

Bondweb Malaysia Intends To Boost Ringgit Bonds

By Siti Hawa Othman

KUALA LUMPUR, May 29 (Bernama) --Bondweb Malaysia Sdn Bhd (BWM), the country's first bond pricing agency, believes that information and valuation of ringgit bonds will give more confidence to investors to actively participate and enhance the bond market.

"What is missing is comprehensive information and reference valuations on the Malaysian bond market. We need to have this to take our bond market to the next level and encourage foreign buyers. The absence of this is one of the reasons local corporate debt is largely ignored by overseas investors," said BWM's market development head Mohd Shaharul Zain.

The availability of such information would also boost trading activity in the local bond market, he told Bernama in an exclusive interview recently.

At present, Mohd Shaharul said, only 10 to 20 bonds are traded daily in Malaysia when there are over 2,400 bonds being issued.

Poor trading liquidity for corporate bonds is mainly due to the lack of reference pricing and this is crippling for local market players who have faced difficulty in finding correct entry and exit prices, he said.

Similarly, the valuation of existing bonds in their inventory will be an issue going forward given increasingly stringent accounting and risk management requirements.

Previously, regulators Bank Negara Malaysia and the Securities Commission had been providing information on bonds and yield curves.

Mohd Shaharul said going forward, the job should be led by the private sector and he sees Bondweb Malaysia positioning itself to be a principal focal point for information on the ringgit bond market.

Seeing the need to value and price the local bonds, BWM was set up by the initiative of Rating Agency Malaysia Bhd, a Korean partner and other local shareholders.

Its shareholding structure is controlled by regulations to ensure that it remains market-neutral.

The agency began to publish its marked-to-market prices in September last year via its website, www.bondweb.com.my, as part of its education process for market participants.

In pricing the bonds, BWM performs a background segmentation analysis, collects financial, rating and trading information and performs a comprehensive daily process.

It generates 114 yields on a daily basis, and uses global standard pricing models while reference quotes are received from dealers and brokers as part of the market feedback process.

With a clientele ranging from unit trust and asset managers, insurance companies and banks, Mohd Shaharul said the response has been good.

He said in advanced bond markets such as the United States and G7 countries, independent bond pricing services are demanded by investors as part of the accounting and corporate governance process.

"Failure to obtain independent valuation means failure to keep up with market standards," he added.

In developing markets such as Malaysia, a regulated bond pricing regime is considered more suitable.

As a regulator-approved bond pricing agency, BWM has had to comply with stringent requirements and now has the credibility and acceptance of market players, Mohd Shaharul said.

A bond pricing agency, according to him, must be close to the market, understand its needs and be able to respond quickly.

"We want to be the leader in the region. Other regulators have approached us and we have the experience and capability to build bond pricing infrastructure for developing markets," he said.