



Japan - ASEAN Finance Technical Assistance Fund (JAFTA)

ASEAN+3 ABMI TACT



Myanmar TA (Phase 3)

“Developing Myanmar Bond Market”

Information Booklet for Government Securities
Issuing and Trading System

ABMI Consultants

Daiwa Institute of Research

January 2017

Acknowledgement

This guideline/manual is to provide necessary understandings of operational procedures of government securities in Myanmar prepared by ABMI consultants jointly with the international donor institutions the IMF, ADB, and JICA.

We certainly hope that this guideline will be beneficial to all Myanmar colleagues who are in charge of or have relevant duties regarding government securities and its operations.

The guideline is purposely constructed in a simplest way possible, so that necessary updating/amending could be followed based on the changes/modifications of legal framework, rules and regulations as well as associated operations.

ABMI Consultants

Contents

1. About T-bonds
 2. Workflow of T-bonds
 3. Issuance (by auctions)
 4. Management (monitoring of T-bond holders)
 5. Redemption
- Appendix: Relevant donors / Contact list / Glossary

1. About: Difference between T-bills/bonds

- ◆ T-bills fill short-term (temporary) cash shortage, while T-bonds fill the budget deficit for a financial year
- ◆ T-bills are discount bonds (=zero coupon), while T-bonds are coupon bonds

	T-bills	T-bonds
Maturity	Up to 1 year (3,6,12 months)	More than 1 year (2,3,5 years)
Coupon	No (=issued at discount, redeemed at par)	Semi-annual (=determined and announced by MOPF)
Yield	Determined by auctions (under the cut-off rate determined by MOPF each time)	
Objective	To fill short-term cash shortage	To fill the budget deficit for a financial year
Auction participants	Commercial banks	Securities companies and commercial banks (tbd)

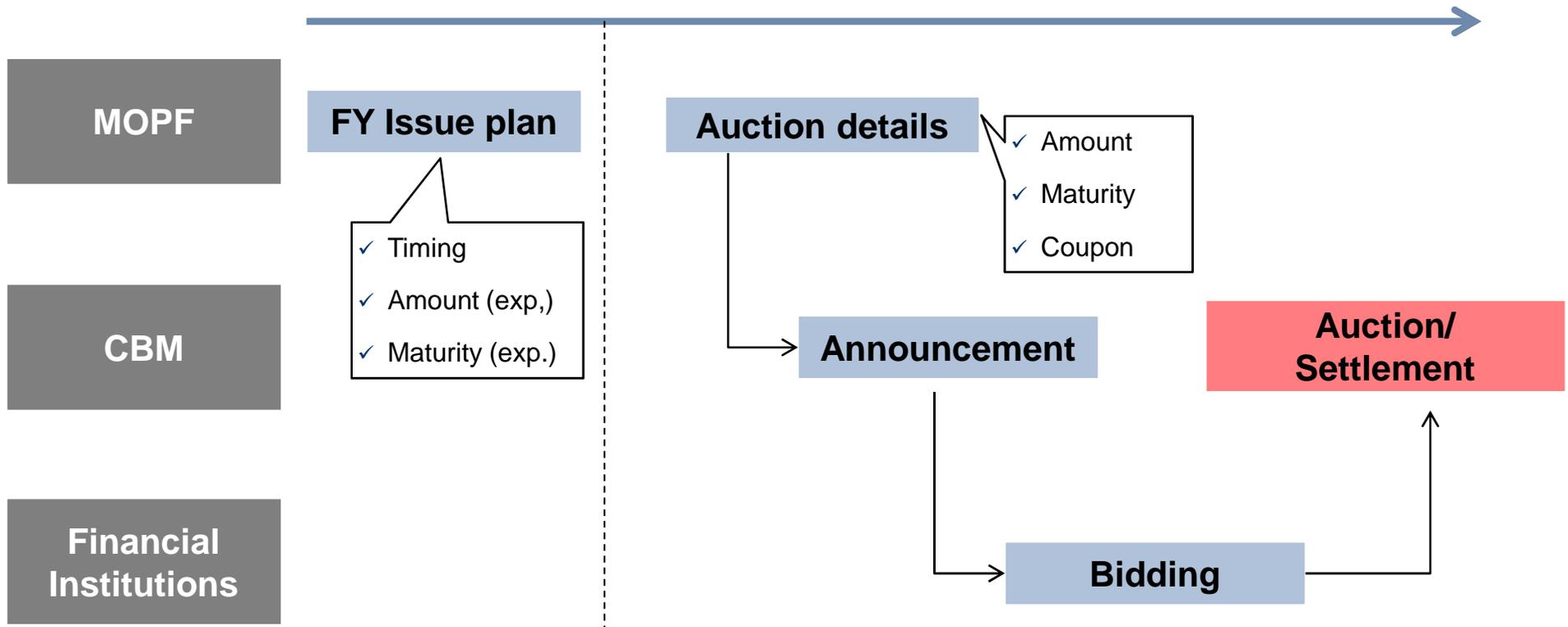
2. Workflow: From issue plans to redemption

