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**Philippine Institute for Development Studies**  
*Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas*

## ASEAN's Fledgling Debt Securities Markets: More Tasks Ahead

*Mario B. Lamberte*

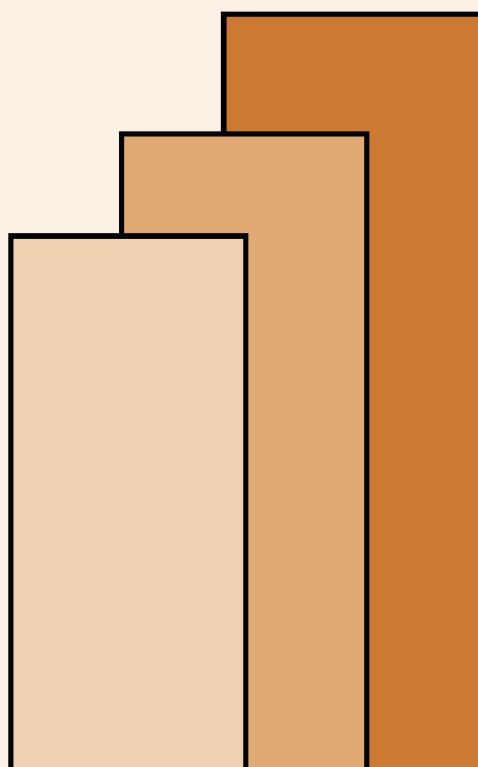
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# ASEAN's FLEDGLING DEBT SECURITIES MARKETS: MORE TASKS AHEAD

*Mario B. Lamberte\**

## Abstract

*ASEAN economies have long recognized the importance of developing a deep and broad domestic debt securities market to complement the banking system in efficiently mobilizing and allocating financial resources. However, it was only in the early 1990s that they started to make bold steps to build a vibrant domestic debt securities market. The East Asian financial crisis has further strengthened their resolve to accelerate the development of their domestic debt securities markets and reduce reliance on bank lending. Still, the overall performance of the debt securities markets in these economies leaves much to be desired. Among the five ASEAN member countries, Singapore's debt securities market is moving ahead of the rest, while those of the Philippines and Indonesia lag far behind. The paper has identified some tasks that ASEAN economies must do to accelerate the development of their fledgling debt securities markets. While some of the ASEAN member countries have already done some of these tasks, the Philippines still needs to start doing practically all of them.*

Key words: bond markets, securities markets, ASEAN

## I. INTRODUCTION

ASEAN economies have long recognized the importance of developing a deep and broad domestic debt securities market to complement the banking system in efficiently mobilizing and allocating financial resources.<sup>1</sup> However, it was only in the early 1990s that they started to make bold steps to build a vibrant domestic debt securities market. For instance, Malaysia implemented in 1990 the electronic inter-bank funds transfer and scripless book-entry system and mandated in 1992 the rating for all issuance of domestic debt securities by a newly established domestic rating agency. In Thailand, the passage of the Securities and Exchange Act of 1992 ushered in a new era for the development of the domestic bond market. This inspired the establishment of a local rating agency and organized OTC. In the Philippines, the private sector in cooperation with the government formed the Capital Markets Development Council in the early 1990s to identify regulatory and institutional impediments to the development of the capital market and recommend to the proper authorities measures to reduce, if not completely, eliminate those impediments. Many of the recommendations of the Committee found their way into the recently passed Securities Regulation Code. The Bureau of the Treasury started in 1995 to conduct electronic auctions of government securities. The Indonesian government encouraged the establishment of a rating agency in 1994. The

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<sup>1</sup> For this paper, ASEAN refers only to ASEAN-5, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand.

following year, a law was passed to clearly delineate the role of the Ministry of Finance in regulating the domestic capital market.

The East Asian financial crisis has further strengthened the resolve of ASEAN member countries to accelerate the development of their domestic debt securities markets and reduce reliance on bank lending. It is a sure way for them to redeem their countries from the so-called “original sin”.<sup>2</sup> One view that emerged in the wake of the East Asian crisis is clearly summarized by Herring and Chatusripitak (2000) in the following manner:

*“Viewed from a broader perspective, the economy is at risk of crisis due to excessive reliance on bank lending. Because banks are highly leveraged institutions, the economy is much more vulnerable to a financial crisis than if more corporate borrowing had taken place in the bond market and the claims were held in well-diversified portfolios.”*

An interesting observation was that ASEAN countries had high domestic savings rates even before the crisis, yet they had to borrow a lot from financial institutions abroad to fund new projects and expand existing ones. Due to the undeveloped fixed-income securities, these savings might have been invested abroad and came back to the region in the form of short-term bank credit, which foreign financial institutions quickly withdrew at the height of the crisis. Had the region been served by a well-functioning fixed-income securities market, the situation could have been different. As Rhee (2000) pointed out, “domestic savings as well as foreign exchange reserves in the region could have remained in Asia, mitigating the severity of the financial crisis caused by the reversal of capital flows.” He is actually toying the idea of developing not only the domestic bond markets but also a regional bond market for East Asia.

The interest in developing the domestic debt securities markets in the region has been fueled further by the miserable state of the banking system subsequent to the East Asian financial crisis. In fact, some of the major lending financial institutions of severely crisis-hit countries collapsed, while the remaining ones have difficulties re-starting their lending programs due to high non-performing loans and much more stringent prudential regulations. In view of this situation, corporations that used to heavily depend on bank credit have explored sourcing funds from the domestic debt securities markets, while investors seeking higher returns on their savings than what deposit rates banks could offer have started to take notice of the attractive opportunities provided by the domestic bond market. This gives a sense of urgency to capital market reforms to sustain the incipient enthusiasm of both the potential issuers and buyers of fixed-income securities.

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<sup>2</sup>According to Eichengreen and Hausman (1999), original sin “is a situation in which the domestic currency cannot be used to borrow abroad or to borrow long term, even domestically. In the presence of this incompleteness, financial fragility is unavoidable because domestic investments will have either a currency mismatch (projects that generate pesos will be financed with dollars) or a maturity mismatch (long-term projects will be financed with short-term loans.” Crisis-hit countries in East Asia experienced severe double mismatch, i.e., currency and maturity mismatch, and imbalance between short-term foreign debts and international reserves prior to the onset of the financial crisis.

While the enthusiasm for developing the domestic debt securities markets has been running high in the wake of the financial crisis, Yoshitomi and Shirai (2001) have reminded us that the domestic debt securities markets in developing economies cannot be quickly developed. Even the debt securities markets in some developed economies did take a long time to develop. Given the dominance of the banking system in the financial system of Asian economies, relentless efforts should be made to strengthen banking institutions while initiating the development of the domestic debt securities market. This is because in the transition from a heavily bank-dependent to a capital-market-dependent economy, the private debt securities market and the banking system are likely to be complementary to each other, rather than substitutes. For instance, banks will become the major issuers and investors of debt securities during the initial stages of the development of the domestic debt securities market. This interim financial structure certainly calls for a new regulatory framework for the banking system in developing economies that are going to be exposed to new types of risks as they intensely participate in the debt securities market in various capacities.<sup>3</sup>

The remainder of this paper will tackle three topics. Section II presents the present profile of the debt securities markets in Indonesia, Malaysia, the Philippines, Singapore and Thailand. Section III keeps stock of the recent efforts of these five ASEAN economies to accelerate the development of their domestic debt securities market. The last section discusses some remaining tasks that need to be accomplished to support the development of the fledgling domestic debt securities markets in these economies. While some of the ASEAN member countries have already done some of these tasks, the Philippines still needs to start doing practically all of them.

## **II. PROFILE OF THE DEBT SECURITIES MARKETS**

This paper deals with debt securities market, which consists of short-term securities, i.e., whose maturity is one year or less, and medium- to long-term securities, i.e., whose maturity is more than one year. Normally, bonds refer to the latter. However, some countries in the region (i.e., Thailand and Indonesia) treat securities with one year maturity as bonds.

### **1. Size and Structure**

First, we describe the size and structure of the domestic securities market of each of the five ASEAN economies using latest available data. **Figure 1a** shows the total outstanding debt securities of the five ASEAN economies in US dollars as of December 2000, except Thailand for which data are available only up to December 1999. The size of the outstanding debt securities differs significantly among the five economies. Indonesia appears to have the largest outstanding debt securities amounting to about US\$90 billion. This includes both corporate bonds and the recently issued government

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<sup>3</sup> In the long-run, banks must be prepared to deal with the challenges posed by a vibrant bond market by competing fiercely for corporate credit and by looking for alternative sources of revenue (e.g., consumer credit).

bonds, namely, indexed bonds, variable rate bonds, fixed rate bonds, and hedge bonds. Malaysia's outstanding debt securities stood at US\$53 billion. This consists of government bonds, which include the Malaysian Government Securities (MGS), Government Investment Issues (GII), Malaysian Savings Bonds, and Khazanah bonds, and private debt securities (PDS), which include Danaharta bonds, Danamodal bonds, Cagamas bonds and other private debt securities (Hamid and Abidin 2001). The Philippines' outstanding debt securities amounted to US\$26.1 billion. This includes government securities consisting of Treasury bills and bonds and private securities consisting of short- and long-term commercial papers (CPs). In the Philippines, the long-term commercial paper market is the *de facto* bond market. For lack of data on outstanding private debt securities, Singapore's outstanding debt securities shown in the above-cited figure include only government T-bills and bonds, which stood at US\$23.5 billion. Thailand's outstanding debt securities amounted to US\$30.7 billion as of December 1999. This consists of government securities, such as government bonds, state enterprise bonds, BoT/FIDF/PLMO bonds, and T-bills and corporate bonds including those issued abroad.

**Figure 1b** shows the gross issuances of debt securities in US dollars of the five economies for 2000. Thailand issued about US\$17 billion of debt securities in 2000. It is followed by Singapore whose total issues, which include government and private securities, amounted to about US\$14 billion. Malaysia issued about US\$10 billion and Indonesia, about US\$8 billion. The Philippines had the smallest issuance amounting to about US\$6 billion.

**Figure 2a** shows the size of the debt securities of the five ASEAN countries relative to the size of their economies. Malaysia's outstanding debt securities comprised 70.5 percent of GDP, while that of Indonesia, about 60 percent. The Philippines and Thailand had about the same size of their outstanding debt securities relative to GDP. The size of Singapore's outstanding securities relative to GDP was 27.2 percent. As mentioned earlier, this refers only to government securities. Thus, if private debt securities were included, the relative size of Singapore's debt securities market will surely appear much higher than what was shown above.

