



## Annual PDMO Market Dialogue for FY2016

Public Debt Management Office (PDMO) announced the results of the annual PDMO Market Dialogue, which was held on the 11<sup>th</sup> September 2015. The meeting is a forum for key stakeholders of Thai Bond Market to exchange information and opinions regarding Thai Government's funding strategy for FY2016, the current state of Thai Bond Market, the Development plan for Thai Bond Market as well as other Bond Market related issues. Around one hundred and fifty people, including representatives from Bank of Thailand (BOT), The Securities and Exchange Commission (SEC), Thai Bond Market Association (ThaiBMA), Ministry of Finance's Outright Primary Dealers (MOF Outright PD), financial institutions and insurance companies, participated in the event. The main topics discussed in the meeting are shown below.

### 1. Estimated Government Funding Needs\* for FY2016

Government funding needs for FY2016 is approximately THB 937,xxx million baht, which consist of the following :

#### 1.1. Refinancing of maturing debt in FY2016

a. Direct Government Debt	THB	104,xxx million baht
b. FIDF Debt	THB	188,xxx million baht
c. Government Guaranteed Debt	THB	80,xxx million baht
d. Debt Switch Transaction	THB	50,xxx million baht

**Total Refinancing of maturing debt in FY2016** THB 422,xxx million baht (45%)

#### 1.2. New Borrowing in FY2016

e. Budget Deficit Financing	THB	390,xxx million baht
f. On-Lending	THB	63,xxx million baht
g. Substitution for External Borrowing	THB	61,xxx million baht
h. Financing for the National Catastrophe Insurance Fund	THB	1,xxx million baht

