

ASEAN+3 Asian Bond Market Initiative

ADB's Possible Role

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Background

- ADB stands ready to play an active role in the development of local and regional capital markets
- What were the causes of the Asian financial crisis?
- The risk of mismatching of revenue currency and tenor vs. borrowing currency is too great to repeat

Background

ADB's Capital Market Development

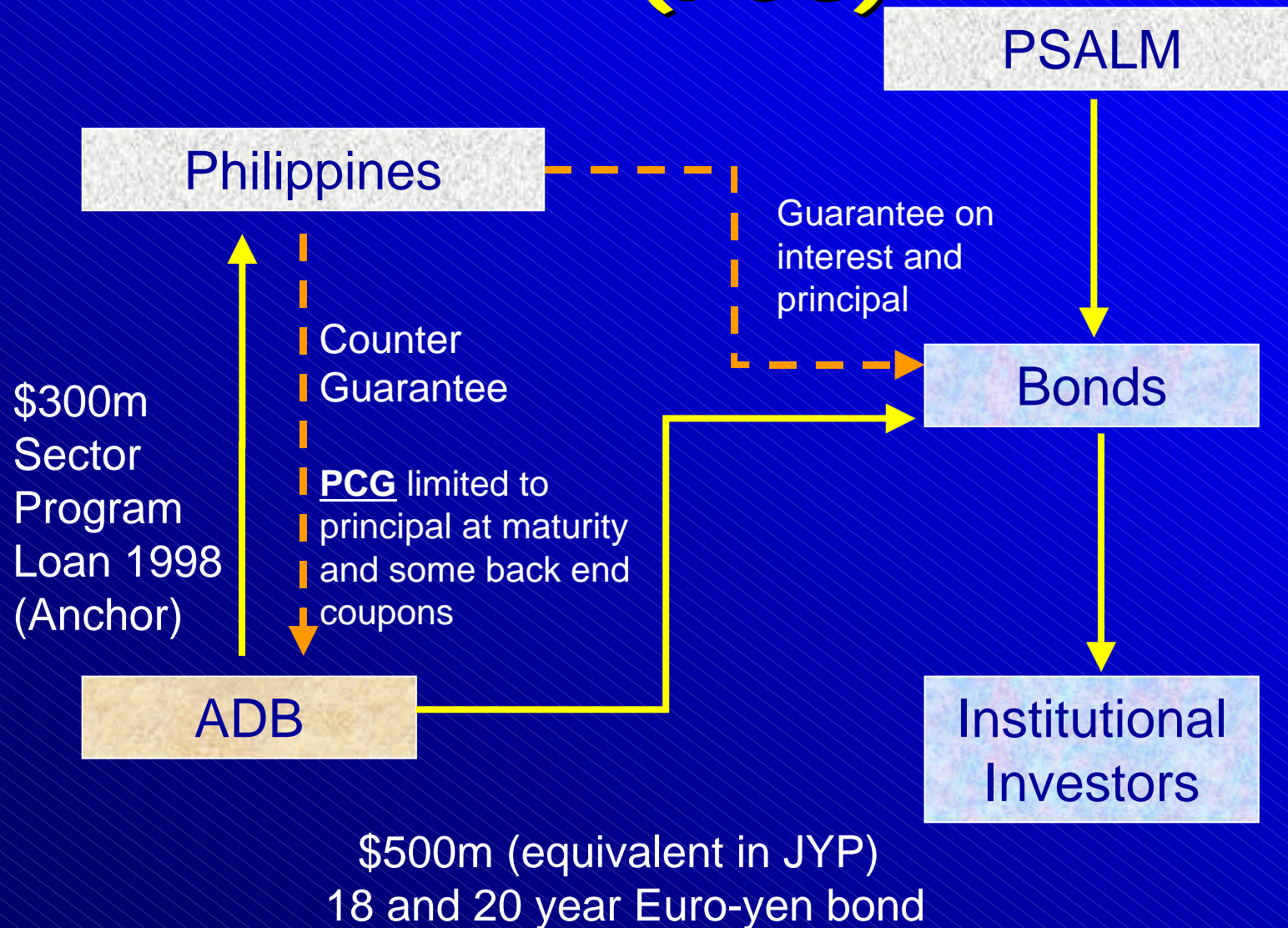
- Provision of
Grants (Technical Assistances)
Loans
- Issuance of ADB's bonds in local currency
- Use of guarantee for mobilizing local currency

