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**ROTHMANS RM750 MILLION BONDS
FACILITY SIGNING CEREMONY
GUEST OF HONOUR'S SPEECH
by Encik Ali Abdul Kadir,
Chairman
Securities Commission**

22 October 1999

I am pleased to be invited today to witness the signing of the Rothmans Bonds Facility Agreements. The Securities Commission, as you know, has always been committed to the development of the ringgit bond market, and has recognised that it is a key, while unfortunately still a 'weak' link in the overall development of the Malaysian capital market. The recent economic crisis has brought to light the fact that the existence of a mature domestic bond market could have eased some of the pressure on the banking sector as well as cushioned the effects of the downturn on the business community. We can no longer continue to rely on the equity market and traditional bank loans to be the main conduits for capital raising required during this period of recovery and growth. In this respect, the Government has intensified its efforts to develop the domestic bond market and has called for companies to tap the bond market for their long-term funding needs.

I am heartened to note that Rothmans has decided to answer this call by the Government today, and is doing its bit to address the demand for quality debt paper in the marketplace. I was also made to understand that the issue was well received by the market with significant over-subscription. I would, therefore, like to take this opportunity to congratulate and commend Rothmans, CIMB and HSBC for their efforts in bringing out this issue.

Ladies and Gentlemen.

The Government has long recognised the importance of developing the domestic bond market, the need for which has been critically underlined in the present economic recovery. Hence, the recent announcement by the Ministry of Finance on the establishment the National Bond Market Committee (NBMC) to lead all bond market development efforts in Malaysia. In addition to the setting up of the NBMC, the Government also agreed that the Commission be the single regulatory authority for the supervision and regulation of the corporate bond market. These initiatives are to ensure that the regulation, supervision and promotion of the bond market will be carried out on an integrated basis.

One of the initial tasks of the NBMC is to see to the full rationalisation of the regulatory framework for the corporate bond market. Legislative amendments are being proposed

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to effect the decision for all approvals for debt issuance to be centralised at the SC. In addition to the proposed amendments, the SC intends to accelerate its planned transition towards a disclosure-based regime via the bond market. The accelerated transition in this case is justified because of the extra protections that are inherent in the legal structure of bonds compared to the legal structure of equities.

A shelf-registration system for corporate bonds will also be introduced once the proposed legislative amendments come into force. Under such a scheme, a proposal may be made by an eligible corporation to make multiple issues of debt securities within a particular time frame. Once this proposal has been approved, a corporation will be permitted to make multiple issues of securities within this time period without securing the further approvals in relation to each issue in the series, subject to guidelines which will be issued by the Commission. Such a system will help cut down the cost and time involved in obtaining regulatory approval for bond issuance.

Given all this, it is very encouraging to hear that the book-running process adopted for the placement and distribution of the Rothmans Bonds as mentioned by Encik Nazir Razak sets a new standard in terms of transparency, fairness and efficiency to both issuers and investors alike. I am also pleased to hear the Rothmans Bonds will be a pricing benchmark for future bond issues and hope that the success of this venture will encourage many others to come.

I would also like to mention that in addition to the regulatory framework, the NBMC would also be looking at appropriate market structures, including institutional arrangements that promote and attract active primary and secondary market activities. Such measures would involve widening the issuer and investor base, building an effective benchmark yield curve, improving liquidity in the secondary market and facilitating the introduction of risk management instruments.

Before I conclude, I would like to note that prior to the crisis, some two years ago, Malaysia was known to be one of the most promising domestic debt markets in Asia; with many of the essential building blocks already in place, namely:

- positive economic fundamentals,
- sound regulatory environment,
- reliable and established financial system,
- fast-growing debt-hungry economy evidenced by the yearly increase in the supply of corporate debt issues,
- adequate infrastructure for custody and settlement, and
- a developing institutional investor base.

I believe the foundations are still intact despite the recent turmoil, and our aim of having a well-functioning and efficient domestic bond market can be achieved over the next few years.



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In closing, I would like to extend my appreciation to Rothmans, CIMB and HSBC for inviting me to this Rothmans Bonds Signing Ceremony.

Thank you.