Financial Stability Board
Regional Consultative Group for Asia

Report on Promoting Long-term Investment in Asia

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1 A list of Members of the RCG for Asia can be found at http://www.financialstabilityboard.org/wp-content/uploads/rcgasia.pdf

9 October 2015
Promoting Long-term Investment in Asia

Executive Summary

It is an essential factor to facilitate access to finance in order to ensure sustainable economic growth, which is the priority agenda for the Asian region. The Regional Consultative Group for Asia (RCGA) established an informal study group on long-term investment (LTI)\(^1\) to have an intensive discussion on this agenda. The study group conducted surveys to share information on a wide range of efforts to date made by each jurisdiction in order to promote LTI.

The study group has considered LTI from two fields related to bank finance and market-based finance. Banks have promoted their lending through, for example, reviewing loan providing processes, enhancing credit assessment abilities and the development of a database. The public sector also supports the lending activity through direct or indirect contributions such as credit guarantee schemes, establishing specialised financial institutions, setting indicative financing targets for growth oriented economic sectors and so on. Efforts to activate capital markets have, on the other hand, been taken from various perspectives. They include tax exemption schemes for retail investors, establishing new markets for SMEs, and enhancing corporate governance of companies which may need investment. It should be noted that the level of financial sector and market development differs widely in Asian countries, so does their ability to finance long-term investments, given that Asia includes a highly diverse range of countries in terms of income level and population size. In addition to the efforts made by each Asian country, regional initiatives have been taken in order to develop local currency bond markets and facilitate investment in the region’s infrastructure, while challenges remain in the wake of aging populations in some countries.

Given that the Asian financial system is very much bank-centered, the question is whether it should/can be more diversified to allow investment needs to be met through other important channels such as capital market financing. In this regard, this study finds that it may be imperative to achieve a better balance between bank financing and market-based financing, while it is no doubt that banks will remain the key players to discharge their function of facilitating LTI. Furthermore, the development in capital markets would be conditioned on a number of aspects including the different stages of economic development as well as the structure and depth of the financial sector to further consider efforts to promote LTI.

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\(^1\) LTI study group comprises 9 RCGA member authorities, China (People's Bank of China), India (Securities and Exchange Board of India), Indonesia (Bank Indonesia), Japan (Financial Services Agency), Korea (Bank of Korea), Malaysia (Bank Negara Malaysia), Pakistan (State Bank of Pakistan), Philippines (Bangko Sentral ng Pilipinas) and Thailand (Bank of Thailand).
I. Introduction

At the RCGA Cebu meeting in April 2014, the RCGA principals agreed to set up an informal study group to focus on long-term investment (LTI) in the Asian context. On a preliminary basis, the group initiated a survey, aiming at stock-taking of the features of LTI in each jurisdiction, including characteristics of financial instruments, infrastructures and investors. Findings from the initial survey were reported to the RCGA Kyoto meeting in August 2014. In the report, many authorities contributing to this survey identified that bank financing had traditionally been dominant, and recognised the need to further develop the domestic bond market, although differences in financial market development were found. The report also suggested that possible future work would be undertaken based on a clearer definition of LTI in order to minimise the interpretation gap among members.

To further deepen members’ understanding on LTI in the Asian context, the second survey was launched in December 2014 with the intention to share information on a wide range of efforts to date made by each jurisdiction in order to promote LTI.

Reflecting the results of the previous survey, the second survey consists of three sections, namely, facilitating banking loans, activating capital markets, and regional initiatives. It included an indicative definition of LTI quoting the FSB survey on financial regulatory factors affecting the supply of LTI finance. In addition, most of the members indicated that they regard financing to small to medium-sized enterprises (SMEs) as LTI in their responses to the questionnaire.

The results of the second survey were presented at the RCGA Bohol meeting held in March 2015. At the meeting, members agreed to request the study group to further enhance the report so that it could be sent to the FSB Plenary in September.

The study group conducted an additional survey to gather more detailed information on the efforts which could be considered as good practices in their jurisdiction. A set of good practices raised are provided in Annex 1 with quantitative information on their outcomes where available.

This report summarises the above work done by the study group members and inputs from RCGA members, and draws possible implications for future work.

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2 The definition used in the FSB survey is “For the purpose of the survey, long-term investment was defined as investments in productive activities that support growth with a maturity equal to or longer than five years. Examples include investments in infrastructure, long-term projects and corporate facilities” http://www.financialstabilityboard.org/wp-content/uploads/r_140916.pdf

3 One member used the term MSMEs (micro, small and medium enterprises) instead of SMEs.
II. Facilitating financing by banking sector

It is an essential channel to facilitate access to finance in order to ensure sustainable economic growth, which is the priority agenda for the Asian region. In particular, bank lending continues to play an important role in the Asian region with a bank-dominant financial system as found out in the group’s first survey. Members have made various efforts to further promote bank lending, and these efforts are classified into two categories, namely, efforts by both the private and public sectors.

i. Efforts by the banking sector

Broadly speaking, individual banks are taking two approaches: (i) reviewing their loan-providing processes and enhancing their credit assessment abilities, and (ii) widening channels to provide loans and promote financial inclusion.

With regard to the approach (i), one member of LTI group mentioned that banks are improving their risk management and product development capabilities by enhancing the risk profile of borrowers. Another member mentioned that banks are coordinating with external experts such as companies, universities or research institutes which have expertise in the area where the bank is considering new lending avenues. The member also mentioned that banks are asking their retirees to educate young bankers involved in the credit assessment process to improve their assessment abilities.

For approach (ii), several members mentioned that banks are utilising electronic channels and agent banks to broaden their banking services, and one member informed that the government is also supporting this approach by involving telecom companies to partner with banks. Some members responded that offering Islamic financial products and services are one of the sources to enhance financial inclusion.

In addition to individual banks, banking associations are also taking initiatives to promote loans to support economic growth. Several members mentioned that banking associations have operated a database or created a list of examples in order to support banks in searching information and to share good practices and experiences.

With regard to SME financing, various unique efforts were taken in member jurisdictions.
- Several members noted that banks have adopted rating systems for SMEs which not only focus on collateral but also on their potential growth, financial assessment, and capacity to make repayments in the future.
- Other members noted that banks, mainly regional banks, are providing necessary education to SMEs through advisory services or skill development trainings on how to be a potential borrower.
- One member noted that metropolitan banks are also putting efforts towards financing
to SMEs located in the provincial area by expanding the powers of local branch managers.

- One member mentioned that they have been promoting the use of electronically recorded monetary claims, which expand collateral for SMEs, by holding a seminar.

ii. Efforts by the public sector

The government initiatives to foster increased financing by encouraging bank lending are also a critical element to pursue economic growth.

- Several members referred to Public-Private-Partnership (PPP) as a means to promote banking loans to support infrastructure projects.
- One member mentioned that they established a PPP to improve operations in the infrastructure market and, meanwhile, the establishment of an infrastructure-prioritising body is under discussion. The body is expected to produce a list of prioritised infrastructure projects to provide guidance for the banking sector, and a law related to land acquisition was revised to facilitate the infrastructure project.
- Those members who already have a PPP scheme in their jurisdiction, on the other hand, adopted a relaxation of the single borrower limit to accommodate infrastructure and development projects under the PPP.

The public sector, including supervisory authorities, central banks, local governments, and public financial institutions, has also made various efforts to facilitate SME lending.

- Many members referred to efforts to establish or enhance a credit guarantee scheme or credit information gathering scheme for SMEs. Some members introduced a credit guarantee scheme which could directly provide financial support to SMEs by central banks.
- Some members mentioned that they have established specialised financial institutions which provide credit via direct lending to targeted sectors such as SMEs, agriculture, and infrastructure. With necessary government support, these institutions contribute to provide long-term financing to growing sectors as above.
- Several members have taken legal approaches to promote long-term loans and loans to SMEs. In one member jurisdiction, providing a certain amount of credit accommodation to SMEs is a legal obligation.
- In one member jurisdiction, legislation was enacted to accept non-traditional collateral to facilitate lending by banks.
iii. **Efforts to facilitate loans from a cross-border perspective**

To ensure enough funding to maintain sustainable growth in the region, financing from overseas may also play a critical role. Both banking and public sectors have taken initiatives to promote cross-border banking activities.

- Some members mentioned that they relaxed the entry barriers for the foreign banks and strengthened partnerships with foreign financial institutions.
- In addition to the efforts to facilitate financing from overseas, some members referred to the efforts to promote overseas expansion of domestic companies by establishing a website or a list of example cases including valuable information for companies considering an option to expand their businesses abroad.

iv. **Impediments and challenges**

Besides all efforts as discussed above, there are some impediments to promoting further long-term loans by the banking sector.

- One member mentions that financing to SMEs by banks is still limited due to the perception that the SME sector is risky, costly and difficult to serve.
- Another member notes that the areas where long-term financing is needed, for example, growing industries like green technology and bio-technology are often emerging industries and thus information is limited and seems unfamiliar to banks.