In terms of gross issuance of debt securities (**Figure 2b**), Singapore issued debt securities in 2000 equivalent to about 17 percent of its GDP. It is followed by Malaysia at 15 percent. The Philippines' and Thailand's gross issuances of debt securities were 8.1 percent and 6.2 percent, respectively. The smallest was Indonesia at 4 percent of its GDP.

**Figure 3a** gives the distribution of outstanding debt securities by major issuers. It shows the overwhelming dominance of government securities in the ASEAN economies' debt securities market. The exception is Malaysia where outstanding corporate bonds comprised more than half of the total. Interestingly, at least half of the gross issuance of debt securities in 2000 came from the private sector (**Figure 3b**). An exception to this pattern is the Philippines where almost all of the new issues in 2000 came from the government.

Thus, in terms of total outstanding and gross issuance of debt securities in US dollars, the Philippines appears to have the smallest debt securities market among the five ASEAN economies.

## 2. Trends

We now turn to the trends in the domestic debt securities market of the five ASEAN economies during the period 1995-2000.

Indonesia's total outstanding debt securities were less than 3 percent of GDP up until 1999 when it suddenly shot up to 39.4 percent and further rose to 51 percent in 2000 (**Figure 4**). The sharp rise in the ratio can be attributed mainly to the new large issues of the government aimed at raising funds for bank recapitalization and banking guarantee. Malaysia had a relatively large domestic debt securities market even before the East Asian financial crisis. From 46 percent of GDP in 1995, the outstanding debt securities gradually rose to 48 percent in 1997, then rose sharply to 56 percent in 1998. It further increased to 67 percent in 1999 and to 70.5 percent in 2000 mainly due to the significant growth in the outstanding private debt securities. The Philippines' ratio of outstanding debt securities to GDP was quite high at 36.5 percent in 1995, but it gradually declined to about 32 percent since 1997. In the case of Singapore, the ratio of outstanding government securities to GDP was flat at about 16 percent during the period 1995-1997. Beginning in 1998, however, it consistently rose by a significant amount reaching 27.2 percent in 2000. The growth in the size of Thailand's debt securities since 1995 had been phenomenal - from 10 percent of GDP in 1995 to 30 percent in 1999. This was largely due to the significant rise in outstanding government securities, albeit private debt securities also made significant contribution to that rise in 1999.

The shares of outstanding government and private debt securities of the five ASEAN economies are shown in **Figure 5**. Up until 1999, Indonesia's debt securities mainly comprised of corporate securities. In 1999, the government issued Rp425.1 trillion. Another large issues were made in the following year bringing the outstanding government debt securities to Rp634.2 billion. As Shidiq and Suprodjo (2001) pointed out, government bond market in Indonesia was born by accident because of the urgent need of the government to recapitalize failing banks.

Malaysia's case is quite interesting. The shares of government and private debt securities had moved in opposite direction, indicating a faster rise in outstanding private debt securities than government debt securities. In particular, private debt securities increased four-fold over the six-year period to reach RM137.2 billion in 2000. It is to be noted that in 1998, Danamodal Nasional Bhd. was established to facilitate restructuring of financial institutions (Rhee 2000). Another financial institution, Pengurusan Danaharta Nasional Bhd., was created to acquire non-performing assets from financial institutions. Together they issued RM21.3 billion five-year bonds. In contrast, government securities rose by only 45 percent during the same period reaching RM103

billion in 2000. In the Philippines, the share of private debt securities was no more than 8 percent during the period 1995-2000. Outstanding government debt securities rose from PhP667.3 billion in 1995 to PhP1,013.9 billion in 2000, whereas that of the private sector increased from PhP 28.9 billion to PhP44.6 billion during the same period. In Thailand, government debt securities accounted for more than 60 percent between 1995 and 1997 and rose to more than 70 percent in 1998 and 1999. According to Jantaraprapavech (2001), the government issued government bonds in 1998 and 1999 for the first time in a decade under the Bt. 500 billion program to finance the liability of the Financial Institution Development Funds. Thus, outstanding government securities doubled in 1998 to Bt. 712.5 billion and rose further to Bt. 986.6 billion in 1999. Private debt securities, on the other hand, saw a significant increase in 1999 to Bt. 403.8 billion from only Bt. 177.6 billion in 1998.

Although the past trends in the domestic debt securities market in the region are quite encouraging, one cannot be too optimistic about future trends. This is because excess capacity currently plagues Southeast Asian economies. Once refinancing exercises in Thailand, Indonesia and Malaysia end, bond issuance is likely to fall. It may require other measures, such as those recently adopted by Singapore, to sustain the rise in the supply of bonds.<sup>4</sup>

### 3. Maturity Structure

There is a great variation in the maturity structure of debt securities issued in the five ASEAN economies. In Indonesia, 79 percent of the total government securities issued in 1999 and 2000 have a maturity period of 5 years or more (**Table 1**). As regards corporate bonds, roughly 70 percent of the issues during the period 1998-2000 concentrated in the 4-5 year maturity period (**Table 2**). In Malaysia, government securities issues with a maturity period of more than 15 years have been dominant during the period 1995-2000. However, its share has been declining during the period 1995-2000 as an increasing number of issues fell within the 4-10 year maturity period (**Table 3**). With respect to private debt securities, there seems to be a shift away from short-term to long-term bonds with a maturity period of more than 5 years especially in the wake of the East Asian financial crisis (**Table 4**).

In the Philippines, short-term government securities have maturities of 91, 180 and 364 days. On the other hand, long-term securities consist of 2-, 5-, 7-, 10-, and 20-year bonds. Short-term securities comprised at least 65 percent of the total issuances of government securities during the period 1995-2000 (**Table 5**). Among the long-term securities, the 2-year bonds appear to be the most popular among investors. With regard to private debt securities, long-term commercial papers with tenor ranging from 1 to 5 years comprised a fairly high proportion of total issuances of commercial papers up until the East Asian financial crisis struck (**Table 6**). In 2000, no private enterprise issued a long-term commercial paper due to the uncertain political and economic conditions. Singapore's government securities consist of 3-month, 1-, 2-, 5-, 7-, and 10-year

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<sup>4</sup> These measures are discussed Section III.



securities. According to Tan (2000), the maturity mix is a good spread across different years up to 9 to 10 years. In Thailand, about half of the government bonds under the Bt. 500 billion program had a maturity period of less than 5 years (**Table 7**). In contrast, most of the corporate bond issues had maturity of 5 years or more. After the financial crisis, however, the share of corporate bonds with a maturity period of less than 5 years rose substantially to one-third in 1998 and 1999, and eventually to about half in 2000 (**Table 8**).

#### **4. Major Issuers of Corporate Debt Securities**

The two consistently large issuers of corporate bonds in Indonesia were the property and banking sectors (**Table 9**). The banking sector's share significantly dropped in 1997 and since then had not recovered. In the case of the property sector, its share substantially declined only in 2000. Against these were the significant rise in the shares of wood-based and infrastructure sectors. In Malaysia, the large issuers of corporate bonds before the crisis were the manufacturing, construction and transport sectors (**Tables 10a** and **10b**). During the height of the crisis, the finance sector became the single largest issuer of corporate bonds. In 2000, about 75 percent of the issues were shared by the transport, finance and electricity sectors.

In the Philippines, the finance sector was the largest issuer of short-term commercial papers (**Table 11a**). This mostly consists of finance companies, which raised short-term funds for re-lending at longer terms and for maintaining liquidity (Saldana 2000). As regards long-term commercial papers, the largest issuers before the crisis were the manufacturing, finance and real estate sectors (**Table 11b**). This market dried up in the wake of the crisis. There was a brief resurgence in 1999, led by the real estate, manufacturing and transport sectors, but again it dried up in 2000. In Thailand, the commercial banking sector was the largest issuer of corporate bonds even before the crisis. Its share even rose in 1998 and 1999 as some commercial banks issued large chunks of corporate bonds (**Table 12**). In 2000, the building and furnishing materials sectors became the largest issuer of corporate bonds.

#### **5. Investor Base**

The investor base for debt securities market in the five ASEAN countries appears to be limited. In Indonesia, the banking sector cornered more than 60 percent of government bonds and corporate bonds. In Malaysia, the provident fund, EPF, had been the largest investor of MGS, accounting for 62 percent of total during the period 1995-2000. The second largest investor was National Savings Banks at 17 percent. EPF together with insurance companies was also the major investor in corporate bonds, cornering about 73 percent of the total outstanding corporate bonds as of November 2000. Commercial banks held 17 percent of the total. In the Philippines, the Central Bank, banks and government-controlled pension funds accounted for about 77 percent of total outstanding government securities. The Central Bank uses government securities

for its open market operations while banks and pension funds hold securities to meet statutory reserve and mandatory liquidity requirements. The rest were held by the non-financial entities including individuals and insurance companies. Banks were also the largest holders of commercial papers, followed by institutional investors and high-networth individuals. The Central Provident Fund (CPF) of Singapore has been the largest investor in government debt securities, accounting for about two-thirds of the total outstanding government securities in 1998. Commercial banks gobbled up 30 percent. Interestingly, the share of commercial banks in the total outstanding government securities doubled within a span of 11 years at the expense of CPF and other investors. In Thailand, commercial banks were the largest investors in government debt securities, albeit their share declined from a high of 60 percent in 1995 to 43 percent as of the first half of 2000. Banks were also the major investors in corporate bonds (Jantaraprapavech 2001).

## **6. Secondary Market**

The secondary market for both government and private debt securities has been thin for the five ASEAN economies. Most of the securities are traded over-the-counter (OTC) and only very few are listed in exchanges. In Indonesia, the turnover ratio of government bonds for recapitalization and banking guarantee was low at 42 percent, while that of corporate bonds ranged from 34 to 48 percent (Shidiq and Suprodjo 2001).<sup>5</sup> In Malaysia, secondary trading of MGS improved significantly since 1998 (Hamid and Abidin 2001). It accounted for 73 percent and 41 percent of the total trading volume in 1998 and 1999, respectively. The turnover ratio of MGS improved significantly from a mere 6 percent in 1995 to 93 percent in 2000. In contrast, the total trading volume of private debt securities was small and the turnover ratio averaged only 34 percent during the period 1995-1999. In the Philippines, the secondary market is mainly dominated by government securities. In 1999, the turnover ratio for T-bills averaged 44 percent, while that for 2- and 5- year T-bonds, which are most heavily traded, was 60 and 49 percent, respectively (Saldana 2000). The turnover ratios for all tenors of T-bonds increased significantly between 1997 and 1999. On the other hand, private debt securities have been largely illiquid.

