

Terms of Reference (TOR)*

Technical Assistance on Developing Bond Markets for Cambodia – Phases 12 and 13

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 eleven (11) phases of assistance in the area of bond market development. With the support of the TAs over the past few years, several notable achievements have been made, including progress on government securities under the Action Plan of the Policy Framework for the Development of Government Securities 2023-2028 (PFDGS 2023-2028).¹ Further, several key legal and regulatory frameworks have been introduced and implemented to strengthen the existing framework and improve access to government securities, particularly for non-bank investors through the National Bank of Cambodia Platform (NBCP), and with the provision of tax incentive. The latest Phase 11 of TA has continued to support 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 through capacity building and discussion materials, which include information, guidelines, and/or recommendations, particularly in the following areas:

- a. Government Securities: national taxonomy and sustainable financing framework, alternative issuance methods other than auction, and standard operating procedures for government securities.
- b. Corporate bonds: capital gain taxation, strategy to promote the corporate bond market, convertible bond, mortgage-backed securities, ongoing disclosure for sustainability-linked bond, and code of conduct for Bond Rating Agency.

To continue the enhancement of Cambodia's bond market and support the implementation of the PFDGS 2023-2028 Action Plan, the Department of Government Securities of the General Department of International Cooperation and Debt Management (DGS/GDICDM) of the Ministry of Economy and Finance (MEF)² has requested technical support to strengthen the domestic bond market and infrastructure, explore new financing instruments such as FX-linked bonds, and enhance capacity in project management, market analysis, and investor relations to support effective government securities policies. The next phase of TA is vital to ensuring a more transparent, efficient, and trusted bond market in Cambodia.

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.

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.

II. Scopes and Needs for New Technical Assistance**

Government Securities³

The next phase of TA—Phase 12 and 13 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 12	2023-2026	Establishing a comprehensive management system for issuing and trading government securities domestically, supported by defined activities as outlined below. • 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 13	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 in necessary circumstances: • 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

The newly proposed TA under Phases 12 and 13 will build on the accomplishments of previous phases, which have contributed to improving the legal and regulatory framework, broadening investor access, and advancing capacity building across institutions, where additional support is needed to:

1. Further strengthen the domestic issuance and trading system and its supporting market infrastructure, including legal regulation

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.

2. Continue capacity building activities in project and proceeds management, market analysis, and investor relations to support the implementation of government securities policies aligned with fiscal and market objectives
3. Strengthening DGS capacity and human resources on research and study potential framework for a primary dealer system, emerging bond market trends from other countries and joining relevant workshop, training, study domestically and international.
4. Review, study, and provide technical support on the secondary market regulation framework, including institutional coordination and operational processes to support the development of a liquid and functional secondary market
5. Enhance regulations, technical system upgrades, and improvements/study to internal web-linking processes and data management
6. Further develop the government securities market, by designing the market architecture fully under the system of the National Bank of Cambodia for secondary market trading, settlement, and custody of government securities
7. Study approaches to broaden the investor base, including participation of institutional investors and potential engagement with foreign investors
8. Formulating the investor Relation Strategy.
9. Study on linkage system of secondary market between NBCP and the CSX platform trading, settlement, and custody of government securities.
10. Feasibility study on establishing the OTC market for government bond.

Corporate bonds

The development of a resilient and credible corporate bond market is essential for mobilizing long-term financing to support Cambodia's sustainable development goals. However, key regulatory and market gaps continue to impede the growth and integrity of the market, particularly in relation to thematic bonds, credit rating practices, and the secondary market. Therefore, to ensure the effectiveness of the development of the corporate bond market, support is expected in the areas below:

1. Risk and framework assessment for thematic bonds, including sustainable bonds and sustainability-linked bonds, to enhance efficiency, transparency, and regulatory oversight in the issuance and evaluation of thematic bonds.
2. Credit Rating Agencies (CRAs) oversight enhancement through strengthening the capacity of regulators, particularly SERC officials, to effectively monitor, evaluate, and oversee the methodologies employed by CRAs in bond credit assessments.
3. Development of the secondary market of the corporate bond through a research report about the key factors to promote the secondary market of corporate bonds in Cambodia.
4. Roles of Central Securities Depository in corporate bond trading and clearing and settlement.
5. Transition of corporate bond settlement cycles from T+2 to T+1.
6. Gap assessment to connect local custodian with the international custodian.
7. Diversifying securities products through developing the regulatory framework and organizing capacity building for regulators and key stakeholders related to perpetual bond, foreign-denominated bond, floating rate bond, digital bond, transition bond.

