

11/09/1997

Khazanah Nasional to issue RM1 billion bond on Sept 18

Kasmiah Mustapha

KHAZANAH Nasional Bhd, the Government's investment arm, will be issuing a RM1 billion bond on Sept 18, the first of a series of bonds aimed at providing a benchmark yield curve.

Yesterday, Khazanah as the issuer of the bond, and PB Trustee Services Bhd, on behalf of the bondholders and Bank Negara as the depository and paying agent, signed the agreement to mark the launching of the bonds.

Deputy Prime Minister Datuk Seri Anwar Ibrahim, who is also the Finance Minister, witnessed the signing between Khazanah and PB Trustee Services Bhd. Khazanah was represented by its managing director, Tan Sri Mohd Sheriff Kassim while PB Trustee Services was represented by its chairman, Datuk Tay Ah Lek last night.

Bank Negara Governor Tan Sri Ahmad Mohd Don was also present.

Khazanah said the first bond issue, with a three-year tenure, would be opened for tender on Bank Negara Malaysia's fully automated system for tendering from today.

The bond is part of the RM60 billion fund, announced by Prime Minister Datuk Seri Dr Mahathir Mohamad recently to prop up the Kuala Lumpur Stock Exchange and help investors caught by the sharp drop in share prices caused by the persistent selling by foreign funds.

Khazanah will raise RM30 billion through bond issues into the fund while another RM30 billion from other sources.

Khazanah said with the growth of these benchmark issues, it is hoped that the secondary market for bonds will become more efficient and active.

The introduction of the Khazanah benchmark bond issues was to create a reference yield curve for bonds issued by other institutions.

The benchmark bond would be issued on a quarterly basis - a new issue every three months with different sizes - with maturities of three, five, seven and 10 years.

"The introduction of the benchmark bond will also, in time, assist in the development of bond futures and options to add breadth and depth to the financial derivatives market," it added.

Among the bonds main features include a zero-coupon based on the concept of Murabahah, fully guaranteed by the Government and the size would not be less than RM500 million per issue.

The bonds would not qualify for liquid asset status but would be included in determining the volume of trading for purposes of netting off against eligible liability base.

It would also be bid competitively on the basis of price through the principal dealers on Bank Negara's Fully-Automated System for Tendering, it said, adding that the bond would be traded on Scripless Securities Trading System.

Khazanah said in line with the Government's efforts to encourage greater savings, unit trust companies and banking institutions are now able to offer additional investment instruments in the form of bond funds and bond-related savings scheme.

Benchmark yields assist in the price discovery function in both the primary and secondary markets. It also provides an indication of prevailing interest rates as well as the market's expectation of the future term structure of the interest rates.

In addition, benchmarks would also promote the development of the corporate bond market by enabling the efficient pricing of all bonds in

the capital market.

Speaking at the ceremony, Anwar said the signing of the bond was an important development in the efforts to deepen our bond market ... the selection of Khazanah is self-recommending.

"Khazanah has a team of professional managers capable of efficiently managing the proposed programme to issue the benchmark paper and to prudently reinvest the proceeds to generate acceptable returns," he said.

Anwar said the Government remained committed to the financial sector which would gradually be liberalised and would become harder to insulate itself from outside competition.

"The infrastructure for global competition must be put in place quickly and the gap between domestic and international institutions narrowed before full financial liberalisation can take place," he said.

Anwar said the two key elements of the nation's financial indicators, the exchange rates and stock prices, had been very much influenced by offshore investors.

"The attack on the exchange rate has highlighted the importance of ensuring that Kuala Lumpur is the dominant trading centre for our own currency.

"Currently, a large volume of our currency and ringgit treasury management of many multi-national corporations is managed and transacted abroad.

"Being an important nation, the time has come for Malaysia to take charge of her own financial system and bring back these treasury activities to the country.

"Although the competition in this field is stiff and may not provide immediate returns, I am sure these activities will become a substantial source of income for serious participants in the long term," he added.

Anwar said the Government would adopt a policy of fiscal prudence and discipline in its budgetary operations to ensure sustained growth with price stability through a surplus budget.

(END)