In Singapore, the daily trading volume of government securities (T-bills and bonds) has increased significantly in recent years. For instance, average daily turnover in 2000 reached S\$816 million, which was more than twice the turnover in 1997. However, it is still low, accounting for less 2 percent of total outstanding amount of government securities in that same year. In Thailand, government debt securities have dominated the secondary market since 1998, accounting for about 90 percent of the total trading values at the Thai Bond Dealing Center (Jantaraprapavech 2001). Its turnover ratio rose significantly from 44 percent in 1999 to 125 percent in the first three quarters of 2000. With regard to corporate debt securities, its turnover ratio peaked at 150 in 1996, but dropped sharply as the Thai economy went through a severe crisis. It started to recover in 1999 and reached 36 percent in the first three quarters of 2000.

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<sup>5</sup> Turnover ratio is computed by dividing the volume of transactions by the total amount of bonds listed.

### **III. ADDRESSING MAJOR FACTORS AFFECTING THE DEVELOPMENT OF THE DEBT SECURITIES MARKETS**

Recognizing the need for accelerating the development of the debt securities markets, the five ASEAN countries have attempted to address major impediments to such development. This section discusses recent major initiatives taken by the five ASEAN economies to stimulate their domestic debt securities market. At the outset, we may say that Singapore and Malaysia have already gone far in terms of providing a wholesome environment for developing the domestic debt securities market. At the tail end are the Philippines and Indonesia.

#### **1. Benchmark Reference Rate**

Benchmark securities are important in pricing instruments both at the primary and secondary markets. Having a lower risk and high liquidity profile, government securities can very well serve as benchmark instruments. They should, however, be available in various tenors and in sufficient quantity. Since 1998, Singapore has been implementing several measures to improve the benchmark yield curve, such as increasing the issuance of SGS bonds, re-opening of existing ones and extending the SGS maturities to 10 years. In 2000, the average yields for the SGS are as follows: 3-month T-bill – 2.48%; 1-year T-bill – 2.57%; 2-year bond – 2.90%; 5-year bond – 3.44%; 7-year bond – 3.78%; 10-year bond – 4.09%. Singapore is currently mulling of extending further the SGS maturities to 15 years. In 1997, the Malaysian government mandated Khazanah, a wholly-owned government corporation, to issue benchmark bonds on a regular basis, i.e., 4 issues a year at intervals of 3 months (Tan 2000). As of 1999, Khazanah bonds accounted for 10 percent of the total outstanding government bonds. As of 13 October 2001, the market indicative yields of Malaysian government securities with the corresponding remaining years to maturity are as follows: 1 year – 2.921%; 2 years – 3.018%; 3 years – 3.145%; 4 years – 3.266%; 5 years – 3.359%; 6 years – 3.574%; 7 years – 3.775%; 8 years – 3.894%; 9 years – 4.019%; 10 years – 4.150%; and 15 years – 4.856%.

The Philippines first experimented with floating-rate notes to introduce the market to long-term government securities. Then, in the second half of the 1990s, it replaced the floating-rate notes with fixed-rate T-notes and bonds and gradually extended the maturities to 25 years. However, the market lacks the appetite for the 20- and 25-year bonds. In 2000, fixed-rate T-notes and bonds comprised 43 percent of the total outstanding government securities compared to only 8 percent in 1995. The average yields of government securities when issued were as follows: 91-day T-bill – 9.93%; 182-day T-bill – 11.06%; 364-day T-bill – 12.03%; 2-year bonds – 12.50%; 5-year bonds – 14.16%; 7-year bonds – 14.71%; and 10-year bonds – 14.98%. In Thailand, the re-issuance of government bonds under the Bt. 500 billion program in late 1998 has paved the way for the development of a benchmark for pricing securities. Developed by the Thai Bond Dealing center, the yield curve currently spans over the range of 0 to 15 years.

It is based on bidding yield of all government bonds quoted by 9 primary dealers (Jantarappapavech 2001). A set of government bonds with maturity close to 1, 2, 5, 7 and 10 years are also selected to represent as benchmark bonds. Indonesia has just started to issue government bonds for bank recapitalization, which can hardly be used as benchmark bonds.

## **2. Supply of Debt Securities**

At the initial stages of the development of the debt securities market, the government plays a key role as a reliable supplier of debt securities. The Monetary Authority of Singapore (MAS) conducts auctions of 3-month T-bills weekly and issues the 1-year T-bills, 2-, 5- 7-, and 10-year bonds according to a pre-announced issuance of calendar. The issue size ranges from S\$2.4 to S\$3.6 billion. Not only did the government increase the issuance of SGS but it also exhorted statutory boards to raise funds from the bond market to increase the supply of high quality bonds in the market rather than to continue to depend on bank credit. This is a bold move on the part of the Singaporean government considering the fact that statutory boards have been able to access bank loans easily and at reasonable rates. Thus, as of the first quarter of 2001, statutory boards have already issued a total of S\$4.8 billion with maturity ranging from 5 to 15 years. Singapore has also liberalized the policy on the non-internationalization of the S\$ in the past 3 years. Between 1998 and the first quarter of 2001, foreign entities issued bonds worth S\$6.6 billion with maturity ranging from 2 to 10 years. In view of these reforms, the total S\$ and non-S\$ denominated corporate debt issuance rose markedly from S\$8.5 billion in 1997 to S\$50.5 billion in 2000.

In March 2000, the Malaysian government started to announce the securities auction calendar to inform the public that it will be issuing MGS on a regular basis. It has also enlarged the size of MGS and consolidated the existing MGS issues into fewer larger issues, with issue sizes ranging from RM3 billion to RM5 billion and maturities from 3 to 10 years. To increase the supply of private debt securities, the Securities Commission became the sole regulator of all fund raising activities – a move that will speed up and reduce the costs of issuance of securities. The Commission recently introduced measures to facilitate approval of private debt securities issues, such as waivers of minimum rating requirements, the mandatory underwriting requirements and the minimum shareholders' funds. The government has granted a waiver from stamp duty for all instruments relating to the issue and transfer of private debt securities, which issue has been approved by Bank Negara Malaysia or the Securities Commission.

In the Philippines, the Bureau of the Treasury (BTr) conducts auction of T-bills every week on a Monday. The auction for the 2-year bond is done once a month and for the 5-, 7- and 10-year bonds once every quarter. The issue size ranges from PhP1 billion to PhP3 billion. Most recently, the government issued a 10-year zero coupon bond and, in view of the positive reception of the market, it plans to issue it on a regular basis. The Philippines has so far not seriously addressed major impediments to the supply of private debt securities. For instance, the existing Corporation Code requires the approval of

corporate CP issues only by the issuer company's board of directors but requires two-thirds majority of stockholders for bond issues. All issuances of CPs need to be registered with the Securities and Exchange Commission. One of the requirements for issuing a short-term CP is that the issuer should secure a credit line from commercial banks equivalent to at least 20 percent of its aggregate commercial paper outstanding at any time. This definitely raises the cost of issuing CPs. In the case of long-term CPs, which are considered by the market as the *de facto* bonds, issuers are not required to obtain a credit line from banks, but they must satisfy certain stringent requirements imposed by the SEC.

In Thailand, the government has recently re-started issuing T-bills partly to create a short-term benchmark for bond market and rationalized the auction of government securities by coming up with auction schedules. Thus, T-bills and government bonds are auctioned every Monday and Wednesday, respectively, and State enterprise bonds, every other Tuesday. The law that prohibits the government from issuing bonds unless it runs into a deficit will be a major constraint on the part of the government to deepen and broaden the market for government securities. Indonesia has yet to formulate a program for developing the government debt securities beyond what it is doing now to recapitalize ailing banks.

### **3. Demand for Debt Securities**

Investors are naturally attracted to investment instruments that have high yields relative to other instruments, given the same risk profile. Fiscal incentives can make debt securities attractive to investors. To stimulate demand for debt securities, Singapore does not impose a capital gains tax on SGS. The series of tax reforms introduced in 1998 and 1999 have been designed to give concessionary tax rates to investors of debt securities. For instance, interest income earned by financial institutions and corporations in Singapore from eligible debt securities is taxed at a concessionary rate of 10 percent. Non-residents holding SGS issued between 28 February 1998 and 27 February 2003 are exempt from withholding tax. As part of its effort to broaden the investor base of Singapore's debt securities market, the government has allowed starting in December 2000 non-residents to borrow S\$ freely to invest in S\$ financial assets including SGS, and Singapore Dollar bonds.

Malaysia has also provided tax incentives to encourage investors to invest in debt securities. More specifically, it provides tax exemption on interest earned by individuals investing in bonds issued by public companies listed in the KL Stock Exchange, on interest earned by individuals investing in bonds issued by a company rated by Rating Agency Malaysia Berhad or Malaysian Rating Corporation Berhad, and on interest income received by unit trusts and listed closed-end funds from corporate bonds. Withholding tax for foreign investors on interest earned has been reduced from 20 percent to 15 percent since October 1994. More recently, the government grants a waiver from stamp duty for all instruments relating to the issue and transfer of private debt

securities, which issue has been approved by Bank Negara Malaysia or the Securities Commission.

In contrast, Thailand and the Philippines retain a complicated tax system that tends to reduce the returns on investing in debt securities. In Thailand, for instance, individual investors are subject to a 15 percent withholding tax on interest income and on capital gains. In the Philippines, there is a 0.15 percent documentary stamp tax on issuance/acquisition of securities and a 20 percent withholding tax on interest income on bond investments.

#### **4. Market Infrastructure**

The market infrastructure for developing the debt securities market is pretty well in place in Singapore. There are 12 approved primary dealers in the SGS market that provide liquidity to the SGS market by quoting two-way prices under all market conditions and underwrite issuance of SGS auctions. In addition to the 12 primary dealers, there are 20 dealers representing various financial institutions and 72 banks that maintain book-entry SGS accounts with MAS for their own trading. To support the market-making activities of primary dealers, the government has recently established a repo facility for primary dealers. Since 1998, profits generated by primary dealers from trading in SGS are exempted from tax. An efficient clearing and settlement system supports the SGS market. The MAS maintains a register of all SGS and transactions are cleared T+1 on a DvP basis over the MAS electronic payment system and MAS' SGS Book-entry clearing system. Same day settlement can be made if transactions are entered before 3:30 PM. To provide the market with up-to-date information about the debt securities market and enhance transparency of the market, MAS posts daily the SGS closing and high-low prices on its website.

