



# APFF

Asia-Pacific Financial Forum



## Key Messages

# Development of Classic Repo Markets

2015

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### KEY MESSAGES: Development of Classic Repo Markets

The development of liquid, deep, “classic” bond repurchase (repo) markets is critical to the deepening of the region’s capital markets and the real economy. The APFF seeks to drive public-private collaboration in the development of classic repo markets in Asia. This collaboration allows public and private sector stakeholders to share international best practices and develop new lines of communication that may not otherwise exist. As a result, this enables participants to identify and address impediments in legal architectures, improve market infrastructure, standardize market conventions, and provide industry best practices.

Deep and liquid repo markets help deepen capital markets and support the real economy. Specifically, repo markets support the real economy by:

- Increasing liquidity in local currency bond markets;
- Expanding the pool of available finance and improving financial institutions’ ability to meet their financing needs;
- Mitigating the reduction in market liquidity due to regulatory change;
- Allowing the movement of securities across the region;
- Improving investor confidence and participation in local bond markets;
- Reducing funding costs for governments, pension funds, asset managers and other long-term investors;
- Developing market infrastructures that are necessary to serve the real economy; and
- Offering hedging tools which contribute to risk management

There are several policy issues to address in fostering an enabling environment for repo markets. In particular, the necessary conditions to develop cross-border repo markets are: (i) deep bond market liquidity; (ii) sound legal framework that protects creditors’ rights in bankruptcy and insolvency proceedings; (iii) robust investor participation; (iv) neutrality in tax treatment; and (v) efficient and interoperable market infrastructures to support cross-border repo markets.

#### ASIFMA and ICMA Launch Repo Best Practices Guide

In August 2015, the Asia Securities and Financial Markets Association (ASIFMA) and the International Capital Markets Association (ICMA) launched their *ASIFMA-ICMA Guide on Repo in Asia* (available on the [ASIFMA website](#)). The report is divided into two sections: Section I by ASIFMA “Laying the Policy and Regulatory Foundation for Efficient Asian Repo Market Development” and Section II by ASIFMA and ICMA “Best Practices across the Repo Trade Lifecycle”. It takes a comprehensive view of all aspects of repo market development in Asia and addresses three key issues: 1. Why is it important to develop the repo market in Asia? 2. What are the main challenges facing the repo market in Asia? 3. What is best practice in the repo market - and how can it be implemented?

#### Engagement with Regulators and Governments

APFF will also continue to engage with domestic regulators and governments to encourage the further development of classic repo markets and increasing secondary market liquidity in the region. In particular, APFF will provide a platform for holding repo market workshops in interested economies to share the findings of the Repo Best Practices Guide, as well as exchange ideas for local adoption of the best practices and recommendations.

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