

Bondweb Malaysia Seeks License to Offer Bond Valuation Service

By David Yong

March 9 (Bloomberg) -- Bondweb Malaysia, which provides bond information online, will apply for a license to offer bond valuation as Malaysia increases the transparency of its debt markets, Chief Executive Lee Doheon said.

The government unveiled plans in January to introduce independent bond pricing agencies and an oversight panel for credit-rating companies to enhance investor protection in the country's \$112 billion domestic debt market, Second Finance Minister Nor Mohamed Yakcop said Jan. 24.

"The move is timely given the increased risk of external shocks and interest-rate volatility in bond markets these days," said Lee, a founder of Seoul-based Mainstream & Co. that helped set up one of South Korea's three bond-pricing agencies in 2000. "There's good demand for proper mark-to-market portfolio valuation."

Malaysia, Southeast Asia's biggest local-currency bond market, has taken a series of steps in the past two years to develop its bond market. These have included allowing banks and insurers to buy more lower-rated debt, permitting foreign-owned entities such as the World Bank to sell ringgit-denominated bonds and enabling mutual fund managers to invest more outside the country to seek greater returns.

"It is essential that we maintain constant vigilance to ensure investor interest is protected at all times," Nor told reporters in January. The government expects to approve one or two bond-pricing agencies in 2006, he said.

'Strategically Important'

Bondweb intends to spend more than 10 million ringgit (\$2.7 million) to set up its bond valuation service, the minimum capital requirement set by the Securities Commission, Lee said in an interview in Kuala Lumpur. The company will add five new staff to its 20 employees if it wins a bond valuation license, he said.

Demand for the valuation service may come from pension funds, bond funds, insurers and corporations which currently rely on last-traded bond prices or on an average of best-quotes from commercial banks, Lee said.

"We see Malaysia as a strategically important market, especially in Islamic finance," he said.

Malaysia has the world's biggest pool of Islamic bonds, amounting to 119 billion ringgit, or 29 percent of all outstanding debt in the country in 2005, according to a Feb. 9 report from Bank Negara Malaysia.

Bondweb's two major shareholders are Rating Agency Malaysia Bhd., the larger of Malaysia's two rating companies, and Mainstream & Co. with a 20 percent stake each. Other owners include

investment holding company Usaha Tegas Sdn., insurer Pacificmas Bhd., and the Armed Forces Pension Fund, Lee said.

To contact the reporter on this story: David Yong in Kuala Lumpur at dyong@bloomberg.net

Last Updated: March 8, 2006 20:54 ESTB