ADB Credit Enhancements

- Provide different levels of ADB “cover” or support to commercial investors
- Meet the unique needs of each financing through
 - Partial Credit Guarantee (PCG)
 - Political Risk Guarantee (PRG)

Partial Credit Guarantee (PCG) for Power Sector Assets and Liabilities Management Corporation (PSALM)

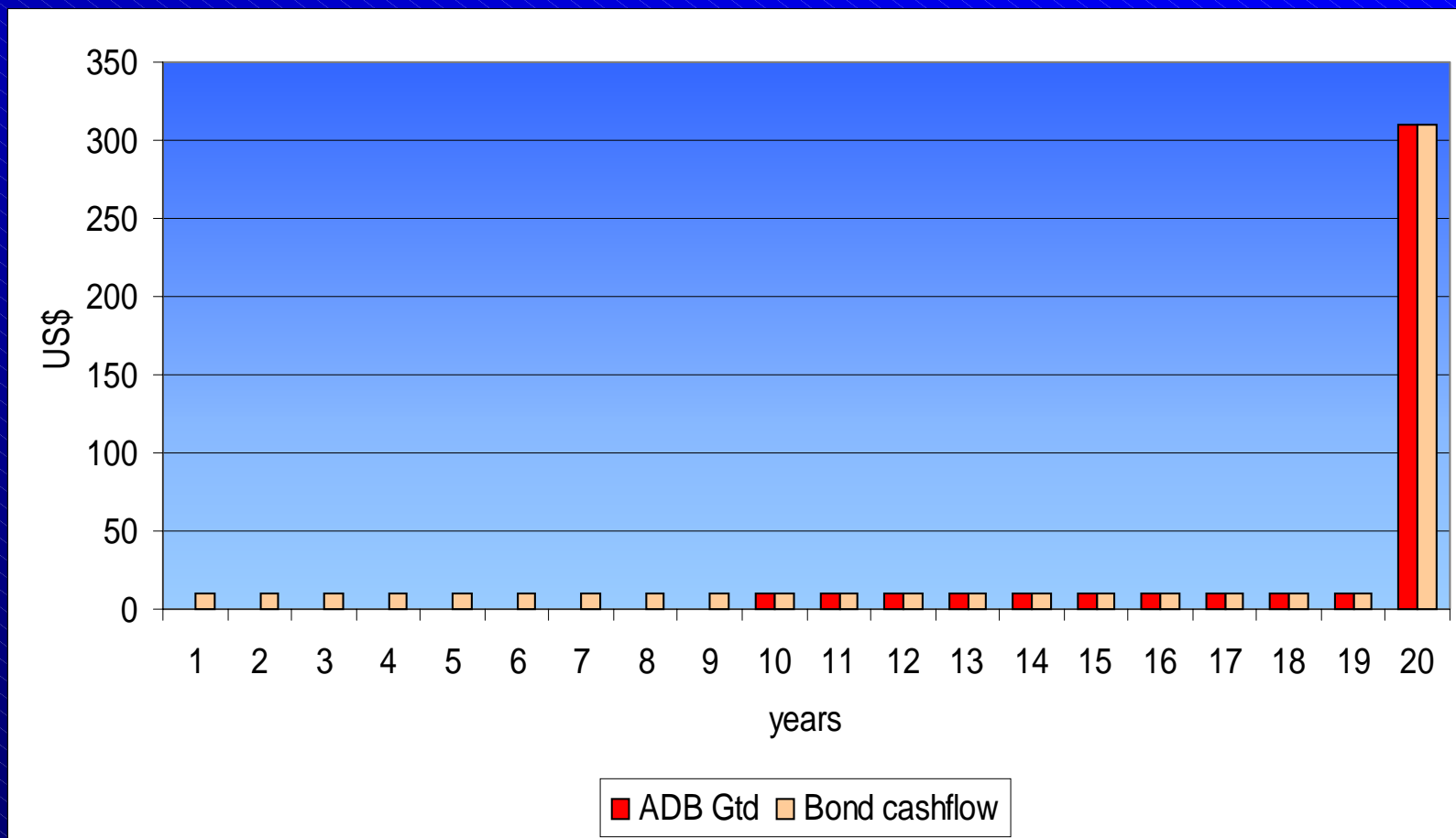
Partial Credit Guarantee (PCG)



