

Annex 11: Questionnaire on Developing Domestic Bond Markets

APEC

**Collaborative Initiative on Developing
Domestic Bond Markets**

A Survey



Prepared by Hong Kong Monetary Authority
31 August 1998

Introduction

At the APEC Finance Ministers Meeting held on 23-24 May 1998 in Kananaskis, Canada, the Finance Ministers agreed to begin work on a new collaborative initiative on the development of domestic bond markets in the region. Hong Kong, China has agreed to co-ordinate this initiative.

This questionnaire aims to review systematically the current state of bond markets in APEC member economies, the potential for development and the areas of growth for domestic bond markets. It also surveys the need to enhance the financial infrastructure to facilitate the development of domestic bond markets. The questionnaire is sent to all APEC member economies.

It is acknowledged that different economies may have different models or approaches towards domestic bond markets, and efforts have been made to ensure that the questionnaire would suit the various domestic bond markets environments within APEC economies.

Information collected in this survey will be analyzed and used as a basis for discussion at a meeting to be held around end-December in Hong Kong. The findings will be incorporated into a report on the collaborative initiative on developing domestic bond markets, which will be submitted to the APEC Finance Ministers' Working Group at the February 1999 Meeting.

Instructions for Completing the Questionnaire

1. This questionnaire consists of five parts.
2. Please answer all questions that are applicable to your economy.
3. You may cross-refer information given elsewhere in the response if this is helpful in avoiding duplication.
4. As a supplement to a response or to further clarify your answers, please attach a copy of the relevant rules and regulations, if necessary.
5. All information and data submitted will be used solely by the APEC Finance Ministers' Working Group for a study on domestic bond markets in the region.

Submission of Answers

We would appreciate if you could complete the questionnaire and return it to:

Mr Francis Lau
Head of External Relations
External Department
Hong Kong Monetary Authority
30th Floor
3 Garden Road
Hong Kong
Fax No: (852) 2878 8269)

We hope to receive your response by **30 September 1998**.

Further information

If you have any questions or if you need further clarification with regard to the questionnaire, please contact the following persons at the Hong Kong Monetary Authority:

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Part I Overview of Domestic Bond Markets

This part aims to review the current positions of domestic bond markets in the region, including bonds issued by the public and private sector, denominated in local currencies and foreign currencies.

1.1 Bonds Denominated in Local Currency (Nominal Value; in Mn)

Amount outstanding as at	Public Sector Bonds issued by		Private Sector Bonds issued by			Total
	Government	Other Public Sector	Banks	Other Financial Institutions	Corporations	
End-1995						
End-1996						
End-1997						
End-8/98						

1.2 Bonds Denominated in Foreign Currency (Nominal value; in US\$ Mn)

Amount outstanding as at	Public Sector Bonds Issued By		Private Sector Bonds Issued By			Total
	Government	Other Public Sector	Banks	Other Financial Institutions	Corporations	
End-1995						
End-1996						
End-1997						
End-8/98						

- Note: (1) “Bonds” include all fixed or floating rate debt securities, including debentures, bonds, bills, notes, certificates of deposits, and asset backed securities (debt securities collateralised by pools of mortgage receivables).
- (2) “Government” includes federal, state and provincial governments.
- (3) “Other Public Sector” includes government agencies and institutions or enterprises owned by government or whose debts are guaranteed by government.
- (4) “Other Financial Institutions” are non-bank institutions, including deposit-taking, finance, insurance and securities companies, and institutional investors, such as pension funds and unit trusts.
- (5) Please provide details if the public sector bonds are issued under a program.

1.3 Holder of Local Currency Denominated Bonds as at End-August 1998 (Nominal Value in Mn)

Bonds Issued By:	Local						Foreigners	Total
	Government	Other Public Sector	Banks	Other Financial Institutions	Corporations	Individuals		
Government								
Other public Sector								
Banks								
Other Financial Institutions								
Corporations								
Total								

1.4 Holder of Foreign Currency Denominated Bonds as at End-August 1998 (Nominal Value in US\$ Mn)

Bonds Issued By:	Local						Foreigners	Total
	Government	Other Public Sector	Banks	Other Financial Institutions	Corporations	Individuals		
Government								
Other public Sector								
Banks								
Other Financial Institutions								
Corporations								
Total								

1.5 Secondary Market for Local Currency Denominated Bonds (Value in Mn)

Bonds Issued By:	Total Turnover in Year			Turnover in August 1998
	1995	1996	1997	
Government				
Other Public Sector				
Banks				
Other Financial Institutions				
Corporations				
Total				

1.5.1 What do you believe are the reasons leading to inactive and illiquid secondary markets for Asian domestic bonds (you can tick more than one reason from below)?

Lack of reliable benchmark yield curves

Lack of local institutional investors

Small issue sizes

Wide buy/sell spreads

Relatively long settlement periods

Under-developed securities trading system

Others (please specify): _____.

