Developing the Corporate Bond and Sukuk Market in Malaysia: Broadening the Credit Profile

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SC-OCIS Scholar-in-Residence Programme

The collaboration between the Securities Commission Malaysia (SC) and Oxford Centre for Islamic Studies (OCIS), UK was established in 2010, with the objective of promoting intellectual discourse and research on applied and contemporary issues with respect to global Islamic finance.

The SC-OCIS Scholar-in-Residence programme is one of the outcomes aimed to pursue further research that complements the flagship programme which is the annual SC-OCIS Roundtable. A thought-leadership platform, the SC-OCIS Roundtable gathers distinguished scholars, academicians, regulators and Islamic finance practitioners to discuss and exchange views on contemporary issues in Islamic finance.

Arshad Mohamed Ismail from Maybank Islamic was the fourth Visiting Fellow of the SC-OCIS Scholar-in-Residence Programme for the academic year 2015/2016.

During his tenure, Arshad completed his research on "Developing the Corporate Bond and Sukuk Market in Malaysia: Broadening the Credit Profile". He co-authored the paper with Dr Lena Rethel, an Associate Professor of International Political Economy at the University of Warwick, UK.

The research articulates the transformation and development of corporate bond and sukuk market in Malaysia as a significant source of funding. It encompasses several examples of initiatives and efforts by government bodies as well as regulators on the need to facilitate greater access to markets for various credit profiles and induce more equitable and sustainable economic growth.

With recommendations for enhancing the credit profile of the market in Malaysia, it is hoped that Arshad's research will help to widen the investor base and reduce market access costs for borrowers.

Profile of Scholar

ARSHAD MOHAMED ISMAIL
SC-OCIS Scholar-in-Residence in Islamic Finance 2015/2016

Arshad Ismail is Head of Global Banking Business, Group Islamic Banking at Maybank. Maybank Islamic is the largest Islamic bank in Malaysia and also one of the largest Islamic banks globally.

Arshad started his career as a lawyer in the mid-90s with a focus on corporate and commercial law, and also Islamic finance. He subsequently joined CIMB Islamic in 2003 as one of its pioneer members and spent a significant amount of time originating, structuring and executing sukuk transactions. Arshad then relocated to the United Arab Emirates to take on the role of Global Head of Sukuk at HSBC Amanah. During his time there, Arshad and his team successfully originated, structured and executed many sukuk transactions in the Gulf Cooperation Council region and Asia. HSBC Amanah's dominance in the sukuk market under Arshad's leadership was acknowledged when Euromoney awarded HSBC Amanah the Best Sukuk House Award in 2007. After HSBC Amanah, Arshad had stints in Saudi Arabia and again in the United Arab Emirates where he focused on real estate fund management, corporate finance and investment banking before returning to Malaysia at the end of 2011.

Arshad holds a LLB (Hons) degree from the International Islamic University Malaysia and a Master of Business Administration (MBA) from the London Business School. He was also elected to the Securities Commission Malaysia (SC) – Oxford Centre for Islamic Studies (OCIS) Visiting Fellowship in Islamic Finance at OCIS, University of Oxford for the academic year 2015/16.

Developing the Corporate Bond and Sukuk Market in Malaysia: Broadening the Credit Profile

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Abstract

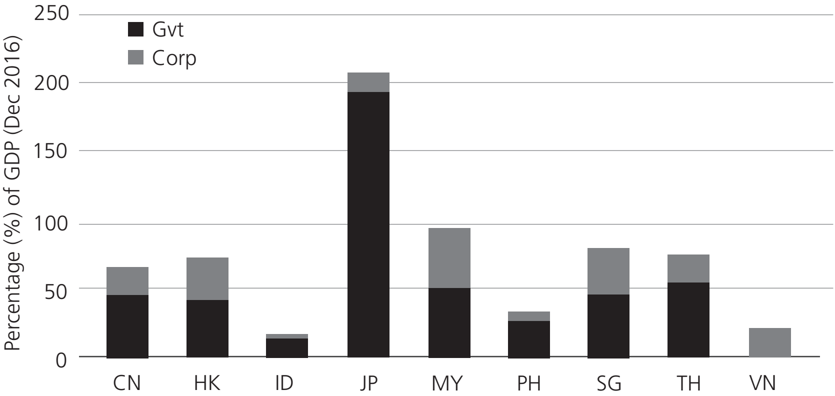
In Malaysia, the corporate bond and sukuk market has emerged as an increasingly important funding source. However, it remains heavily skewed towards the upper end of the credit curve with significant implications for how businesses can access finance. A bifurcated financial system has emerged where certain corporates have access to relatively cheap and abundant funding from a variety of sources, whereas the majority of businesses do not have access to the market. We provide recommendations for enhancing the credit profile of the market in Malaysia. These aim at widening the investor base and reducing market access costs for borrowers.

Keywords: corporate bond market; Islamic finance; sukuk; Malaysia; credit profile.

1. Introduction

Shortly after the turn of the millennium, Eichengreen and Luengnaruemitchai (2004) posed the question "Why doesn't Asia have bigger bond markets?" They drew attention in particular to the rather slow development of corporate bond markets. Revisiting this question more than a decade later, it is clear that domestic bond market development in East and Southeast Asia has continued apace. Since the Asian crisis of the late 1990s, the size of regional local currency bond markets as a whole has more than doubled as a percentage of GDP (AsianBondsOnline 2017). At first glance, these impressive statistics ostensibly underscore increasingly robust and vibrant markets. However, the picture becomes more complex if we look at other measures of market development such as secondary market liquidity, and importantly for the purposes of this paper, range of borrowers (see also Rethel and Hardie 2017). Indeed, as we will show, the level of access businesses have to the bond market is highly uneven. A more fine-grained analysis that looks beyond just the headline figures is necessary to understand the types of corporates that are raising funds from the market and more importantly, the corporates that do not. In this paper, we focus on the experience of Malaysia, which has the deepest domestic bond market in all of Southeast Asia with a share of around 95 per cent of GDP (ADB 2017; see also Chart 1). Many of its lessons maybe applicable to other bond markets in the region.

Chart 1
Local Currency Bonds Outstanding, end of 2016



Source: AsianBondsOnline, accessed 16 March 2017

In the aftermath of the Asian financial crisis of 1997-8, the development of domestic bond markets became a high priority item on the financial policy agenda (Nagano 2007). The crisis had taught the market two important lessons. The first lesson was the need for enhanced disintermediation or reducing the reliance of businesses on the bank market. The second lesson was the importance of developing domestic bond markets. Asian governments came to realize that deep and liquid government bond markets are required to ensure accurate and efficient risk pricing and allocation. In other words, a well-established government yield curve enables companies and investors to price corporate credit risks in a transparent manner. A range of initiatives ensued that brought regulators and market practitioners together with the common aim of developing domestic bond markets.

