

# Bond and Note Transactions and Trading Market Infrastructure

## A. Trading of Bonds and Notes

At present, the trading of bonds and notes in Myanmar is conducted only in the interbank market. SECM is focused on establishing a secondary market for government securities, likely on the exchange market, followed by the issuance and trading of corporate bonds.

Debt securities trading on YSX has not commenced, but would principally be possible once the relevant guidance has been issued by the regulatory authorities. The SEL also regulates the creation of an organized OTC market for securities; however, the OTC market has not yet been established. The buying and selling of government securities OTC at Authorised Selling Agents (MEB and MSEC) is a form of trading of securities unique to Myanmar.

The trading of government securities and central bank securities in the interbank market is subject to the prescriptions of CBM. More information can be found in the individual sections of this chapter and other relevant sections in this Bond Market Guide.

## B. Trading Platforms

The trading of bonds and notes in the Myanmar bond market, which presently comprises only government securities, can be done in the interbank market, and at a later stage in an organized OTC market or on YSX.

### 1. Interbank Market

Trading in the interbank market is limited to government securities and central bank securities and occurs between CBM and a bank, or between banks and securities companies. To participate, commercial banks and securities companies must be registered as counterparties and they need to maintain cash and securities accounts in CBM-NET and CBM-NET CSD, respectively (also see Chapter III.M).

### 2. Over-the-Counter Market (Specific to Myanmar)

This original arrangement for the sale of government securities in the form of physical certificates was termed in the domestic market as OTC and, hence, unique to Myanmar in this form. It is not comparable to the traditional description of an OTC market.

Holders of T-bonds that are still in the form of physical certificates interested in selling are required to use the services of MSEC or another securities firm to trade their bonds or deliver them into a depository account after the conversion of the respective T-bonds into scripless form. The institution will look for a buyer and inform both parties

if a trade is about to be concluded. As such, this form of bond transaction is similar to a married trade in an exchange market.

### 3. Over-the-Counter Market

The SEL and SER provide for the creation of an organized and traditional OTC market in which unlisted securities, including debt securities, may be traded between counterparties registered with that OTC market. This OTC market is considered organized because it is required to be formed by a minimum number of market participants and is subject to licensing and market supervision by SECM.

This OTC market is not yet active in Myanmar.

### 4. Trading on the Yangon Stock Exchange

At present, the trading of securities on YSX is limited to equities. Trading is carried out using the call auction method as well as block trading. Details on trading and trading procedures are available on the YSX website.<sup>34</sup>

The YSX trading platform is not yet able to process debt securities, but existing trading practices and conventions are thought to be transferable once debt securities are listed and traded on YSX.

Trading on YSX happens through a number of sessions from opening at 9:30 a.m. to closing at 1 p.m., Monday to Friday, excluding public holidays (Table 4.1).

**Table 4.1: Yangon Stock Exchange—Trading Hours**

Time	Activity	Remarks
9:30 a.m.–11 a.m.	Order Entry Period	YSX records buy-and-sell orders sent by securities companies during the period.
At 11 a.m.	First Call Auction	YSX conducts matching of buy-and-sell orders.
11 a.m.–1 p.m.	Order Entry Period	YSX records buy-and-sell orders sent by securities companies during the period.
At 1 p.m.	Second Call Auction	YSX conducts matching of buy-and-sell orders.

Source: Yangon Stock Exchange. Trading Procedure. [https://ysx-mm.com/en/trading/trading\\_procedure/](https://ysx-mm.com/en/trading/trading_procedure/)

## C. Mandatory Trade Reporting

Due to the absence of an OTC market, there is no mandatory separate reporting of debt securities trades concluded between counterparties.

Trades in the interbank market are executed between banks and securities companies and/or with CBM, and need to be recorded in CBM-NET CSD in order to effect change of ownership. For this, counterparties acting as direct or indirect participants of CBM-NET CSD need to relate their transaction to the system under the participation agreement.

Trades executed on YSX are captured in the YSX trading system and are reported on its trading platform by default. Trades executed are also reported on the YSX website for the general reference of the public.

<sup>34</sup> See [https://ysx-mm.com/en/trading/trading\\_procedure/](https://ysx-mm.com/en/trading/trading_procedure/)

## D. Market Monitoring and Surveillance in the Secondary Market

Due to the limited trading possibilities and the absence of a traditional OTC market, there is no market-wide surveillance for bond and note trading in Myanmar. For the time being, activities in the interbank market may be monitored by CBM through its supervision of the CBM-NET and CBM-NET CSD systems.

YSX carries out market monitoring and surveillance of trading on its market, which is presently limited to trades in equities.

## E. Bond Information Services

Bond and notes issued in Myanmar are presently limited to government securities (T-bonds and T-bills) as well as central bank securities. As such, information on bonds and notes issued in Myanmar is typically available on the CBM website since CBM is also acting as the issuing agent of the government.

The most comprehensive information on government securities can be found on the CBM website. Under the Government Securities tab, CBM provides the offering memorandums for both T-bonds and T-bills, the securities auction procedures, auction calendar and announcements, a securities price calculation tool, as well as auction results downloadable as a PDF file (Figure 4.1).

