

By : DATO' SRI MOHD NAJIB TUN ABD RAZAK
Venue : JW MARRIOTT, KUALA LUMPUR
Date : 06-06-2005
Title :

SPEECH BY
YAB. DATO' SRI MOHD NAJIB TUN ABDUL RAZAK
DEPUTY PRIME MINISTER OF MALAYSIA
RAM LEAGUE AWARD 2005
AT JW MARRIOTT HOTEL, KUALA LUMPUR
6TH JUNE 2005 (MONDAY)
AT 8.30 P.M.

Abstract

The Malaysian bond market has come a long way since the mid-eighties. Back then, government bonds accounted for 99 per cent of the total bonds issued. As at the end of last year, private debt securities or more commonly known elsewhere as corporate bonds totaled RM138 billion, making up about half the domestic bond market. From less than 1 per cent of GDP in the mid-eighties, the private debt securities market has reached a size equivalent to 31 per cent of GDP. Over the last one and half decades, the private debt securities market has grown at an astonishing rate of 43 per cent per annum.

Y.Bhg Tan Sri Dato' Dr Abdul Khalid Sahan
Chairman, Rating Agency Malaysia Berhad

Y.Bhg Datuk C Rajandram
Executive Deputy Chairman, Rating Agency Malaysia Berhad

Distinguished Guests

Assalamualaikum Warahmatullahi Wabarakatuh And Good Evening

Ladies and Gentlemen

1. It gives me great pleasure to say a few words at this award-cum-dinner tonight. Let me begin by recording a word of appreciation to Rating Agency Malaysia Berhad for inviting me as the Guest of Honour at this function.

2. I was informed that this is the second year that RAM League Awards are being given out to the domestic bond market participants. While government and industry leaders constantly cajole and remind their staff to work hard and strive for the best, it is also important, as all management gurus would advise, to applaud good performance and recognize achievements.

Ladies and gentlemen

3. Coincidentally or not, RAM is now 15 years old. Having pioneered the introduction of credit rating services in the country, it is befitting that RAM is honoring the

achievers who have contributed to the phenomenal growth of the market. Looking at the current size of the bond market we can certainly consider that our bond market has reached adolescence but not yet adulthood.

4. Being relatively young compared to the matured bond markets of developed countries, we expect the ringgit bond market led by the private sector to continue expanding – in terms of size, efficiency, range of instruments, issuer base and investor base. The government has committed itself to having a well developed bond market given its importance in providing a sustainable form of long term financing.

Ladies and gentlemen

5. Given the emphasis on private sector-led growth in the coming years, the role of the domestic bond market as a conduit for channeling long term savings to finance private investment will become even more important. The Government has continued to support the further growth and strengthening of the domestic bond market with various initiatives.

6. To enlarge the pool of issuers and investors in the Malaysian bond market, the government has facilitated the issuance of ringgit-denominated bonds by supranational agencies. Since November last year, a total of 1.66 billion ringgit-denominated bonds had been raised by the Asian Development Bank, International Finance Corp and the International Bank for Reconstruction and Development. These issuances are a reflection of the confidence in the Malaysian bond market and they represent another milestone in the development of the domestic bond market.

7. Meanwhile, efforts to augment the pool of investors have not stopped here. Foreign investors have begun taking more notice of the ringgit bond market after the Government's announcement that interest income earned from ringgit-denominated bonds by non-residents would be exempted from withholding tax. A good example is the strong participation of investors from Hong Kong and Singapore in the maiden residential mortgage-backed securities issued by Cagamas last October.

Ladies and gentlemen

8. Recognizing the rapid pace of convergence between information and communications technologies, the Government is also encouraging the private sector to expand and leverage on use of electronic databases, electronic delivery channels and broadband internet communications to provide accurate, reliable, timely, up to date and readily available information to investors on a continuous basis.

9. In fact the convergence of information, computing and telecommunications technology is transforming the capital markets at the national, regional and global levels.

10. The government has always emphasized that market transparency and investor protection must develop hand in hand with the desired level of market sophistication, efficiency and maturity. It is through greater transparency and investor protection that we can promote greater confidence among institutional and retail investors, thereby expanding the pool of local and foreign investors.

11. In this regard, I am pleased to note that an industry initiative mounted by RAM in collaboration with Mainstream & Company, a leading financial services company in

South Korea, and the major bond market players in Malaysia, is underway to provide a comprehensive and sophisticated bond information system that will truly serve the bond market community not just in Malaysia but also in the region.

Ladies and gentlemen

12. The government encourages and recognizes the need for an appropriate and conducive regulatory environment. Therefore, I am confident that such pro-market regulations together with the introduction of high quality independent bond pricing services will further enhance market transparency and safeguard investors' interest, leading ultimately to greater market confidence and maturity.

13. Looking ahead, the local bond market should be supported by stable interest rates, benign inflationary pressure, abundant liquidity, robust demand for high-yielding papers and resilient economic performance. Despite the bullish outlook for the local equity markets, bonds are still seen as a viable fund-raising tool as well as a less risky financial asset by investors and portfolio managers.

14. Moreover, I believe that further innovations in asset backed securities and Islamic debt instruments would also continue to captivate market's interest. Investors' increasing familiarity with the mechanisms of such transactions, are anticipated to drive demand for structured finance and Islamic products.

15. In closing, I would like to thank RAM for inviting me as their special guest this evening. Once again I congratulate all the award recipients and hope that you will cherish awards and work even harder after tonight. I look forward to your continued commitment and cooperation in furthering the development of the Malaysian capital market.

Thank you.