The importance and relevance of a strong bond market, particularly domestic bond markets, are evident to those familiar with financial markets. In addition to enhancing the flow of capital to productive economic activity, there is also a strong governance element. Eichengreen and Luengnaruemitchai argue that "borrowers would be distanced from lenders, anonymous and decentralized bond markets being hard to influence, and markets would be better insulated from governments, limiting moral hazard and political interference (2004, 3)". These aspirations have to be read against changes in the global financial system such as a dramatic increase in internationally mobile capital, increasingly searching yield in non-core markets, as well as a more general shift from bank lending to capital market finance to meet varied funding requirements (Azzam 1997; Walter and Smith 1999; Eatwell and Taylor 2002). These trends have been both intensified and accelerated by the global financial crisis of 2008-9 and are likely to continue (Felman et al. 2011).

However, the domestic context of market development also plays a significant role and warrants closer attention. Thus, for example Schmidt and Tay (2014, xiii), writing on Asian high-yield bonds, comment that "credit differentiation and credit culture remain alien to markets that, despite all the hype created by bankers, officials, and politicians alike, simply failed to develop meaningful investment appetite or secondary market liquidity for credits more than marginally below sovereign level." Indeed, the development of the bond market in any jurisdiction must take into account the need to balance progress and prudence, innovation and caution. Khor and Kee (2008, 23) highlight three key principles in this regard: the importance of maintaining credit standards at all times, particularly during times when liquidity is abundant; the importance of transparency in financial markets; and the need to understand financial linkages within the markets, i.e. how various product segments are intricately linked. They suggest that relaxing credit criteria and thereby making credit easily available would lead to financial instability. This however, we would argue, needs to be balanced with the importance of ensuring legitimate businesses to have all possible channels open for them to raise funding as and when required.

The argument to be advanced in this paper is that the Malaysian corporate bond market – both for conventional bonds and sukuk (often also referred to as 'Islamic bonds')[1] – has significantly increased in depth, but is currently limited to a narrow credit profile and this presents a significant obstacle to its continued development. Businesses within this narrow credit profile have a range of options when they need to raise funding; the typical fund raising options available to Malaysian companies include the bank market, the equity market, internally generated funds and also the debt capital market. Businesses outside this narrow band are generally excluded from the vibrant and efficient Ringgit debt capital market and therefore face a narrower range of funding options. The paper first sets out an analysis of the types of corporates that typically issue debt in the Ringgit market. It then moves on to make an argument for the expansion of said currently narrow credit profile. The thrust of this paper is that the degree of access to the market is still inadequate; only sufficiently highly rated corporates currently enjoy access.

> "... Malaysian corporate bond market – both for conventional bonds and sukuk – has significantly increased in depth, but is currently limited to a narrow credit profile and this presents a significant obstacle to its continued development."

The remainder of this paper is divided into six sections. Section 2 discusses in more detail key features of the corporate bond and sukuk market in Malaysia and presents some headline figures. Section 3 explores the lessons that can be drawn from the US, where the high-yield bond market grew rapidly in the 1980s. These insights with regard to the development of a high-yield segment facilitating the market access of a greater range of borrowers are then applied to the Malaysian context in the remaining sections. Section 4 reviews recent transactions in the lower ratings categories and highlights the absence of regular issuers. Section 5 considers a range of recent regulatory initiatives aimed at expanding the range of borrowers in the corporate bond and sukuk market. Section 6 turns to the demand side and highlights the importance of institutional investors in expanding the credit profile of the market. Section 7 summarizes the core findings and recommendations of this paper.

The research draws on an analysis of publicly available market data and policy documents, semi-structured interviews conducted with market practitioners and policy conversations held with regulatory officials. Research participants were initially approached with a catalogue of questions. Some research participants chose to respond via email, whereas other research participants preferred to communicate their responses in person. All but two interviews are group interviews in that either several people contributed to the compilation of the response or participated in the discussion.

2. An Overview of the Corporate Bond Market in Malaysia

Any experienced financier or corporate executive would appreciate the importance of debt and the relevance of debt in a company's capital structure. After all, classic capital structure theories such as the Modigliani-Miller Theorem expound the benefits of leverage for a company. These benefits include interest payments on debt being tax deductible in most cases and a company's weighted average cost of capital decreasing as it uses more leverage relative to equity. Nevertheless, it must be acknowledged that tax benefits alone do not drive a company's decision to fund via debt as opposed to equity. The main point, however, is that companies must have access to all possible sources of debt funding to facilitate growth in all segments of the economy.

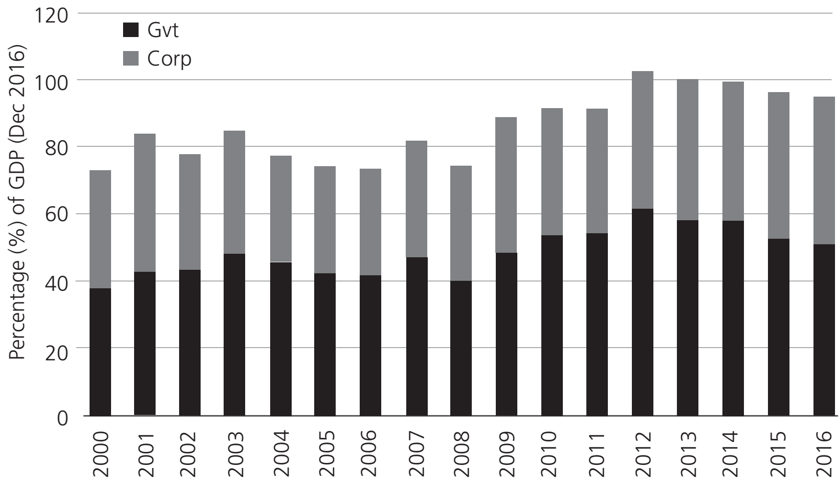
The increasing importance of bond markets for meeting corporate funding needs has led to growing interest in policy and market circles with regard to the essential features of a well-functioning corporate bond market. An early wave of literature focused on the "why" question, namely reasons for developing the corporate bond market. For example, Yoshitomi and Shirai (2001; see also Sharma 2000) put forth several arguments for the development of a domestic corporate bond market. The most important of these arguments is perhaps the need to mitigate currency and maturity mismatches. Businesses with primarily local currency income are exposed to exchange rate fluctuations when they borrow in foreign currency and currency hedging adds to the cost of borrowing. Local investors are likely to be more familiar with companies that operate in the local market and this better appreciation of credits, it is argued, will lead to favourable pricing over time. A local bond market will also lead to better market liquidity during times of financial stress as foreign liquidity will be the first to flow out of domestic markets (Andritzky 2012).