III. **Activating Capital Markets**

As Asian countries have banking-centered financial systems, alternatives to bank lending should be developed in order to ensure stable and smooth long-term financing in the region. The study group members have been taking initiatives to activate capital markets in various ways, including measures related to taxation systems, disclosure requirements, corporate governance, and sometimes in the form of technical assistance. In the group’s second survey, members shared their efforts from four aspects, namely, (i) activating investors, (iii) activating capital markets, (iii) enhancing the attractiveness of companies as an investment target and (iv) enhancing cross-border investment.

i. **Efforts to activate investors**

(a) **Efforts related to institutional investors**:
- One member mentioned that they have made efforts to develop domestic institutional investors such as pension funds and provident funds.
- Other members, who already have those funds as key investors in their market, mentioned that they have revised rules to review the portfolio of the funds to allow more active investments which can contribute to ensure long-term growth.
- Another member noted that they have issued guidelines and measures to support the development of the institutional investors in their jurisdiction, by introducing a registration system and modifying the regulatory framework.
- One member mentioned that the pension-related fund in their jurisdiction has launched an infrastructure investment programme in cooperation with a development bank and a foreign provident fund.

(b) Efforts related to retail investors:
- One member mentioned that they have issued a rule which allows a wide range of retail investors to have access to the stock markets.
- Several members referred to the tax exemption scheme to activate investors.
- One member established a new tax exemption scheme which allows institutional investors to make their investment without tax imposition to dividends and capital gains from certain instruments up to certain amount.
- Another member encourages the long-term holding of listed stocks by introducing a tax preference, namely, the longer one holds the stock, the lower the income tax rate is.
- In relation to this, another member also referred to its taxation system which provides a tax preference to corporate tax payers investing in certain industries with high priority or high potential growth to activate capital markets in its jurisdiction.

(c) Efforts to enhance financial literacy:
- One member mentioned that it has issued investor guides and is working on formulating comprehensive investor guides which will provide all basic and relevant information that investors may need.
- One member expands channels of communication in response to changing lifestyles of investors, for example, by using TV programmes, magazines, and mobile applications.
- Another member launched a nation-wide movement to improve society’s literacy regarding capital market so that more people in the middle class participate in investment.
- Some members responded that creating more varieties of financial products, including infrastructure funds and REITs (real estate and infrastructure investment trusts) would also contribute to activate investors and promote long-term financing.
(c) **Efforts at Administrative Level:**
- Efforts to intensify the information necessary for effective investment were also made by some members.
- One member established a single office that has the authority to do complete licensing and non-licensing procedures which were once divided up among related authorities.
- Another member established a website which enables investors to compare mutual funds in the market in one place.

ii. **Efforts to activate capital markets**
- Several members referred to the strengthening of the relevant financial infrastructure, such as information system infrastructure and an electronic trading platform.
- In addition, one member mentioned that it has promoted market-based Mergers and Acquisitions (M&As) by simplifying or exempting the approval process of the M&As in order to invite large market players to make more investment in the market.
- Another member noted that they have made efforts to increase the efficiency of primary market, to enhance the flexibility for issuers raising capital and to encourage participation of retail investors in the primary market. For example, they introduced electronic systems in the process of voting and in application forms etc., and reviewed relevant criteria and requirements to facilitate public offering. The member also encouraged investment by retail investors by setting a minimum allotment in public issuance.
- Many members also made efforts to involve more SMEs in the market, including the establishment of a specialised capital market for start-up SMEs, and easing of the listing process in the capital market for SMEs.
- Some members responded that they have established new markets with fewer entry requirements for SMEs compared to other major markets. Some members reviewed their stock issuing system, relevant disclosure requirement and taxation scheme to reduce burdens and to eliminate duplication in order to support the listing and issuing of stocks by SMEs.
- Several members answered that they have been promoting the use of equity crowdfunding by drafting or revising relevant legislation to help emerging and growing companies' find investors via the internet.
- Some efforts focused on regional development. One member noted that it has cooperated with the regional government and the chamber of commerce to promote investment activity, trade and financing in order to enhance regional competitiveness and to accelerate regional development. Another member mentioned that they are developing a legal framework for issuance and listing of non-convertible debt
securities by municipalities in order to provide finance to urban infrastructure which will support increasing urban population.

iii. **Efforts to enhance companies’ attractiveness as an investment target**
- Some members mentioned that they are enhancing corporate governance, for example, by establishing a task force to discuss the related issues, by drafting a corporate governance code in cooperation with the stock exchange to encourage companies’ initiatives to attain sustainable growth and by revising equity listing agreements with respect to corporate governance norms for listed companies.
- One member referred to the efforts to support SMEs, consisting of a framework that recommends the government and public agencies provide SMEs with at least a certain proportion of their R&D budgets.
- In addition to the efforts led by government authorities, a stock exchange also contributes to enhance companies’ attractiveness. A stock exchange in a member jurisdiction has introduced a new stock index which is comprised of stocks issued by companies recognised as attractive. These companies are selected based on certain standards focusing on some elements such as profitability, total asset value, ROE and existence of disclosure in English.

iv. **Efforts to activate investments through capital markets from a cross-border perspective**
- One member noted that they have facilitated the investment by the foreign institutional investors by qualifying them and providing exemption from the income tax on equity exchange.
- Another member has eased restrictions on equity investment by public financial institutions in their jurisdiction so that banks could make equity investments in overseas infrastructure projects.
- Some members cooperate with and give technical assistance to neighbouring countries in capacity building by sharing knowledge and experiences among regulators and by providing a fellowship program.
- Some members referred to the ASEAN regional initiatives as cross-border efforts. (This will be described in more detail in session V.)

v. **Impediments and challenges**

Members identified several impediments to activate capital markets.

- One member mentioned that their economy is bank-based and financial needs are
primarily satisfied by banks, thus the capital market has not yet evolved to a satisfactory extent.
- Another impediment relates to creation of the diversified financial products to attract more investors. One member noted that it is a challenge to develop the necessary infrastructure to facilitate trading of those new products and appropriately manage potential risks that may be brought from these new products.
- Although many members have encouraged companies, including SMEs, to undertake new listings, one member mentioned that companies in their jurisdictions have mostly concentrated ownership structures (family owned business) and thus these companies are reluctant to share their business with the public at large.
- As for cross-border efforts, one member noted that behind the efforts to promote investment by foreign investors, market players beyond the reach of national authorities may bring vulnerabilities to the domestic market.

IV. Good practices to promote LTI in Asia

This section is the response to the request from the RCGA members in Bohol meeting in March 2015 to provide good practices in LTI of each jurisdiction. The good practices would provide toolkits for wide range of countries, assisting them in developing policy measures to promote LTI.

Eleven efforts are reported as good practices by six RCGA members (India, Indonesia, Japan, Pakistan, Philippines and Thailand) with the narrative reason and quantitative data for the achieved outcomes in case available (Details of these “Good Practices” are provided in Annex 1). A number of these efforts are, however, still at an early stage of implementation, and therefore, the expected future demands for funding through banks or capital markets are used as an indicator to measure its outcome provided that the particular efforts are expected to successfully contribute to promoting LTI in the near future.

i. Good practices in banking sector

Four out of eleven good practices are reported as efforts to facilitate financing by banking sector. While all of these efforts are similarly classified into efforts made by the public sector to facilitate financing to banks, the approach varies with each other. In two jurisdictions where the banking sector grows rapidly or starts to grow, progress has been made in financial inclusion, as shown in the number of banking accounts and the size of gross financing. Governments, in particular, central banks have played an important role in strengthening payment system infrastructure, or improving public perceptions of the
specific banking model. The remaining two cases show government initiatives to promote banking finance by regulatory relaxation and credit guarantee schemes. The regulatory relaxation leading to more bank lending is evaluated as a cornerstone strategy to accelerate a country’s infrastructure development, and credit guarantee schemes also show positive outcomes as the outstanding amount of lending shows a progressive increase.

ii. **Good practices in market-based finance**

The study group members have made efforts in the field of market-based finance, and these efforts can be categorised into four aspects as shown in section III. Five among seven individual efforts selected as good practices intend to activate investors. These are further classified by (i) setting up investment vehicles, (ii) incentivising investors by tax exemption and alternative investment opportunity, and (iii) enhancing financial literacy.

(i) While no quantitative data is available for the moment, the introduction of REITs and the creation of a retirement fund as investment vehicles are expected to encourage investors to mobilise their savings.

(ii) Tax exemptions for dividends and capital gains derived from small investment in listed stocks and investment funds has been successful in attracting individual investors as the number of relevant accounts and amounts shows. The newly introduced municipal bonds would be an alternative investment opportunity, and it is expected to be attractive for conservative investor.

(iii) The Project to create awareness and understanding about capital market has been successfully carried out, and many participants of the Project were approved to launch IPOs.

V. **Regional Initiatives**

i. **Diversity in Asia**

Asia includes a highly diverse range of countries in terms of income level, population size and density, and natural resource endowments (and resulting structural positions in the balance of payments). The level of financial sector and market development accordingly differs widely among them, so does their ability to finance long-term investments. It should, therefore, be useful to understand the level and features of the financial sector development of different categories of countries.

With respect to income levels, following the classification by the World Bank, Asian countries can be categorised into Low Income Country (LIC), Lower Middle
Income Country (L-MIC), Upper Middle Income Country (U-MIC), and High Income Country (HIC).Governments of LICs tend to have good access to concessional resources from multilateral and bilateral sources and tend to focus on full utilisation of those long-term resources before mobilising domestic commercial and/or market-based finances which are more costly. This situation leads to a lack of domestic government debt market, underdevelopment of the financial sector and dollarisation of the economy. The financial sector tends to rely almost entirely on banks, while the banking system itself is in an early stage of development. Stock markets are often established at this stage but remain symbolic, while bond markets are practically nonexistent due to the lack of government bond benchmarks.