PCG for PSALM

Issuer:	PSALM
Type:	Euro-yen bullet fixed rate
Guarantor:	ROP and ADB
Amount:	JPY 61.75bn (US\$ 500m equivalent)
Maturity:	18 and 20 years
Coupon:	3.2% for 18 years 3.55% for 20 years
Fees to ADB:	up-front 0.90 % 0.40 % per annum on present value

Structure



Pakistan Political Risk Guarantee (PRG) for Offshore Portfolio Investors

PRG for Portfolio Investors

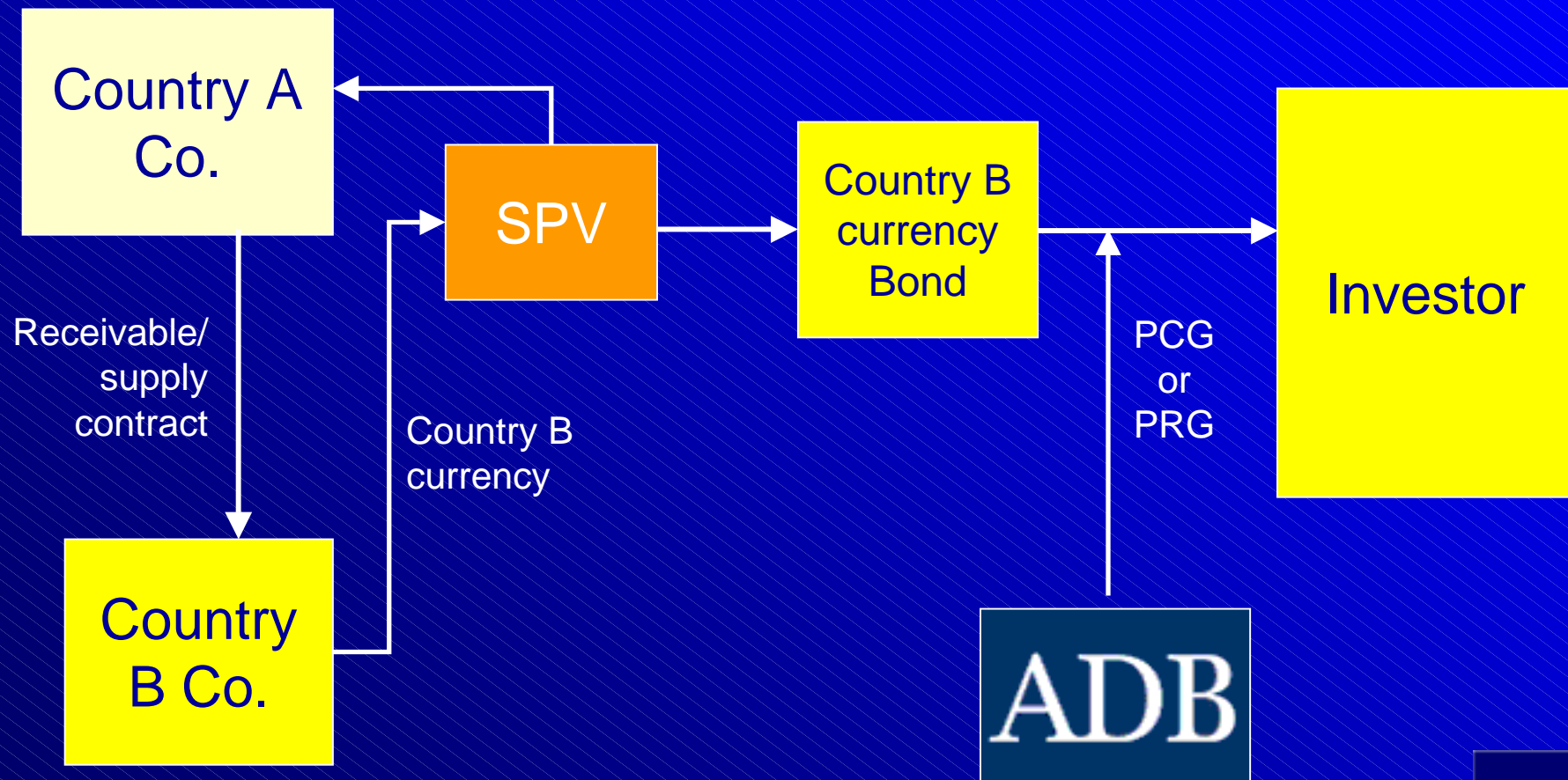
- ADB covers
 - Currency inconvertibility (CI)/
Currency Transfer (CT)
 - Expropriation of funds
- For offshore portfolio investors purchasing tradable Rupee denominated bonds issued in Pakistan
- Government of Pakistan has provided counter guarantee to ADB

