



สำนักงานบริหารหนี้สาธารณะ  
PUBLIC DEBT MANAGEMENT OFFICE

# CGIF:

What, How, Why,  
and their benefits to the bond market development  
(For ThaiBMA Seminar)

July 10<sup>th</sup> , 2012

**International Bond Market Policy  
Bond Market Development Bureau  
Public Debt Management Office, Ministry of Finance, Kingdom of Thailand**



## **A. What is CGIF ?**

- Objectives / Functions / Benefits
- Establishment of CGIF (Contributors and Board of Directors)
- Organizational structure

## **B. What are the benefits to issuers and bond market ?**

- To issuers
- To the development of bond market

## **C. What are the initial criteria?**

- Who is eligible ?
- Exposure limits

## **D. Why now ? What next ?**

- Rising Giant



# A. What is CGIF ?

Public Debt Management Office, Ministry of Finance

- Objectives / Functions / Benefits
- Establishment of CGIF (Contributors and Board of Directors)
- Organizational structure



### Objectives

- 1) To develop deep and liquid local currency and regional bond markets
- 2) To enable investment-grade ASEAN+3 issuers to access local currency bond markets
- 3) to promote the issuance of debt securities with longer term maturities to match the gestation of investment projects

### Functions

- 1) Guaranteeing bonds that are denominated in local currencies and issued by ASEAN+3 entities rated investment-grade
- 2) Guaranteeing bonds that are not denominated in local currencies and issued by ASEAN+3 entities rated investment-grade, provided the entities concerned are naturally hedged in such currency
- 3) Making investments for the development of the bond markets (no such investments shall be made until after the Meeting of Contributors has determined that CGIF is in a position to commence such operations); and
- 4) Undertaking such other activities and providing such other services consistent with CGIF objectives


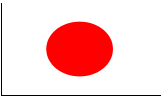

### Benefits

- 1) **A reduction of cost of financing of issuers**
- 2) **An efficient fund raising and a conformity with financial requirement of the business**
- 3) **A reduction of currency & Maturity Mismatch**



# Establishment of CGIF : Contributors and Board of Directors

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	Fund Contribution (Million USD)	Board of Directors (Seats)
ASEAN 10	70	1
	200	2
	200	2
	100	1
ADB Trustee	130	1
	<b>700</b>	<b>7 (+1 CEO)</b>

Thailand (2010-2013)

BOD's Term : 3 years

Rotation of ASEAN 10 :