More recent work has focused on the question of "how" to develop the bond market and the role that various actors play in this regard. For example, Luengnaruemitchai and Ong (2005) distinguish between issues pertaining to infrastructure and regulation on the one hand and market demand and supply on the other.[2] The importance of the investor base, in particular in the Southeast Asian context, is further emphasized by Felman et al. (2011) and Goswami and Sharma (2011). Since efforts to develop the corporate bond market began in earnest in the 1990s, Malaysia has certainly made significant advances with regard to developing its infrastructure and regulation (see also Ibrahim and Wong

2005). Indeed, with a share of 43.41 per cent of GDP as of end of 2016 according to AsianBondsOnline (2017), the Malaysian corporate bond market is the deepest in the Southeast Asia region. Similarly, Chart 2 shows the significant increase in the volume of Malaysian corporate bond issuances over the last decade.

Chart 2

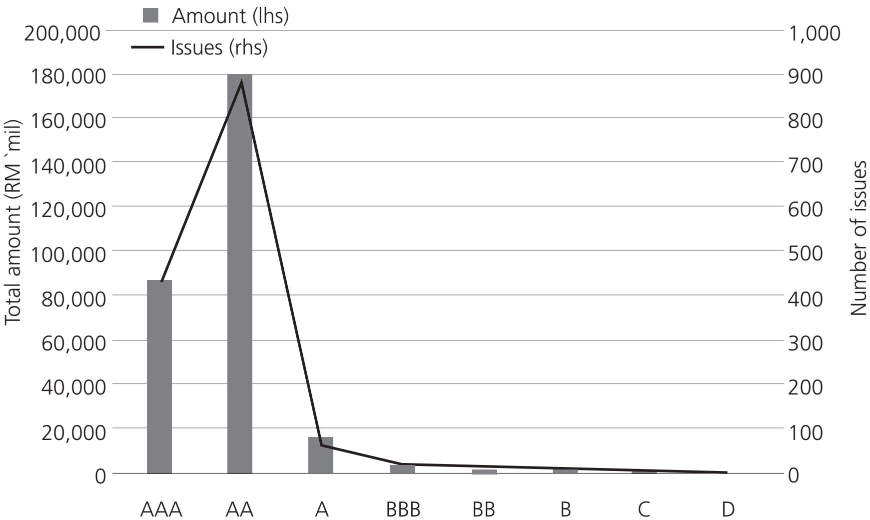
Malaysian Local Currency Bonds and Sukuk Outstanding



Source: AsianBondsOnline, accessed 16 March 2017

Looking at the firm-level, Felman et al. (2011, 12) argue that in the early stages of development, corporate bond markets are characterized by a high concentration of issuers given that only a few companies will be sufficiently financially well-regarded and have the necessary track-record to issue. Moreover, they suggest that “the size of these initial issues is normally large relative to firm balance sheets” (Felman et al. 2011, 12), given the comparatively high fixed costs and the need to establish benchmark issues. They see the reduced concentration of issuers and issuances that took place between 2000 and 2010 – their period of analysis – as an important indicator of the growing maturity of the Malaysian corporate bond market (Felman et al. 2011, 13-14). Yet, despite this trend, there is significant concentration of issuers at the upper end of the credit curve as Chart 3 illustrates, both in terms of number of issues (right-hand scale) and market size (left-hand scale) as has been the case historically (see Table 1).

Chart 3
Current Credit Profile – Rated Market Segment



Source: BondInfoHub, accessed 16 March 2017

Table 1
Historical Credit Profile – Rated Market Segment

	AAA	AA	A	BBB	BB	B	C	Inv Grade
1998	50.0	0.0	50.0	0.0	0.0	0.0	0.0	100.0
1999	33.3	16.7	16.7	33.3	0.0	0.0	0.0	100.0
2000	30.0	30.0	10.0	30.0	0.0	0.0	0.0	100.0
2001	17.4	21.7	47.8	8.7	4.3	0.0	0.0	95.6
2002	11.9	16.7	61.9	7.1	2.4	0.0	0.0	97.6
2003	12.0	18.0	62.0	6.0	2.0	0.0	0.0	98.0
2004	10.5	15.8	59.6	10.5	1.8	1.8	0.0	96.4
2005	10.3	17.9	64.1	6.4	0.0	1.3	0.0	98.7
2006	11.0	18.7	64.8	3.3	1.1	1.1	0.0	97.8
2007	11.1	21.2	61.6	3.0	1.0	2.0	0.0	96.9
2008	13.1	21.2	57.6	4.0	3.0	1.0	0.0	95.9
2009	16.0	28.0	47.0	3.0	4.0	2.0	0.0	94.0
2010	20.2	28.6	40.5	3.6	3.6	3.6	0.0	92.9
2011	24.1	29.1	36.7	5.1	1.3	3.8	0.0	95.0
2012	29.5	26.9	25.6	11.5	3.8	2.6	0.0	93.5
2013	34.3	31.3	20.9	6.0	3.0	4.5	0.0	92.5
2014	32.2	40.3	12.9	6.5	4.8	1.6	1.6	92.0
2015	32.8	39.1	12.5	9.4	4.7	1.6	0.0	93.8

Source: MARC (2016, 5); authors' calculations

Companies rated A and higher in Malaysia, in theory, have access to the bank market and the debt capital market in addition to other typical sources of corporate financing. Weaker credits, however, are effectively cut off from the debt capital market. This is not by design but by the lack of appetite for their securities. To enable a bigger percentage of non-traditional issuers to be able to efficiently issue and raise funds, the bond and sukuk market in Malaysia has to move down the credit curve. This would complement their existing funding opportunities and allow in particular medium-sized companies to grow. Moreover, de Bondt and

Marques Ibanez (2005, 163-4) suggest that in comparison to other forms of credit, the lower rated, higher yield market segment offers greater flexibility in terms of covenants governing financing as well as ongoing discipline, given the continuous basis on which market pricing takes place. In this regard, the development of the high-yield bond market in the US from the late 1970s onwards provides a number of lessons to learn.

3. Lessons from the Emergence of the High-Yield Bond Market in the US

Banks and conservative investors typically provide funding based on past performance and by nature tend to shy away from business ventures that do not have track records. There is nothing particularly wrong with this approach as investors, in particular those of an institutional nature, have their own investment guidelines and fiduciary duties to fulfil. However, in terms of economic efficiency, it means that capital is not necessarily channelled to its most productive use. The situation in Malaysia currently is not dissimilar to the situation faced by corporations lower down the credit curve in the US in the 1970s and early 1980s. At that time, only a small fraction of US companies earning over US$35 million – less than 5 per cent - had issued investment grade bonds (Yago and Trimbath 2003, 19). High-yield bonds – in common parlance also referred to as "junk bonds" – played the role of an important disruptive innovation. According to Yago (1991: vi), "greater access to credit and capital fuelled an economic boom; the primary tool to capital access was high-yield bond. Junk bonds were not a fad and, despite some excesses, the concept behind them was fundamentally sound."