L-MICs are increasingly or fully faced with market-based pricing of finances even when they access multilateral or bilateral sources and are, therefore, motivated to diversify financial sources by developing their domestic financial sector and market. The government starts developing domestic government debt market, and the banking sector tends to grow rapidly at this stage (particularly in countries with young populations, i.e., a demographic dividend). However, contractual savings and institutional investors as well as capital markets tend to lag behind. In particular, countries with young population are often not motivated to strengthen their social security and pension systems (e.g., by introducing funded or defined contribution schemes) since they do not face sustainability challenges.

U-MICs tend to have a well-developed banking system with growing contractual savings and institutional investors and capital markets. The financial sector is increasingly diversified and deepened. To catch up with HIC by overcoming “middle income traps,” countries need to promote innovation by developing venture capital. They also tend to be faced with a challenge of developing a market for derivatives including OTC derivatives.

HICs tend to have a well-developed and sophisticated financial sector and market with a deep and diverse investor base. They often have a capacity to provide risk capital to support innovation and a well-functioning derivatives market for risk management.

Specific economies may not squarely fit into the generic descriptions of LIC, L-MIC, U-MIC or HIC. Nevertheless, the generic descriptions highlight some difference in the economies’ ability to finance LTI. The ability may be best reflected in the level of development of the institutional investor base and capital markets. Aside from LICs, L-MICs still lack depth and diversity in their institutional investor base and capital markets, and rely heavily on banks’ short-term financing. Only when countries grow to

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4 Defined in 2013 per capita gross national income (GNI), LICs < $1,045 < L-MIC < $4,125 < U-MIC < $12,745 < HIC.

Member economies of the LTI study group (and FSB RCGA) can be categorized as follows:

LIC: (Cambodia)
L-MIC: Indonesia, Pakistan, Philippines (and India, Sri Lanka, Vietnam)
U-MIC: China, Malaysia, Thailand
HIC: Japan, Korea (and Australia, Hong Kong SAR, New Zealand, Singapore)
reach the stage of U-MICs do they develop a significant investor base and capital and bond markets. This also means that L-MICs could face a serious challenge in financing LTI if they adopt stringent prudential standards to limit banks’ ability to generate long-term finance and/or do term transformation.

In many countries in the region, certain state-owned banks (e.g., national development banks) raise long-term finance by actively issuing bonds and play a key role in financing LTI. If their status as “public sector entity (PSE)” under the definition by the Basel Committee facilitates investment in their bonds, such an approach may help bridge a long-term funding gap when the investor base is still limited. But then, the government should develop a sound public debt management capacity capturing contingent liabilities arising from PSEs. The government should also ensure that PSEs themselves have a prudent financial management capability.

ii. Efforts to promote LTI in regional level

Multilateral development banks (MDBs) such as the Asian Development Bank (ADB) and the World Bank and bilateral development agencies contribute to financing LTI in developing countries in the region. For example, ADB’s annual lending ranged from $16 billion to $19 billion in 2011-2014, which is all for long-term. Financing of infrastructure amounts to over 80% of the total. While it is still a tiny amount relative to an estimated infrastructure investment requirement of $800 billion a year in the region, the Asian Development Fund by ADB and the International Development Association through the World Bank, which both ranges from 20% to 30% of their respective annual lending volume, and other concessional resources provided by bilaterals are key to financing LTI in LICs.

MDBs also play a catalytic role in mobilising finances for infrastructure. For example, ADB’s guarantee operations cannot only enable otherwise difficult commercial finances but also lengthen the maturity of the finances. Greenfield investment in infrastructure tends to involve high risk in the initial construction phase, and ADB’s partial credit guarantee for the initial phase enables commercial lenders or investors to provide long-term finances. As such, ADB’s guarantee operations have historically been used more actively as non-sovereign operations.

MDBs’ guarantees can also be provided against a sovereign counter-guarantee especially when the sovereign risk itself is below investment grade. For example, ADB can provide a guarantee for initial payments by a state-owned power company guaranteed by the government to purchase power generated by a private independent power producer.

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6 LICs and some L-MICs which rely on concessional resources from multilaterals and bilaterals typically bear a sovereign credit rating below investment grade.
(IPP). With such an arrangement, the IPP company can obtain commercial long-term credits to finance the investment in constructing the IPP, while ADB’s risk exposure is limited to the sovereign risk which is at least lower than project risk.

L-MICs need to put effort into developing their domestic financial sector and markets to mobilise financial resources as their access to concessional resources diminishes especially in relation to their growing need for LTI. ADB aims to help them develop their capital and bond markets. In fact, one of key considerations in financing a growing need of infrastructure is currency risk. Because LTI in infrastructure usually generates returns only in local currency, it is best to finance it in local currency to avoid currency mismatches, which significantly contributed to causing the Asian financial crisis in 1997. Against that background, ADB has been trying to support its developing member countries to develop their local currency bond markets.

At the regional level, ASEAN+3 has been implementing the Asian Bond Market Initiative (ABMI), and ADB has been supporting it since its inception in 2003. ABMI promotes the development and integration of local currency bond markets among ASEAN+3. Its Task Force 1 has established the Credit Guarantee and Investment Facility (CGIF) which enables issuance of bonds by marginal issuers, cross-border issuance by corporates which are constrained by sovereign credit ceiling, and help lengthen the maturity of bonds to be issued. Task Force 3 and ASEAN+3 Bond Market Forum (ABMF) established under it is now developing ASEAN+3 Multicurrency Bond Issuance Framework (AMBIF) while promoting harmonisation of bond transaction standards for messaging and securities numbering. Task Force 4 is pursuing the development of settlement infrastructure for cross-border bond transactions by linking up national central securities depositories and central bank real time gross settlement systems.

ADB also joined hands with ASEAN to establish the ASEAN Infrastructure Fund (AIF) which supports ASEAN’s Master Plan on Connectivity. It aims to facilitate investment of excess international reserves in the region’s infrastructure which are currently invested in assets denominated in non-regional currencies outside the region.

iii. Impediments and challenges

In promoting local currency bond markets, a common challenge in the region is to further develop the investor base. HICs and some U-MICs are faced with ageing populations, which calls for a reform of their pay-as-you-go (PAYG) social security systems and a shift to funded (or defined contribution) pension schemes. The countries’ effort to do so is partly reflected in their more developed institutional investor base. On the other hand, young L-MICs and U-MICs have not made a sufficient effort to develop funded pension schemes as they are not faced with a sustainability challenge of their public PAYG systems. As a result, the region’s pension funds are significantly smaller
than those of Latin America and tiny as compared to those of OECD countries even in terms of relative scale to the underlying GDP. Latin America strategically tried to develop pension funds as long-term investors in addition to their role as a provider of old age financial security. Asia as a fast growing region with growing LTI needs may benefit from learning from Latin America’s experience.

VI. Conclusion

The study group has taken stock of the efforts to promote LTI in member jurisdictions, with an indicative definition of LTI, quoting the FSB survey on financial regulatory factors affecting the supply of LTI finance. Addressing the question of the definition of LTI raised in its first survey, it is challenging to find a common and encompassing definition, and the study group prefers focusing on the efforts made by each jurisdiction to promote LTI using a flexible definition, because it is more important to look at how to achieve our goals by way of LTI rather than LTI per se.

The survey shows a wide range of efforts to promote LTI from two aspects, namely, facilitating banking loans and activating capital markets. As bank loans have played a central role for financial intermediation in Asian countries given that the Asian financial system is very much bank-centered, the question is whether we should/can have a more diversified system to allow investment needs to be met such as capital market financing. In this regard, it is important to achieve a better balance between bank finance and market-based finance so as to ensure more stable, effective and efficient financing access, while it is no doubt banks will remain key players to facilitate LTI. This would be also underpinned from the lesson we have learned from the recent crisis that bank lending activities might be impaired due to bank deleveraging under the stressed economic conditions.

The development of capital markets in the context of financing channels, however, would be conditioned on a number of aspects including entire economy as well as financial sector. Therefore, adequate consideration on different stages of economic development in each jurisdiction might be necessary to further consider efforts to promote LTI. It is important to consider how strategic approaches on LTI are designed and implemented in light of the stages of economic development, because this would allow us to share each country’s insights and experiences in a more orderly way.

Ensuring effective channeling of necessary funds to investment needs is critically important to support sustainable growth in Asia which is a leading force of the world economy, while it is challenging tasks to be addressed from various angles. As can be seen in this report, the RCGA and its study group for LTI have served as a platform to share views and information of Asian countries. They could contribute to shed light on
some features specified in Asian region and develop a possible policy toolkit to enhance their LTI capacity. A possible follow-up approach could be focusing on impact of some banking prudential regulation on LTI, while it should be noted that the extensive discussion should also take into account differences in economic conditions which may differ one jurisdiction from another.
Annex 1: Efforts reported as “Good Practices”

Six members (India, Indonesia, Japan, Pakistan, Philippines, and Thailand) provided efforts which had the most positive effect in promoting LTI in their jurisdiction.

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I. Good Practices in Banking Sector

A) Financial Inclusion (Indonesia)

- **Description of the effort:**

  Responding to the need in reaching the unbankable society and enhancing banks capability to finance investment in real sector, Indonesian government together with Bank Indonesia, government agencies and other authorities, in cooperation with private sectors and scholars continuously work together towards promoting financial inclusion.

