Terms of Reference (TOR)*
Technical Assistance on Developing Bond Markets for Cambodia – Phase 11

The ASEAN Secretariat is seeking a supplier to deliver technical assistance to Cambodia to support the development of its bond markets. We invite interested consultants/consulting firms to submit to us a project proposal (not exceeding 5 pages) on the topic along with the relevant CVs by **Tuesday, 30 July 2024** at the latest. This information can be sent to Amalia Sevatita (amalia.sevatita@asean.org) with copy to Marvin Castell (marvin.castell@asean.org). This job opportunity is available for Japanese consultants/consulting firms only.

I. Background

In the aftermath of the Asian financial crisis, ASEAN+3 Countries have been intensively discussing initiatives to develop regional bond markets. Since 2003, under the Japan–ASEAN Financial Technical Assistance (JAFTA) Fund, the ASEAN Secretariat has been facilitating members' need for Technical Assistance (TA) and workshops as well as capacity-building programs to further develop their bond markets.

Since the implementation of the TA, Cambodia has received ten (10) phases of assistance in the area of bond market development. Through the support of the TAs over the past few years, several notable achievements have been made such as the launch of Policy Framework for the Development of Government Securities 2023-2028 (PFDGS 2023-2028), serving as a roadmap for developing government securities.[1]

The latest Phase 10 of TA has been supporting Cambodia's Ministry of Economy and Finance (MEF), the National Bank of Cambodia (NBC), the Securities and Exchange Regulator of Cambodia (SERC), and the Cambodia Securities Exchange (CSX) to develop their policy and regulatory framework and capacity building, particularly in the following areas:

1) Supporting the MEF and other relevant authorities with knowledge for drafting policy and regulatory frameworks, including issuance agents, government securities intermediaries, investor base, and market infrastructure.
2) Conducting a feasibility study to ensure a full function of government securities in the primary and secondary markets.
3) Providing the MEF and the SERC with knowledge for enhancing the corporate bond market regulations.
4) Supporting the development of Green Bonds and Sustainable Bonds.

To further enhance the development of Cambodia's bond market and support the implementation of the PFDGS 2023-2028, the MEF through the secretariat of the Technical Working Group on Policy Framework on Development of Government Securities (TWG-PFDGS)[2] has requested technical support to address the remaining issues in the implementation of the existing regulations, infrastructure, and capacity-building activities

[1] On November 2023, Cambodia launched the Policy Framework on Development of Government Securities 2023-2028. The MEF is tasked to lead and coordinate the implementation of the roadmap with participation from other relevant ministries and institutions.
[2] The MEF established the TWG-PFDGS with membership from relevant institutions, mandated to study, research, and formulate policy framework for developing government securities.

related to the bond market. The next phase of TA is vital to further promote a well-functioning, sound, and systematic bond market in Cambodia.

II. Scopes and Needs for New Technical Assistance**

Government Securities[3]

The next phase of TA should align with and support the action plan and policy measures as set out in the PFDGS 2023-2028. The Policy Framework envisions the gradual development of the government bond market according to the timeline shown in the table below.

Phase	Period	Description
Phase 1	2023-2026	Establishing a comprehensive management system for issuing and trading government securities domestically, which includes clusters of activities to implement as follows: • Continue to review and revise relevant legal documents and regulations • Develop guidelines on the use of proceeds from government securities issuance • Further develop the government securities market, by designing the market architecture fully under the system of the National Bank of Cambodia for all primary market issuance transactions, secondary market trading, settlement, and custody of government securities • Develop coordination mechanisms to improve sovereign credit rating • Study in developing mechanism for thematic bonds issuance • Strengthen institutional capacity and human resources
Phase 2	2027-2028	Reviewing and improving the management system for issuing and trading of government securities domestically, as well as starting to study and prepare for issuing securities abroad: • Review and amend relevant legal documents and standard operating procedures • Review and improve the government securities market • Study mechanism for international bond issuance • Review and update institutional capacity and human resources development plan

Corporate bonds

Although Cambodia currently has zero-rated capital gains tax, the MEF intends to introduce it in 2024 as stipulated under Prakas No. 346 on Capital Gain Tax. This would mean that the non-government bonds will become subject to capital gain tax. To facilitate the growth of the

[3] Government securities refer to notes, bonds, and other financial instruments that represent debt obligations issued on behalf of the Royal Government, including Treasury bills with maturities less than one year, Treasury bonds with maturities one year or more, and other types of government securities.

corporate bond market, it is crucial to reconsider a few salient points within the Prakas before its implementation. This will ensure that the introduction of the tax does not hinder the growth of corporate bonds.