At the time when the high-yield bond market in the US began to develop in earnest in the late 1970s, it mainly comprised the bonds of corporations that had been downgraded from investment grade to speculative grade (de Bondt and Marques Ibanez 2005). This situation is not unlike the situation in Malaysia today as we will discuss in section 4. It changed in 1977, when investment bank Lehman Brothers underwrote a bond that was from inception rated below investment grade (Taggart 1987, 8). In the same year, Drexel, Burnham and Lambert did seven deals "for companies that had previously been shut out of the corporate bond market" (Yago 1991, 23). The firm rapidly became the market leader until its bankruptcy in 1990. Over the course of the 1980s, the market segment swiftly gained prominence as a greater number of companies began to issue non-investment grade bonds (Reilly et al. 2009, 65). It has since then become what Granovetter (2005, 46) termed a "fixed income staple" with a share of around 25 per cent of the US corporate bond market (Reilly et al. 2009, 67).

The 1970s were a period of economic turmoil, industrial transformation and market uncertainty in the US and elsewhere. Interest rate volatility compounded by the Volcker shock of the late 1970s, forced US companies to look for new sources of financing and to put greater emphasis on reducing the costs of externally raised funds (Taggart 1987, 8). At the same time, financial institutions faced greater competition and pressure on their traditional revenue structures, including high-grade bond underwriting. Institutional investors found it increasingly difficult to generate attractive returns, being limited to investment-grade securities. One of the factors that led to the growth of the high-yield market in the US was the introduction of new regulations that permitted fund managers to purchase higher yielding investments (Yago 1991, 28). This, coupled with banks sometimes being overly conservative when reviewing funding applications, led to the high-yield market providing an efficient and attractive alternative source of liquidity to businesses that were not in the investment grade segment; many of them were medium-sized corporations lacking the credit history to qualify for issuing investment grade bonds (Taggart 1987, 8). Bank funding was also almost invariably granted on a floating rate basis that exposed corporations to interest rate volatility whilst most bonds were fixed rate instruments.

According to DeRosa-Farag and Blau (1998, 19), during this early phase, "high yield markets provided a more cost effective, less complicated, and less time consuming way, due to the standardization of documentation, for issuers to access capital." The development of credit analysis tools allowed Drexel and its competitors to identify companies suitable for high-yield issuance (Yago 1991, 23). High-yield securities, by definition, are riskier securities relative to investment grade securities. Thus, junk bonds pay relatively generous returns to compensate for said higher risk. In the 1980s, US junk bonds traded at premiums of between 200 and 750 basis points over comparable government securities (Molyneux 1990, 9), with the majority of these bonds being rated in the single B category. Such premiums are necessary to offset the higher risks being assumed by investors; the most significant risk being the risk of the bond going into default. However, the yield premium investors expected and received for high-yield bonds was far out of proportion to their default rate which averaged 3-4 per cent for the period of 1982-1988 (DeRosa-Farag and Blau 1998, 31). As a result, at the time high-yield bonds carried a lower risk than bonds with higher ratings.

Another angle to the debate on the high-yield market is the impact such bonds have on the corporations that issue them (see e.g. Yago 1991, 35-178). The nature of bonds is such that every investment or business decision undertaken by the corporation will be scrutinized by bondholders and decisions that are perceived to be detrimental to the corporation will result in its bond price falling. Bonds therefore have the effect of imposing a certain degree of discipline on the financial management of the issuer, which in turn benefits the corporation itself and its shareholders. In the Malaysian context, companies that are currently excluded from the corporate bond market due to their credit quality not being in line with the current expectations of investors, would benefit from the higher market scrutiny they would be subject to upon being given access to the corporate bond and sukuk market. The higher market scrutiny, like in the US, would compel companies to rid themselves of inefficient practices, focus on profitable segments and exit those that are not, and, in general, make the most efficient use of capital.

Moreover, the criteria used to assess financial risk in the banking sector often do not adequately take into account the economic prospects of the corporation. To put it differently, the banking sector is usually not well equipped to digest risks associated with corporations that have an entrepreneurial streak in them. Whilst the biggest companies in the market certainly contribute to the expansion of the economy and also to job creation, it must be stated that the ability of smaller companies to compete efficiently with easy access to capital must be maintained and enhanced in any economy. In the case of the US, junk bonds significantly contributed to the competitiveness of smaller companies.

Towards the end of the decade, junk bonds and their role in takeovers attracted increased scrutiny and became a highly politicized issue. Deteriorating economic conditions were compounded by several large high-yield bond defaults, causing jitters in the market. Drexel collapsed. In addition to that, certain amendments to legislation in 1990 resulted in "thrifts" or localized savings and mortgage banks having to exit their investments in junk bonds. Indeed, pundits wrongly foretold the demise of the market.

After 1993, following changes in the macroeconomic environment, the market recovered with new issuers coming to the market (de Bondt and Marquez Ibanez 2005, 165). It remained relatively resilient during the dot-com crisis of 2001 and the subprime crisis of 2007-8, the latter at a time when banks experienced severe stress (Reilly et al. 2009; Schmidt and Tay 2014). Borrowers with funding requirements could turn to the high-yield market as a viable alternative to bank lending. The junk bond market therefore is not a market that simply aggregates bad credits. On the contrary, junk bonds have offered investors a good risk to reward profile relative to other asset classes. In fact, junk bonds in the US, between 1996 and 2011, have generated equity-like returns with less volatility (Reilly et al. 2009; Li et al. 2014). Since 2012, companies in the US have been issuing junk bonds primarily to refinance existing relatively more expensive debt; issuances to fund acquisitions accounted for only 11 per cent of aggregate value in 2012 (Schmidt and Tay 2014, 41).

What relevance does the US junk bond market have to the Malaysian corporate bond market? It clearly shows that there is a need to ensure that the debt market platform is available to a wider spectrum of businesses in Malaysia than currently exists. In the following sections, we first look at transactions in the lower ratings categories, before highlighting a number of recent initiatives aimed at moving down the credit curve. Attention will be drawn to the importance of domestic investors and issues related to issuance costs and taxation.

4. Developing the High-Yield Segment in Malaysia: The Absence of Regular Issuers

For the analysis of the credit quality of outstanding debt instruments in the Ringgit market, we reviewed the collection of data maintained by the Bond Pricing Agency Malaysia under its Credit Rating List collection.[3] We briefly describe each of the transactions in the lower ratings categories. As previously illustrated, the market is currently concentrated in the AAA and AA categories. At the time of writing, there was only one instrument with a rating of D arising from a downgrade. RAM Ratings downgraded the C3 rating of MRCB Southern Link Berhad's RM199 million junior sukuk to D.[4] This downgrade was due to the issuer's deferment of profit payment on the sukuk. Although the terms of the sukuk permit deferment (and it could therefore be argued that there was no default), RAM Ratings took a conservative view of this deferment and proceeded to accord a D rating.