1. Thailand Indonesia Malaysia Philippines and Singapore (every 15 years)

2. Brunei Cambodia Laos Myanmar and Vietnam (every 75 years)

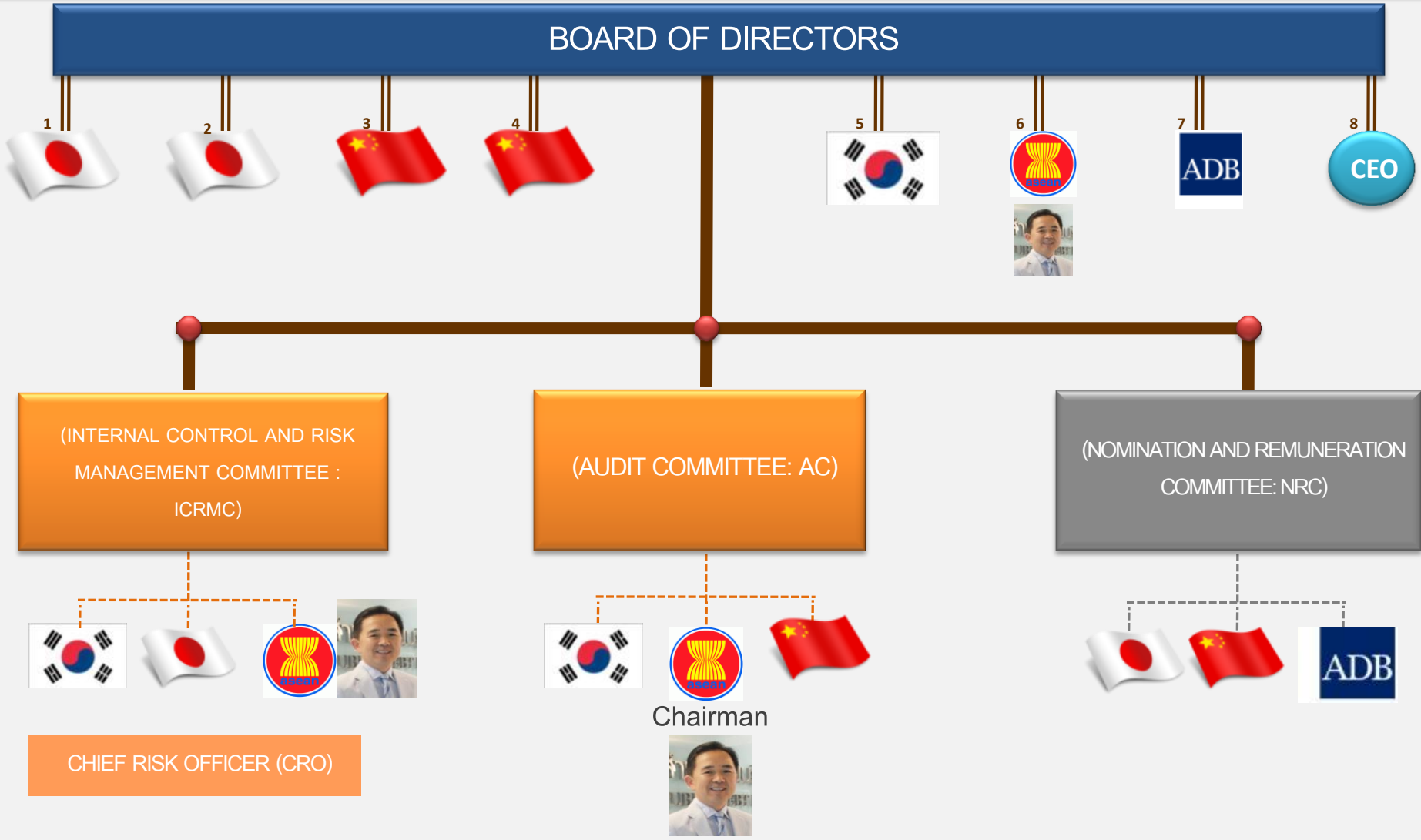
While China, Japan and Korea have permanent Board of Directors seats.



# ASEAN by PDMO (Thailand) sits on 3 of board seats

## Organizational Structure

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(GUARANTEE AND INVESTMENT COMMITTEE)





## B. What are the benefits to issuers and bond market ?

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- **To issuers**
  - Lower cost of financing saving
  - Gain creditability
  - Easier market access
  
- **To the development of bond market**
  - Solve double mismatch : Currency and Maturity
  - Increase in quality supply
  - Expand Thailand bond market