  The initiative is arranged in 6 pillars: (i) financial education, (ii) public financial facility, (iii) mapping of financial information, (iv) supporting policies/regulations and (v) intermediary facilities and (vi) distribution facilities.

  In broad, the initiative is aimed at: gaining economic efficiency; supporting financial system stability; reducing shadow banking risk and irresponsible financing; promoting financial market deepening; expanding opportunities for banking industry; increasing human development index, maintaining sustainable development and reducing public welfare inequality.

  Since 2010, Bank Indonesia has been striving to support financial inclusion to expand accessibility of financial institution to the whole society, including those reside in rural and remote area thru promoting appropriate servicing model, ease of access and suitable products. BI endeavors to diminish the perception gap between the unbanked societies with banking system. Banks typically perceived the unbanked society as the non-profitable potential market, where as the unbanked society lacked of financial literacy, limited access to banking products and services, demography and geography situation widened the gap.

  Financial Inclusion offers benefits for bank to diversify their liquidity risk by adding fund sourced from previously unbanked society. At the same time it adds options for banks to grant loan to those unbanked society, within the parameter of prudential banking.

  Financial Inclusion develops society’s financial literacy, on how they could better manage their wealth through financial products and services. The appropriate individual financial management will lessen the likelihood of excessive consumptive behavior and probability of default whenever those parties engaged in a loan. In long term it will benefit not only the society but also increases banks efficiency.

  In promoting financial inclusion, Bank Indonesia has been strengthening payment system infrastructure for the possibility of development of branchless banking, increasing public access to banks by development of infrastructure, launching financial education accompanied by the introduction of a specific saving account product (Tabunganku), initially marketed by more than 30 commercial banks and designed for
unbanked people.

- **Reason to be considered as a good practice:**
  
  Financial Inclusion is a long-term program and still ongoing. The expected results in quantitative measures may not be seen in early years of programs. An example of its implementation is to broaden public access to financial services by introducing ‘Tabunganku’. The project has been marketed by 75 commercial banks comprising totally 5.2 million number of accounts in 2013 compared to 3.6 million in 2012 (grew by 43%). In terms of nominal amount it reached IDR10.6 Trillion in 2013 compared to IDR6.7 Trillion in 2012.

  As many other countries have also witness it, banks’ loan growth has been slowing down in the last few years. This phenomenon will adversely impact on reducing banks’ funding to SMEs. However, we hope that, when the economy is rebound, there will be more funding available for SMEs loan growth as the greater public access has been created.

**B) Strengthening of Islamic Banks (Pakistan)**

- **Description of the effort:**
  
  1. **Brief about Islamic Banking in Pakistan**

     The Islamic Banking Institutions (including Islamic Banks (IBs) and Islamic Banking Divisions (IBDs) of conventional banks) in Pakistan are currently spread across 80 districts of the country constituting nearly 10 percent share in overall banking industry with 19 banking institutions offering Shariah (Islamic law) compliant products and services. Islamic banking has seen exceptional growth in last few years and part of it might have resulted from switching of conventional banks to Islamic banks. The spectrum of Islamic financing is broad in scope covering running finance, fixed investment (more relevant to LTI), trade finance, leasing, etc. The Islamic banking financing is increasing both in terms of share as well as absolute numbers. This is very much in line with the 5-years strategic plan of the Islamic Banking (2014-18), in terms of which assets of Islamic banks will achieve 15 percent share of entire banking asset by year end 2018.

     Keeping in view the huge potential of Islamic Banking, State Bank of Pakistan (SBP) has been playing its key role through provisioning of necessary legal, regulatory, and supervisory infrastructure and awareness & capacity building initiatives.

  2. **Performance during CY14***

     The Islamic banking industry (IBI) continued to grow during Calendar Year
(CY)14 as its asset base reached Rs. 1,259 billion by end December 2014 depicting an increase of 24.2 percent compared to previous year (see Table 1). Deposits of IBI crossed Rs 1 trillion mark for the first time to reach Rs. 1,070 billion registering YoY growth of 23.3 percent. The market share of both Islamic banking assets and deposits in overall banking industry reached double digits by end December 2014 at 10.4 percent and 11.6 percent respectively. In terms of profitability, during CY14, profit before tax of the Islamic banking industry increased by around Rs. 15 billion; around 50 percent more than Rs.9.4 billion over CY13. Similarly other earning indicators improved accordingly such as Return on Assets (ROA) and Return on Equity (RoE) both witnessed improvement and reached at 1.2 percent and 16.5 percent respectively as of end December 2014 compared to 0.9 percent and 12.0 percent respectively as of end December 2013.

(i) IBI Network Expansion

With the addition of 270 new branches (growth: 20.7 percent) during CY14, overall branch network of IBIs reached at 1,574 as of end December 2014 compared to 1,304 branches as of end December 2013. Most of new branches (151) were added during the last quarter of CY14. The branch expansion in the Islamic banking is in line with the overall growth trajectory of the sector. Along with IBs branch network, IBDs of conventional banks also increased during CY14 which supported the overall branch expansion. Geographically, the expansion was broad based as these additional branches were established in all the four provinces of Punjab, Sindh, Khyber Pakhtoonkhwa (KPK), and Baluchistan (see Table 2).

<table>
<thead>
<tr>
<th>Province</th>
<th>Additional Number during CY14</th>
<th>Total Number as of end Dec, 2014</th>
<th>Share (percent) as of end Dec, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>159</td>
<td>728</td>
<td>46.3</td>
</tr>
<tr>
<td>Sindh</td>
<td>71</td>
<td>509</td>
<td>32.3</td>
</tr>
<tr>
<td>Khyber Pakhtoonkhwa</td>
<td>18</td>
<td>165</td>
<td>10.5</td>
</tr>
<tr>
<td>Baluchistan</td>
<td>7</td>
<td>62</td>
<td>3.9</td>
</tr>
<tr>
<td>Gilgit Baltistan</td>
<td>0</td>
<td>5</td>
<td>0.3</td>
</tr>
<tr>
<td>FATA</td>
<td>0</td>
<td>4</td>
<td>0.3</td>
</tr>
<tr>
<td>Federal Capital</td>
<td>14</td>
<td>85</td>
<td>5.4</td>
</tr>
<tr>
<td>AJK</td>
<td>1</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>270</strong></td>
<td><strong>1,574</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 2: Province Wise Additional Branches during CY14

Source: Quarterly Unaudited Accounts

*number includes sub-branches
(ii) Financing provided by Islamic Banking

The Islamic banking industry is playing its due role in financial intermediation in the country. The gross financing of Islamic banking grew from Rs 330 billion as of end December 2013 to Rs. 422 billion by end December 2014, reflecting yearly growth of around 28 percent during CY14. Since last quarter of CY is marked with the cyclical peak in production process in most of manufacturing industries in Pakistan, high financing growth in last quarter is usual.

In terms of financing mix, all modes of financing registered increase during the CY14, except Murabaha and Mudaraba (see Table 3). Murabaha and Diminishing Musharaka remained the most concentrated modes collectively contributing nearly 63 percent of overall financing. However, concentration of financing in Murabaha significantly reduced during CY14 to reach 30.1 percent as of end December 2014 from 40.6 percent as of end December 2013. On the other hand, share of Diminishing Musharaka with slight improvement achieved the maximum in the industry.

Since textile is one of the important sectors in Pakistan which generates significant economic activity domestically and also contributes the major part in the exports of Pakistan. Therefore, banks’ financing in Pakistan including Islamic banking is quite

![Table 3: Financing Mix in Islamic Banking](image-url)

![Table 4: Financing Concentration - percent share](image-url)
concentrated in this important sector. The share of Islamic banking financing in textile sector increased from 19.1 percent to 21.1 percent during CY14. Similarly, energy sector, due to high energy need in the country particularly in last few years, has attracted banks’ financing. Consequently, financing share in energy sector rose during last few years and reached at 12.6 percent as of December end, 2014 (see Table 4).

In line with the historical trend, client-wise financing of IBIs remained concentrated in corporate sector, having a share of 76.9 percent followed by consumer financing (11.9 percent) and commodity financing (5.3 percent) (see Table 5). Financing extended by Islamic banking in SMEs and agriculture remained low due to structural issues and risk-averse behavior of banking sector in these segments.

### Table 5: Client Wise Financing Portfolio (Share Percent)

<table>
<thead>
<tr>
<th></th>
<th>Dec-13</th>
<th>Sep-14</th>
<th>Dec-14</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Sector</td>
<td>71.8%</td>
<td>74.8%</td>
<td>76.9%</td>
<td>67.4%</td>
</tr>
<tr>
<td>SMEs</td>
<td>5.1%</td>
<td>3.8%</td>
<td>3.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Consumer Finance</td>
<td>11.6%</td>
<td>13.0%</td>
<td>11.9%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Commodity Financing</td>
<td>9.6%</td>
<td>6.2%</td>
<td>5.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Staff Financing</td>
<td>1.6%</td>
<td>1.9%</td>
<td>1.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Others</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

3. **Challenges**

Despite showing significant growth, Islamic banking industry in Pakistan is still confronted with a number of challenges. Among these issues, limited availability of trained human resource and lack of understanding of prevalent Islamic banking paradigm among general masses are the major impediments in sustainable growth of the industry. To address the issue of awareness, an industry wide media campaign with the support and guidance of SBP has been launched. SBP expects that this mass media campaign will narrow the awareness gap among public at large.

