

## **High interest rate can drive green financing in the region**

Kuala Lumpur (21st September 2022): The rising interest rates and cost of energy are set to drive investments in green financing, namely green loans and bonds in the region, GSUM-Titanland Capital Pte Ltd's Chief Executive Officer, Wong Ee Kean said.

She said the current environment is fueling issuers to look at more avenues on how to tackle the interest rate environment, of which green financing is an option.

She was speaking at the "Development of Green Mortgage-Backed Securities" session at the "Developing and Financing Green Housing in Asia" conference hosted by Cagamas Berhad today.

The session's moderator was Ambank Group's Head Capital Markets, Yeoh Teik Leng. The conference was organised in collaboration with the ASEAN Catalytic Green Finance Facility and the ASEAN+3 Asian Bond Markets Initiative.

Asian Development Bank's Sustainable Finance Expert, Rob Fowler and International Capital Market Association Managing Director, Chief Representative, Asia Pacific, Mushtaq Kapasi concurred that transparency is equally vital for green financing to take off.

"As we see the growth of green or sustainable themes, we start to see what is green enough and later, we see that it primarily involves transparency. We find a lot of green investors wanting to know if their investment is green enough."

As such, there is a wide variety of opportunities for borrowers whether they are trying to get a loan, issue bonds or sukuk, to really highlight their story about sustainability.

"Maybe there is a green focus or a social focus, or a combination of both, if you look at, for instance, affordable housing," said Fowler.

Kapasi said, "The green bond principles are basic fundamental requirements as agreed by all the major stakeholders in the market such as investors, underwriters and major issuers."

The basic idea is that the proceeds need to be used for green projects and investments.

“It is the disclosure of what the projects are about, where the money is going, who has looked at it and who is evaluating the process of how it is being used,” he added.

Asian Development Bank Advisor, Satoru Yamadera who spoke on standardisation of principles, said Asean standards are established by the ASEAN Capital Markets Forum (ACMF).

ACMF uses the International Capital Market Association principles as guidelines for the region. The forum took a more stringent approach, particularly for the Asean Green Bond standards which excludes fossil fuel to ensure Asean will be “greener”.

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#### **About Cagamas**

Cagamas Berhad (Cagamas), the National Mortgage Corporation of Malaysia, was established in 1986 to promote the broader spread of home ownership and growth of the secondary mortgage market in Malaysia. It issues bonds and sukuk to finance the purchase of housing loans from financial institutions and non-financial institutions. The provision of liquidity to financial institutions at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost.

The Cagamas model is well regarded by the World Bank as the most successful secondary mortgage liquidity facility. Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Since incorporation in 1986, Cagamas has cumulatively issued circa RM369.3 billion worth of corporate bonds and Sukuk.

Cagamas’ bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad and AAA/MARC-1 and AAA<sub>IS</sub>/MARC-1<sub>IS</sub> by Malaysian Rating Corporation Berhad, denoting its strong credit quality. Cagamas is also well regarded internationally and has been assigned local and foreign currency long-term issuer ratings of A3 by Moody’s Investors Service Inc. that are in line with Malaysian sovereign ratings.

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#### **About ASEAN Catalytic Green Finance Facility (ACGF)**

The ACGF is a regional, country-owned \$2 billion facility under the ASEAN Infrastructure Fund, administered by ADB, aiming to accelerate the development of green infrastructure in ASEAN by better utilizing public funds to create bankable projects and catalyse private capital, technologies and management efficiencies.

[ASEAN Catalytic Green Finance Facility | Asian Development Bank \(adb.org\)](http://ASEAN.Catalytic.Green.Finance.Facility|Asian.Development.Bank(adb.org))



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