III. Objectives

Government Securities:

1. Provide technical support and training to DGS officials in areas such as market sounding, market analysis, assessment reporting, project management, procurement, monitoring and evaluation (M&E), and reporting systems.
2. Strengthen DGS capacity in proceeds management and track the use of proceeds.
3. Enhance staff capabilities in policy formulation and monitoring, strategic planning, identifying policy measures, outputs, and activities, as well as key performance indicators, market data analysis, and research to support the development and implementation of effective government securities policy aligned with national goals and international best practices.
4. Strengthen the capacity of DGS and NBC in formulating the investor relations strategy, including engagement with domestic and preparation for international investors and improving on government securities policies/regulations and market developments. enhancing market integrity through auction and trading procedures, settlement processes, market data and statistics management, and strengthening central depository operations such as custody accounts, coupon and tax payments, and other services for government securities holders.
5. Provide technical support and studies related to primary dealer's framework, and secondary market development, including institutional coordination, trading processes, and mechanisms to support the establishment of a liquid and functional secondary market.
6. Bridging gap between NBCP and the CSX platform. Apprehend qualified investors of government bond to trade at the CSX platform.
7. Develop the regulatory framework for the OTC of the government securities.

Corporate bonds:

1. Provide technical assistance support for SERC to prepare risk and assessment framework for thematic bonds
2. Provide capacity building for SERC and stakeholder on thematic bonds.
3. Provide capacity building for SERC on monitoring credit rating agencies.
4. Provide capacity building for SERCs and other stakeholders related to perpetual bond, foreign-denominated bond, floating rate bond, digital bond, and transition bond
5. Provide the technical support for SERC to issue research report about the development of secondary market and promoting liquidity of corporate bond.
6. Deliver experiences sharing for SERC on the development of the secondary market of corporate bonds that includes success stories and lessons learned.
7. Improve corporate bond settlement efficiency
8. Building qualified investors trust

IV. Expected Outputs and Deliverables

Government securities:

1. Practical training to DGS officials and conducting market sounding, market analysis, and assessment report.
2. Technical support and knowledge sharing on the development of the secondary market framework, including institutional coordination, trading processes, and market practices observed in other emerging bond markets.

3. Technical support and knowledge sharing on the formulation of Investor Relations Strategy.
4. Capacity building activities covering topics such as government securities bond market trends, yield curve development, macroeconomic analysis, and policy development for government securities.
5. Deal and non-deal roadshows with local and international investors.
6. Technical training and workshops covering topics such as securities market trends, economic forecasting, policy development, policy analysis models, and identifying policy measures, outputs, and activities.
7. Experience sharing and exposure for DGS and NBC to international best practices, including participation in relevant regional workshops, seminars, or study visits related to government bond market development. On topics such as auction and trading procedures, settlement processes, market data and statistics management, and central depository operations, including custody accounts, coupon and tax payments, and other services for government securities holders.
8. Feasibility report on linkage system of secondary market between NBCP and the CSX platform trading, settlement, and custody of government securities.
9. Feasibility report on the development of the OTC market for the government securities.
10. Draft regulation to supervise the OTC market operator of the government securities.
11. Continue to review and provide verbal and written comments on the relevant legal documents and regulations.

Corporate bonds:

1. Informal and formal discussions, capacity-building seminars, secondments, and study visits to ASEAN countries.
2. Investor roundtable to promote the Cambodia bond market.
3. Research report about the key factors promoting the secondary market of corporate bonds.
4. Capacity-building seminars, secondments, and study visits to ASEAN countries on Roles of Central Securities Depository in corporate bond trading and clearing and settlement, and Custodian roles in attracting qualified investors to invest in corporate bond.
5. Secondments and study report on transition of corporate bond settlement cycles from T+2 to T+1.
6. Bridging the gap to allow local custodian to connect with international custodian.
7. Regulatory Framework and Capacity Building related to perpetual bond, foreign-denominated bond, floating rate bond, digital bond, transition bond.

V. Required Expertise of Consultant

Consultants must possess excellence in three areas, namely:

1. Financial and capital market development: capital market investor behavior, macroeconomic trends, sovereign borrowing strategies, and experience in project and use of proceeds management under financing from government securities, with additional expertise in sustainable finance, bond structuring, , and regulatory oversight.

2. Secondary market development and trading practices: experience in strengthen rules and regulations for secondary trading, developing yield curve and market liquidity mechanisms, advising on primary dealers' obligations, and market making frameworks.
3. Investor relations and communication: experience in formulating the investor relations strategy, designing and executing investor outreach strategies, including deal and non-deal roadshows.
4. Securities policy and strategy: in-depth knowledge of government securities markets, experience in developing and implementing policies related to government securities development, and ability to align government securities policy planning with macroeconomic goals and fiscal frameworks.

VI. Project Cost and Selection of Consultant***

The expenses incurred for this Phases 12 and 13 of the project, including consultants' 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 for each Phase 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.

** 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.*