Malaysia introduced much earlier a Principal Dealer System in which market makers were appointed for certain types of debt securities. The principal dealers are to provide reasonable continuous 2-way price quotations for these papers to individuals, institutional clients and Bank Negara Malaysia (BNM). However, Hamid and Abidin (2001) have pointed out that principal dealers are reluctant to make markets because of the high cost of holding and the lack of papers. Also, there is an existing regulation against short-selling and there is no infrastructure for bond lending. In short, principal dealers not prepared to make two-way quotes unless they are willing to take additional risks. Malaysia has put in place other infrastructure for both the primary and secondary market for government securities. In particular, it automated its primary auction process for government securities in 1996. This is supported by a real time gross settlement (RTGS) system called RENTAS, which replaced in 1999 an earlier netting system for settlement of trades in securities. The government set up a Bond and Information and Dissemination System (BIDS) in 1997 to promote awareness of the bond market and enhance the transparency of the OTC market. An important measure made by BNM for the primary corporate bond market was the mandatory rating for all issuances of domestic debt securities. Malaysia has currently two credit rating agencies. To improve the

efficiency of secondary trading of PDS, BNM has required that all unlisted PDS be issued scripless, with clearing and settlement executed electronically via the RENTAS.

Like Malaysia, the Philippine government through the Bureau of the Treasury (BTr) conducts auctions of Treasury bills and bonds using an electronic system, supported by a book-entry registry system. However, settlement is not on a DvP system but on a same day netting system. It has more than 40 accredited government securities dealers, who are not required to make two-way quotes. There currently exist two credit rating agencies in the Philippines, but the government does not mandate issuers to have their issues rated.

In Thailand, T-bills, BoT and FIDF bonds are issued scripless form and transferred by book entries, all handled by the Bank of Thailand (Ganjarende 2000). Similarly, corporate bonds are issued in scripless form and transferred by book entry, but cleared and settled at Thailand Securities Depository Co. The creation of the Thai Bond Dealing Centre (TBDC) is an important step towards developing the secondary market for bonds. Dealers are required to report to TBDC all traded transactions to provide the market with information on prices. A similar effort was made in Indonesia with the creation of the Over-the-Counter Fixed Income Service (OTC-FIS) located in the Surabaya Stock Exchange. The difference though is that traders are not required to report their trading transactions to the OTC-FIS. Scripless trading of securities has been available in Indonesia since 1998. Rating of commercial paper and bond issues is mandatory in Indonesia. Rating is performed by two credit rating agencies in Indonesia.

#### **IV. REMAINING TASKS**

The discussions above suggest three things. First, the domestic debt securities markets in the five ASEAN economies are still at their infant stage. Private and State enterprises' easy access to both domestic and foreign bank credit and long history of budget surpluses, with the exception of the Philippines, were some of the major reasons why governments in these countries did not pay much attention to the development of the domestic debt securities market. Second, the private debt securities market cannot flourish without a well-developed market for government securities. Benchmark bonds are needed to establish a yield curve that can serve as a basis for the pricing of other securities. This, therefore, requires a strong commitment on the part of the government to issue securities of various tenors at regular intervals regardless of its fiscal position. Third, appropriate policies can stimulate the supply of and demand for debt securities. And fourth, the government must ensure that adequate market infrastructure be put in place to reduce transaction costs and settlement risks as well as enhance the transparency of trading in securities. Although ASEAN economies have already shown a strong commitment towards nurturing their fledgling debt securities market and have started to remove some of the major impediments, some tasks remain ahead. Obviously, those that so far have done little in reforming their debt securities market have more tasks to do to spur the development of the domestic debt securities market, and they can profit from the major initiatives recently undertaken by other economies in the region in this respect.

More specifically, the Philippines has so much to learn from them. We will discuss them below.

## **1. Benchmark Yield Curve**

Singapore's efforts in developing benchmark yield curves deserve to be given a serious look. Maturities are well spaced and lot sizes auctioned for each tenor are sufficiently large. Auctions are made in accordance with pre-announced calendar. The Philippines has done similar efforts but has achieved little in establishing a reliable yield curve of risk free-interest rates for two reasons. One is that whenever a conflict between developing a robust market for benchmark bonds and minimizing the cost of borrowing emerges, the government usually opts for the latter. Thus, the government rejects bids especially for longer tenors whenever it thinks the bid rates are unreasonably high. This has prompted the private financial institutions to create an alternative reference rate – the Phibor. The other reason is that lot sizes auctioned for each tenor are relatively small.

Another thing worth noting is the emergence of swap market in Singapore. Although swap rates are not risk-free rates, corporations may consider them as alternative benchmarks for bond rates. This only underlines the importance of developing hedging mechanisms that can help in appropriately pricing instruments.

## **2. Primary Dealer System**

Both Singapore and Malaysia have established a primary dealer system for government debt securities in which the primary dealers make two-way prices under all market conditions. Their experience suggests that this system should be supported by a securities-lending facility for primary dealers to facilitate their market-making activities. So far, only Singapore has established a securities-lending facility for dealers. To deepen and broaden the market for government securities, it may well be for other ASEAN economies to adopt a primary dealer system supported by facilities for the repurchase market and securities lending.

## **3. Tax Incentives**

To develop debt securities during the initial stages of development, appropriate tax incentives must be introduced. Both Singapore and Malaysia are way ahead in these efforts. In other ASEAN economies, taxes on debt securities are not only high but also distortionary, making debt securities less attractive than other financial instruments. Here again, the government must make a clear choice between raising revenues and nurturing a debt securities market. In designing a tax incentive system for debt securities, care must be exercised in such a way that it does not favor one class of investor over another and that it does not artificially create different classes of debt securities within the same



market. This has been the criticism lobbied against Singapore's tax incentive system for SGS (Tan 2000).

#### **4. Mandatory Investment in Government Securities and Mandatory Credit**

The demand for government securities in the region looks big at first blush. However, a large chunk of it is due to the fact that some institutions, notably banks, provident and pension funds, and insurance companies, are mandated to invest a sizeable portion of their resources in government securities. This undermines the pricing and liquidity of government securities since these institutions normally hang on to those securities until maturity. This policy needs to be re-examined in light of the need to develop an efficient financial market. Given ASEAN economies' current emphasis on inflation targeting, indirect monetary tools will be more effective in attaining that objective rather than direct monetary tools, such as imposing relatively high reserve requirements on bank deposits.

More generally, governments in the region must let the market allocate financial resources efficiently. Mandatory credit allocation to certain industries weakens corporate governance and reduces incentives of favored industries to access the debt securities market for funds.

#### **5. Role of Institutional Investors**

Institutional investors, such as pension funds, mutual funds and insurance companies, have an important role to play in the development of debt securities market in the region. Apart from providing funds to the bond market, they are also an important source of market discipline. However, pension funds, mutual funds and insurance companies should be given enough flexibility to manage their investment portfolios so that they can fully develop and attract more funds for the debt securities market. Appropriate intermediation tax can also help in developing institutional investors.

#### **6. Good Corporate Governance**

One of the issues that clearly emerged during the East Asian financial crisis is the need to institute good corporate governance in the region. Corporations wanting to issue bonds must convince potential buyers that they have a professional management team able to protect the interest of all stakeholders including bondholders. They must follow internationally accepted accounting and auditing standards and regularly disclose to the public their performance. The presence of independent members in the boards of corporations can enhance corporate governance. Also, adequate protection of minority shareholders and clear bankruptcy law are effective instruments for strengthening corporate governance.

## **7. Rating of Corporate Debt Securities**

Mandatory rating of corporate debt issues can enhance the marketability and increase the proceeds of the issues. However, passing a minimum rating requirement should not be made as a pre-condition for issuance of debt securities. The mandatory rating requirement should be combined with the upgrading of the quality of domestic credit rating agencies or allowing foreign rating agencies to compete with local rating agencies in rating issues.

## **8. Market Infrastructure**

Efficient clearing and settlement system and information system are important infrastructure for developing the domestic debt securities market. Settlement risk must be minimized, if not completely eliminated, so that both the primary and secondary markets for debt securities can function well. Countries in the region that have not yet established an RTGS system for clearing and settlement need to accelerate the implementation of such system and link it with a central depository system. Unlike equities, debt securities are traded mostly OTC. An information system, like the BIDS in Malaysia or the one developed by TBDC in Thailand which includes a requirement that traders report their trading transactions, can enhance the transparency of the OTC market and provide the general public with up-to-date information on prices of securities. Finally, there is a need to reconsider the policy against short-selling of securities in the region and develop a repo facility to support the market-making activities of primary dealers like what Singapore has done.

