial institution, or a non-resident special purpose vehicle used to obtain borrowing from any person outside the Resident Entity's group. • Issuance of foreign currency corporate bond or sukuk to another Resident.
Resident Entity is allowed to borrow in foreign currency up to MYR100 million equivalent in aggregate* from the following:	• A non-resident outside the Resident Entity's Group • A non-resident financial institution • A non-resident special purpose vehicle used to obtain borrowing from any person outside the Resident Entity's group.

Source: Bank Negara Malaysia Foreign Policy Notes
https://www.bnm.gov.my/documents/20124/60360/Foreign+Exchange+Notices_Consolidated.pdf

Disclaimer

Thank You!

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