_____.

1.5.2 Any suggestions on the ways to improve the secondary market liquidity of the domestic bond markets?

_____.

_____.

_____.

_____.

_____.

_____.

Part II Developing Financial Market Infrastructure

2.1 Has your economy implemented Real Time Gross Settlement (RTGS) for interbank payments?

Yes, implemented since ____ (month/year).

Not yet.

But, we have plan to implement RTGS in ____ (year).

We currently have no plan to implement RTGS.

2.2 Is your payment system linked to the payment systems of other economies?

Yes, our system is linked to the system of –

_____ (economy).

No, we are currently not linked to other systems.

But, we are considering establishing bilateral linkages in the near future.

We have no plan to do so in the near future.

2.3 Is there a securities clearing, settlement and custody system in your economy?

Yes, it is for clearing and settling -
local currency denominated bonds.
foreign currency denominated bonds.
stocks.

No, we do not have such system.

2.4 If your answer to Question 2.2 is yes, is the system linked to the system of other economies?

Yes, our system is linked to the system of –
_____ (economy).

No, we are currently not linked to other systems.

But, we are considering establishing bilateral linkages in the near future.

We have no plan to do so in the near future.

2.5 Any views on the development of market infrastructure, domestically and regionally?

(a) in respect of securities clearing, settlement and custody system, and bilateral linkages of these systems between APEC member economies

(b) in respect of RTGS, and bilateral payment linkages of payment systems between APEC member economies

(c) in respect of other market infrastructure

Part III Supply of and Demand for Asian Domestic Bonds

- 3.1 Does your government or other public sector have plans to issue bonds in the coming 5 years to finance short-term funding needs or long-term investment projects?

No, we do not have such plans.

Yes, we have plans to issue -

Year	Local Currency Bonds (in Mn)		Foreign Currency Bonds (in US\$ Mn)	
	Government	Other Public Sector	Government	Other Public Sector
1998				
1999				
2000				
2001				
2002				
Total				

- 3.2 Given your investment guidelines, can you invest in bonds issued by other Asian governments? What is the maximum amount that your government or the public sector can invest in the bonds, and up to what maturity?

We cannot invest in bonds issued by Asian governments.

We can invest in bonds issued or guaranteed by governments with a long-term foreign currency sovereign rating of ___ from Moody's. The maximum amount is US\$ _____ mn. We can invest up to ___ years.

- 3.3 Can your government or the other public sector invest in credit enhanced bonds issued by Asian economies of lower ratings in the form of guarantees either from the economies with higher public credit ratings or from the Multilateral Development Banks?

Yes, we can invest in such credit enhanced Asian bonds.

No, we cannot invest in such credit enhanced Asian bonds.

- 3.4 Do you have an estimate on the demand for Asian bonds from your private sector (including banks, other financial institutions, corporations and individuals)?

Yes, the estimate is US\$ _____ mn.

No, we do not have the estimate.

3.5 Any suggestions on the ways to increase the supply of and demand for Asian bonds?

Part IV Benchmark Yield Curve

4.1 Is there a benchmark government yield curve in your economy?

No, we do not have a government yield curve.

Yes, we have a government yield curve.

It is built up to _____ years.

4.2 If your answer to Question 4.1 is yes, are bonds issued regularly to maintain the accuracy and reliability of the curve?

Bonds are issued regularly to maintain the accuracy and reliability of the yield curve.

Bonds are issued on an ad hoc basis.

4.3 Is there any plan to extend the yield curve?

We plan to extend the yield curve to _____ years.

We currently have no plan to further extend the yield curve.

4.4 If your answer to Question 4.1 is no, does your government has a plan to build a government benchmark yield curve in the near future?

Yes, we have plans to build a benchmark yield curve.

No, we do not have such plan.

Part V Regulatory Framework for the Issuance and Investment in Bonds

5.1 Which authority/government department/agency is overseeing the issuance and investment in bonds?

- The authority overseeing the issuance of bonds is _____.
- The authority overseeing the investment of bonds is _____.

5.2 What is the legal basis (e.g. Law, Legislation, Ordinance, etc) under which the authority(ies) is empowered to oversee the issuance and/or investment of bonds? Are they governed under one legislation or under various legislations?

- For issuance of bonds: _____.
- For investment of bonds: _____.

5.3 Please describe briefly the responsibility of the authority(ies) in overseeing the issuance and investment of bonds.

5.4 Under your economy's legal system, what recourse will an investor in bonds have if the bond issuer defaults in paying the interest on the bonds or in repaying the principal on maturity?

5.5 What role does the central bank play in respect of overseeing the issuance and investment of bonds?

5.6 Are there any legal barriers restricting the development of domestic bond market, if so, what are they?

5.7 Any views on the ways to promote a clear and fair regulatory framework regarding the issuance and investment in Asian domestic bonds?

-- End of Questionnaire --