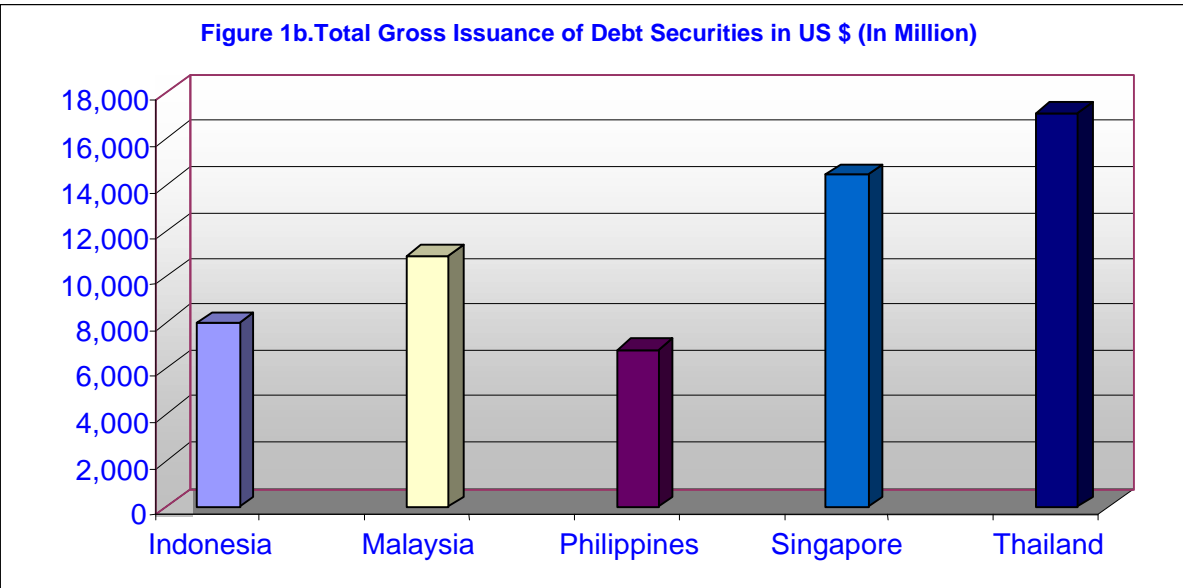
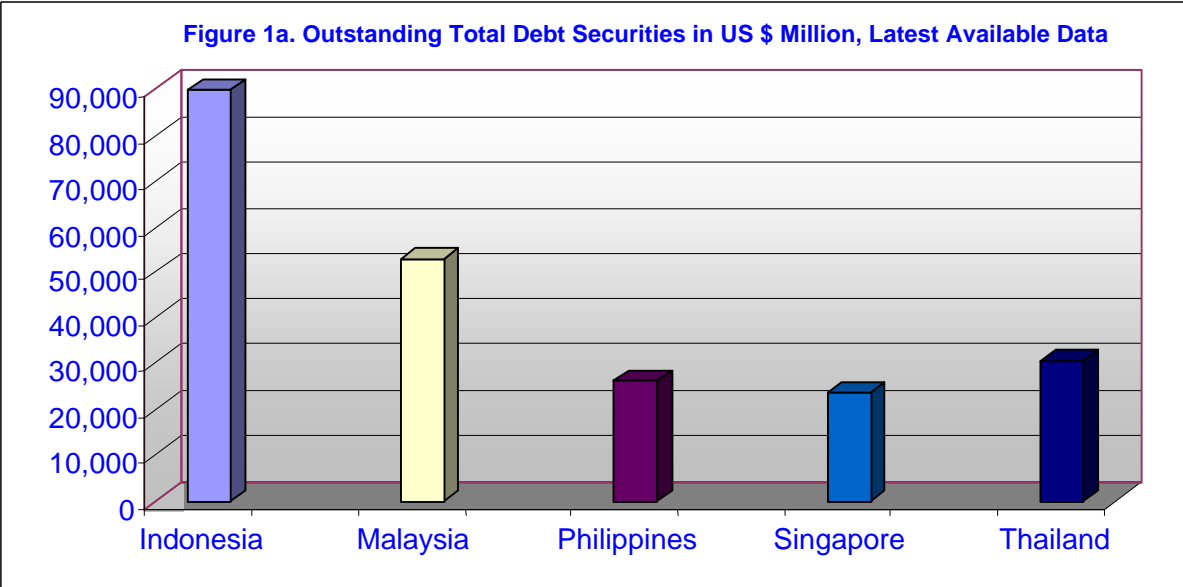
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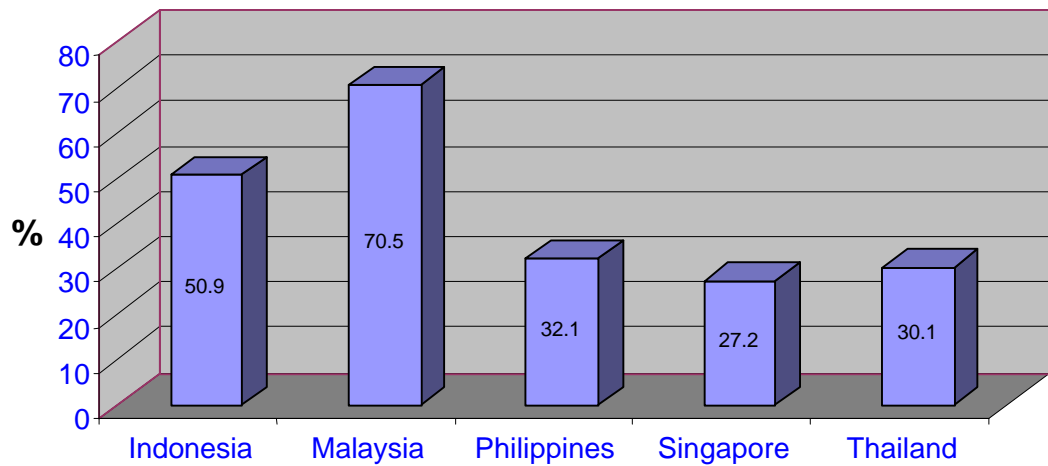
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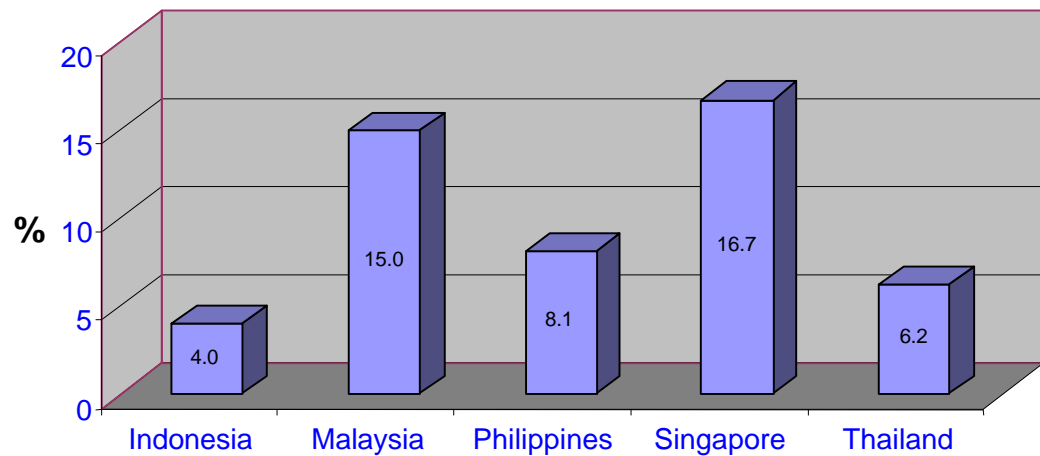
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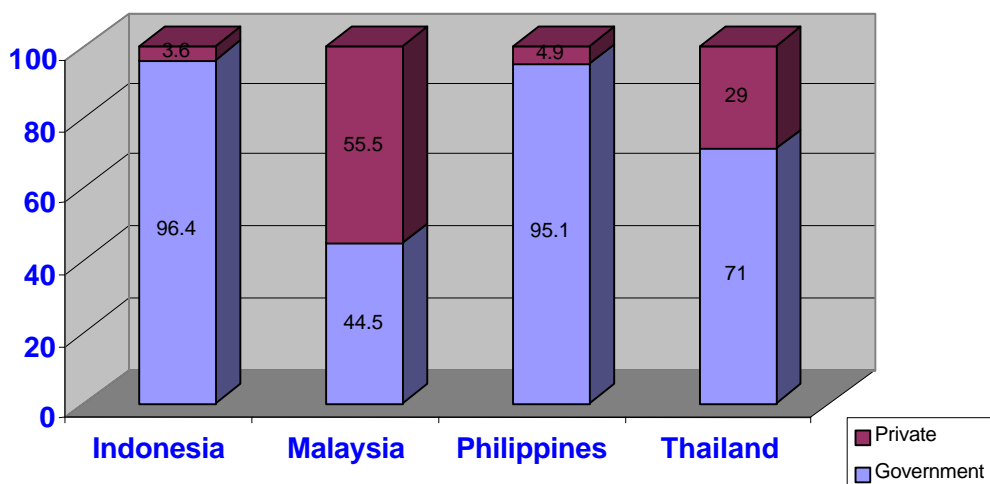
**Figure 2a. Ratio of Total Outstanding Debt Securities to GDP, Latest Available Data (In %)**



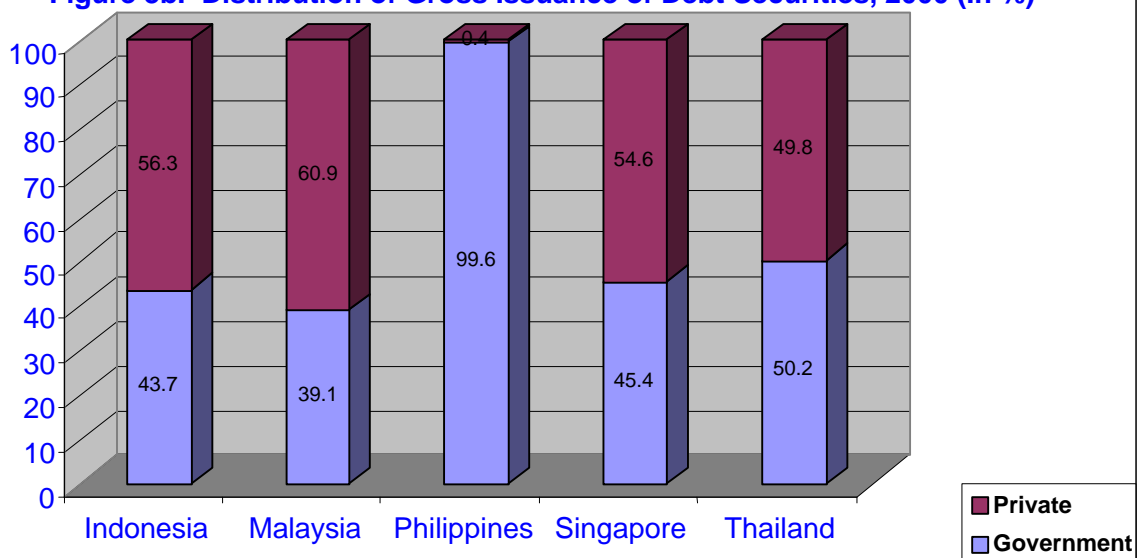
**Figure 2b. Ratio of Total Gross Issuance of Debt Securities to GDP, 2000 (In %)**