- ◆ MOPF, CBM, and SECM each take responsibilities along the workflow.

Op. No.	Procedures		Treasury Dept., MOPF	Financial Market Dept., CBM	SECM	Designated Bank
001	Issue plan		✓	✓		
011	Auction	Notification/bidding		✓		
012		Determination of successful bids	✓	✓		
013		Result announcement		✓		
014		Settlement		✓		
021	Management	ISIN coding		✓		
022		Account balance monitoring		✓	✓	
023		Transaction monitoring		✓		✓
031	Coupon payments	Upon maturity		✓		
032		Based on redemption		✓		

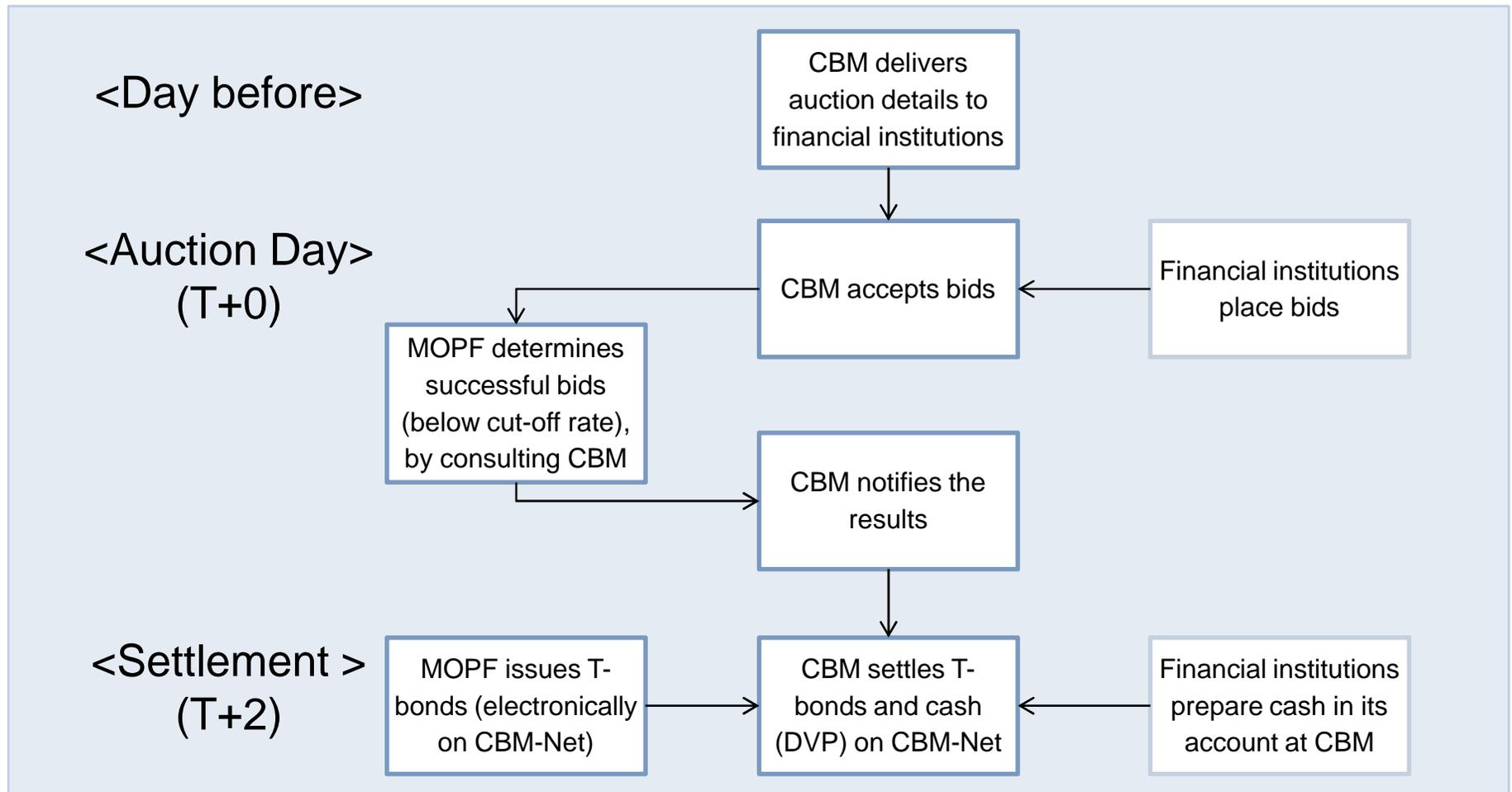
3. Issuance: (1) Issue plan

- ◆ MOPF decided:
 - a) quarterly auction calendar (by the end of last quarter), and
 - b) auction details (amount, maturity, coupon) (by 2 days before)
- ◆ CBM makes sure the delivery of above information to all possible auction participants (i.e. securities companies, commercial banks)



3. Issuance: (2) Auction (a) Workflow

- ◆ CBM announces and conducts auctions on behalf of MOPF. MOPF determines the cut-off rate by consulting with CBM, and CBM notifies the results accordingly.
- ◆ T-bonds and cash are settled at T+2 on CBM-Net.



3. Issuance: (2) Auction (a) Rules

- ◆ Coupon rates are fixed each time (as previously announced by MOPF), for each maturity
- ◆ Participants submit bids with (i) a price, and (ii) an amount for a particular T-bond (of X-year, Y% coupon)