4. **Few Recent Developments**

Following are some of the key initiatives taken for the promotion of Islamic Banking Industry during the review period:

(i) **Issuance of Shariah Governance Framework**

To further strengthen the Shariah compliance environment in Islamic banks, Shariah Governance Framework (SGF) has been issued, which will be effective from 1st October 2014. It explicitly defines the Shariah related roles and responsibilities of all key organs of IBIs including Board of Directors, the executive management, Shariah Boards and internal and external auditors.
(ii) Issuance of Five year Strategic Plan (2014-18)

SBP developed a five year Strategic Plan (2014-18) for the Islamic banking industry in consultation with all key stakeholders which gives a consensus agenda and strategy to take the industry to next level of growth and development. It focuses on improving public perception of Islamic banking as a distinct and viable system capable of catering to the financial services needs of various segments of the society. It envisages intensifying the awareness creation efforts, strengthening consultation mechanism with stakeholders, removing confusion and inconsistencies in legal, regulatory and taxation environment, deepening and broadening of product offerings by Islamic banks, doubling the outreach of Islamic banks during the next five years and increasing the market share to 15 percent of the banking system.

(iii) Knowledge, Attitude and Perception Study

SBP completed a survey based study to estimate demand for Islamic banking in the country. The main objectives of the survey based Project; “Knowledge, Attitude and Practices of Islamic Banking in Pakistan” are (a) quantification of the demand for Islamic Banking and its nature in the country, (b) incidence of Financial Exclusion based on religious beliefs and (c) identification of critical areas requiring financing. The study is based on first hand information collected through survey from both banked (Islamic and conventional) & un-banked sectors of the country. The findings of this study are not only expected to benefit SBP in policy formulation but also be of interest to both incumbent and potential entrants to the market.

(iv) Awareness Creation

To facilitate and catalyze development of sound and stable Islamic banking industry in the country, SBP is actively engaged in various promotional and regulatory initiatives. In this regard, SBP launched a nationwide media campaign in collaboration with the industry to improve Islamic finance literacy. The first phase focused on creating awareness and improving visibility of Islamic banking in the country, while the second phase is focused on improving the understanding of the masses about Islamic banking.

(v) Constitution of Steering Committee for Promotion of Islamic Banking

The Government of Pakistan (GOP) has demonstrated its strong commitment for supporting development of Islamic finance in the country and has constituted a high level Steering Committee for promotion of Islamic banking. The steering committee comprises of renowned Shariah scholars, senior government officials, industry experts and business leaders aiming to
develop proposals and recommendations for transforming the financial system in conformity with Shariah principles.


- **Reason to be considered as a good practice:**
  
  Most of the quantitative data base support has been provided in detailed response of question No. 3 above. The reasons behind considering Islamic Banking in Pakistan as one of the most impressive effort to promote financing (including long term financing) in Pakistan are placed below.

  (i) The history of full-fledged Islamic banking is not very old in Pakistan. The initiative to introduce Islamic Banking in Pakistan was made back in 2001 when the government decided to promote Islamic banking in a gradual manner and as a parallel and compatible system. Meezan Bank Limited (MBL), which was granted a license on 31st January, 2002, commenced operations from March 20, 2002, as the first Islamic bank of the country. Since then the industry has been continuously growing, surpassing the growth rates recorded by the conventional banks during the past five years.

  (ii) The industry over the years has managed to offer a wide array of products encompassing almost the entire range of Islamic modes of financing (including financing which promote Long Term Investment such as leasing, musharkah, modarba etc) that are able to cater the needs of majority sectors of the economy.

  (iii) Besides attracting clients associated with the unbanked class of the society who where shy of using conventional banking due to religious considerations, Islamic banking also attracted the existing clients of conventional banks.

**C) Public-Private Partnership (PPP) Program (Philippines)**

- **Description of the effort:**

  The Philippine government identified the implementation of the PPP program as a cornerstone strategy of the government to accelerate the country’s infrastructure development and sustained economic growth. Its vision is to accelerate the country’s infrastructure development agenda that will contribute to the country’s goals of attaining inclusive growth for all Filipinos. Guided by the principles of transparency, accountability, and good governance, the program will engage the private sector as vital partners who can bankroll critical infrastructure projects that will deliver much needed services for its growing populace.

  The PPP framework covers traditional infrastructure projects such as toll roads, airports, and transport systems as well as non-traditional infrastructure such as Information and Communication Technology (ICT) systems and facilities, and social
infrastructure like education and health facilities. With increasing capitalization, banks are well-positioned to support these big-ticket projects which require capital intensive funding.

- **Reason to be considered as a good practice:**
  
  As of April 2015, nine (9) PPP projects have been awarded by the government including the Mactan-Cebu International Airport project and the Automated Fare Collection System. These projects are collectively worth P133.49 billion. Forty-eight (48) projects are in the pipeline, including the Laguna Expressway Dike Project with estimated cost of P122.8 billion and North-South Railway Project amounting to P170.70 billion.

  To support this initiative, the Bangko Sentral ng Pilipinas (BSP) adopted a relaxation of the Single Borrower’s Limit (SBL) of banks insofar as lending for the PPP program is concerned. The BSP allowed an additional 25% SBL for PPP program for a period of 6 years which will end in December 2016. This is to encourage financial sector participation to these big-ticket projects of the government. As of 30 April 2015, total bank loans extended to finance PPP projects amounted to P43.7 billion.

**D) Promoting credit guarantee scheme provided by the Thai Credit Guarantee Corporation (TCG) (Thailand)**

- **Description of the effort:**

  1. **Portfolio Guarantee Scheme by the Thai Credit Guarantee Corporation (TCG)**

     Since 2009, the government has implemented credit guarantee scheme via the Thai Credit Guarantee Corporation (TCG) and commercial banks to support SMEs with inadequate collateral, thereby enhancing their credit access and promoting sustainable growth. The Ministry of Finance provides main financial support of 95.4% while the rest is contributed by private banks, state-owned banks and fee paid by borrowers. So far five Portföllo Guarantee Schemes (PGS) have been implemented (shown in Figure 1). Note that each PGS may vary in its features (see PGS4 for example, as illustrated in Figure 2).
Figure 1 Portfolio Guarantee Scheme (PGS) by Thai Credit Guarantee Corporation (TCG)

<table>
<thead>
<tr>
<th>PGS</th>
<th>Total Credit (Million THB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGS 1 (Mar 09 - Mar 10)</td>
<td>30,000</td>
</tr>
<tr>
<td>PGS 2 (Apr 10 - Mar 11)</td>
<td>30,000</td>
</tr>
<tr>
<td>PGS 3 (May 11 - Dec 11)</td>
<td>36,000</td>
</tr>
<tr>
<td>PGS 4 (Jun 12 - Dec 12)</td>
<td>24,000</td>
</tr>
<tr>
<td>PGS 5 (Feb 13 - Dec 15)</td>
<td>240,000</td>
</tr>
</tbody>
</table>

Source: Thai Credit Guarantee Corporation

Figure 2 Outline of PGS4 (2012-2016)

<table>
<thead>
<tr>
<th>Item</th>
<th>Portfolio Guarantee Scheme (PGS) 4 (2012-2016)</th>
</tr>
</thead>
</table>
| Eligible criteria for SMEs                   | • An individual or a company running a business in Thailand and owned by a person with Thai nationality  
                                              | • 200 million Baht or less of fixed assets (excluding lands)  
                                              | • Legal and moral business  
                                              | • Normal-status borrower (according to the BOT’s regulation) |
| Total outstanding guarantee amount           | 24,000 million Baht  |
| Guarantee limit per SMEs                     | < 40 million Baht  |
| Collateral (% of credit line)                | ≥ 30% of loan amount  |
| Period                                       | Up to 5 years  |
| Fees*                                        | 1.75% of guaranteed amount per annum  |
| Evaluation time                              | < 3 business days  |
| Effective coverage ratio of uncollateralized portfolio | 15%  |

2. TCG Payment coverage

TCG’s guarantee scheme covers only loan that is not collateralized with the maximum rate of Non-Performing Guaranteed (NPG) at 18% of its guaranteed portfolio. TCG will cover for all losses if the guaranteed amount has Non-Performing Guaranteed (NPG) ratio below 12%. For portfolio with NPG ratio 12% and 18%, TCG and financial institutions will have loss sharing agreement whereby TCG will pay 50% of NPG. In effect, 15% of uncollateralized portfolio is covered by TCG (see Figure 3).
**Reason to be considered as a good practice:**

On account of the TCG, SME financial access has been improved as measured by guaranteed loan amount, number of guarantee contracts, and induced credit as a result of PGS.

The ratio of guaranteed loan amount to total SME loan increased from 1.5% in 2009 to 9% in June 2014 (see Figure 5). In terms of the number of approved guarantee contracts, it significantly increased from 1,366 contracts in 2008 (accounted for 1% of SME loan contracts with commercial banks) to 28,209 contracts in 2013 (accounted for 6.9% of SME loan contracts with commercial banks) (see Figure 6). Of all the approved guarantee contracts, one-third are for enterprises and the rest for individuals (see Figure 7). Furthermore, induced additional credit is estimated at the factor of 1.71 (as of August 2014), implying that every one Baht of guarantee lead to 1.71 time additional loan amount. This indicates that the PGSs have resulted in additional loan that would not have occurred without the schemes.

