

EMEAP Central Banks announce launch of PAIF Securities Lending

The following is issued on behalf of the Hong Kong Monetary Authority:

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) (note 1) announced the launch of securities lending in the Asian Bond Fund (ABF) (note 2) Pan-Asia Bond Index Fund (PAIF) (note 3) today (June 26). With effect from July 10, selected local currency-denominated bonds held within PAIF will be made available for lending in the regional securities lending markets.

The EMEAP has actively led the ABF Initiative to promote efficient financial intermediation in the region. The ABF has played a catalytic role in improving market infrastructure, accelerating tax and regulatory reform to facilitate cross-border investments, and raising investor awareness and interest in Asian bonds. Since the inception of ABF in 2003 (note 4), the size of Asian local currency-denominated bond markets has grown almost eight-fold to exceed US\$10 trillion, providing more funding and investment instruments in local currencies.

The launch of PAIF Securities Lending represents another milestone in the ABF Initiative. The EMEAP believes that PAIF Securities Lending will improve the liquidity of local currency-denominated bonds in the secondary markets, consistent with the EMEAP's common goal to broaden and deepen bond markets in the region. The EMEAP also believes that PAIF Securities Lending will help to enhance the functioning of regional money markets.

The members of EMEAP continue to co-operate on various regional initiatives to develop the regional bond markets and will collaborate with the relevant authorities and market participants to ensure the success of PAIF Securities Lending in both improving the liquidity and enhancing the functioning of regional bond markets. The EMEAP remains committed and unified to lead the ABF Initiative.

For more details regarding PAIF Securities Lending, please refer to www.emeap.org/wp-content/uploads/2018/06/Appendix.pdf.

Note 1: The EMEAP is a group of the following eleven central banks and monetary authorities in the East Asia and Pacific region: Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, Bank of Korea, Bank Negara Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore, and Bank of Thailand.

Note 2: The Asian Bond Fund (ABF) Initiative (emeap.org/index.php/about-emeap) comprises ABF1 and ABF2. ABF1 was closed in 2016 and reinvested to ABF2. ABF2, comprising the Pan-Asia Bond Index Fund (PAIF) and eight single-

market funds, is managed by private-sector fund managers with the Bank for International Settlements as the administrator. It invests in local currency-denominated government and quasi-government bonds in EMEAP economies other than Australia, Japan and New Zealand.

Note 3: PAIF is a component of ABF that invests in local currency-denominated government and quasi-government bonds in EMEAP economies (excluding Australia, Japan and New Zealand). The fund is managed passively.

Note 4: The EMEAP set up the ABF in 2003 as part of central bank co-operation. As a background, development of bond markets in the region had gained momentum, drawing on the lessons from the Asian financial crisis in 1997.