

Asean bond market vital for infrastructure financing

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KUALA LUMPUR: The Asean bond market will be an important channel to mobilise long-term funds for financing infrastructure development in the region, in view of the large demand for financing of infrastructure projects here, said Cagamas Bhd's chairman Datuk Ooi Sang Kuang.

He said the Asian Development Bank has projected that the financing needs for infrastructure in the Asia-Pacific region is about US\$800 billion (RM2.6 trillion), of which a very big proportion will be in Asean.

"The demand for financing of infrastructure projects in Asean is very large. Therefore, Asean bond market will be an important channel to mobilise long term funds for infrastructure in the region," he told reporters at the Asean Fixed Income Summit organised and co-hosted by Cagamas and hosted by Bank Negara Malaysia here yesterday.

On the domestic front, Ooi said there is a lot of room for the fixed income market to raise long term financing for corporates for long-term investment.

"Financing by banks domestically accounts for almost 80% of total financing for the economy. So, the potential for domestic bond market is very large and we want to promote long-term funding in Malaysia," he said, adding that Cagamas has been an important key player in the domestic bonds market.

"At one stage, we occupied 25% of the corporate bonds market. It is Cagamas' agenda to take our expertise regionally. We intend to issue multi-currency bonds in foreign currencies. The 1.5 billion renminbi (RMB) medium-term note issuance is

a very first step in terms of foreign currency bond by Cagamas. The idea is to broaden Cagamas papers and widen the funding base for Cagamas," he said.

Ooi said Cagamas, which has medium-term notes (MTN) in foreign currencies, is also exploring possible currencies like US dollar, euro and yen.

"We are looking at various opportunities. Well, we don't have any specific date but we are talking to possible issuers in regards to their needs for funding whether in US dollar, yen or RMB," he added.

Bank Negara Malaysia deputy governor Datuk Muhammad Ibrahim said Asean bond markets can play a big role in bridging the long-term financing needs given that most economies within the region are bank-dependent for long-term financing.

He said not only the economy would be better served by a new source of funds but the risks of depending on the banking sector for long-term financing would also be greatly reduced.

Muhammad said Malaysia, which is the largest fixed income market in Asean, has seen a fair share of non-residents participation and investment.

"Despite the growth of our fixed income market and the substantial non-residents investment, the participation from other Asean countries is limited. Malaysia has taken several steps to develop its market to facilitate cross-border investment activities.

"Over the years, we have liberalised foreign exchange administration rules to make it easier for domestic investors to invest abroad and for foreign investors to invest in ringgit assets," he said.