**Figure 5 Guaranteed Loan**

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Figure 3 TCG Payment Coverage

![Graph showing TCG Payment Coverage](image)

- Guaranteed: 70%
- Collateralized: 30%
- Max 18% Coverage
- Guarantee 50%
- Guarantee 100%
Figure 6 Number of Guarantee contracts

Figure 7 Number of Guarantee Contracts Classified by Type of Borrowers
II. Good Practices in Market Based-Finance

A) Regulations for floating and listing of the Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) (India)

- **Description of the effort:**
  
  Globally, REITs invest primarily in completed, revenue generating real estate assets and distribute major part of the earning among their investors (usually 90% or above). Typically, most of such investments are in completed properties which provide regular income to the investors from the rentals received from such properties.

  India’s real estate sector has witnessed rapid growth in recent years underlined by robust economic growth in the country. The growing scale of operations of the corporate sector has increased the demand for commercial buildings and space including modern offices, warehouses, shopping centers, conference centers, etc. For such rapidly growing industry, it was felt that it would be crucial that investment vehicles such as Real Estate Investment Trusts (REITs) evolve in the country. Therefore, REITs have been introduced as one of the vehicle for providing the much required financing for real estate sector.

  Similarly Infrastructure is the cornerstone of development of any country. According to the 12th Five Year Plan, India requires an investment in Infrastructure sector of USD 1 trillion over the duration of 2012-2017. A significant boost is required to the financing channels for infrastructure sector in the country, so as to help India achieve its target for the 12th Five Year Plan. Therefore for achieving such huge financing requirements, it was felt crucial that an investment vehicle akin to that of Real Estate Investment Trust, which primarily invest in completed assets and distribute majority earnings, be brought out for Infrastructure sector. Thus SEBI came out with the regulations for REITs and InvITs, thereby providing for the framework for floating and listing of REITs and InvITs in the India.

- **Reason to be considered as a good practice:**
  
  Regulations for REITs and InvITs have been notified in the September 2014 and no issue of REITs and InvITs has come so far. Therefore quantitative data is not available for the same. However, the qualitative benefits accruing from the steps take are as follows

  **For REITs**
  1. The introduction of REITs in India is expected to significantly benefit the investors as well as the developers in the real estate industry. REIT are expected to provide an exit route to Indian developers that have struggled to reduce debt,
while giving investors the ability to buy into the country’s property market which otherwise may be out of their reach due to the sheer size of such properties.

2. REITs would also enable diversification of the portfolio of the investors and provide to the investors a new product that is regular income generating.

3. The freeing up of developer's capital is expected to bring in more investments in real estate thereby stimulating growth.

4. REITs will force much needed transparency at least in the commercial sector, and lower the reliance on financing from banks and incentivize developers to own and manage assets with a long-term view.

5. Opening up of REITs for foreign investors is expected to generate substantial foreign interest for investment in REITs.

For InvITs

1. InvITs will help in freeing up of current developer capital for reinvestment into new infrastructure projects.

2. InvITs will help in refinancing/takeout of existing high cost debt with long-term low-cost capital and help banks free up/reduce loan exposure, and thereby create bank headroom for new funding requirements.

3. There are several infrastructure companies whose funds are locked up in completed/substantially completed infrastructure projects which can otherwise be used for furthering infrastructure development in the country. InvITs will help in refinancing of such assets as well as creating an investment option which may otherwise not be possible for smaller investors.

4. InvITs are allowed for adding of projects in future in the same vehicle so that investors can benefit from diversification as well as growth in their portfolio.

5. InvITs may help in attracting international finance into Indian infrastructure sector.

6. InvITs will enable the investors to hold a diversified portfolio of infrastructure assets.

7. InvITs are also proposed to bring higher standards of governance into infrastructure development and management and distribution of income from assets so as to attract investor interest.

B) The legal framework for issuance and listing of non-convertible debt securities by municipalities (India)

- **Description of the effort:**
  
  These regulations viz. SEBI (Issue and Listing of Debt Securities by Municipality) Regulations, 2015 are in the process of being notified.
  
  As per the report of committee on India Vision 2020 set up by Planning
Commission, the urban population is expected to rise to around 40 percent by 2020. This projected growth will take urban population to approximately 650 million by the year 2050. The gradual increase in urban population is likely to put strain on urban infrastructure. This will lead to increase in demand for urban services including roads, transportation, water supply, sanitation, health care etc. In order to tackle the situation, urban planners are required to formulate appropriate plans and execution thereof. One of the issues before urban planners is financing of such infrastructure.

Conservative Indian investor mainly invests in fixed deposits, small saving schemes or gold. Bonds issued by Municipalities having good financial track record would be a good alternative investment opportunity for such conservative investors. Further, Municipal Bonds may also be a good add-on to the universe of instruments, in which the Provident Funds, Pension Funds and Insurance Companies may park their investments. The introduction of Municipal Bonds and its trading etc may further deepen the Capital Market.

The proposed framework for municipal bonds provides the eligibility for issuers, disclosure requirements and other norms keeping in view the protection of investors, who would make investment in municipal bonds.

• **Reason to be considered as a good practice:**

  Debt market in India for municipal securities has not grown substantially since the first issuance of Municipal bonds by Bangalore Municipal Corporation during 1997.

  The access to capital market for raising funds through municipal bonds started during 1998 by Ahmedabad Municipal Corporation. Subsequently, other cities that have accessed the capital markets through municipal bonds without state government guarantee include Nashik, Nagpur, Ludhiana, and Madurai. In most cases, bond proceeds have been used to fund water and sewerage schemes or road projects.

  India’s city governments have thus mobilized a total of about Rs.13,500 million from the domestic investors through municipal bonds. The last issuance was done by Greater Vishakhapatnam Municipal Corporation for Rs 30 Crores in 2010.

  The Steering Committee on Urban Development for XI th Five Year Plan of India (2007-2012), has estimated that total fund requirement for implementation of the Plan target in respect to urban water supply, sewerage and sanitation, drainage and solid waste management is Rs. 12,702 billion. A portion of this huge funding requirement can be made through issuance of municipal bonds.

  The proposed framework may encourage municipalities to use this channel to raise funds and also encourage investors to use this investment product.
C) NISA (Nippon Individual Savings Account) (Japan)

- **Description of the effort:**

  NISA gives individual investors (20 years old and over) a tax exemption on dividends and capital gains derived from small investment (up to 1 million yen per year) in listed stocks and investment funds.

  In January 2014, the Japanese government introduced tax-exempt individual investment accounts called NISA as an attempt to attract individual investors into financial investment, referring to the ISA (Individual Savings Accounts) in UK. NISA is a part of the Japanese central government’s initiatives to boost securities investments among individuals. NISA aimed at supporting mid- to long-term asset formation for households, supplying the growth capital and expanding the range of investors.

  In Japan, households without having any financial assets to save for the future such as deposits, stocks, investment funds and insurance accounted for 30% in 2013. In addition, more than half of the financial assets held by households amounting for 1.7 quadrillion yen were kept as cash and deposits.

  Under these circumstances, NISA was established in order to allocate more household assets to investments in financial markets. NISA gives individual investors a tax exemption on income gains and capital gains from stocks and mutual funds for up to 1 million yen each year. Tax-free period is set to 5 years, which is different from the UK’s ISA which allows permanent tax exemption. If NISA is not used, income gains and capital gains from stocks and mutual funds covered by NISA are subject to tax of 20%, therefore NISA provides a certain level of incentives for investors to invest in more risk-involving assets. Reuse of tax exemption is not allowed (i.e. they cannot recover the investment limit if they sell assets in their NISA accounts). As such, NISA framework is designed for promoting long-term investment and not suitable for frequent short-term trading. Detail of NISA framework is shown in figure 1 below.

  ![Figure 1 Outline of NISA](image-url)
Various efforts to promote NISA have been made by the Japanese government. In August 2013, Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. have been amended to encourage appropriate sales of NISA by financial institutions. As described above, NISA is not a suitable scheme for a person who prefers to reap profits by making frequent short-term investment but rather a scheme for investors who wish to make long-term investments to save for their future. Therefore, a financial institution selling NISA are encouraged to provide adequate explanation and financial products to clients with regard to this point. Furthermore, this guideline request financial institutions to make effort to encourage their customers’ financial literacy.

In 2015, the tax system will be further revised to introduce “Junior NISA”. Junior NISA will address the issue that the current state of NISA usage is such that the great majority of accounts are held by middle-aged or elderly investors (see figure 2 and 3 below).

**Figure 2** NISA holder by age (December.31.2014)
A newly established Junior NISA is a scheme eligible for aged 0 to 19 and intends to facilitate inter-generational transfer of assets and to create opportunities for minors to start long-term investment (see figure 4 below).