There were no sukuk in the C3 category, although there were two conventional papers rated by RAM Ratings. Both were securitization transactions; one was backed by the Starhill and Lot 10 shopping malls (RM730 million junior notes issuance) in the Bukit Bintang area of Kuala Lumpur whilst the other was backed by the Westin Hotel (RM266.5 million issuance), also in Bukit Bintang. The C2 category had only one paper, the RM633 million junior sukuk *istisna* issued by the Kajang-Seremban highway concession holder in Malaysia. The sukuk were issued in 2007 and carried a rating of A1 at issuance. There were no papers, conventional or sukuk, in the C1 category.

The B3 category had one conventional transaction and one sukuk transaction. The conventional issuance was a RM465 million subordinated paper issued under a medium term notes programme that was established to fund the acquisition of the Queensbay Mall in Penang, a state in the northern region of Peninsular Malaysia. There were several senior tranches with higher ratings issued for the same acquisition. The sukuk issuance in this category was a RM53.1 million transaction undertaken by Talam Transform Berhad, a Malaysian property developer. The only paper in the B2 bucket was the conventional RM95 million Class B junior paper issued under the Westin Hotel securitization transaction (the lower rated Class C junior paper sits in the C3 bucket and is referred to above). We end the review of the B category to find an empty B1 bucket.

We now move on to the BB category. There was only one paper in the BB3 category, namely the MRCB Southern Link Berhad RM845 million senior sukuk (you will recall the junior sukuk rated D mentioned above). Although there was also a Class F tranche rated BB3 under the Queensbay Mall programme, the issuer had yet to issue under said tranche. There were no papers in the BB2 and BB1 categories.

At this juncture, it would be useful to review the data presented thus far. In 2016, the aggregate value of bonds and sukuk outstanding was RM1.167 trillion (AsianBondsOnline 2017). Of that amount, the total value of papers rated D to BB+ was RM3.287 billion (at the time the analysis was conducted). In other words, these lower rated papers accounted for less than 0.3 per cent of total value outstanding.

To complete the analysis of outstanding corporate bonds and sukuk transactions in the lower ratings categories, we turn to the BBB segment. Class E of the Queensbay Mall bond programme appears in the BBB3 category; whilst MARC had reaffirmed the BBB- rating of the Class E tranche, the issuer had not issued under this tranche. The only other paper in this category is the RM1.89 billion Senai-Desaru Expressway sukuk. There are two more transactions in the BBB2 category, namely the RM250 million New Pantai Expressway sukuk and the RM40 million Class C paper under RCE Advance Sdn Bhd's notes programme. The BBB1 category was empty. Even after taking into account all the papers in the BBB categories, less than half a per cent of all sukuk and bond transactions are not rated A, AA or AAA.

The market convention is that all securities rated BBB or higher are classified as investment grade securities whilst securities rated BB and below are generally classified as non-investment grade, speculative grade, high-yield bonds or junk bonds. These classifications are a combination of how investors view the credit quality of securities and also how rating agencies themselves categorize said securities. For example, Standard & Poor's (2016a) specifically mention that securities rated BB and lower are speculative grade securities. In the local market, MARC classify securities rated BBB and higher as investment grade and securities rated BB and lower as non-investment grade (MARC 2012). Blackrock (2016: 4), the global fund manager, in one of its funds, describes non-investment grade securities as "high-yield securities (commonly called 'junk bonds') [that] will generally be in the lower rating categories of the major rating agencies (BB or lower by Standard & Poor's or Fitch Ratings, Inc. or Ba or lower by Moody's Investor Services) or will be determined by the management team to be of similar quality."

There are significant differences between a credit's foreign currency ratings and its local currency ratings (for a detailed discussion of differences in credit evaluation practices between Asian and US-based ratings agencies, see Nagano 2007). In the context of Malaysia, a company could hold a AAA local currency rating issued by RAM Ratings or MARC but an A3 foreign currency rating issued by one of the international rating agencies (as illustrated in Table 2). The primary reason for what Packer (2003: 55) terms the "rating gap" is the corporate's "different capacity to meet its obligations denominated in its local currency, [versus] obligations denominated in a foreign currency" (Standard & Poor's 2016a: para 16). One factor that often contributes to this rating gap is when a corporation's income is predominantly denominated in its local currency thereby making it more liquid in its local currency.

Table 2
Ratings of Major Malaysian Corporations (2016)

Company	**Foreign currency rating**		**Local currency rating**	
Maybank Berhad	Standard & Poor's	A-	RAM Ratings	AAA
	Moody's	A3	MARC	AAA
CIMB Bank Berhad	Standard & Poor's	A-	RAM Ratings	AAA
	Moody's	A3	MARC	AAA
Sime Darby Berhad	Standard & Poor's	BBB+**	MARC	AAA-ID (rating of Islamic Medium Term Notes Programme)
	Moody's	Baa1		
Telekom Malaysia	Standard & Poor's	A-	RAM Ratings	AAA
	Moody's	A3		

Source: rating reports from MARC, Moody's, RAM Ratings and S&P

** Standard & Poor's withdrew its ratings of Sime Darby Berhad, at the latter's request, on 6 April 2016 (Standard and Poor's 2016b).

We would argue that the common distinction between investment grade and speculative grade securities is not particularly relevant to the Malaysian context primarily because there is no significant market for securities rated BBB and lower. There is no compelling reason to simply accept the definition of speculative grade securities adopted in other markets (i.e. securities rated BB and lower). As discussed earlier, there is a need to develop the market to accommodate significantly more issuances by corporations that do not carry ratings of A or higher.

5. Evaluating Recent Market Development Initiatives

Since 1 July 2000, the Securities Commission Malaysia (SC) has been the single regulator of the corporate bond market, a function which prior to that date was under the purview of the central bank, Bank Negara Malaysia (BNM). Early regulatory initiatives to support the development of the corporate bond market included the introduction of a disclosure-based shelf registration scheme and the removal of the restriction on the issuance of speculative grade bonds and the underwriting requirement on a bond issue (Thillainthan 2005: 192). More recently, the SC announced the partial opening of the market to retail investors as well as the future abolition of mandatory credit ratings effective as of the beginning of 2017 (Mahmood 2014). In addition to these regulatory changes, Malaysian (and regional) financial policymakers have also pursued a number of more activist policies to widen the credit spectrum. These include the creation of bond guarantee schemes both in Malaysia and at the regional level and an alternative investment platform.

Bond guarantee schemes

The problem of the Malaysian bond market being restricted to the upper end of the credit curve led to the establishment, in 2009, of Danajamin Nasional Berhad. Its stated objectives are to provide guarantees that would enable issuers to raise funding from the debt capital market and act as a catalyst to the development of the local debt capital market. Bonds or sukuk wrapped with a Danajamin guarantee automatically carry a local currency of AAA rating. The issuer pays a guarantee fee to Danajamin. As of 16 January 2017, the aggregate value of guarantees issued by Danajamin was RM8.854 billion (Danajamin 2017). The aggregate amount outstanding under these guarantees was RM7.109 billion. The overall number of bond and sukuk issuers covered was thirty (eight redeemed and 22 active). The role Danajamin plays in the debt capital market is important in the long run as it enables otherwise "ineligible" corporations to raise funding by issuing bonds or sukuk. The other side of the coin, however, is that Danajamin coddles investors who have been used to investing only in highly rated securities. Danajamin, which currently guarantees less than one per cent of outstanding securities by value, cannot supplant the need to develop the lower segments of the credit curve independent of support from the government.

