

# EMEAP Central Banks to promote green bond investment through Asian Bond Fund

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

The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) (Note 1) is pleased to announce today (November 5) that the recent project to promote investment in green bonds through the Asian Bond Fund (ABF) (Note 2) has been finalised.

As announced in the previous press statement (Note 3) dated July 12, 2021, the EMEAP ABF Oversight Committee had requested IHS Markit, the index administrator of the iBoxx ABF Index (the Index) to review the rules of the Index to promote the inclusion of green bonds. The review has been completed and IHS Markit has decided to make the following adjustments to the Index. (Note 4)

(1) Setting the definition of green bonds

(i) Bonds that are labelled green by Climate Bonds Initiative (CBI); or

(ii) Bonds that are self-labelled and externally-reviewed as green in alignment with the Green Bond Principles of the International Capital Market Association (ICMA).

(2) Setting a lower minimum outstanding notional threshold for sub-sovereign green bonds issued in different markets.

(3) Changing the sub-sovereign issuer limit to 10 per cent per issuer in each single market index, from the current limit of 5 bonds per issuer.

The new rules will take effect from the index rebalance date of March 31, 2022, on which date all new bonds will be added and the new thresholds for sub-sovereign green bonds become effective. The sub-sovereign bonds that become eligible for index inclusion on March 31, 2022 will be included through monthly rebalancing over six months, each with equal weight (Note 5), in order to facilitate a smooth transition.

The EMEAP believes this initiative will help catalyse further deepening of local currency-denominated bond markets, in particular green bond markets in the region. The EMEAP will continue to explore ways to further contribute to the development of the local currency denominated bond market.

Note 1: The EMEAP is a group of the following 11 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 current ABF initiative was established in 2005 to support the development of local currency-denominated bond markets in the region. The ABF, comprising the Pan-Asia Bond Index Fund (PAIF) and eight single-market funds, tracks the iBoxx ABF Index and is managed passively by private-sector fund managers with the BIS as the administrator. It invests in local currency-denominated bonds in the EMEAP economies other than Japan, Australia and New Zealand.

Note 3: See "New Press Statement – EMEAP Central Banks Agreed to Promote Green Bond Investment through Asian Bond Fund" (July 12, 2021).

Note

4: <https://www.markit.com/NewsInformation/GetLinkedNews/2992021Results-of-the-iBoxx-Asian-Annual-Index-Review-2021?Product=IBoxx>

Note 5: One-sixth of the market value will be included at each of the six rebalances