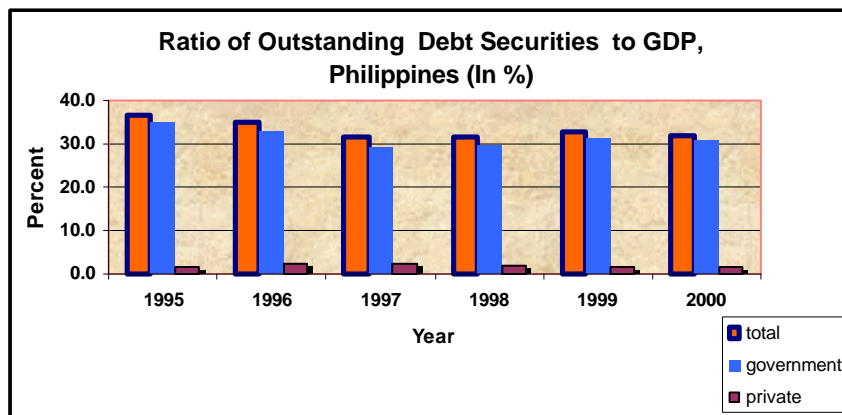
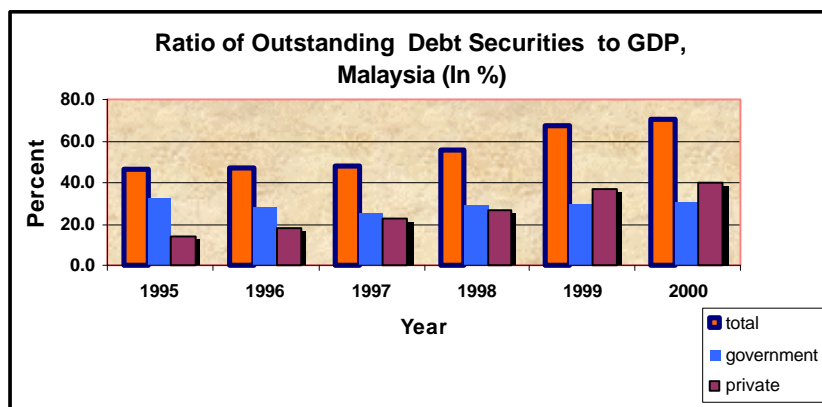
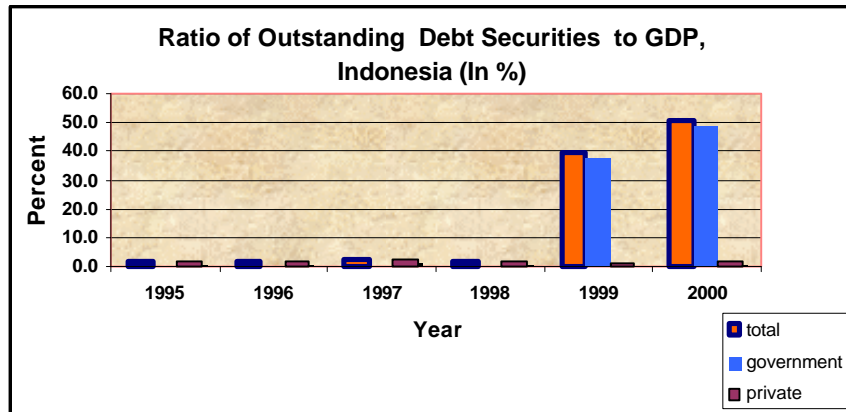
**Figure 3a. Distribution of Outstanding Debt Securities, Latest Available Data (In %)**



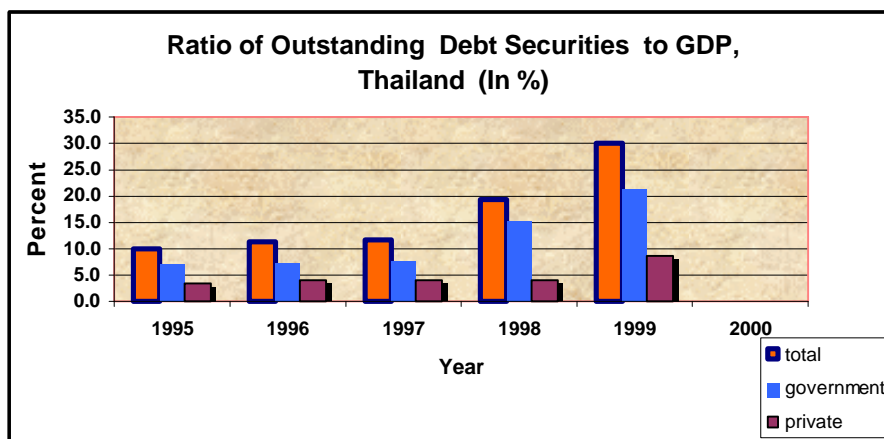
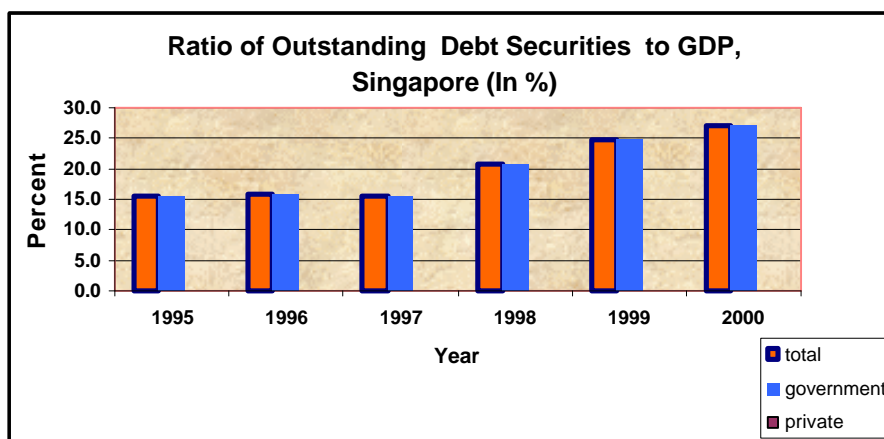
**Figure 3b. Distribution of Gross Issuance of Debt Securities, 2000 (In %)**



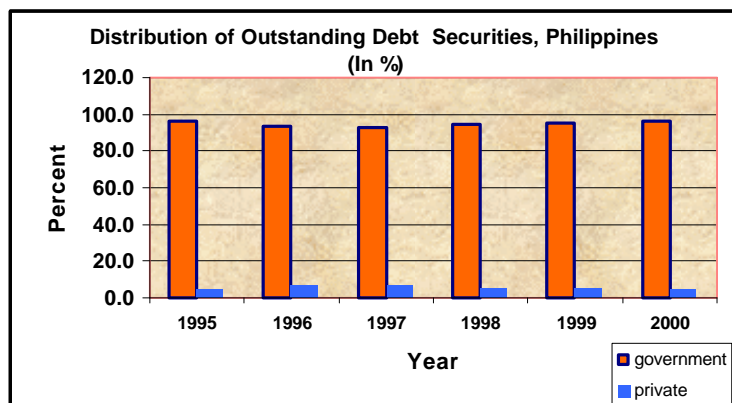
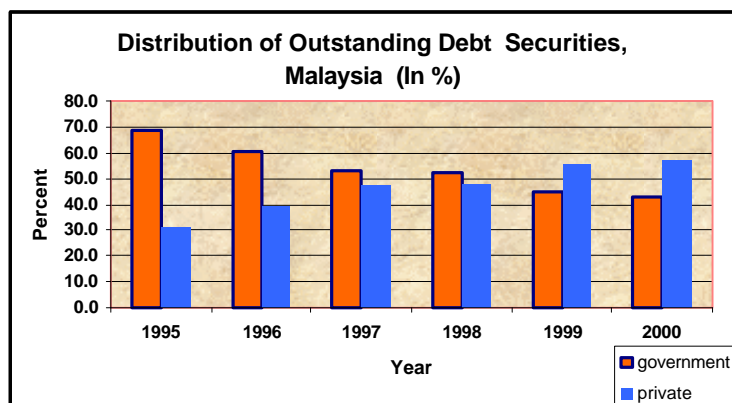
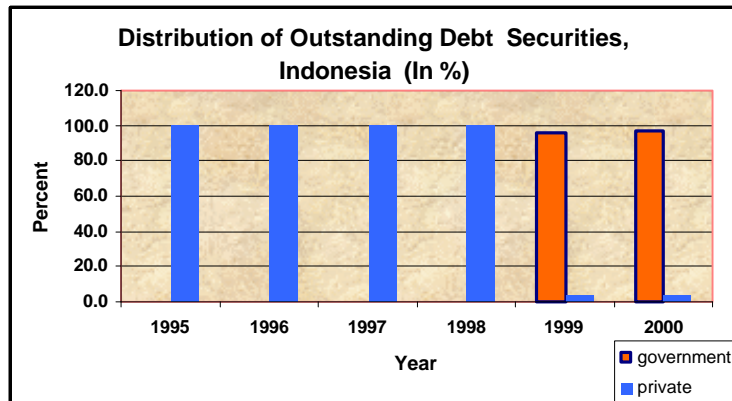
**Figure 4. Ratio of Outstanding Debt Securities to GDP by Major Issuer (In %)**

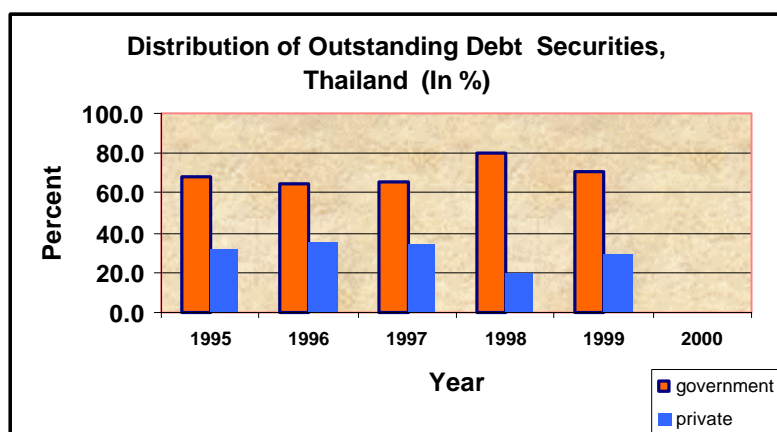
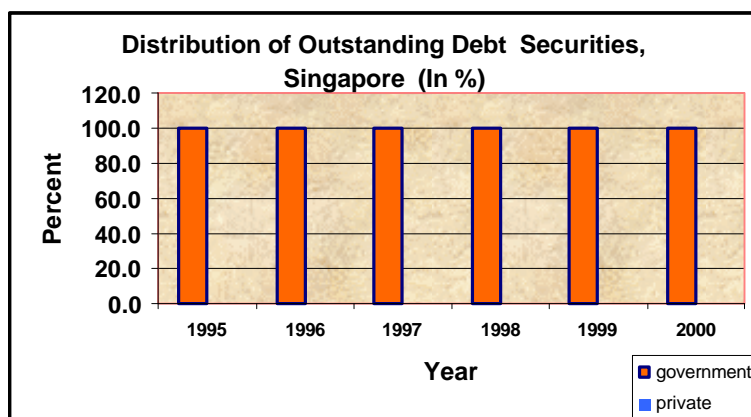






**Figure 5. Distribution of Outstanding Debt Securities by Major Issuer**





**Table 1. Indonesia: Maturity Structure of Government Bonds**

Maturity	value (bn Rps)	% of total value
1-5 years	133,558,975	21.06
5-10 years	282,340,304	44.52
above 10 years	218,315,594	34.42
	634,214,873	100.00

Source: Shidiq and Suprodjo (2001).