It should also not be ignored that regional financial policymakers have pursued a rather activist approach to bond market development over the last decade (Nagano 2007). This is exemplified by the ASEAN+3 Bond Markets Initiative (ABMI), the new AsianBondsOnline platform hosted by the Asian Development Bank and the bond funds, ABF1 and ABF2, launched by the Executives` Meeting of East Asia Pacific Central Banks (EMEAP) (Rethel 2010). This activism culminated in the creation of the Credit Guarantee and Investment Facility (CGIF) in November 2010 as part of ABMI, aimed at providing guarantees for local currency bonds issued by corporations in the region. In November 2016, CGIF announced its first guarantee of a Malaysian issuer – KNM Berhad Group, a manufacturing company with core activities in the energy sector (CGIF 2016). The proceedings of the bond were aimed to finance a renewable energy project in Thailand. The five year, THB2.78 billion bond was rated AAA by a number of regional rating agencies, including on the S&P ASEAN regional scale and AA on the S&P global scale (CGIF 2016, 2). However, as of March 2017, no ringgit bond issuance had been guaranteed.

The Investment Account Platform

A recent development in the Malaysian market has been the establishment of the Investment Account Platform (IAP) in 2015, an initiative spearheaded by BNM. It is an example of regulatory activism and innovation. The central bank brought together six Islamic banking institutions to create an online platform that would enable businesses to connect with and raise funding directly from investors, including retail investors. The IAP, due to its infancy, does not have a track record but it would be reasonable to assume that over time it will become an alternative to the bank market for companies looking to raise funding – generating a different type of access to business financing.[5] At the moment, the function of the IAP is primarily to manage the online platform. The tasks of identifying, reviewing and funnelling to the IAP business ventures in need of capital have been delegated to the banking institutions backing the IAP. This is an intriguing feature of the IAP as the banking institutions will be actively participating in their own disintermediation process. The banks, nevertheless, will earn a fee for undertaking and executing the various tasks leading to a business venture successfully raising capital from the IAP.

“Bank Negara Malaysia brought together six Islamic banking institutions to create an online platform that would enable businesses to connect with and raise funding directly from investors, including retail investors.”

The business ventures listed on the IAP will be rated by a local rating agency. RAM Ratings is currently named as the agency that will rate business ventures listed on the IAP. It remains to be seen what types of companies will be able to raise funding on the IAP but the website lists aaa, aa1, aa2 and aa3 ratings as being appropriate for investors with conservative risk profiles.[6] The website further describes aaa, aa1, aa2, aa3, a1, a2, a3, bbb1, bbb2 and bbb3 as being appropriate for investors with moderate risk profiles.[7] The IAP would be venturing into a relatively underserved territory if it is able to successfully help bbb rated companies raise funding on its platform, taking into account the fact that the number of BBB rated bonds and sukuk currently outstanding is insignificant.

The final point to highlight in relation to the IAP is the use of incentives to stimulate the development of the platform. BNM has secured and put in place a tax exemption on all profits earned from qualifying investments for a period of three years. Extending the tax exemption beyond the initial three year period would depend on the success or lack thereof at the end of said period.

Issuance costs and taxation

One of the many tools at the disposal of governments to promote the development of certain sectors of the economy is the provision of tax breaks. Malaysia has a long history of introducing tax breaks to promote the growth of Islamic finance, in particular sukuk. Some of the tax exemptions were intended to create a level playing field for Islamic finance structures relative to their conventional equivalents. For example,the payment of stamp duty on an *Ijarah* head lease agreement is exempted.[8] So is the payment of duty on agreements executed to renew Islamic overdraft facilities that are granted by way of sale and purchase of assets.[9] Another example is the payment of stamp duty on asset sale and purchase transactions entered into to facilitate the issuance of Shariah-compliant credit cards.[10]

The government also made several fundamental amendments to the *Malaysian Income Tax Act 1967* to ensure that taxpayers who were granted financing under Shariah-compliant structures would not be unfairly penalized under the Act. Section 2(7) of the *Income Tax Act 1967* was inserted into the Act to ensure profits earned under Shariah-compliant transactions would be treated in the same manner as interest for tax purposes. This would be particularly important where, for example, the Act grants tax concessions on interest earned; Section 2(7) ensures that taxpayers who received or paid profits would stand to benefit from such concessions. Section 2(8), also an amendment to the original Act, states that the disposal of assets made pursuant to Shariah-compliant financing arrangements will not be subject to the usual taxes asset disposals would be subject to. These provisions ensure that Islamic finance transactions do not become prohibitively expensive.

Other tax breaks were outright incentives and a few of them are discussed in the following paragraphs. The government had granted a 10-year 100 per cent tax holiday on income related to non-Ringgit Malaysia business activities earned by banks licensed under the *Islamic Banking Act 1983*.[11] The tax holiday was introduced in 2007 and expired in 2016. A similar tax holiday was granted to Islamic insurance or *takaful* companies licensed under the *Takaful Act 1984*.[12] The government also provided an incentive to issuers who used new structures such as *mudharabah*, *musharakah*, *ijarah* and *istisna* when issuing sukuk that were approved by the Securities Commission Malaysia; this incentive expired in 2015. The incentive allows issuers to deduct from taxable income expenses incurred in relation to the issuance exercise.[13]

6. Creating Demand for Lower Rated Bonds

Recent regulatory developments reflect a broad consensus regarding the importance of the bond and sukuk market in Malaysia moving down the credit curve to enable a bigger range of non-traditional issuers to be able to issue securities and raise funds efficiently. The question that remains is who should initiate the process; to date, facilitating the market access of borrowers has had only a marginal impact. The main players in the industry are the potential issuers themselves, the banks that are engaged to lead arrange transactions and the institutional investors that buy the securities and by extension the individual investors such institutional investors often represent.

Conversations with market practitioners confirm that issuers in general would not want to engage in a transaction process that would be protracted, complex and uncertain.[14] The primary objectives of issuers are to raise funds as quickly as possible and achieve the lowest possible pricing for their companies. It is therefore the duty of the lead arranger to ensure that any transaction it takes to the market will be successful. A failed transaction due to lack of demand or what is perceived to be mispriced securities could have negative consequences on the reputation of the lead manager thereby affecting its chances of securing future mandates. The issuer, on the other hand, would have wasted its time on a process with no tangible results or worse, an expensive transaction. Lead arrangers, therefore, would generally be averse to launching a transaction that might not be well received by investors.

