

Bondweb to boost trading activity

KUALA LUMPUR: Bondweb Malaysia Sdn Bhd (BWM), the country's first bond pricing agency, believes that information and valuation of ringgit bonds will give more confidence to investors to actively participate in and enhance the bond market.

The lack of comprehensive information and reference valuations on the Malaysian bond market was one reason local corporate debt was largely ignored by foreign investors, said market development head Mohd Shaharul Zain.

The availability of such information would also boost trading activity in the local bond market, he said in an interview recently.

At present, only 10 to 20 bonds were traded daily in Malaysia when there were over 2,400 bonds issued, Shaharul said.

Poor trading liquidity for corporate bonds was mainly due to the lack of reference pricing and this was crippling for local market players who faced difficulty in finding correct entry and exit prices, he said.

Similarly, the valuation of existing bonds in their inventory will be an issue going forward given increasingly stringent accounting and risk management requirements.

Previously, Bank Negara and the Securities Commission had been providing information on bonds and yield curves.

Shaharul said going forward, the job should be led by the private sector and he sees Bondweb Malaysia positioning itself to be a principal focal point for information on the ringgit bond market.

The agency began to publish its marked-to-market prices last September via its website, www.bondweb.com.my, as part of its education process for market participants.

In pricing the bonds, BWM performs a background segmentation analysis, collects financial, rating and trading information and performs a comprehensive daily process.

It generates 114 yields on a daily basis, and uses global standard pricing models while reference quotes are received from dealers and brokers as part of the market feedback process.

With a clientele ranging from unit trust and asset managers, insurance companies and banks, response had been good, Shaharul said.

He said in advanced bond markets such as the US and G7 countries, investors demanded independent bond pricing services as part of the accounting and corporate governance process.

"Failure to obtain independent valuation means failure to keep up with market standards," he added.

In developing markets such as Malaysia, a regulated bond pricing regime is considered more suitable. – Bernama

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