**Table 2. Indonesia: Corporate Bonds Maturity Structure ( As December 2000)**

Term	2000			1999			1998		
	# of Issuers	Value (IDR bn)	Percentage	# of Issuers	Value (IDR bn)	Percentage	# of Issuers	Value (IDR bn)	Percentage
0 - 3 yrs	5	642.10	3.57%	3	292.10	2.43%	-	0.00	0.00%
4 - 5 yrs	45	12,452.50	69.22%	36	8,360.50	69.68%	32	7,341.50	74.79%
6 yrs and above	19	4,895.86	27.21%	14	3,345.86	27.89%	10	2,475.00	25.21%
T o t a l		17,990.46	100.00%		11,998.46	100%		981650%	100%

Source: Shidiq and Suprodjo (2001).

**Table 3. Outstanding MGS Classified by Original Maturity (RM billion)**

Year	2 to 3 years	4 to 5 years	6 to 10 years	11 to 15 years	Above 15 years	Total
1995	1	2	11	14	37	65
1996	1	4	14	13	35	67
1997	1	6	12	13	35	67
1998	2	7	15	15	37	76
1999	4	9	16	15	36	80
2000	7	12	24	12	34	89
Share of total %						
Year	2 to 3 years	4 to 5 years	6 to 10 years	11 to 15 years	Above 15 years	Total
1995	1.5%	3.1%	16.9%	21.5%	56.9%	100.0%
1996	1.5%	6.0%	20.9%	19.4%	52.2%	100.0%
1997	1.5%	9.0%	17.9%	19.4%	52.2%	100.0%
1998	2.6%	9.2%	19.7%	19.7%	48.7%	100.0%
1999	5.0%	11.3%	20.0%	18.8%	45.0%	100.0%
2000	7.9%	13.5%	27.0%	13.5%	38.2%	100.0%

Source: Hamid and Abidin (2001).

**Table 4. Outstanding PDS Classified by Original Maturity (RM million)**

Year	2 to 3 years	4 to 5 years	6 to 10 years	11 to 15 years	Above 15 years	Total
1995	-	2,466	400	-	1,600	4,466
1996	-	5,711	106	-	2,750	8,567
1997	-	3,987	4,072	808	-	8,867
1998	-	1,080	2,475	-	-	3,555
1999	500	1,765	30,277	987	-	33,529
2000	-	480	2,845	-	8,610	11,935
Share of total %						
Year	2 to 3 years	4 to 5 years	6 to 10 years	11 to 15 years	Above 15 years	Total
1995	0.0%	55.2%	9.0%	0.0%	35.8%	100.0%
1996	0.0%	66.7%	1.2%	0.0%	32.1%	100.0%
1997	0.0%	45.0%	45.9%	9.1%	0.0%	100.0%
1998	0.0%	30.4%	69.6%	0.0%	0.0%	100.0%
1999	1.5%	5.3%	90.3%	2.9%	0.0%	100.0%
2000	0.0%	4.0%	23.8%	0.0%	72.1%	100.0%

Source: Hamid and Abidin (2001).

**Table 5. Issuances of Government Securities, 1995-2000**  
(in million pesos)

PARTICULARS	1995		1996		1997		1998		1999		2000	
	% Share	Yield (%)	% Share	Yield (%)	% Share	Yield (%)	% Share	Yield (%)	% Share	Yield (%)	% Share	Yield (%)
<b>Total Issues</b>	<b>321,144</b>	<b>100</b>	<b>343,561</b>	<b>100.00</b>	<b>264,582</b>	<b>100.00</b>	<b>270,180</b>	<b>100.00</b>	<b>244,489</b>	<b>100.00</b>	<b>265,955</b>	<b>100.00</b>
<b>I. National Government Issues</b>												
A. Treasury Bills	251,757	78	263,271	76.63	208,029	79	220,424	82	186,589	76	171,827	65
1. CMB (35 to 63 days)	2,000	1	-	-	-	-	-	-	-	-	22,460	8.45
2. 91-day	81,258	25	61,491	17.90	58,340	22.05	78,854	29.19	60,600	24.79	44,705	16.81
3. 182-day	82,563	26	82,983	24.15	63,440	23.98	71,054	26.30	62,233	25.45	49,226	18.51
4. 364-day	85,936	27	118,797	34.58	86,249	32.60	70,516	26.10	63,756	26.08	55,436	20.84
B. Fixed Rate T/Bonds	44,527	14	79,795	23.23	56,485	21.35	42,983	15.91	56,634	23.16	93,258	35.07
1. 2 - Year	23,430	7	38,530	11.21	31,189	11.79	21,986	8.14	22,310	9.13	26,102	9.81
2. 5 - Year	21,000	7	19,680	5.73	7,500	2.83	10,000	3.70	9,620	3.93	19,954	7.50
3. 7 - Year	-	-	19,585	5.70	5,537	2.09	5,551	2.05	10,576	4.33	23,005	8.65
4. 10 - Year	-	-	2,000	0.58	10,259	3.88	5,446	2.02	14,128	5.78	18,911	7.11
5. 20 - Year	-	-	-	-	2,000	0.76	-	-	-	-	-	-
6. 25 - Year	-	-	-	-	-	-	-	-	-	-	5,286	1.99
7. 30 - Year Par Bond	97	0.03	-	-	-	-	-	-	-	-	-	-
C. Bonds	24,860	8	-	-	-	-	-	-	-	-	-	-
D. Notes	-	-	495	0.14	68	0.03	-	-	-	-	-	-
E. 10 - Yr Land Bank Bond	-	-	-	-	-	-	6,773	2.51	1,266	0.52	870	0.33

\* Mostly issues by government agencies (MWSS, Municipal Bonds, etc.).

\*\*Mostly composed of floating rate treasury notes with interest rates ranging from 50 to 75 basis points above the 91-day T-bill rate.

**Table 6. Issuances of Commercial Papers (In million pesos)**

Year	Total	Long-term* CPs	% to Total	Short-term** CPs	% to Total	WAIR***
1994	24,256	6,200	25.6	18,056	74.4	12.622
1995	30,882	12,065	39.1	18,817	60.9	11.579
1996	30,115	15,550	51.6	14,565	48.4	12.524
1997	24,585	11,400	46.4	13,185	53.6	12.665
1998	8,057	750	9.3	7,307	90.7	15.539
1999	8,716	6,700	76.9	2,016	23.1	no data
2000	1,171	-	-	1,171	100.0	no data

\* Tenor of 1 year or less.

\*\* Tenor ranging from 1-5 years.

\*\*\*WAIR - Weighted Average Interest Rates.

Source: Securities and Exchange Commission

**Table 7. Maturity of Government Bonds under the Bt. 500 B Program**

Original Maturity (years)	1998		1999 (Jun.)	
	Amount of Value		Amount of Value	
	(Bt. Millions)	(%)	(Bt. Millions)	(%)
1	150,000	37.50	-	-
2	20,000	5.00	-	-
3	50,000	12.50	-	-
4	-	-	30,000	30.00
5	60,000	15.00	-	-
6	-	-	30,000	30.00
7	50,000	12.50	-	-
8	20,000	5.00	-	-
10	50,000	12.50	-	-
12	-	-	20,000	20.00
15	-	-	20,000	20.00
	<b>400,000</b>	<b>100.00</b>	<b>100,000</b>	<b>100.00</b>

Source : Bank of Thailand

Note : " - " means no activity.

**Table 8. Maturity Structure of Corporate Bonds**

Maturity (years)	Value of Issues (Bt. Billions)						% of Total					
	1995 <sup>1/</sup>	1996 <sup>1/</sup>	1997 <sup>1/</sup>	1998 <sup>2/</sup>	1999 <sup>2/</sup>	2000 <sup>2/</sup> (Sep.)	1995 <sup>1/</sup>	1996 <sup>1/</sup>	1997 <sup>1/</sup>	1998 <sup>2/</sup>	1999 <sup>2/</sup>	2000 <sup>2/</sup> (Sep.)
1				2.75	5.60	1.70				7.58	2.60	1.44
2		0.70		1.98	26.98	22.30		0.61		5.46	12.55	18.89
3	5.94	5.65	3.93	7.31	35.24	35.14	8.78	4.93	11.01	20.17	16.39	29.76
4	1.60	2.34			8.01	2.81	2.37	2.04	-	-	3.73	2.38
5	31.33	13.89	17.43	1.81	61.24	19.81	46.32	12.12	48.81	5.00	28.49	16.78
6				-	0.41	26.66	-	-	-	-	0.19	22.58
7	1.05	3.05		22.35	43.35	3.20	1.55	2.66	-	61.64	20.16	2.71
8				-	9.88	-	-	-	-	-	4.59	-
9				-	-	-	-	-	-	-	-	-
10	27.72	64.75	8.68	0.05	11.53	3.27	40.98	56.49	24.31	0.14	5.36	2.77
>10	-	24.26	5.67	-	12.76	3.17	-	21.16	15.87	-	5.93	2.68
<b>Total</b>	<b>67.64</b>	<b>114.64</b>	<b>35.71</b>	<b>36.26</b>	<b>214.98</b>	<b>118.07</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source : Securities and Exchange Commission, Thailand

Remark : <sup>1/</sup> Data of 1995-1997 are approved public offering values and approved offering values in overseas market.

