



# Recent Developments and Future Direction

## A. Recent Major Developments

Recent major developments are considered those that occurred or have been announced in the Myanmar market since the first publication of the ASEAN+3 Bond Market Guide for selected economies in April 2012.

### 1. Establishment of a Legal and Regulatory Framework for the Bond and Securities Market

The Government of Myanmar passed the SEL in July 2013, which serves as the legislative foundation of the securities market and contains prescriptions for the establishment of a securities and exchange commission, and the setting up of a securities exchange. The SEL also set out the licenses available for market participants and their principal qualifications.

In 2015, the SEL was complemented by the SER, which interpret and further detail SEL provisions for the securities market activities and market participants. In turn, SECM continues to issue notifications on specific topics for the bond market and securities market at large. At the time of completion of this Bond Market Guide, SECM had issued six notifications as well as a number of instructions and announcements to the market. A list of notifications and instructions can be found in Appendix 2.

SECM also allowed six securities companies to participate in government securities auctions, including the bond auction held by CBM in October 2016. Under the objectives of bond market development in Myanmar, SECM and CBM will issue the necessary regulations to allow securities companies to act as underwriters for government securities auctions.

### 2. Establishment of the Securities and Exchange Commission of Myanmar

SECM was established in 2014, pursuant to the prescriptions of the SEL. The SECM Office has supported SECM's work since February 2015.

Since its inception, SECM has licensed the YSX and securities firms, passed the SER further detailing the SEL provisions, introduced a prospectus regime for public offers, oversaw the conversion of securities issuance from physical certificates to book-entry records, and published notifications on continuous disclosure and the conduct of securities firms, among other activities.

SECM is now working on its next set of priorities: the establishment of an issuance framework for municipal bonds and the introduction of corporate bonds, including the ability to trades these securities in a secondary market (see section B for details).

### **3. Establishment of the Yangon Stock Exchange**

YSX was established as a joint venture between Myanmar Economic Bank, the Daiwa Institute of Research, and Japan Exchange Group in December 2014. YSX received its license as a stock exchange from SECM in April 2015 and commenced listing and trading operation in March 2016. As of August 2017, YSX featured four equity listings on its market, with six securities firms admitted as Trading Participants.

For a detailed description of the role and functions of YSX, please refer to Chapters II and IV in this Bond Market Guide.

### **4. Establishment of Scripless Trading and Book-Entry Transfers**

In the process of establishing the trading of securities, which is presently limited to equities trading on YSX, SECM also introduced the concept of securities in scripless form. As a result, stock trading on YSX could commence in March 2016 on a scripless basis with the use of a book-entry system.

### **5. Transformation of Government Securities Market**

From late 2015 to September 2016, the market for government securities underwent a near complete transformation. In late 2015, the issuance of T-bonds in the form of physical certificates was replaced with a book-entry system and outstanding certificates held by institutional investors deposited into the new system. In August 2016, CBM published the operational procedures for the auction process of government securities, with a first auction successfully conducted in September 2016. This was a significant departure from the previous practice of issuing T-bonds directly to investors upon request.

In addition, the Treasury Department of the MOPF took over the role as issuer of government securities on behalf of the Government of Myanmar, while CBM retained its role as issuing agent. CBM also now conducts the auction process and has introduced a real-time gross settlement system (CBM-NET) and a central depository function (CBM-NET CSD) to manage the scripless securities issuance and transfer of auction allocations to and between the participating institutions, and to support a future secondary market in government securities.

Along with the introduction of the auction process, the Treasury Department also formally issued a standing Treasury Bonds Offering Memorandum in August 2016 to highlight its objectives and the key features for government securities for the benefit of the investing public.

### **6. Establishment of Benchmark Government Securities**

In conjunction with the auction process for government securities introduced in September 2016, the Treasury Department is aiming to create benchmark securities among existing T-bond issuance by focusing on larger and more concentrated issues to the market. While this may create odd-tenored issues in the short-term, the objective is to be able to create issue sizes and features that support benchmark issues and a government securities standard yield curve, in line with expectations from seasoned institutional investors. The Treasury Bonds Offering Memorandum highlights the focus of the Treasury Department on standardized coupons and maturity dates to support these objectives.

## **B. Future Direction**

The Myanmar bond market is at a nascent stage of development. As a result, much change is expected over the next 1–2 years, with SECM now already having established some basic securities market practices, and the need to follow-up with achieving objectives identified by the government in the Capital Market Development Plan.

With these envisaged market developments, a number of key challenges for the bond market are expected to be addressed in a comprehensive manner (see also Chapter IX).

### **1. Development of Issuance Framework for Municipal Bonds**

The key priority for SECM with regard to bond market development is the establishment of practices toward the issuance of municipal bonds, which would aid the development of nation-building projects favored by the government. For that purpose, SECM will issue specific notifications in due course.

### **2. Regulations for Issuance of Corporate Bonds**

Second among its development objectives, SECM is working toward creating the regulatory environment for public companies to issue corporate bonds and notes in the Myanmar market, and to enable a secondary market in these instruments, likely on YSX.

### **3. Listing of Debt Securities on the Yangon Stock Exchange**

To support the bond market development objectives of SECM, YSX is expected to include the listing, trading, and settlement of debt securities on its market in the near future, in line with the pace of regulatory changes. To enable debt securities, YSX would have to amend its individual business regulations that presently only contain references to equities. At the same time, the YSX trading platform would have to be enabled for debt securities trading and Trading Participants would need to adjust their systems and practices to include the additional securities types.

In addition, SECM has identified a number of additional public companies that may consider listing their securities on YSX in the near-term (see also Chapter IX).