**Total New Borrowing in FY2016** THB 515,xxx million baht (55%)

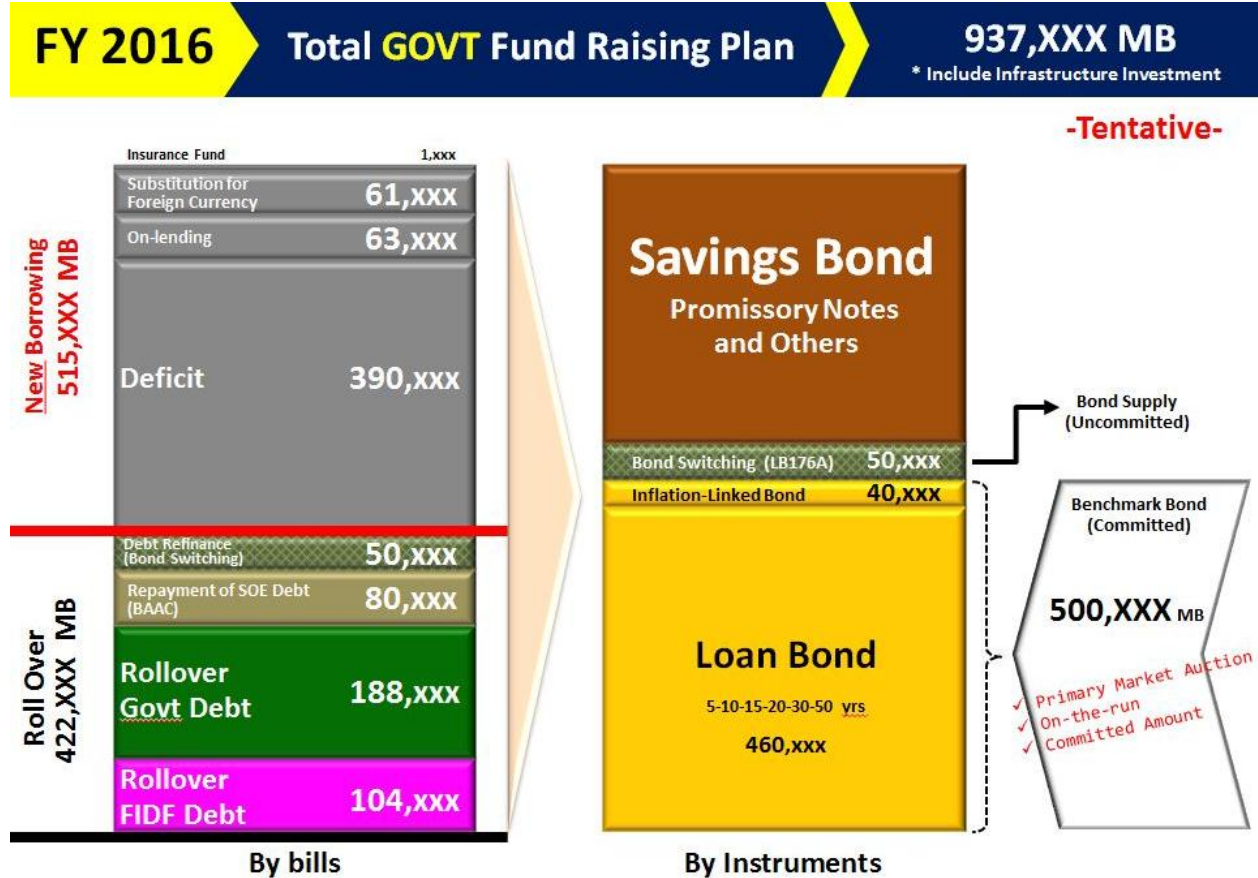
**Total 1.1 + 1.2**

**THB 937,xxx million baht (100%)**

\*Government direct borrowing

## 2. Governments Fundraising Plan for Fiscal Year 2016

Figure 1: Estimated Government Funding Needs and Funding instrument in FY2016



### 2.1 Benchmark bond as primary tool

PDMO will continue to use benchmark bond as the primary tool to raise funds in FY2016. This year six series of benchmark bonds, including 5-year, 10-year, 15-year, 20-year, 30-year and 50-year will be issued in the amount of THB 460,000 million baht. Inflation-linked bonds (ILB) will be issued in the amount of THB 40,000 million baht, making the total sum of benchmark bonds and ILB supply amount to THB 500,000 million baht or equivalent to 53% of total funding needs (THB 937,000 million baht).

As a result of PDMO's continued development of 5-year and 10-year benchmark bonds, the liquidity of these benchmark bonds have substantially increased. They have also become efficient benchmarks for both SOEs and the private sectors and included in multiple global indices. To further enhance liquidity of other benchmark bonds, in FY2016 PDMO will push forward with plans to promote liquidity for 15-year and 20-year benchmark bonds. In doing so, PDMO will structure appropriate issuance calendar, work closely with MOF outright PD that will serve as market makers in the secondary market and encourage inclusion of 15-year and 20 year benchmark bonds in global indices. The progress and development of such initiative will be closely monitored and regularly announced.

The 6 series of benchmark bonds that will be issued in FY2016 are as follows:

- 5-year benchmark bond : LB206A
- 10-year benchmark bond : LB25DA
- 15-year benchmark bond : LB296A
- 20-year benchmark bond : LB366A
- 30-year benchmark bond : LB446A
- 50-year benchmark bond : LB666A

MOF Outright PD will have exclusive rights to enter primary market auction and Greenshoe options for 5-year benchmark bond. The Greenshoe Option will allow MOF Outright PD to make additional purchase of bonds not exceeding 20% of the total allocated bonds at the average accepted yield (AAY). The right needs to be exercised between 11.00 – 11.30 am on the day of the auction.

## **2.2 Treasury bill (T-Bill) issuances**

PDMO plans to continue issuances of 28-day T-Bill in order to maintain sufficient treasury cash balance to support government operations. This year 28-day T-Bill will be issued in the amount of THB 15,000-25,000 million baht on a weekly basis.