ASEAN+3 ASIAN BOND MARKET INITIATIVE

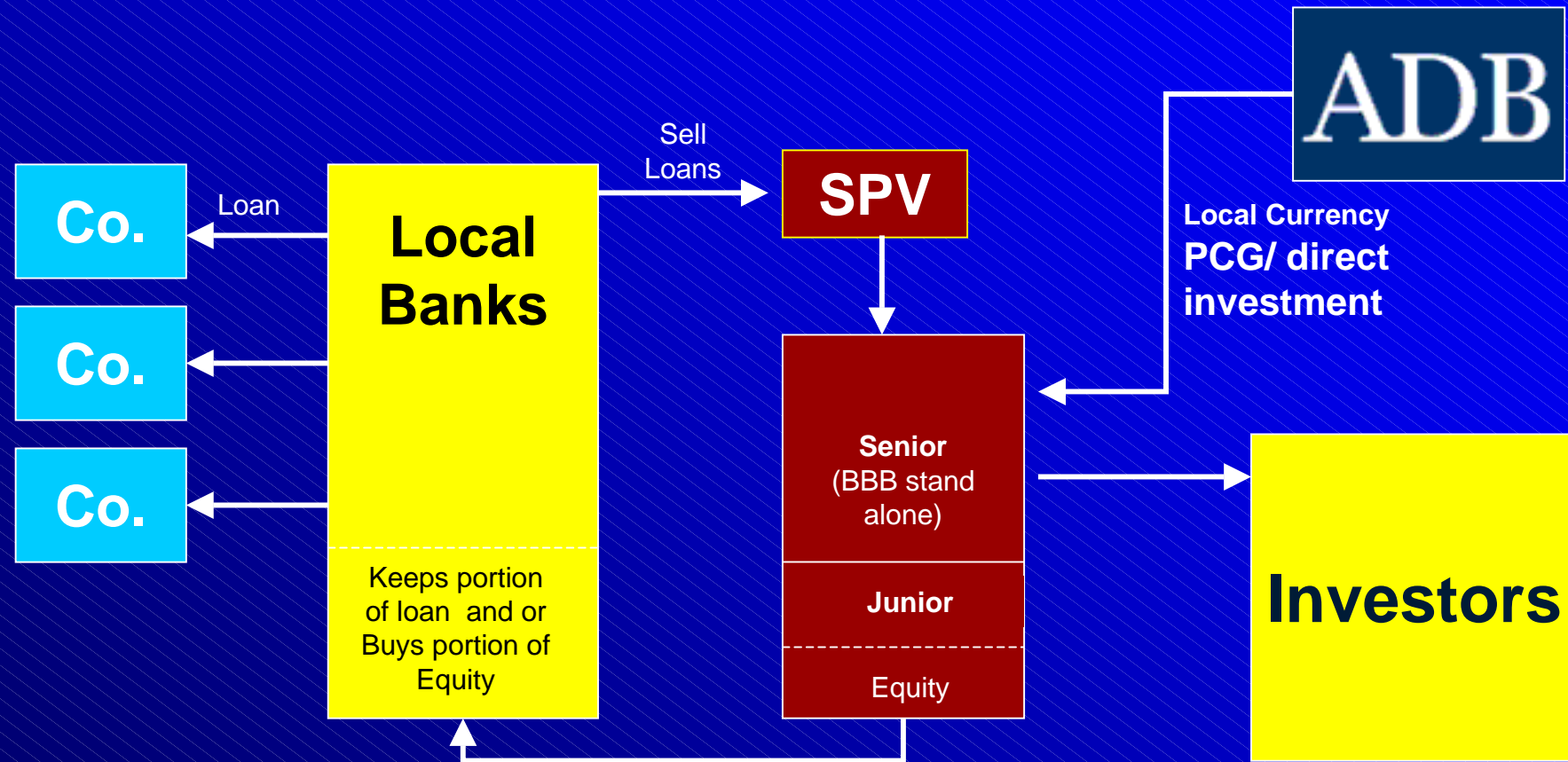
Possible ADB Support for Securitization

- Investment
- Guarantee support through
 - Partial Credit Guarantee
 - Political Risk Guarantee
 - Co-guarantee with Private Sector Guarantee Providers through Guarantor of Record Scheme