# Linking CGIF & Baht Bond to the Development of Bond Market

Public Debt Management Office, Ministry of Finance

## CGIF

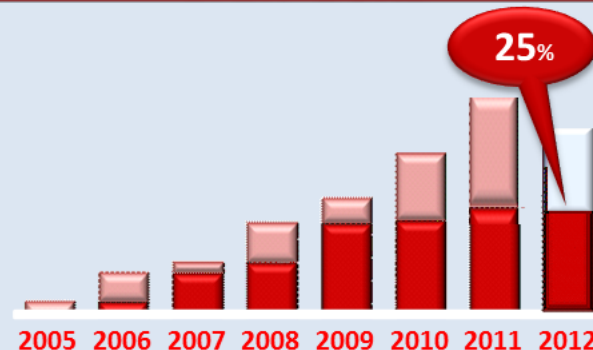
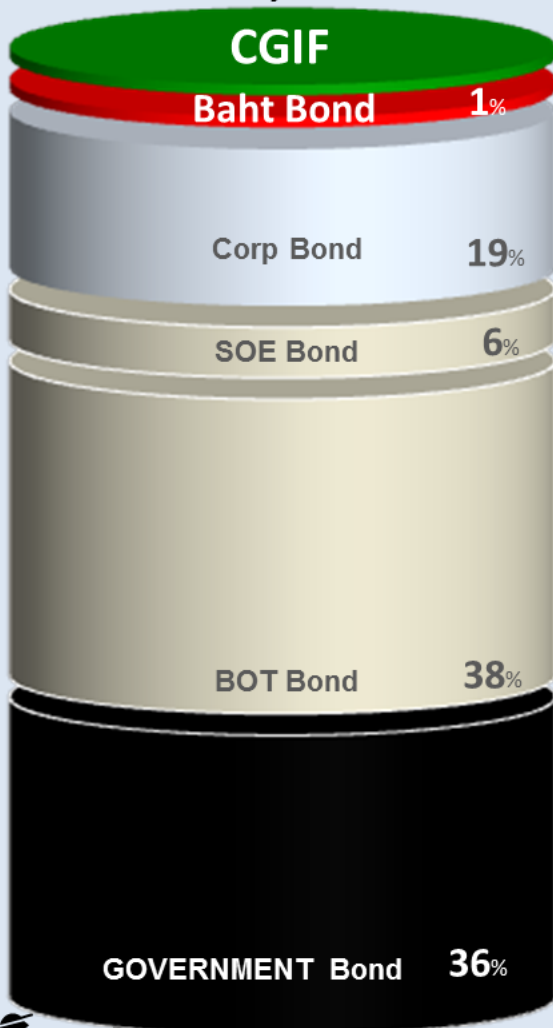
Total Outstanding THB 7.7 TRN.  
(67% of GDP)  
as of Mar 12

## BAHT BOND

4 BB



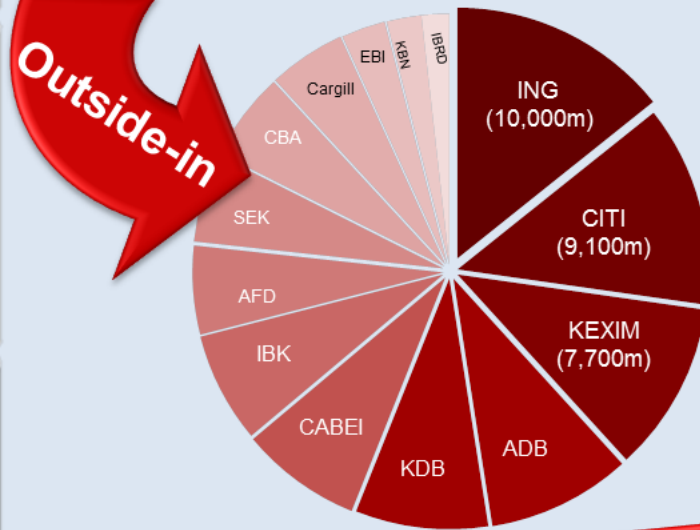
2012 2013 2014 2015 2016 2017 2018 2019



Inside-out



Outside-in



## Why now?

Thailand (PDMO) is a Board member

- Set criteria
- Select corporate



## Why now?

- Toward becoming regional hub
- Broadening investors' base
- Increasing product choices





# C. What are initial criteria?

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- **Who is eligible ?**
  - All current issuers of corporate bonds
  
- **Exposure limits**
  - Country Limit
  - Currency Limit
  - Sector Limit



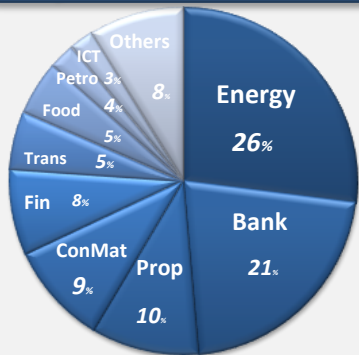
# Who is eligible?