<table>
<thead>
<tr>
<th>Item</th>
<th>Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible persons</td>
<td>Residents of Japan less than 20 years old, etc.</td>
</tr>
<tr>
<td>Upper limit on annual investment</td>
<td>800,000 yen</td>
</tr>
<tr>
<td>Assets eligible for tax exemption</td>
<td>Listed stocks, publicly-offered stock investment funds, etc. (Same as NISA)</td>
</tr>
<tr>
<td>Investment period</td>
<td>Between April 2018 and the end of December 2033. (<em>Timing of expiration is the same as that of NISA</em>)</td>
</tr>
<tr>
<td>Tax-exempt period</td>
<td>Maximum five years from the initial year of investment (Same as NISA)</td>
</tr>
<tr>
<td>How to open an account</td>
<td>&quot;My Number&quot; is required to be submitted when applying to open an account (no certificate of residence required)</td>
</tr>
<tr>
<td>Management of investment</td>
<td>In principle, investment is managed by parents or other relatives on behalf of the minor investor.</td>
</tr>
<tr>
<td></td>
<td>Withdrawal is restricted until the holder turns 18 years of age.</td>
</tr>
<tr>
<td></td>
<td>* Tax-exempt withdrawal is allowed in cases of emergency such as natural disasters.</td>
</tr>
</tbody>
</table>

According to the survey conducted by a Japanese private asset management company in February 2014, approximately 40% of respondents said they would like to use the account to invest every month rather than in a single lump-sum, with this trend being particularly strong among the young. In accordance with this, the annual
investment limit will be revised to be suitable for monthly fixed-amount investments (from 1 million to 1.2 million).

- **Reason to be considered as a good practice:**

  NISA has made a successful start in attracting individual investors. As of December 2014, one year after the commencement of NISA, the number of NISA account exceeded 8 million, and amount subscribed to NISA has come up to almost 3 trillion yen, more than 60% of which accounts for stock investment fund. Both number of NISA account and amount subscribed has shown constant increase (see figure 5 below).

  **Figure 5** Number of NISA account and Amount subscribed (December 31, 2014)

  ![Graph showing number of NISA account and amount subscribed (December 31, 2014)]

  - Number of NISA account is 8,253,799 (December 31)
  - Amount subscribed to NISA is 2,976,969 million yen (December 31)
  - Breakdown:
    - Listed shares: 970,550 million yen (32.6%)
    - Stock investment fund: 1,943,984 million yen (65.3%)
    - ETF: 34,332 million yen (1.2%)
    - REIT: 28,104 million yen (0.9%)

  Junior NISA and expansion of annual investment limit are expected to attract more young aged investors, which potentially can be long-term investors.

**D) Efforts to activate capital market (Pakistan)**

- **Description of the effort:**
  1. **Capital Market in Pakistan**

     Capital Market offers an imperative alternative platform of long-term investment for enduring and dynamic investments. It also helps in diverting strains on the banking system by harmonizing long-term capital with long-term
investments.

Pakistan’s capital market has two important elements as an equity market, which is composed of three stock exchanges and financial system extensively influenced by Non-Banking Financial Institutions (NBFIs). Pakistan’s capital and stock markets have witnessed impressive growth on account of market-friendly and investment-friendly policies.

2. Performance of Capital Market in Pakistan

The leading equity market of the country, Karachi Stock Exchange benchmark i.e. KSE-100 index has observed consistent growth over past few years. Compared to the international equity markets, the KSE performed reasonably well than many emerging and advanced markets.

KSE 100 index increased from 25,261 points in December 2013 to 32,131 points in December 2014 and 33,234 on close of April 20, 2015 (Figure 1 & Table 6). Similarly aggregate market capitalization has increased from Rs6,056 billion in December 2013 to Rs7,380 billion in December 2014 and Rs7,236 billion on close of April 20, 2015.

<table>
<thead>
<tr>
<th>Table 6: 5 YEARS PROGRESS (2011-2015) of Capital Market in Pakistan*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date</strong></td>
</tr>
<tr>
<td>Upto</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Total No. of Listed Companies</td>
</tr>
<tr>
<td>Total Listed Capital - Rs.</td>
</tr>
<tr>
<td>Total Market Capitalisation - Rs.</td>
</tr>
<tr>
<td>KSE-100™ Index</td>
</tr>
<tr>
<td>KSE-30™ Index</td>
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<tr>
<td>KMI-30 Index</td>
</tr>
<tr>
<td>KSE All Share Index</td>
</tr>
<tr>
<td>New Companies Listed during the year</td>
</tr>
<tr>
<td>Listed Capital of New Companies - Rs.</td>
</tr>
<tr>
<td>New Debt Instruments Listed during the year</td>
</tr>
<tr>
<td>Listed Capital of New Debt Instruments - Rs.</td>
</tr>
<tr>
<td>Average Daily Turnover - Shares in million</td>
</tr>
<tr>
<td>Average value of daily turnover - Rs.</td>
</tr>
<tr>
<td>Average Daily Turnover (Future™) YTD</td>
</tr>
<tr>
<td>Average Value of Daily Turnover - YTD</td>
</tr>
</tbody>
</table>


*KSE Meezan Index (KMI-30)

Table 6: 5 YEARS PROGRESS (2011-2015) of Capital Market in Pakistan*
economic fundamentals (low inflation, reduction in SBP policy rate, rising external inflows, positive investor confidence etc), the bullish trend found its way back as market made most of the recovery in the month of April 2015. Briefly, the following table provides a quick glance of market performance over last few years.

Recently, MSCI Inc. - a US-based provider of equity, fixed income, and hedge fund stock market indexes – is considering to reclassify the MSCI Pakistan Index from ‘Frontier Markets’ to ‘Emerging Markets’ next year (2016). MSCI has noted progress in market liquidity, framework and regulation. This will be a welcome development which will potentially open up Pakistan as an opportunity to bigger and more established investment class.

The surge in KSE during CY14 may largely be attributed to restoration of energy supply to the industrial sector and improvements in law and order condition in the country. Moreover, the consistent growth of KSE over long horizon of time (last five years) was due to strong corporate profitability in leading sectors and boosted investor confidence (both domestic and foreign).

The detailed data of leading sectors of KSE exhibits that commercial banks has the highest concentration (27 percent) followed by Electricity (22 percent) and Cement (12 percent). The commercial banks registered unprecedented profitability in last few years due to earning received on investment in government securities and significant rise in non-interest income. Recent surge in financing activities (including financing for fixed capital, an indicator of long term investment) has boosted the profitability of banking sector resulting into unprecedented profit before tax of Rs247 billion (unaudited) for CY 2014. The electricity – the second major component of KSE – also performed well due to rationalization of energy prices in Pakistan and rising demand of this sector (mentioned above). The surge in the cement sector was due to restoration in the construction activities in Pakistan since last couple of years.

The oil and Gas sector witnessed sharp increase during CY13 due to increase in international oil price, however, it remained on down-sloped in CY14 and CY15 (till date) due to declining trend in oil price.

3. Challenges

The banking sector, which dominates the financial system of Pakistan, primarily caters the financial needs of economic agents. Capital market, though grew impressively, have yet to make its mark to the significant extent if compared to banking sector in Pakistan or the depth of capital market in other countries of the globe. Further, limited market outreach, lack of public awareness and small investor base are considered other impediments in the development of the capital market.
Moreover, businesses have mostly concentrated ownership structures (family owned businesses) and are reluctant to share their businesses with public at large. Additionally, enhanced disclosure and regulatory requirements as against little incentives for listing also discourage companies to opt for listing at the stock exchanges.

4. **Efforts to Promote Capital Market**

In order to develop and maintain a vibrant and efficient capital market in the country, various efforts are being undertaken.

(i) Reforms are underway for strengthening the capital market infrastructure institutions.

(ii) The stock exchanges have been successfully demutualized and corporatized to reduce the conflict of interest due to overlap of commercial and regulatory functions, and efforts are being made to attract strategic partnerships for meeting capital requirements and sharing of industry expertise.

(iii) The product portfolio at stock and commodity exchanges is being diversified to meet the needs of the investors.

(iv) Measures have been taken for activation of secondary debt market and government debt securities which offer lucrative rates of return are now being traded on the stock exchanges.

(v) Improvements are being brought in the regulatory framework and operational systems to bring more efficiency and reliability, improved risk management and compliance thereby enhancing investor confidence.

(vi) Security and Exchange Commission of Pakistan (SECP) in February 2015 has set up an Investor Awareness Generation Committee to create Capital Market Hubs in small cities. KSE launched numerous focused campaigns to generate large scale awareness amongst individual savers regarding the role of capital market in the overall context for their long term financial planning.

(vii) KSE is actively working on the development of Small and Medium Enterprises (SME) trading counter at stock exchange.

**Sources**

• **Reason to be considered as a good practice:**

   Capital Market offers an imperative alternative platform of long-term investment for enduring and dynamic investments. It also helps in diverting strains on the banking system by harmonizing long-term capital with long-term investments. Capital markets set a platform for investment opportunities to support economic ethnicity decisive in escalating domestic savings as well as investment ratios that are necessary for swift industrialization.

   In contrast to the money and foreign exchange markets that experienced stress and increased volatility, the capital markets of Pakistan kept on performing vibrantly during last few years.

