

**Bond Market Sub-Committee 2/2016**  
**Thursday, 18 August 2016**  
**Bank Negara Malaysia**

**Summary of Discussion**

**1. Enhance infrastructure for bond surveillance**

- The meeting discussed the merits of having greater transparency and improved timeliness in data reporting for bond holdings. In this regard, the meeting explored options to enhance existing infrastructure to improve bond surveillance, i.e. to establish segregated account structure or develop a new securities reporting model for the purposes of determining ultimate beneficial owners.
- The meeting acknowledged the importance of the least disruptive approach to manage the impact on investor perception and investment strategies that fund managers might adopt on Ringgit securities.

**2. Development of greater hedging avenues**

- The meeting further discussed the development of the MGS bond futures market to allow for the option of physical settlement in addition to cash and agreed for greater study to be undertaken to explore potential in this area. Notwithstanding this, the meeting was updated on Bursa's ongoing initiative to launch the 3, 5 (*enhancement*) and 10 year MGS futures based on cash settlement.

**3. Standardised documentation and interpretation of foreign exchange administration (FEA) rules**

- The meeting was informed on Financial Markets Association Malaysia's (FMAM) progress of the project to standardise documentation for FEA and was informed that the documents would cover all transactions under the FEA Notices.

**4. Regulatory treatment for collateralised vs. non-collateralised securities**

- The meeting discussed the different regulatory treatment between secured (e.g. repo) and unsecured borrowings under the Risk-Based Capital Framework (RBCF) for insurers, and its potential impact towards the development of the repo market. Overall, it was clarified that regulatory requirements are to be viewed from a holistic perspective given the many inter-related elements within the RBCF.

**5. Offering of negotiable instruments of deposits to retail investors**

- The meeting was updated on the approved retail NIDs framework by the Bank which is intended to spur greater participation by banking institutions to issue NIDs for retail participation.
- Following this, the meeting suggested for FMAM to assist with the coordination of a standardised set of documentation as a general guide for other prospective banks issuing retail NIDs.