# ALL current issuers of corporate bonds

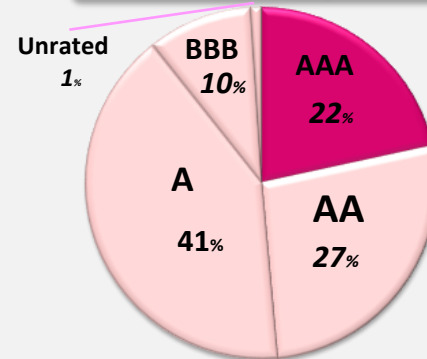
Public Debt Management Office, Ministry of Finance

Corporate Bonds (less commercial paper) = THB1.28 trillion (17% of Bond Market at THB 7.7 trillion As of Q1/2012) Source: ThaiBMA

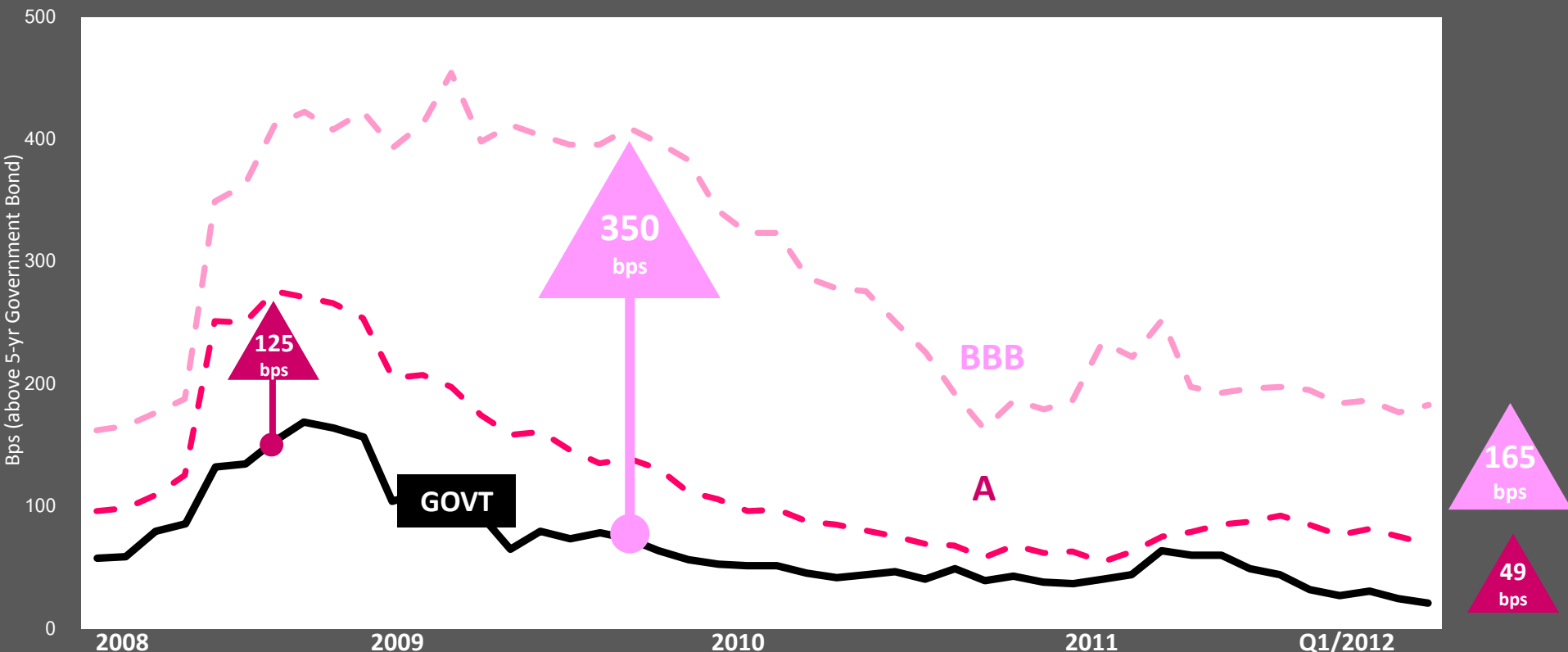
## By Business Sector



## By Rating



# Cost Saving





# Exposure Limits

1<sup>st</sup> Come 1<sup>st</sup> Serve Basis

Public Debt Management Office, Ministry of Finance

4,200 Mill. Baht

**Country Exposure Limit :**

Within **20%** of its capital

~ \$140m

**Currency Exposure Limit :**

Within **40%** of its capital ~ \$280m

**Sector Exposure Limit\* :**

Within **30%** of country exposure ~ \$42m

- |                                              |                        |
|----------------------------------------------|------------------------|
| 1. Agriculture and primary products          | 8. High tech           |