## **2.3 Inflation-Linked Bond (ILB) issuances**

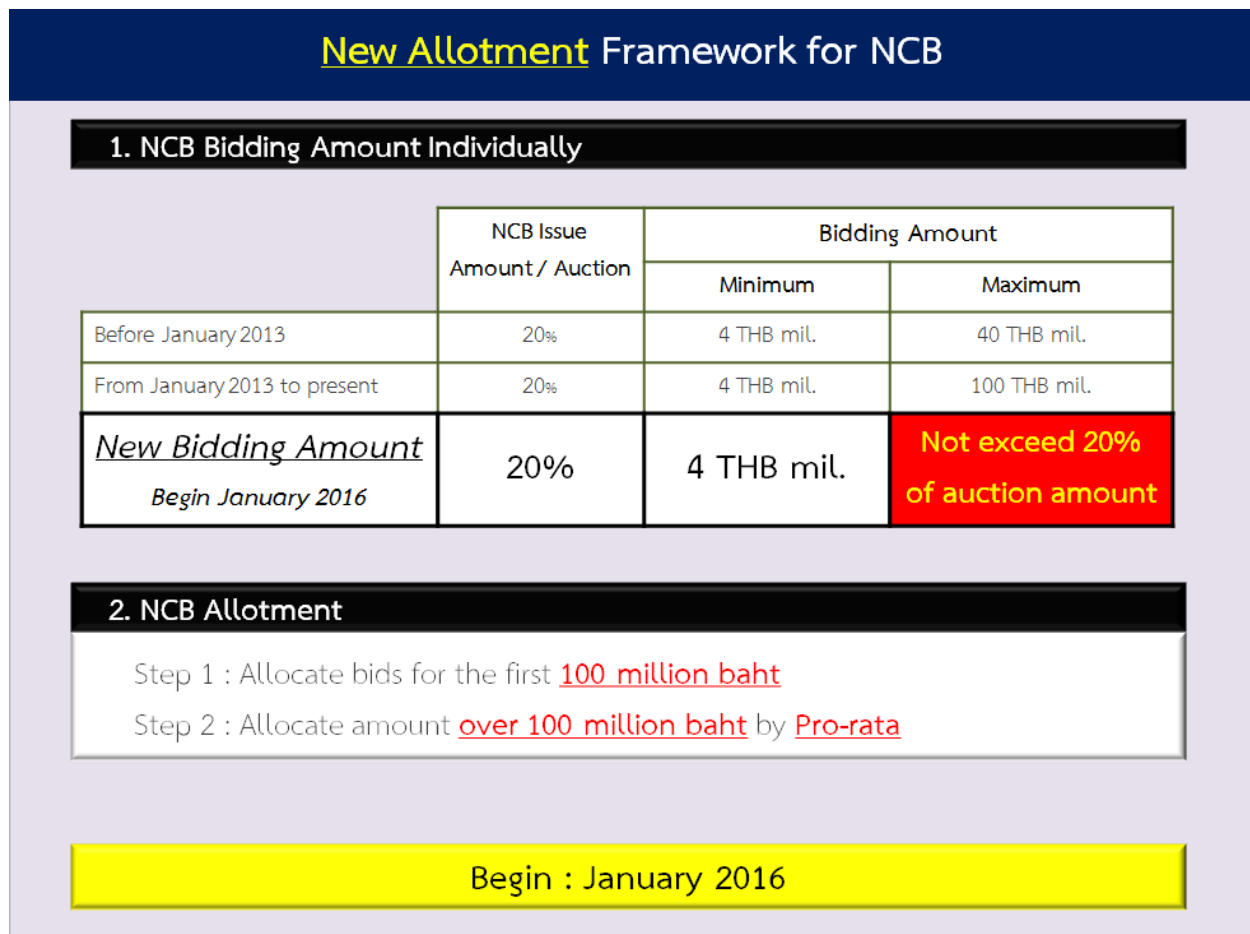
Inflation-Linked Bonds were introduced as primary fund raising tools that expands the variety to government bonds and the investment base for the government. Previously, PDMO has issued 2 ILB series including 10-year Inflation-Linked Bond (ILB217A) and 15-year Inflation-Linked Bond (ILB283A). The 2 series each have been built up to a current outstanding of THB 100,000 million baht in order to support liquidity enhancement. In FY2016 PDMO plans to continue ILB issuances by re-opening the 10-year and 15-year ILB as well as issue a new ILB series of a tenor not longer than 30-year. PDMO will determine the appropriate bond maturity and timing of issuance after close discussions with investors and MOF Outright PD.

### 3. Non-Competitive Bid : NCB

PDMO has continuously auctioned bonds under Non-competitive bidding over the years. The objective is to support expansion of government investor base by allowing non-profit organizations that have increasing need for high quality investments, better access to government bonds.

PDMO and Bank of Thailand have revised the bidding and allotment framework for NCB auctions in order to better match with increasing investment demands of investors under such framework. The new bidding framework allows bidders to submit bids of a minimum of THB 4 million baht to an amount not exceeding 20% of the total auction amount. The allotments are distributed on in two rounds. In the first step allotments are distributed for first THB 100 million baht of each bid, the remaining bids exceeding THB 100 million baht are then pro-rata in the second step.

Figure 2: New Allotment Framework for NCB



## 4. Savings Bond Issuance Plan in FY2016

In FY 2016, PDMO will continue to promote savings amongst the general public by offering access to quality investment tools. Moreover, this year issuances of savings bonds will also support increasing investment demands owing to large refunds received by retirees switch back to the pension system (The Undo Act Bill) in October 2015 and the maturing of 2009 Step-up savings bond (Thai Khem Kaeng program) in June 2016. This year PDMO will issue new savings bonds in total of approximately 100,000 million baht, of which the details will be announced later during the year.