- Equal footing with government securities, which are not subject to capital gain tax
- Tax withholding regime, especially for individual investors
- Separate or consolidated taxation
- Exemption for listed non-government securities

In addition to addressing tax issues, diversifying products in the market as well as strengthening market confidence are another top priorities for promoting the development of Cambodia's capital market. In response to market trends, regional development of the capital market as well as the government policies on sustainable development, Cambodia's capital market should consider diversifying its products and formulating related guidelines as below:

- Convertible bond
- Mortgage-backed securities
- Medium Term Note Program
- Green, social, and sustainable bond (GSS+)
- Sustainability-linked bond (SLB)
- Standard Operating Procedure (SOP) for bond rating

The government securities and corporate bond considerations as abovementioned are new to Cambodia, and hence the MEF and SERC require technical assistance from experts with extensive knowledge of ASEAN+3 bond market development. Through the course of the TA, the Consultant will work with relevant authorities, including NBC and CSX.

III. Objectives

1 **Government Securities:** Delivering technical support for MEF, NBC, and SERC officials in drafting policies and recommendations to develop the government securities market.

2 **Corporate bonds:** Delivering technical support for SERC and CSX officials to improve corporate bond regulations and the corporate bond market in general.

IV. Expected Outputs and Deliverables

This project is expected to produce the following outputs:

1 **Government securities** - produce discussion materials to:

- Provide information or recommendations on ways to encourage non-banks[4] to participate in the primary and secondary markets of government securities.
- Provide guidelines and recommendations on the development of national taxonomy and sustainable financing framework.
- Provide information, guidelines, and/or recommendations on alternative issuance methods other than auction.

[4] Non-banks here include securities firms, insurance companies, and other firms.

- Provide information, guidelines, or recommendations to develop government securities markets, including the primary market, secondary market, market infrastructure, and taxation.
- Provide information or guidelines on the primary dealer system
- Provide information or guidelines on standard operating procedures for government securities.
- Provide recommendations to improve sovereign credit rating.

2 **Corporate bonds –** produce discussion materials to:

- Assess and provide information and recommendations on capital gain taxation for corporate bonds.
- Provide policy assessment and recommendations to promote the corporate bond market, including policies on re-issuing bonds that have reached or will soon reach the maturity date.
- Assess and provide key considerations on possible amendment of the Anukret on Tax Incentives in the Securities Sector.
- Provide green, social and sustainability bond evaluation manual for SERC internal use.
- Provide information or guidelines on various types of bonds such as convertible bonds, sustainability-linked bonds (SLB), and infrastructure bonds and provide an evaluation manual for these bonds for SERC internal use.
- Provide information or guidelines on mortgage-backed securities and provide an evaluation manual for these bonds for SERC internal use.
- Provide information or guidelines on medium term note program and provide an evaluation manual for these bonds for SERC internal use.
- Provide information or guidelines on the Code of Conduct that sets the minimum standard for the Bond Rating Agencies to implement.
- Provide guidelines and recommendations on strategies to attract more institutional investors to invest in the corporate bond market in the secondary market.
- Provide information or recommendations on the pros and cons of FX-linked government securities.

3 **Capacity building –** include the following activities below:

- Conduct capacity-building events through seminars, workshops, and/or hands-on training intended for MEF, relevant authorities, and market participants to enhance their knowledge in developing the bond market.
- Conduct study visits to best-practice countries to understand their experience in developing government securities and corporate bond and identify which concepts can be applied to Cambodia's practices.

V. Required Expertise of Consultant

Consultants must possess excellent expertise in financial and capital markets, particularly in bond market development, with a deep understanding on money and capital markets in

Cambodia and the ASEAN+3 region. The Consultant is also expected to have a proven track record in working on technical assistance for Cambodia's bond market.

VI. Project Cost and Selection of Consultant***

The expenses incurred for this Phase 11 project, including consultant's remuneration fees and related expenses such as travel and contingency expenses for the Expected Outputs and Activities listed above, are expected to be borne by JAFTA. ASEAN will be responsible for identifying the consultant and subsequently coordinating the project from its inception to the finalization of the final report.

VII. Proposed Timeframe

The consultancy work is expected to be completed in one year (12 months), taking into account the possible conflict of schedule among government officials involved in this project.

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** All capitalized terms used in this TOR, unless otherwise defined, shall have the meaning ascribed to them in the Special Services Agreement concluded between ASEAN and the Consultant.*

*** On each scope the Consultant will create and provide desired report and/or memo as requested by the counterparts. In addition, workshop(s) and/or seminar(s) for the officials, relevant institutions and/or public would be organised depending on identified necessity and requests through the course of the TA.*

**** In light of the current situation related to the COVID-19 global pandemic, the on-site missions conducted by the Consultant could be substituted by using the online platform, considering the travel restriction policy and health protocol guidelines.*