- ◆ MOPF determines successful bids, starting from the highest price. As the auction takes multiple-price (conventional) system, each bid price is the issue price for the financial institution (i.e. each financial institution buys the same bond at a different price, subject to its bidding price)
- ◆ MOPF reserves the right to set a cut-off rate (the ceiling for yield), even if the successful bids have not reached the announced issue amount.
- ◆ For non-competitive bids, MOPF issues at a weighted average price of other successful bids.

4-1. Management

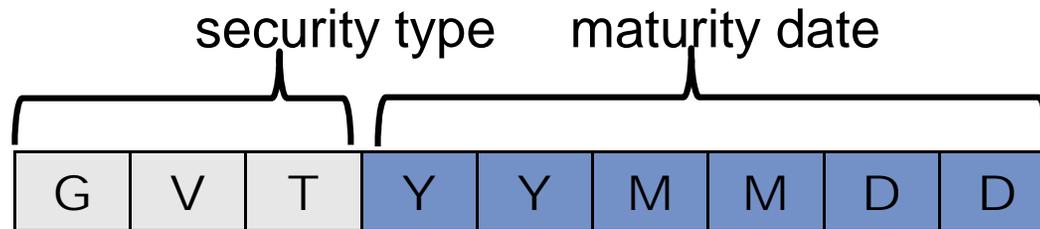
- ◆ MOPF, CBM, and SECM each has its own mandates by law regarding the bond market management and different operations are assigned accordingly.

	Relevant Law	Management/Operations
MOPF	Public Debt Management Law (2016)	<ul style="list-style-type: none">➤ Debt management and strategy➤ Government borrowing plan
CBM	Central Bank of Myanmar Law (2013)	<ul style="list-style-type: none">➤ Facilitating the government securities issuance and placing ISIN codes➤ Management of outstanding government securities➤ Payment and settlement of government securities
SECM	Securities and Exchange Law (2013)	<ul style="list-style-type: none">➤ Monitor and regulate the market➤ Set rules and regulations➤ Promote market development