Figure 4.1: Central Bank of Myanmar—Government Securities Web Page

The screenshot displays the Central Bank of Myanmar's website. At the top, there is a navigation bar with links for HOME, NEWS, CONTACT US, ENGLISH, and MYANMAR. Below this is a secondary menu with categories: About CBM, Monetary Policy, Payment System, Financial Institutions, Bank Notes and Coins, Laws & Regulation, Government Securities (highlighted), and Annual Reports. The main content area features a large image of the CBM building and the text 'The Republic of the Union of Myanmar Central Bank of Myanmar'. A sidebar on the left contains links for Information, News & Announcements, Photo Gallery, and Video Gallery. The central text area is titled 'Central Bank of Myanmar' and contains three paragraphs of text detailing the bank's history and establishment. A sidebar on the right lists various services and links, including 'Offering Memorandum for Treasury Bills', 'Securities Auction Procedures', 'Exchange Rate', and 'Deposit Auction'. The exchange rate section shows a date of 21st Sep 2016 and a rate of 1,235.0 / USD. Below this, there is a 'Deposit Auction' section with a table showing the Central Bank Rate at 10% pa.

Source: Central Bank of Myanmar. <http://www.cbm.gov.mm>

While information on T-bonds is also available from the underwriters (domestic term for an Authorised Selling Agent of CBM), MEB and MSEC, general information as well as information on prices and yields of Myanmar government securities is also available from selected market intermediaries and information vendors.

## F. Yields, Yield Curves, and Bond Indices

In the absence of benchmark T-bonds, and given that a corporate bond market is not yet active, there are presently no market- or instrument-specific official yield curves available in Myanmar.

At the same time, the MOPF is planning to establish benchmark bonds using the introduction of competitive auctions in September 2016 for T-bonds to create larger issue sizes of individual T-bonds, even if that may lead to odd-dated tenors in the short-term.

### 1. Government Securities Yields

**Figure 4.2: Prices and Yields of Government Treasury Bonds Issued via Auction**

<b>Government of the Union of Myanmar Treasury Bond Auction Results Summary</b>		
Tender number	GB0001	
Face value of offer (millions Kyat)	200,000	
Auction announcement date	16/09/2016	
Auction date	20/09/2016	
Results announced	20/09/2016	
Settlement date	22/09/2016	
	<b>TERM (1)</b>	<b>TERM (2)</b>
Maturity date	15/05/2018	
Coupon rate (per cent per annum, paid semi-annually)	9.00	
Term	1 year 7 months 23 days	
Security name	Government of Myanmar 15 May 2018 9.% Treasury Bond	
Security identifier	GVTB18051	
<b>Competitive bids</b>		
<b>Market weighted average accepted yield/price</b>		
Yield (% per annum)	8.843	
Price (per 100,000 Kyat face value)	100,215.54	
Accrued coupon (per 100,000 Kyat face value)	3,179.35	
Settlement price (per 100,000 Kyat face value)	103,394.89	
<b>Successful range</b>		
Minimum yield to maturity (% per annum)	8.700	
Maximum yield to maturity (% per annum)	8.899	
Volume (millions Kyat face value)	120,000	
Value (millions Kyat)	120,250	
Source: Central Bank of Myanmar, <a href="http://www.cbm.gov.mm/sites/default/files/finance_mark/gb0001_auction_result_20.9.2016.xlsx.pdf">http://www.cbm.gov.mm/sites/default/files/finance_mark/gb0001_auction_result_20.9.2016.xlsx.pdf</a>		

With the first-ever auction of T-bonds on 20 September 2016, CBM, as the issuing agent of the government, publishes auction results, including achieved yields and yields of T-bonds on a monthly basis, following each auction. The auction results can be downloaded as a PDF file from the CBM website (Figure 4.2).

At present, auction results, prices, and yields of Myanmar government securities are not yet available on *AsianBondsOnline*.

At the same time, market intermediaries and information vendors may track yields of existing government securities and produce yield curves for their own purposes, or for the provision of securities-related services to their clients.

## 2. Bond Indices in Myanmar

Bond indices are expected to be established in line with the creation of benchmark T-bonds and the overall development of the Myanmar bond market.

## G. Repo Market

### 1. Repo Market Overview

At present, CBM may conduct repurchase (repo) or buyback transactions with its interbank market constituents, using new and existing government securities.

### 2. Market Structure

Repo transactions are carried out by CBM as part of its open market operation. Counterparties are the commercial banks, which participate in the interbank market, comprising the constituent participants of the CBM clearing system, CBM-NET. In addition, other NBFIs can participate in the interbank market if they maintain a cash account in CBM-NET and a securities account in CBM-NET CSD, or as indirect participants maintaining a relationship with a direct participant.

CBM uses repo transactions to either offer liquidity to market participants or to withdraw liquidity from the market, as the case may be. Participants may use their holdings in government securities to obtain short-term liquidity.

### 3. Acceptance of Standards

At present, participation in the interbank market or in repo transactions is based on the agreement of constituent institutions of the conditions for participation in CBM-NET and CBM-NET CSD. As such, this has established a local market standard.

Owing to the nascent stage of development of the Myanmar bond market, and the absence of a private repo market outside central bank operations, there has been no pressing need to apply international standards, such as acceptance of the Global Master Repo Agreement.

### 4. Specific Repo Practices

Some of the prescribed repo practices specific to the interbank market operated by CBM are described below.

#### a. Size and Tenor

A typical repo tenor has not yet emerged in the interbank market.

#### b. Eligible Debt Securities as Collateral

At present, securities eligible for repo transactions include government securities as well as securities issued by CBM. In practice, usable securities are presently limited to T-bonds.

### H. Securities Borrowing and Lending

SECM is considering allowing securities borrowing and lending transactions in the Myanmar bond and securities markets in future and would issue specific notifications to enable and govern this business.

At present, Trading Participants on YSX may borrow securities only for the purpose of avoiding settlement failure.