Moreover, with regard to lead arrangers in ringgit bond or sukuk transactions, the leading players are all part of larger banking groups that offer commercial banking services. The largest and most successful among them are Maybank Investment Bank Berhad, RHB Investment Bank Berhad, CIMB Investment Bank Berhad and AmInvestment Bank Berhad. All the financial groups these investment banks belong to have significant commercial financing activities. The growth of issuances among, for example, companies in the BBB category would have a corresponding negative impact on the commercial financing portfolios of said banking groups. Whilst the initial impact would probably be negligible, the growth in the number of issuances over time would be more significant. Overall, there is little incentive for the banking sector to actively promote the further development of the bond and sukuk market. Banking groups are unlikely to promote a segment that would have the long term effect of disintermediating banks from the equation.

The biggest bond and sukuk investors in Malaysia are typically large institutional investors. They fall into two broad categories, namely pension and retirement funds (e.g. Employees Provident Fund – EPF, *Kumpulan Wang Persaraan* – KWAP, *Lembaga Tabung Haji* – Tabung Haji and *Lembaga Tabung Angkatan Tentera* – LTAT) and mutual funds managed by local and foreign fund managers. Pension and retirement funds, understandably, adopt conservative investment strategies that strike a balance between generating steady returns and preserving capital.

A brief examination of EPF's portfolio mix provides an insight into the importance of EPF to the local bond and sukuk market. EPF has been giving relatively generous dividends of 6 per cent and above to its contributors in recent years. EPF managed a portfolio of RM684.53 billion in 2015, a 7.54 per cent increase from the RM636.53 billion portfolio it managed in 2014. In 2015, EPF's asset allocation strategy channelled 51 per cent of its funds, or approximately RM349.81 billion into fixed income instruments. As a comparison, EPF allocated 36 per cent of its funds to equities in 2015. EPF's equity portfolio however generated 58.8 per cent of its gross investment income for 2015 whilst its fixed income portfolio contributed 35.4 per cent of EPF's gross investment income of RM44.234 billion for 2015 (EPF 2016, 55). This is not surprising particularly in the light of the low interest rate environment in 2015 and the preceding years, which kept bond yields relatively low.

Fixed income securities comprised Malaysian government bonds and similar instruments (worth RM178.11 billion as at end 2015) and loans & bonds (worth RM171.70 billion as at end 2015). The fact that a higher percentage of EPF's fixed income portfolio was invested in government bonds and equivalent instruments is reflective of the fund's conservative investment strategy. The importance of EPF to the domestic bond and sukuk market is underscored by a 94 per cent allocation of its fixed-income portfolio measured by book value in the 2014 financial year to the domestic market with the rest flowing to selected foreign markets. Although the credit rating breakdown of EPF's investments into the Malaysian corporate bond market is not publicly available, EPF confirmed that its minimum investment rating grade for the Malaysian bond market is single A.[15] EPF argues that given its "status as a pension fund, bonds and sukuk rated below (single) A do not suit [their] credit risk profile". Furthermore, EPF cites liquidity risk concerns, given the small size of the below-A market segment and the fact that in its current guise it is the result of downgrades by the rating agencies.

EPF clearly recognizes its importance to the development of the Malaysian debt capital market. However, rather than expressing a keen interest in the lower rated market segment, it "has been looking at investing in non-rated bonds/sukuk with proper customized structure which includes among others sufficient security cover to mitigate risk." EPF, as one of the country's biggest investors, has the necessary in-house capacity to "analyse and invest in a larger pool of issuers." This resonates with our discussion of the emergence of the junk bond market in the US in the 1970s and 1980s which pointed to the importance of the development of credit analysis tools.

It also highlights the potentially profound implications of the SC's decision to abolish the mandatory credit rating requirement for listed corporate bonds and sukuk from 2017 onwards. Indeed, it clearly shows that – in developing capital markets – regulators have to adopt a dynamic approach. Thus, whilst in 1992 the introduction of a mandatory rating requirement was deemed necessary to spur market development by making credit quality more transparent, the increasing sophistication and maturity of the Malaysian market has led to the development of greater credit analytical capabilities among market participants and has become a means to differentiate themselves from others.

KWAP too has a sizeable fixed-income portfolio, comprising around 60 per cent of its total investment portfolio (KWAP 2017). It had RM30.34 billion invested in Malaysian government securities and quasi-government securities as at end September 2016. Its corporate bond and sukuk portfolio, as at end September 2016, was worth RM16.38 billion whilst its loan portfolio stood at RM11.44 billion. Interestingly, KWAP's corporate bond investment criteria specifically state that it may only invest in securities with minimum ratings of A3 by RAM Ratings or A- by MARC. In fact, as at end September 2016, KWAP did not have any A- or A3 securities in its portfolio; KWAP's corporate bond (and sukuk) portfolio comprised only AAA (28 per cent), AA (35 per cent), A (7 per cent) and Unrated (20 per cent). The fact that the stated investment criteria of a major investor prevent it from investing in securities rated below A- or A3 in the Malaysian market would, to some extent, discourage issuers and lead managers from considering the issuance of securities not in line with these criteria.

Another important investor in the Malaysian market is Tabung Haji, the Malaysian pilgrimage fund. Its primary objectives include providing services and managing operations related to hajj and umrah pilgrimages, and managing and investing the deposits of its members. As at end of 2015, Tabung Haji's fixed income portfolio had a net book value of RM29 billion (Tabung Haji 2016, 153). Unlike EPF and KWAP, Tabung Haji appears to be relatively more aggressive in its investment strategy as the RM29 billion fixed income portfolio constitutes less than half of Tabung Haji's RM59.5 billion total net asset value (Tabung Haji 2016, 6). Tabung Haji, unlike EPF and KWAP, invests only in Shariah-compliant assets. We saw that both EPF and KWAP had a bigger percentage of their respective fixed income portfolios in government bonds. Tabung Haji, on the other hand, had only 8% of its sukuk portfolio invested in the sovereign sector (Tabung Haji 2016, 153). This again indicates a relatively more aggressive investment strategy on the part of Tabung Haji.

By relaxing their investment criteria, these three institutions could play an important part in paving the way for the issuance of more BBB rated papers and thus in opening up the market. BBB securities in the Malaysian market are technically investment grade securities and for these investors to relax their criteria would not result in them buying speculative grade securities. Furthermore, all three institutions have significant investments in equities and real estate; equities as an asset class are relatively volatile but prudent selection, strategic diversification and competent management have enabled these institutions to extract respectable returns from their portfolios. This clearly speaks to the capability of their investment teams to manage corporate bond and sukuk portfolios that also comprise lower rated bonds and sukuk.