4-2. ISIN Coding

- ◆ ISIN codes for the government securities will be done as follows

Security identifier (T-bills): 9-digit codes

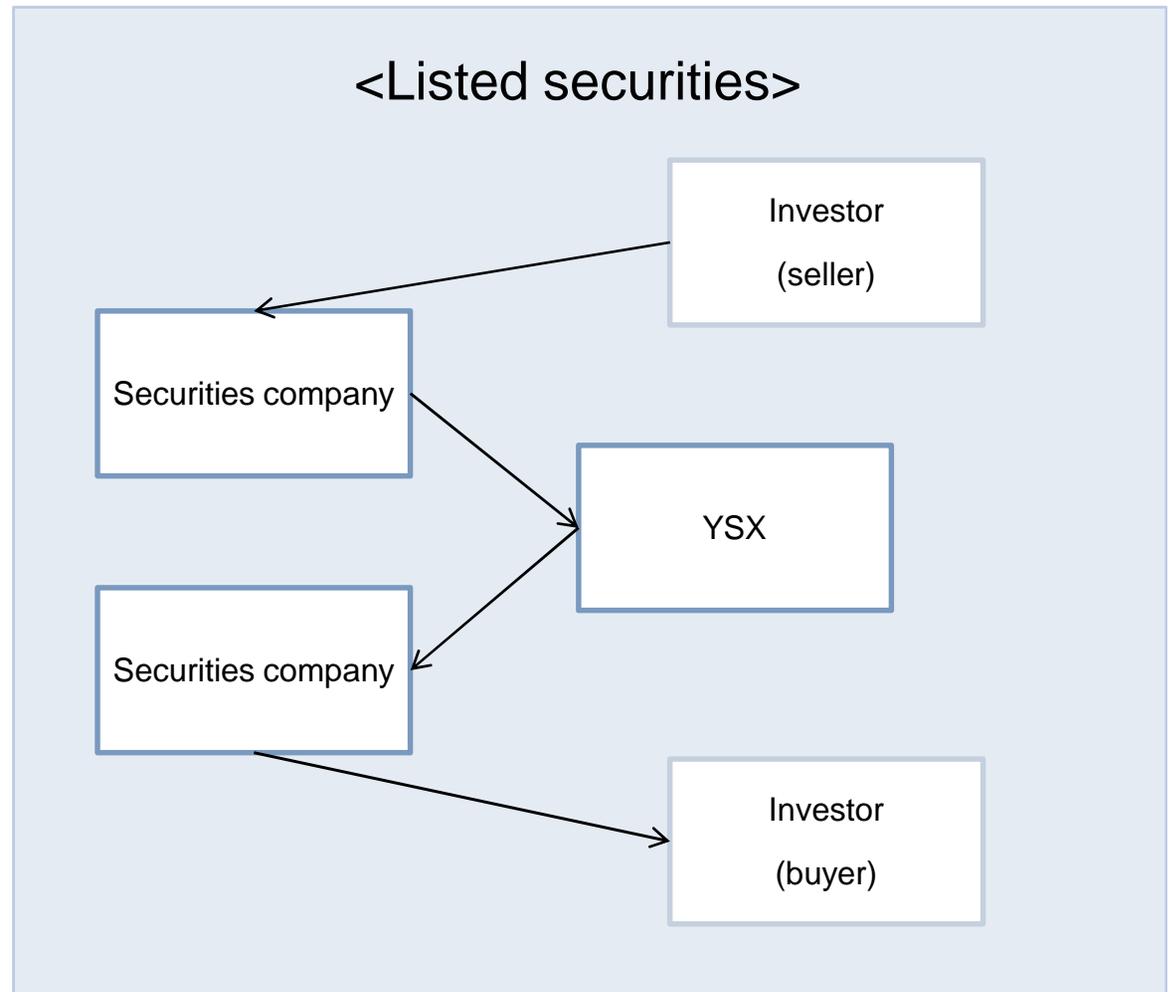
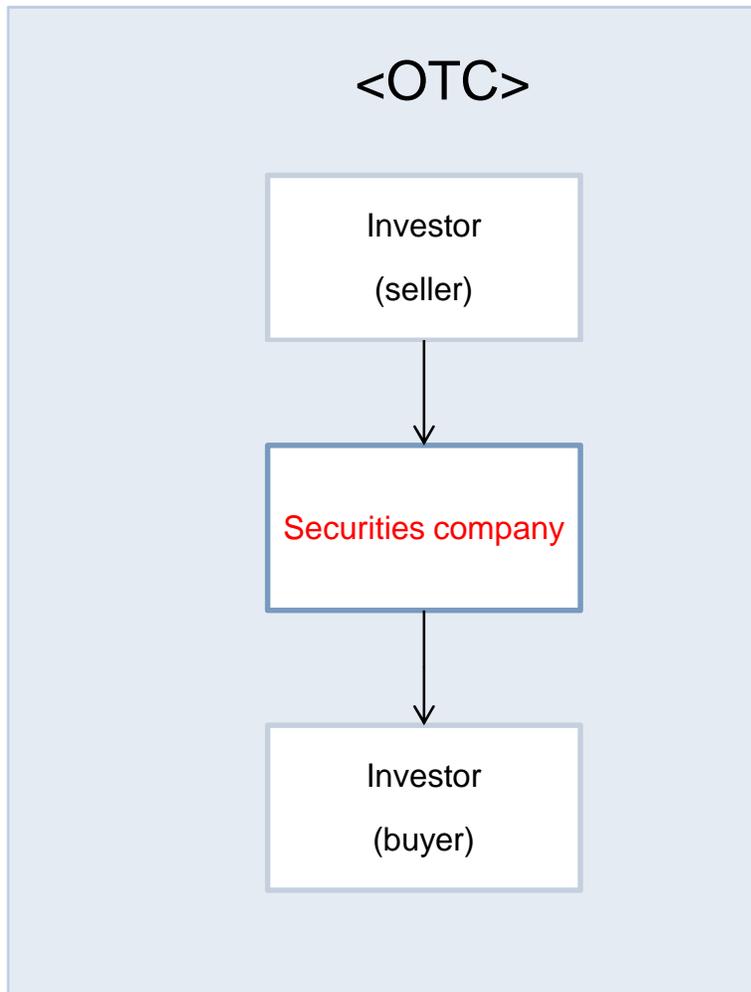


