

Bond Market Sub-Committee Meeting 1/2016
Monday, 6 Jun 2016
Bank Negara Malaysia

Summary of Discussion

1. Development of greater hedging avenues

- The meeting discussed measures to expand interest rates hedging options, such as promoting physical delivery of Malaysian Government Securities futures and encouraging greater utilisation of derivatives instruments by businesses.

2. Development of onshore repo/reverse repo market

- The meeting acknowledged the importance of the repo market towards enhancing market liquidity and supporting the money market during episodes of crisis. The meeting agreed to explore further measures to unlock trapped securities and fully tap the potential of the repo market.

3. Introduction of covered bonds framework

- The meeting discussed the potential for covered bonds in Malaysia and was informed that there is currently limited demand. While not an immediate priority at this juncture, Committee members agreed to formulate a framework for covered bonds that can be proposed for the future.

4. Inclusion of Malaysian Government Investment Issue (MGII) in major indices

- The meeting deliberated on the development of MGII and took note of its inclusion into the Barclays Global Aggregate Bond Index and Markit Index. The meeting agreed to continue promoting MGII for future inclusion in other indices such as JP Morgan Emerging Market Bond Index and Citibank World Government Bond Index.

5. Offering of bond products to retail investors

- The meeting discussed expanding offering of bond products to retail investors and agreed to explore further options to achieve this objective.