For institutional investors to play a developmental role is not without precedence in the Malaysian context. In particular, EPF has, in the past, taken on various market development roles with commendable success (Thillainathan 2005). In recent years, EPF managed approximately 85 per cent of its investments internally and outsourced the remaining balance. The decision to outsource was driven by market development considerations: "We will continue to outsource a portion of the fund for diversification and to support the development of the asset management industry in Malaysia" (EPF 2016: 52; emphasis added). Moving down the credit curve and developing this segment of the bond and sukuk market is crucial for meeting the funding needs as well as the long term growth prospects of Malaysian business.

In addition to these public investors, over the last decade, the number of privately managed bond funds has grown rapidly. In 2005, Malaysian financial regulators launched the first exchange traded bond fund as part of the country's commitment to the EMEAP Asian Bond Fund 2 initiative (Rethel 2010). One of the explicit objectives was to create greater interest by retail investors in the bond market and thus to offer "investors an additional investment alternative as well as an opportunity to diversify their investment into more asset classes" (Zeti 2005). The fund, invested in government and quasi-government securities, is managed by AmInvest. Since then, the number of bond funds and the size of assets under management have multiplied. As of end of December 2016, total domestic fixed income assets (both conventional and Islamic) under management in the fund industry amounted to RM114.82 billion (Securities Commission Malaysia 2017). Moreover, in 2012, Malaysia began to liberalize its pension market by introducing the Private Retirement Scheme, allowing Malaysians to invest into retirement funds – currently managed by eight approved PRS providers – on top of mandatory EPF savings. This adds another potential pool of capital seeking out new asset classes. However, the interest of these investors in investing in lower rated bonds is limited as they tend to be very conservative. As one research participant stated, investing in lower rated bonds and sukuk is not "within our current mandate."[16] Moreover, the rating gap means that lower rated bonds are "very speculative" by international standards. This is compounded by the lack of liquidity and small issue size.

With less than 4 per cent, the share of foreign investors in the Malaysian corporate bond and sukuk market means that they currently play a negligible role when it comes to market development (BondInfoHub 2016). Having said this, locally incorporated international banks such as HSBC and Standard Chartered are among the top lead arrangers in the country.

7. Conclusion

In the two decades since the Asian financial crisis of 1997-8, the Malaysian financial system has undergone a significant transformation. The corporate bond and sukuk market, which existed in only embryonic form prior to the crisis, has developed into an increasingly important funding source for Malaysian businesses. However, as demonstrated in this paper, it remains heavily skewed towards the upper end of the credit curve. This leads to a bifurcated financial system where a small number of businesses have access to relatively cheap and abundant funding from a variety of sources – also including retained earnings and the bank and equity markets, whereas the majority of companies are effectively cut off from this funding source.

In its current form, the Malaysian corporate bond and sukuk market is an investors' market. Therefore, impulses for market development have to come from the demand side. The major institutional investors – EPF, KWAP and Tabung Haji – will have to play a crucial role when it comes to changing the risk profile of the market. They have been known at times of market stress to step in as investors of last resort. Yet, being able to turn to the high-yield market as a viable alternative to bank lending during episodes of market stress might provide business with a more sustainable solution as the example of the US market during the subprime crisis has shown. Moreover, despite their rather conservative investment strategies, given the nature of the Malaysian political economy, these major institutional investors are under pressure to achieve returns in a historically low interest environment. Another important and often underestimated factor, however, is the rapid growth of the asset management industry in Malaysia. Attempts at greater differentiation in this increasingly mature sector will be well suited to meeting varied funding needs on the borrower side and thus should create opportunities for moving down the credit curve. This is facilitated by regulatory changes such as the abolition of mandatory rating requirements.

In the paper, we have discussed a few examples of tax incentives that were used to promote various segments of the market. The authorities need to ensure the initiatives taken are not construed as interfering in the ordinary development and operations of the market. It is unlikely such initiatives will amount to interference as the role of the authorities is merely to facilitate and create conducive environments for market development. This view is supported by the many examples in the past where incentives have been used to promote market growth. Based on the various examples above, it would be appropriate to introduce a tax exemption on all profits or income earned from corporate bonds and sukuk rated BBB or lower. The primary objective is to develop a segment of the debt capital market that currently does not exist in any appreciable form. The issue of losing tax revenue therefore does not arise. The current issue would be a lot easier to address as it is within a single jurisdiction and under the purview of a single regulator.

Footnotes

1 Sukuk are structured so that they comply with Islamic principles. Malaysia is a Muslim-majority country.

2 More specifically, they identify i) market benchmarks, ii) market infrastructure, iii) regulation and policy, iv) corporate governance, and v) derivatives market as part of infrastructure and regulation and i) local institutional investor base, ii) foreign investor base, iii) issuance costs and taxation and iv) public versus private sector bonds as part of the latter.

3 This list and outstanding market data are available at: https://www.bpam.com.my, accessed 30 May 2016 and 5 March 2017.

4 RAM Ratings and Malaysia Rating Corporation Berhad (MARC), the two domestic rating agencies, use different rating symbols. Both RAM Ratings and MARC issue ratings in the following categories: AAA, AA, A, BBB, BB, B, C and D. The strength of a credit within the AA, A, BBB, BB, B and C categories is denoted by a number (1, 2 or 3) in the case of RAM Ratings and a symbol in the case of MARC (+ or - ; there is no symbol after the preceding letter(s) if the credit falls into the middle classification within a category). For ease of reference, we use the RAM Ratings symbols to refer to the various categories.

5 Information about IAP can be accessed at: https://www.iaplatform.com/aboutIap.

6 The IAP website uses lowercase letters to describe the various ratings symbols.

7 It is unclear why aaa, aa1, aa2 and aa3 ratings are also listed under the moderate risk profile category.

8 *Stamp Duty (Exemption) (No. 8) Order 2000*, the *Stamp Act 1949, Act 348*. This exemption order was issued to exempt the payment of nominal stamp duty on the head lease agreement in an *Ijarah* financing that is structured using a head lease and a sub-lease arrangement. *Ad valorem* stamp duty would be payable on the agreement that the parties to the financing facility select as the principal agreement. This exemption order and other similar orders were issued to remove the obligation to pay extra duty in an

Islamic financing arrangement, due to additional agreements having to be executed, that would not be payable under a conventional financing facility.

9 Stamp Duty (Exemption) (No. 9) Order 2000, the *Stamp Act 1949, Act 348*.

10 Stamp Duty (Exemption) (No. 38) Order 2002, the *Stamp Act 1949, Act 348*.

11 This Act was repealed by the *Islamic Financial Services Act 2013*, Act 759.

12 This Act was also repealed by the *Islamic Financial Services Act 2013, Act 759.*

13 The sukuk structures mentioned here are explained at: http://www.sc.com.my/glossary-of-islamic-capital-market-terms/ (accessed: 31 May 2016).

14 E.g. email communication with Regional Head of Debt Capital Markets, Maybank, 24 June 2016.

15 The following discussion draws from email communication with EPF Deputy Chief Executive Officer (Investment), 29 July 2016.

16 Email communication, Executive Director, private asset management company, 30 June 2016.

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