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**E) Personal Equity and Retirement Account (PERA) Act of 2008 (Philippine)**

• **Description of the effort:**

   PERA was established thru the enactment of Republic Act 9505 (PERA Act of 2008) to promote capital market development and savings mobilization in the Philippines. It aims to increase savings among Filipinos, particularly building their retirement fund. PERA is a personal and voluntary retirement contribution program established by and for the exclusive benefit of the Contributor for the purpose of being invested solely in PERA investment products. The essential elements of this retirement scheme are as follows:

<table>
<thead>
<tr>
<th>PERA Market Participants</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributor – <em>any person of any age with the capacity to contract and possessing a tax identification number who establishes and makes contributions to a PERA</em></td>
<td></td>
</tr>
<tr>
<td>2. Administrator – <em>a regulated entity responsible to administer and oversee the PERA of the Contributor</em></td>
<td></td>
</tr>
<tr>
<td>3. Investment Manager – <em>a regulated entity authorized by the Contributor to make investment decisions for his PERA</em></td>
<td></td>
</tr>
<tr>
<td>4. Cash Custodian – <em>a separate and distinct entity unrelated to the Administrator responsible to maintain custody of all funds in connection with PERA</em></td>
<td></td>
</tr>
<tr>
<td>5. Securities Custodian – <em>a separate and distinct entity unrelated to the Administrator responsible to maintain custody of all securities, evidence of deposits or other</em></td>
<td></td>
</tr>
</tbody>
</table>
### Requirements in establishing a PERA

1. The Contributor’s PERA must not exceed five (5) at any one time;
2. The maximum total contributor’s PERA should not exceed:
   a. Php 100,000 per year for non-Overseas Filipino Worker;
   b. Php 200,000 per year for Overseas Filipino Worker;
3. There should only be one (1) Administrator for all the Contributor’s PERA;
4. Each PERA shall be confined to one category of investment product; and
5. Submission of proof of income earnings for the year or to be earned for the year when the PERA contribution was made

### Qualified PERA distribution

Distribution of the PERA assets in lump sum, as pension for a definite period or as a lifetime pension, shall be made upon Contributor’s:

1. Reaching of age 55 and has made qualified contributions for at least 5 years (non-consecutive); or
2. Death, irrespective of the age of the Contributor or yearly contributions made;

The Contributor can withdraw his PERA prior to the 55/5 rule but it will be subject to early withdrawal penalties.

### Benefits and Incentives under PERA program

1. Entitlement to a 5% tax credit based on the aggregated qualified PERA contributions made in one calendar year;
2. Exemption of all income earned from investments and reinvestments of PERA assets in the maximum amount allowed from specific taxes;
3. Exemption of PERA distributions from applicable taxes, i.e., from income tax upon complying with the 55/5 rule, and from estate tax upon death;
4. No portion of the PERA assets may be assigned, alienated, pledged, encumbered, attached, garnished, seized or levied upon. Also, PERA assets shall not be considered assets of the Administrator / Contributor for purposes of insolvency
and estate taxes;

5. Employer contributions to the PERA of its employees are allowed as deductions from gross income.

- **Reason to be considered as a good practice:**

  “The Personal Equity and Retirement Account (PERA) Act of 2008” is the Philippine version of similar laws covering retirement savings vehicles common in more advanced countries. The PERA establishes the needed supplementary retirement benefits for the working population. Filipinos generally rely on their government-sponsored pensions for their retirement. However, these retirement benefits need to be supplemented in order to better afford the retirees a decent and comfortable level of living.

  Government-sponsored retirement programs offered are defined-benefits program which create an implicit debt on the national government. By empowering an individual to manage his retirement benefits, concerns regarding the actuarial fund life and viability of this state pension programs will be mitigated. PERA as another retirement pillar reduces pressure on government coffers and promotes long-term fiscal sustainability.

  Also, given the required holding period for PERA, this can be ideally invested in various long-term products needed for the development of the domestic capital market. Moreover, considering that contributions can be pooled, financial institutions who will act as PERA Administrators may be developed into institutional investors, who are cognizant of the risks inherent in savings and investments. The PERA Law defines the accountabilities of the different market participants involved and sets in place certain parameters and specific consumer protection measures.

**F) Pride of the Provinces Project (Thailand)**

- **Description of the effort:**

  The SEC initiated the “Pride of the Provinces” Project in 2011 to create awareness and understanding about capital market among local businesses across the country. The Project has gained support from our seven alliances, namely the Ministry of Interior, National Science and Technology Development Agency (NSTDA), the Stock Exchange of Thailand (SET), the Federation of Thai Industries, Thai Chamber of Commerce, Investment Banking Club and participating approved auditors.

  By participating in the Project, business operators will gain knowledge and better understanding about capital market, relevant fund raising rules and regulations, and preparation for going public. In addition, they will be assisted in transition
throughout the process by capital market professionals, including business restructuring, arrangement of proper internal control systems as well as preparation of accurate financial statements and effective information technology. This will enable them to operate their business effectively, determine business strategy in a timely manner and become a publicly traded company, eventually.

- **Reason to be considered as a good practice:**
  
  Over the past three years the Project has been successful, with 289 companies from 42 provinces, and now opens for new applications of the “Pride of the Provinces IV”. From 2014 to early this year, 15 participants across all regions in Thailand were approved by the SEC to launch IPOs, and they included Thai Solar Energy Plc. (Kanchanaburi); K.C. Metalsheet Plc. (Khon Kaen); Smart Concrete Plc., Exotic Food Plc., N.D. Rubber Plc. (Chonburi); Vichitbhan Palmoil Plc. (Chumphon); Siam Wellness Group Plc. (Chiang Mai), etc.

**G) 5-year sustainable development roadmap for listed companies focusing on corporate governance (CG), corporate social responsibility (CSR) and anti-corruption. (Thailand)**

- **Description of the effort:**
  
  In addition to encouraging listed companies to have good CG, the SEC announced sustainability development roadmap for listed companies in 2013, which included the implementation of CG practices, corporate social responsibility (CSR), and anti-corruption. The approach can be divided into three components: CG in substance, CSR in process, and anti-corruption in practice. The CSR and Anti-corruption Progress Indicators for Thai Listed Companies were developed and launched, respectively. The SEC has also joined the Anti-Corruption Organization of Thailand with more than 40 organizations.

- **Reason to be considered as a good practice:**

  1. **Ten Thai listed companies are now included in the Dow Jones Sustainability Indices**

    In 2014, the Dow Jones Sustainability Indices (DJSI), one of the most highly regarded global sustainability indices, has included six more Thai listed companies, namely Banpu pcl (BANPU), Central Pattana pcl (CPN), IRPC pcl (IRPC), Minor International pcl (MINT), PTT Exploration and Production pcl (PTTEP), and Thai Union Frozen Products pcl (TUF), on top of the four existing Thai firms: PTT pcl (PTT), PTT Global Chemical pcl (PTTGC), Siam Cement pcl (SCC), and Thai Oil pcl (TOP). Note that all the ten listed companies are classified
as the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets), while selected four companies, which are PTT, PTTEP, PTTGC and SCC, are selected Dow Jones Sustainability World Index (DSJI World).

Being components in the DJSI has reinforced attractiveness of the Thai stock market among both domestic and foreign investors, and boosted confidence that the companies have operated businesses with the best sustainability practices in areas of environment, society, corporate governance and good performance, enabling their businesses to grow continuously and sustainably, ultimately providing good long-term returns for investors.

2. Anti-Corruption Progress

The SEC supported Thaipat Institute in announcement on progress level assessment of Thai listed companies’ anti-corruption (anti-corruption progress indicator). The assessment showed that 60 percent of listed companies (344 out of 567 companies in total) on the Stock Exchange of Thailand (SET) have placed priority on anti-corruption practices. This shows the commitment at management and organizational levels in adopting the policy to refrain from corruption. In addition, 28 companies, of which 9 were recently added, have been certified by the Collective Action Coalition (CAC).

The assessment allows each listed company to realize its anti-corruption development level and thus enables the company to apply such information to business strategies. Investors are able to access listed companies’ commitment and policy against corruption from securities firms’ analysis reports prepared by taking into account the information on anti-corruption progress indicator. Furthermore, the assessment results, classified by country and by company, will be publicly available on the CG Thailand website.

Presently, over 200 companies have not yet disclosed their intent against corruption. The SEC will therefore plan to raise awareness among them for future assessment.
## Annex 2: Study Group on Long-Term Investment

### List of Members

<table>
<thead>
<tr>
<th>Country</th>
<th>Members</th>
</tr>
</thead>
</table>
| **China** | YANG Ying  
International Department  
People’s Bank of China  
HUANG Ziji  
International Department  
People’s Bank of China |
| **India** | Mr. Ananta Barua  
Executive Director  
Securities and Exchange Board of India  
Mr. S. Ravindran  
Executive Director  
Securities and Exchange Board of India |
| **Indonesia** | Mr Dwityapoetra S. Besar  
Deputy Director  
Macropudential Policy Department  
Bank Indonesia  
Ms Lea Parameswari (contact person only)  
Macropudential Policy Department  
Bank Indonesia |
| **Japan** | Mr Yasuto Watanabe  
Office of International Affairs  
Financial Services Agency  
Mr Hisashi Kuwata  
Office of International Affairs  
Financial Services Agency  
Ms Hitomi Ito  
Office of International Affairs  
Financial Services Agency |
Korea
Mr. Sung O Na
Economist
Bank of Korea

Malaysia
Mr Aznan Abdul Aziz
Director of Financial Sector Development
Bank Negara Malaysia

Pakistan
Ms Rizwana Rifat
State Bank of Pakistan

Mr Sadiq Ansari (alternate)
State Bank of Pakistan

Philippines
Dr Johnny Noe E. Ravalo
Assistant Governor
Bangko Sentral ng Pilipinas

Ms Edna C. Villa
Managing Director
Bangko Sentral ng Pilipinas

Mr Jose Recon S. Tano
Deputy Director
Bangko Sentral ng Pilipinas

Thailand
Mr Somchai Lertlarpwasin
Director
Financial Analysis and International Strategy Office
Financial Institutions Strategy Department
Bank of Thailand