| 2. Aerospace/automobile/capital goods/metal  | 9. Insurance           |
| 3. Consumer/service sector                   | 10. Leisure time/media |
| 4. Energy and natural resources              | 11. Real Estate        |
| 5. Financial Institutions                    | 12. Telecommunications |
| 6. Forest and building products/homebuilders | 13. Transportation     |
| 7. Healthcare/chemicals                      | 14. Utility            |

\* To be effected when CGIF's initial capital is increased or the maximum leverage ratio is raised by the Meeting of Contributors as per OP 208 and 209



# D. Why now ? What next ?

Public Debt Management Office, Ministry of Finance

- **Why now ?**
  - ASEAN by PDMO (Thailand) sits on 3 of board seats
- **What next ?**
  - Expectation of 1<sup>st</sup> Deal
- **ASEAN+3 is Rising Giant**



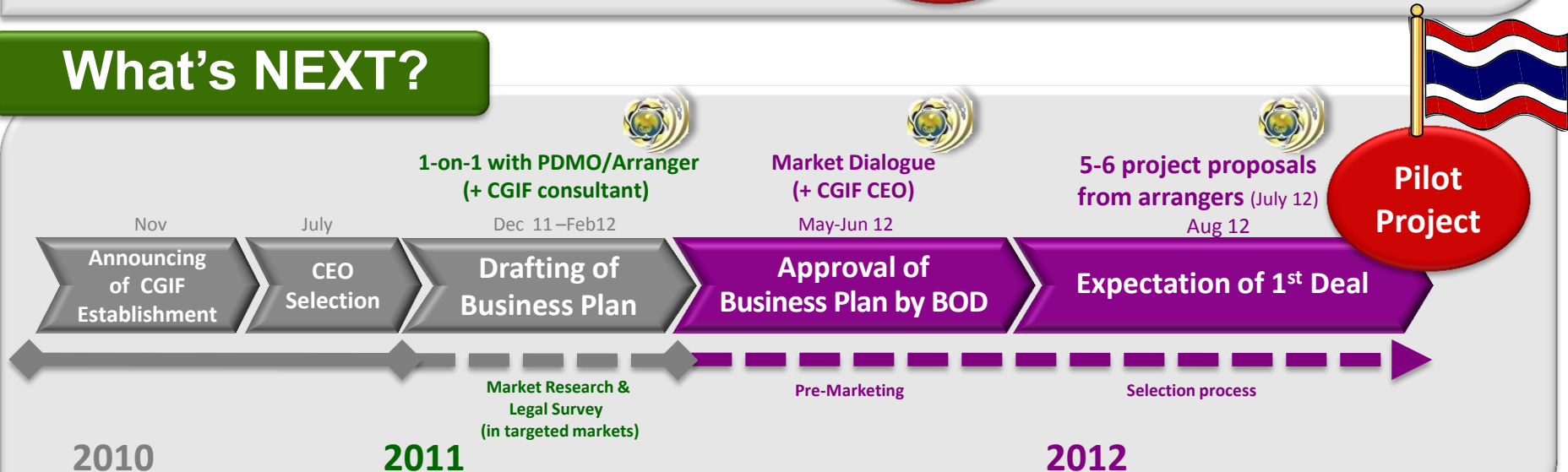
# CGIF : Why NOW? What's NEXT?