Cashflow Securitization with ADB Assistance

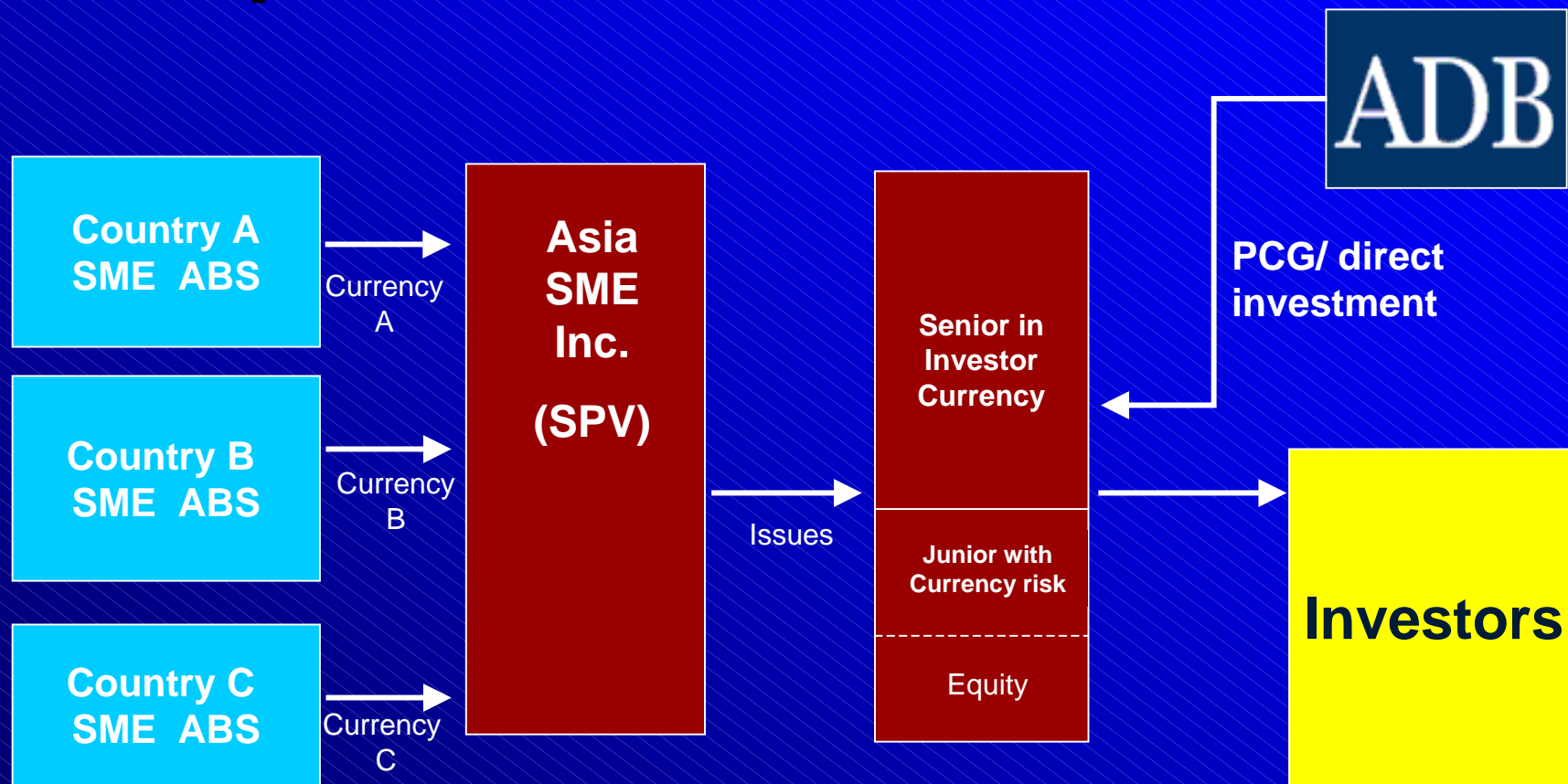


ADB Assistance CDO



SME Securitization

sample ADB Assistance

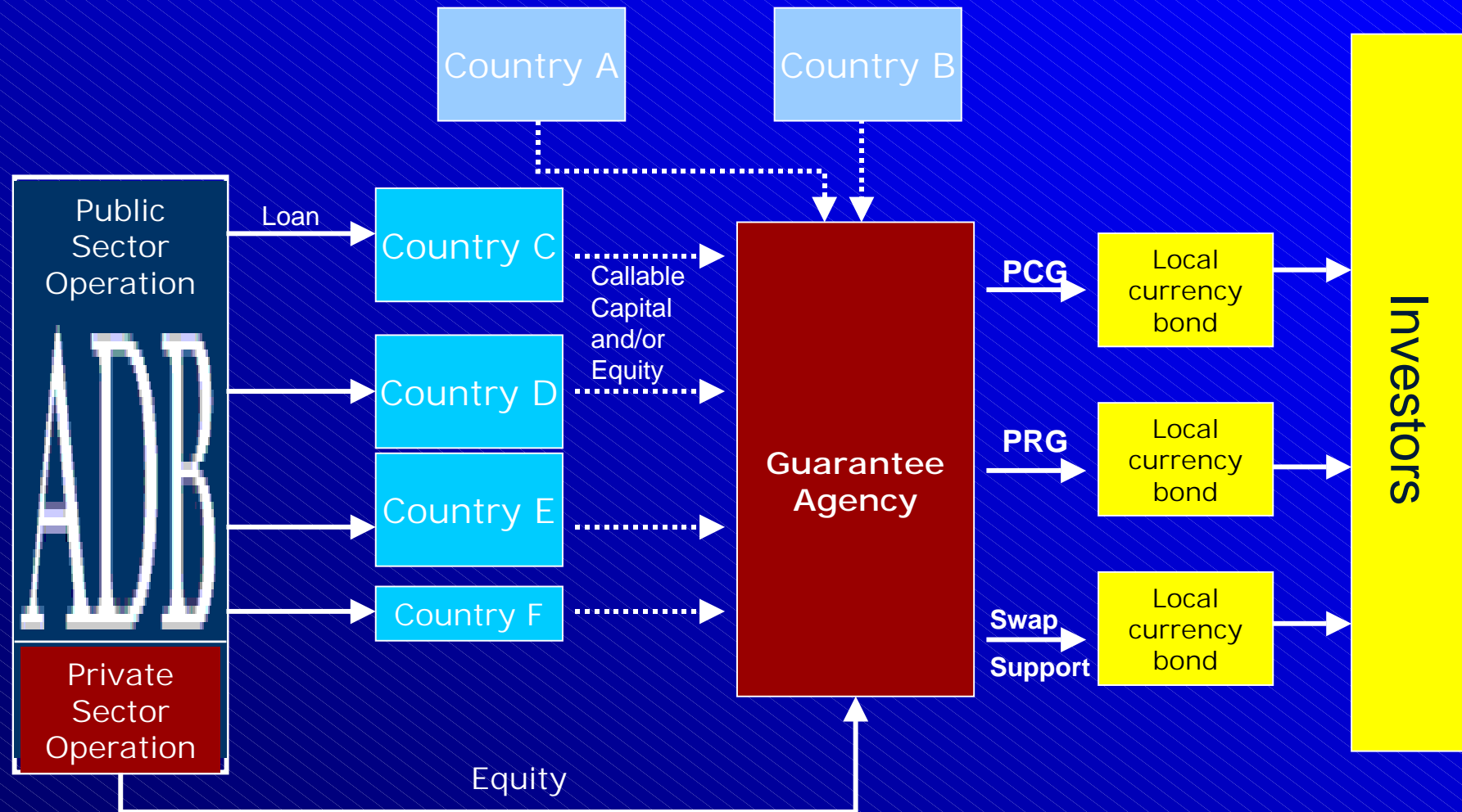


Guarantee Agency- Possible Assistance by ADB

- TA to determine the best structure
- Assistance for Investment by DMCs
 - Loan
 - PCG
- Direct Investment by ADB
 - Equity
 - Loan

Guarantee Agency

ADB Assistance



Conclusion

- ADB can offer assistance in development of the regional and local markets through
 - The use of ADB guarantees;
 - Direct investment in ABS;
 - Technical assistance for development of guarantee agency;
 - Loans to government entities for investment into the guarantee agency

For further information about ADB cofinancing, please contact:

South East Asia Regional Dept.

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