ISIN example: 12-digit codes



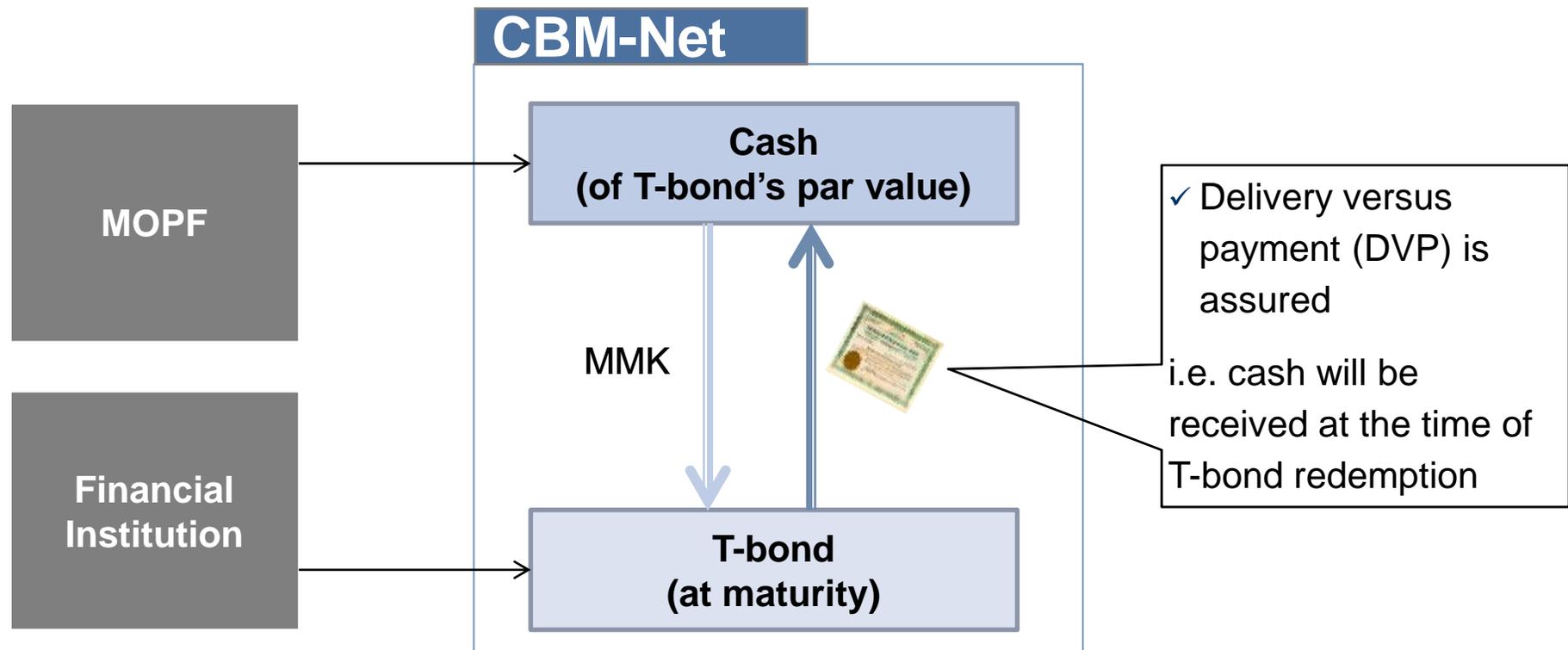
4-3. Secondary Market:

- ◆ Secondary market will be either the OTC or those traded at the stock exchange (tbd)



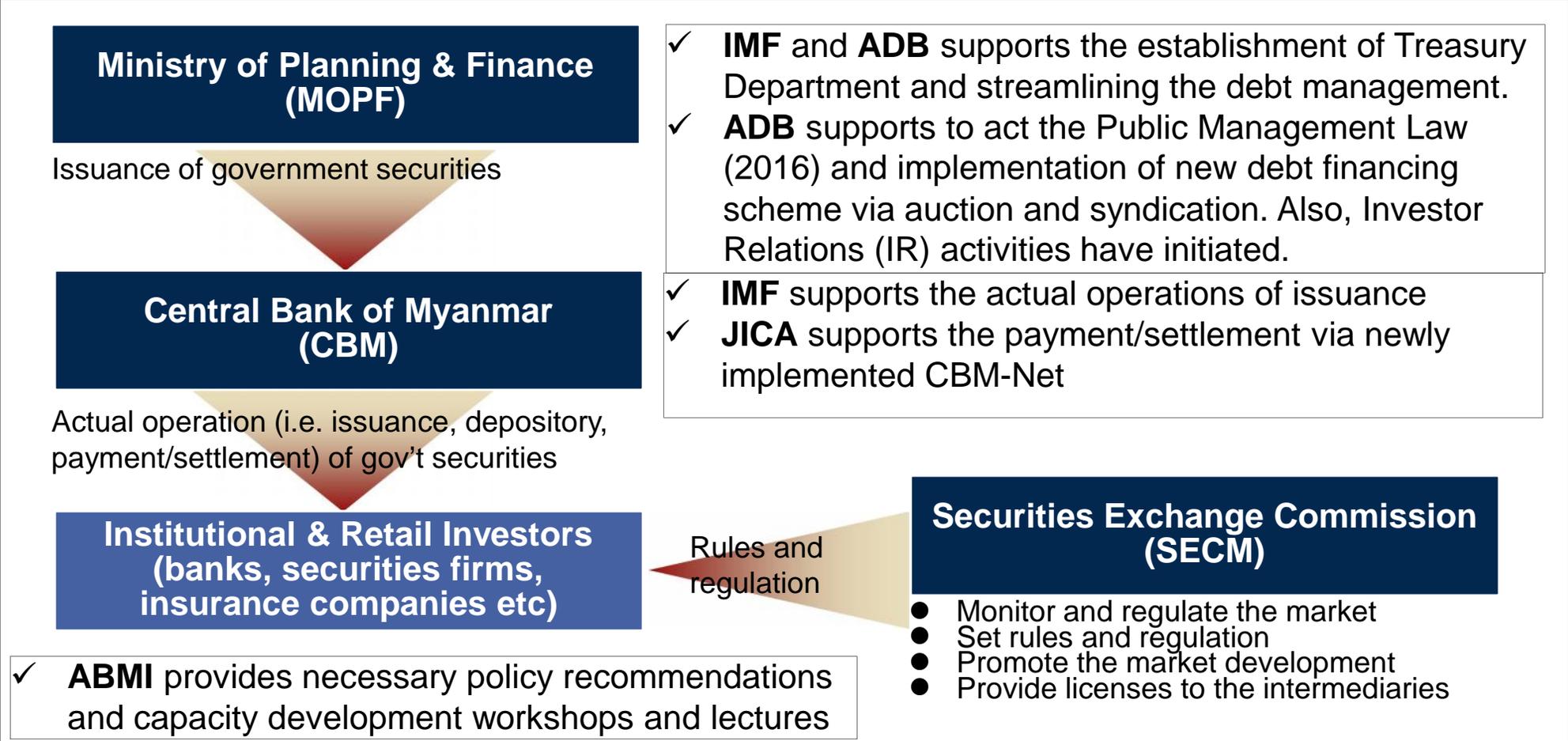
5. Redemption

- ◆ Coupon payment and settlement of scripless type securities will be done electronically within the CBM-Net.
- ◆ Coupon payment and settlement for the physical securities will be done manually via the designated financial institutions (MEB of MSEC) by the FMD of CBM



Appendix 1: Relevant donors

- ◆ Currently, IMF, ADB, JICA and ABMI consultants are supporting the relevant authorities to develop the Myanmar bond market.
- ◆ ABMI targets all concerned parties from the capacity development perspective.



