

Minutes of Bond Subcommittee Meeting 1/2026

17th September 2026

Bank Negara Malaysia

Summary

The meeting reviewed developments in the domestic bond market and initiatives to strengthen market efficiency, liquidity and infrastructure. Members observed that market conditions remained orderly despite recent yield volatility, supported by resilient investor participation and sound macroeconomic fundamentals.

1. Changes in Bond Subcommittee Membership

- 1.1 Members noted the appointment of Encik Mohamed Khabir Reeza Mustaffa, Kumpulan Wang Persaraan (KWAP), as a member of the Bond Subcommittee and expressed appreciation to the outgoing member, Encik Azizul Zainol, Kumpulan Wang Simpanan Pekerja (KWSP), for his contributions towards domestic bond market development.

2. Bond Market Update and Outlook

- 2.1.1 Members observed that the recent rise in MGS yields reflected both external and domestic factors. Externally, resilient global growth and persistent inflationary pressures drove a broad-based repricing in global bond markets and reinforced expectations that global policy rates would remain higher. Domestically, stronger-than-expected economic growth also contributed to the upward movement in yields. Nevertheless, MGS remained among the better-performing regional bond markets on a year-to-date (YTD) basis.
- 2.2 Members noted that domestic bond market conditions remained orderly despite heightened volatility, with liquidity continuing to support market-making and risk-clearing activities. Participants observed that current yields, together with Malaysia's sound economic fundamentals, could help attract renewed interest from both onshore and offshore investors.
- 2.3 Members noted that higher bond yields had led to some adjustments in trading behaviour and positioning, with market participants becoming more selective in terms of size and timing of transactions amid prevailing market conditions. Nevertheless, they acknowledged that the onshore interest rate swap (IRS) market remains available as an effective hedging instrument for onshore participants to manage interest rate exposures, where appropriate.

3. Potential Options to Streamlining Government Bond Issuances

- 3.1 Members discussed preliminary proposals to explore possible ways of enhancing the efficiency of government securities issuances. Options considered included parallel MGS and MGII issuances or multiple auction arrangements within a defined issuance window. Members were generally supportive of further exploring initiatives that could improve issuance efficiency and reduce operational complexities, while indicating a preference for a more streamlined and predictable auction schedule.
- 3.2 Members highlighted the need to assess market absorption capacity and the potential implications of concentrated issuances for market liquidity and price discovery. Further engagement with Principal Dealers (PDs) and other relevant stakeholders could be undertaken to better understand operational readiness, investor demand and prevailing market liquidity conditions. The options would remain subject to further evaluation before any decision on implementation is considered.

4. Bond Market Report 2025 Publication

4.1 Members welcomed the publication of the *Bond Market Report 2025* as a valuable resource for market participants and useful platform for promoting greater market transparency and understanding. The report provides a holistic assessment of the Malaysian bond market, highlighting key market developments, evolving investor dynamics and the continued deepening of market liquidity. The report kept track of the market's progress and provides perspectives on areas for further development to support a resilient, liquid and well-functioning domestic bond market.

5. Principal Dealers' Electronic Trading Platform (ETP)

5.1 Members were updated on the progress of the inter-PD ETP initiative and discussed key considerations relating to platform interoperability, commercial arrangements, market surveillance requirements, and flexibility afforded to participants in adopting future trading platforms.

5.2 Members broadly supported a voluntary approach to platform adoption, while emphasizing the need to carefully evaluate operational, commercial and market structure considerations. Members highlighted the risk that trading activity could become concentrated on single platform, potentially reducing competitive incentives for innovation and further market development. The working group will continue its engagement with shortlisted service providers to assess available solutions and refine the proposed implementation approach.

6. Enhancing Corporate Bond Market Liquidity

6.1 Members noted the continued growth in the corporate bond primary market, supported by resilient issuance activities and a healthy pipeline of upcoming issuances. Despite the positive primary market developments, secondary market liquidity remained relatively limited compared with the government bond market. This was attributed to several structural factors: concentrated ownership, limited non-resident (NR) participation, and the absence of a deep and well-functioning corporate bond repo market. Collectively, these factors continued to constrain secondary market trading activity.

6.2 Members discussed potential measures to enhance corporate bond market liquidity and broaden investor participation. These included auction-based mechanisms that could strengthen price discovery, improve issuance efficiency and facilitate wider investor distribution. Members also noted the implementation considerations arising from existing syndication practices and issuer preferences. In parallel, they highlighted the potential importance of supporting market infrastructure—particularly repo arrangements involving corporate bonds—in fostering a more liquid and resilient secondary market.