<sup>2/</sup> Data of 1998-2000 are actual public offering and private placement values.

**Table 9. Major Issuers of Corporate Bonds, Indonesia**

Industry	# of Issuers					Value (IDR bn)					Percentage				
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000
Property	8	13	11	11	11	1,135.0	3,585.0	3,585.0	3,295.2	3,310.2	26.5	28.6	30.0	26.5	18.4
Wood based and Agro Industries	2	4	3	4	6	400.0	1,150.0	800.0	1,800.0	3,300.0	9.3	9.2	6.7	14.5	18.3
Banking	6	8	8	8	8	1,169.7	2,419.7	2,419.7	2,669.7	3,050.0	27.3	19.3	20.2	21.4	17.0
Consumer Goods		1	1	2	4		300.0	300.0	400.0	2,400.0	-	2.4	2.5	3.2	13.3
Infrastructure		1	1	3	4		275.0	275.0	2,225.0	2,173.0	-	2.2	2.3	17.9	12.1
Financial	2	7	5	5	7	200.0	1,550.0	1,314.6	1,386.3	2,036.3	4.7	12.4	11.0	11.1	11.3
Others	4	7	7	6	9	1,380.0	3,260.0	3,260.0	674.1	1,721.0	32.2	26.0	27.3	5.4	9.6
<b>Total</b>	<b>22</b>	<b>41</b>	<b>36</b>	<b>39</b>	<b>49</b>	<b>4,284.7</b>	<b>12,539.7</b>	<b>11,954.3</b>	<b>12,450.3</b>	<b>17,990.5</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Shidiq and Suprodjo (2001).

**Table 10a. New Issues of Private Debt Securities (Excluding Cagamas Bonds) By Sector**

Sectors	RM (million)					
	1995	1996	1997	1998	1999	2000
Agriculture, Forestry and Fishing	165	0	214.1	0	0	42.5
Mining and Quarrying	0	0	0	0	0	0
Manufacturing	878.4	3244.5	3604.2	125	1114.5	1133.1
Construction	1882.5	2598.2	2069.1	1473.3	9011	1868.6
Electricity, Gas and Water	1530.4	1017.2	2236.7	529	63.8	4564.1
Transport, Storage and Communications	2424	2886	2260	0	20	7320.3
Finance, Insurance, Real Estate and Business Services	1250.4	319.4	3923.8	7704.5	2258.8	5237
Government and Other Services	25	436.4	0	1000	0	0
Wholesale, Retail Trade, Hotels and Restaurants	1045	1882.2	120	0	660	2130.8
<b>Total</b>	<b>9200.7</b>	<b>12383.9</b>	<b>14427.9</b>	<b>10831.8</b>	<b>13128.1</b>	<b>22296.4</b>
Government Bonds	13057.9	14958	17523.2	1661.6	6466.5	5937.1
<b>Total</b>	<b>22258.6</b>	<b>27341.9</b>	<b>31951.1</b>	<b>12493.4</b>	<b>19594.6</b>	<b>28233.5</b>

**Table 10b. Share New Issues of Private Debt Securities (Excluding Cagamas Bonds) By Sector In Terms of Total Corporate**

Sectors	1995	1996	1997	1998	1999	2000
Agriculture, Forestry and Fishing	1.79%	0.00%	1.48%	0.00%	0.00%	0.19%
Mining and Quarrying	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Manufacturing	9.55%	26.20%	24.98%	1.15%	8.49%	5.08%
Construction	20.46%	20.98%	14.34%	13.60%	68.64%	8.38%
Electricity, Gas and Water	16.63%	8.21%	15.50%	4.88%	0.49%	20.47%
Transport, Storage and Communications	26.35%	23.30%	15.66%	0.00%	0.15%	32.83%
Finance, Insurance, Real Estate and Business Services	13.59%	2.58%	27.20%	71.13%	17.21%	23.49%
Government and Other Services	0.27%	3.52%	0.00%	9.23%	0.00%	0.00%
Wholesale, Retail Trade, Hotels and Restaurants	11.36%	15.20%	0.83%	0.00%	5.03%	9.56%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Hamid and Abidin (2001).



**Table 11a. Short-Term Commercial Paper Issues**  
(in Million Pesos)

Sector	1994	% to Total	1995	% to Total	1996	% to Total	1997	% to Total	1998	% to Total	1999	% to Total	2000	% to Total
Manufacturing	2,247	12.4	847	4.5	1,223	8.1	1,550	11.8	613	8.4	30	1.5	-	-
Utilities	57	0.3	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale Trade	3,054	16.9	499	2.7	571	3.8	534	4.1	468	6.4	-	-	-	-
Transportation/Communications	2,022	11.2	839	4.4	803	5.3	1,825	13.8	-	-	-	-	-	-
Finance	9,256	51.3	15,407	81.9	10,675	70.5	8,645	65.6	5,629	77.0	202	10.0	1,055	90.1
Business Services	720	4.0	1,277	6.5	394	2.6	236	1.8	64	0.9	36	1.8	17	1.5
Real Estate	700	3.9	-	-	1,469	9.7	395	3.0	533	7.3	1,748	86.7	99	8.4
Total	18,056	100.0	18,869	100.0	15,135	100.0	13,185	100.0	7,307	100.0	2,016	100.0	1,171	100.0

\* Short-term commercial papers have a tenor of 1 year or less.

Source: Securities and Exchange Commission

**Table 11b. Long-Term Commercial Paper Issues**  
(in Million Pesos)

Sector	1994	% to Total	1995	% to Total	1996	% to Total	1997	% to Total	1998	% to Total	1999	% to Total	2000 (Jan-May)	% to Total
Manufacturing	900	15	6,665	55	3,800	19	2,500	22	750	100	1,700	25	-	-
Utilities	-	-	-	-	-	-	300	3	-	-	-	-	-	-
Wholesale Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation/Communications	-	-	1,000	8	1,000	5	1,500	13	-	-	1,000	15	-	-
Finance	1,300	21	1,400	12	9,400	46	1,100	10	-	-	-	-	-	-
Business Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate	4,000	65	3,000	25	6,050	30	6,000	53	-	-	4,000	60	-	-
Community, Social and Personal Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	6,200	100	12,065	100	20,250	100	11,400	100	750	100	6,700	100	-	-

\* Long-term commercial papers have a tenor of 1 to 5 years.

Source: Securities and Exchange Commission

**Table 12. Values of Corporate Bonds Issued during 1995-2000, Classified by Industry**

Industry	Value of Corporate Bonds (Bt. Millions)						% of Total Corporate Bonds					
	1995 <sup>1/</sup>	1996 <sup>1/</sup>	1997 <sup>1/</sup>	1998 <sup>2/</sup>	1999 <sup>2/</sup>	2000 (Jan - Sep) <sup>2/</sup>	1995	1996	1997	1998	1999	2000 (Jan - Sep)
1 Agribusiness	2,497	-	-	-	5,200	7,249	3.56	-	-	-	1.65	5.77
2 Banking	18,526	41,138	-	27,510	184,557	15,384	26.42	35.01	-	75.87	58.43	12.25
<i>Commercial Banks</i>	<b>18,526</b>	<b>41,138</b>	-	<b>20,000</b>	<b>168,455</b>	<b>9,244</b>	<b>26.42</b>	<b>35.01</b>	-	<b>55.16</b>	<b>53.33</b>	<b>7.36</b>
<i>Non-Commercial Banks</i>	-	-	-	<b>7,510</b>	<b>16,102</b>	<b>6,140</b>	-	-	-	<b>20.71</b>	<b>5.10</b>	<b>4.89</b>
3 Building & Furnishing Materials	4,296	7,922	-	-	56,800	41,300	6.13	6.74	-	-	17.98	32.88
4 Chemicals & Plastics	-	-	-	500	1,600	700	-	-	-	1.38	0.51	0.56
5 Commerce	26,213	5,333	3,933	-	12,570	-	37.38	4.54	11.01	-	3.98	-
6 Communication	6,187	24,886	5,667	6,420	4,500	10,000	8.82	21.18	15.87	17.71	1.42	7.96
7 Electrical Products & Computer	325	400	-	-	-	900	0.46	0.34	-	-	-	0.72
8 Electronic Components	-	-	-	-	-	-	-	-	-	-	-	-
9 Energy	-	16,896	3,961	237	12,930	11,810	-	14.38	11.09	0.65	4.09	9.40
10 Finance & Securities	120	11,652	-	1,281	5,157	5,202	0.17	9.92	-	3.53	1.63	4.14
11 Foods & Travel Services	-	-	-	-	2,400	264	-	-	-	-	0.76	0.21
12 Health Care Services	-	-	-	-	-	2,000	-	-	-	-	-	1.59
13 Hotels & Travel Services	-	-	-	-	900	1,700	-	-	-	-	0.28	1.35
14 Household Goods	-	1,524	-	-	-	3,152	-	1.30	-	-	-	2.51
15 Leasing	-	-	17,427	-	350	17,500	-	-	48.80	-	0.11	13.93
16 Machinery & Equipment	-	-	-	-	-	370	-	-	-	-	-	0.29
17 Others	-	1,016	-	-	22,558	2,575	-	0.86	-	-	7.14	2.05
18 Packaging	-	-	-	-	-	-	-	-	-	-	-	-
19 Printing & Publishing	-	-	-	-	500	500	-	-	-	-	0.16	0.40
20 Property Development	8,098	3,682	-	309	1,421	5,001	11.55	3.13	-	0.85	0.45	3.98
21 Pulp & Paper	-	3,047	4,722	-	-	-	-	2.59	13.22	-	-	-
22 Textiles	2,497	-	-	-	1,700	-	3.56	-	-	-	0.54	-
23 Transportation	1,373	-	-	-	1,000	-	1.96	-	-	-	0.32	-
24 Vehicles & Parts	-	-	-	-	1,717	-	-	-	-	-	0.54	-
	<b>70,130</b>	<b>117,495</b>	<b>35,710</b>	<b>36,257</b>	<b>315,859</b>	<b>125,606</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source : Securities and Exchange Commission, Thailand

Remark : <sup>1/</sup> Data of 1995-1997 are approved public offering values and approved values of bonds offered overseas.

<sup>2/</sup> Data of 1998-2000 are actual public offering and private placement values.