Appendix 2: Contact list

	Department	Person in charge
MOPF	Treasury Department	<ul style="list-style-type: none"> ❑ Daw Si Si Pyone, Deputy Director General
CBM	Accounts Department	<ul style="list-style-type: none"> ❑ Daw Than Than Swe, Director General
SECM		<ul style="list-style-type: none"> ❑ U Maung Maung Win, Chairman ❑ Daw Tin May Oo, Commissioner ❑ Daw Tin Tin Ohn, Director General

Donor Institution / Foreign consultants	
ABMI	<ul style="list-style-type: none"> ❑ Mr. Ryota Sugishita, ryota.sugishtia@dir.co.jp ❑ Mr. Akifumi Nakanishi, akifumi.nakanishi@dir.co.jp
IMF	<ul style="list-style-type: none"> ❑ -
ADB	<ul style="list-style-type: none"> ❑ Mr. Ian Storkey,
JICA	<ul style="list-style-type: none"> ❑ Mr. Koji Oshikiri

Appendix 3: Glossary (from Asian Bonds Online)

Terms	Definition
Accrued Interest	Accumulated interest since principal investment or previous interest payment.
At a discount / par / premium	Pricing of a bond at less than / at / more than 100% of principal (face value).
Bond Prospectus	The legal document, normally distributed by underwriters or brokerages, which describes the securities an institution or business offers potential investors.
Clean Price	The price of a bond without accrued interest. In effect, the clean price refers to the price of the bond on the first day of the coupon period.
Dirty Price (or Full Price)	The amount the buyer pays the seller equivalent to the agreed-upon price plus accrued interest.
Coupon or Nominal Rate	The interest rate the issuer agrees to pay on a predetermined time interval (often semi-annually). It is commonly expressed as a percentage of the principal (face value).
Discount Rate	The rate at which future cash flows are converted to the present value.
International Securities Identification Number (ISIN)	A 12-character code that uniquely identifies a security and is issued by the Association of National Numbering Agencies (ANNA) or its designate in a particular country.
Liquidity	Refers to an asset's ability to quickly be liquidated or converted through buying or selling without causing a significant movement in the price and with minimum loss of value. The liquidity of a product can be measured by how often it is bought and sold or by how wide the gap is between the offered (asking) price and the bid (buying) price on average.

Appendix 3: Glossary (from Asian Bonds Online)

Terms	Definition
Over-the-Counter (OTC)	Stocks or bonds traded in direct negotiation between buyers and sellers, not at a securities exchange.
Face Value (Principal, Par or Redemption Value)	The amount that the issuer agrees to repay the bondholder at the maturity date.
Repurchase Agreement (RP or repo)	Financial instruments used in the money markets and capital markets. A more accurate and descriptive term is Sale and Repurchase Agreement, since what occurs is that the cash receiver (or repo seller) sells securities to the cash provider (or repo buyer) now in return for cash, and agrees to repurchase those securities from the cash provider for a greater sum of cash at some later date. That greater sum is all of the money lent and some extra money (constituting the implicit interest rate, known as the repo rate).
Term to Maturity	The number of years over which the issuer has promised to meet the conditions of a debt until it is redeemed.
Yield	The rate of return the holder earns on a financial instrument. As a bond's price fluctuates, its yield deviates from the coupon rate.
Yield Curve	The relationship between the interest rate (or cost of borrowing) and the time to maturity of the debt; the term structure of interest rates.
Yield to Maturity	Computed in the same way as the yield or the internal rate of return. The interest rate that will make the present value of the cash flows from the investment equal to the market price of the investment.
Zero-Coupon Bond	A debt instrument that makes no periodic coupon payments, such as Myanmar's auction T-bills.

Chronology

Ver.	Date	Department / Person in charge: main updates
01	31 Oct. 2016	▣ ABMI consultants: initiated the draft
02	18 Jan. 2017	▣ ABMI consultants: reflected all comments received from MOPF, CBM and SECM
03		
..		
..		