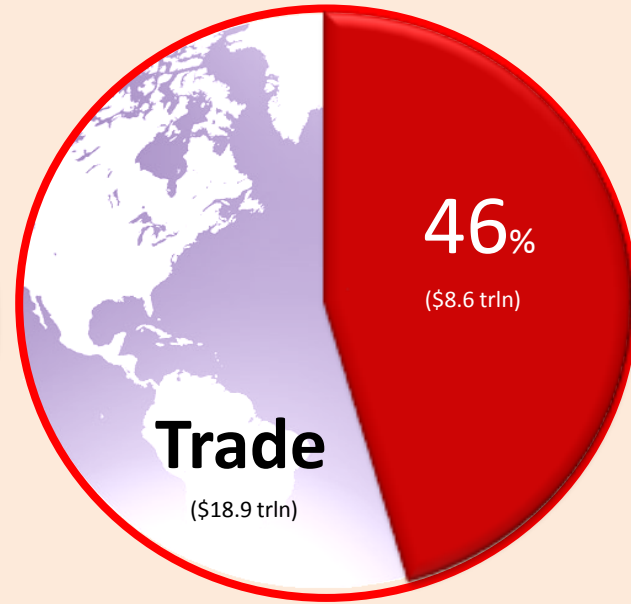
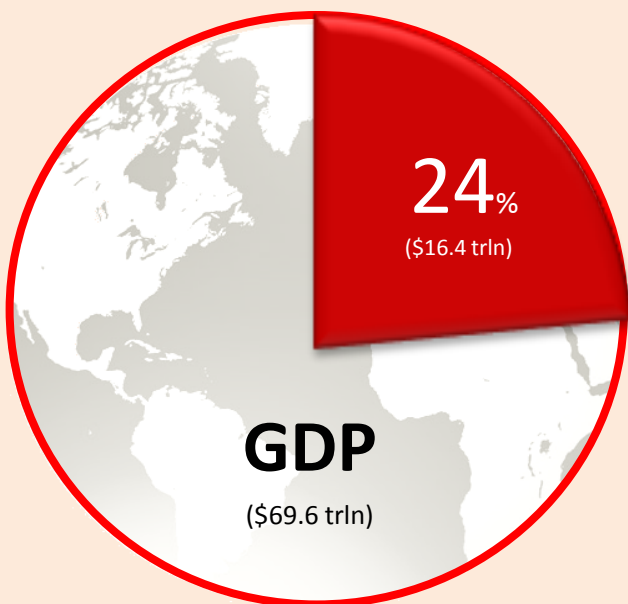
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## Why NOW?



## What's NEXT?

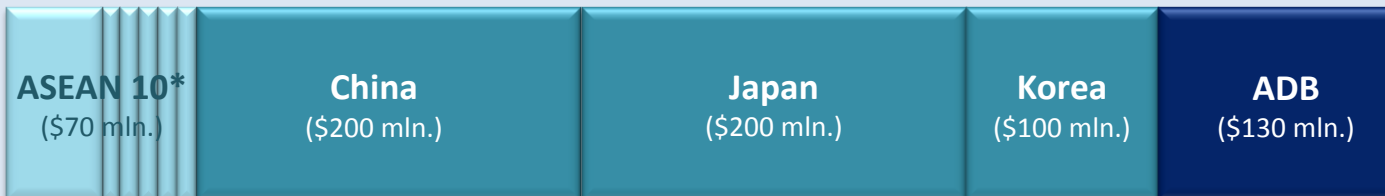




Source: IMF and World Trade Organization

## ZERO Risk (Leverage Ratio 1 : 1)

Fund Contribution :



BOD Seats :

1

2

2

1

1

+CEO

\*ASEAN 5 : Indonesia, Malaysia, Philippines, Singapore and Thailand

Other ASEAN : Brunei, Cambodia, Laos, Myanmar and Vietnam



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Bond Market Development Bureau, Public Debt Management Office  
Ministry of Finance, Kingdom of Thailand

เป็นมืออาชีพในการบริหารหนี้สาธารณะ เพื่อการพัฒนาประเทศอย่างยั่งยืน