



Credit Guarantee &
Investment Facility

An Asian Bond Markets Initiative

A nighttime photograph of several illuminated pagodas in Myanmar. The largest pagoda on the left is the most prominent, with its golden tiers glowing against the dark sky. Other smaller pagodas are visible in the background, some partially obscured by palm trees. The scene is lit with warm yellow and orange lights, creating a serene and majestic atmosphere.

**CORPORATE
BOND
MARKET
REPORT**

**Cambodia,
Lao PDR and
Myanmar**

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Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
ASEAN6	ASEAN member states Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam
CGIF	Credit Guarantee and Investment Facility
CLM	Collective name for Cambodia, Lao People's Democratic Republic, Myanmar
FCD	foreign currency deposit
FCY	foreign currency
GDP	gross domestic product
IFC	International Finance Corporation
KHR	Cambodian riel
LAK	Lao Kip
LCY	local currency
LDC	least developed countries
MMK	Myanmar kyat
ODA	official development assistance
OTC	over the counter
RBC	risk-based capital
SGD	Singapore dollar
SOE	state-owned enterprise
S&P	Standard & Poor's
THB	Thailand baht
USD	United States dollar
VND	Viet Nam dong

Cambodia

CSX	Cambodia Securities Exchange
DFI	Development Finance Institution
MEF Cambodia	Ministry of Economy and Finance of Cambodia
NBC	National Bank of Cambodia
NCD	negotiable certificate of deposit
ROA	return on assets
SECC	Securities and Exchange Commission of Cambodia
TOI	tax on income

Lao PDR

BOL	Bank of Lao PDR
LSCO	Lao Securities Commission Office
LSX	Lao Securities Exchange
TRIS Rating	Thai Rating and Information Services Co., Ltd.

Myanmar

CBM	Central Bank of Myanmar
NBFI	Non-Bank Financial Institution
SECM	Securities and Exchange Commission of Myanmar
SER	Securities and Exchange Rules
SEL	Securities Exchange Law
YSX	Yangon Stock Exchange

Data Description

The data used in this report about specific securities market data are from secondary sources such as Bloomberg, Cambodia Securities Exchange, Lao Securities Exchange, and Yangon Stock Exchange. Macroeconomic data are sourced from World Bank database. Interviews with market participants and experts from Cambodia, Lao PDR, and Myanmar in 17 August to 1 December 2020 are also used to substantiate information from secondary sources.

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This paper is part of the ASEAN corporate bond market research under the Finance Department of CGIF. Led by Dong Woo Rhee, Chief Financial Officer of CGIF, with assistance from Soleil Corpuz, Research Analyst of CGIF, this research effort aims to show the characteristics of corporate bond markets in the ASEAN region. For any questions or comments on the contents of this report, please contact research@cgif-abmi.org.

Report Summary

Development Stages of CLM Bond Markets

- The entire capital markets of Cambodia, Lao People's Democratic Republic (PDR), and Myanmar (collectively referred to as "CLM" in this report) are linked to their respective economic development. In addition, these countries are recipients of official development assistance (ODA) from developed countries or multilaterals, which may lessen the need to issue corporate bonds to finance certain projects.
- Given that CLM have sovereign ratings that are below the investment grade from some credit rating agencies, this presents a challenge for potential issuers (and even the government) to raise funds outside their countries. Foreign investors are often reluctant to invest unknown entities when they are given a low rate or even unrated.
- The use of multiple currencies also limits the promotion of local currency-denominated bonds in CLM markets.

Cambodia

- Among the CLM markets, only Cambodia has a local corporate bond market as of the present. Cambodia's corporate bond market started in November 2018, which was marked by the issuance of Hattha Kaksekar Limited's (HKL) KHR120 billion bond. This is followed by three more bond issuances in 2019, and another three in 2020. The average issue size in the Cambodian corporate bond market is KHR71.5 billion (approximately equivalent to USD17.6 million equivalent).
- The impetus for ushering corporate bonds in the local market is the tax incentives for corporate bonds. Sub-Decree 01 ANKr.BK, dated 4 January 2019, stipulated a tax incentive provision for Cambodian entities looking to list on the Cambodia Securities Exchange (CSX). The sub-decree can be applied to entities that list and offer either stock or bonds in the CSX from 4 January 2019. However, these incentives are subject to a three-year limitation starting from 4 January 2019.
- Cambodia's corporate bond market includes "FX-indexed bonds" to address the preference for United States dollar (USD) in financial transactions and to promote the issuance of local currency bonds. In FX-indexed bonds except for RMA Cambodia PLC's (RMAC) corporate bond, the issuance of bonds, coupon payments, and principal redemption are all done in the local currency, but these are adjusted according to the identified reference and initial exchange rates (against the USD). Overall, this provides an embedded tool for investors in Cambodia where the US dollar is still widely used.

Lao People's Democratic Republic

- Lao PDR passed the Regulation on Issuance of Corporate Bonds in 2014 as the main reference for issuing corporate bonds among Lao corporates. Despite having a regulation, corporate bonds have yet to appear in Lao PDR's corporate bond market.
- One of the challenges observed in Lao PDR in the development of corporate bond market is the seemingly high requirement in credit ratings for bond issuance. Under the Regulation on Issuance of Corporate Bonds, an issuer should be rated BBB by a credit rating agency certified by the Lao Securities Commission Office (LSCO). The government of Lao PDR has a rating of BBB by TRIS Rating of Thailand, implying that Lao corporate entities who would want to issue bonds should have the same credit worthiness as the government of Lao PDR. This can limit the potential issuers to state-owned enterprises (SOEs), which may have explicit or implicit guarantee by the Lao government. On the other hand, other potential issuers whose ratings are low need to seek guarantors for their bonds.

- Another challenge for potential corporate bond issuance is the issue size. Based on feedback from market participants, the funding size in the local currency market in Lao PDR is up to the equivalent of USD5 million. Given the challenge provided by the issue size, potential issuers would still have to consider taking out a bank loan since the funding cost of bond issuance is more expensive than that of a bank loan.
- A few of Lao corporate entities have already issued foreign currency-denominated corporate bonds in Thailand. However, these corporate entities are those that have significant cash inflows in Thailand baht.

Myanmar

- Among the three countries surveyed in this research, Myanmar has the most nascent capital market. Specific regulations on corporate bonds are still being drafted.
- Investor base is only starting to build up in Myanmar as there are only two institutional investor groups for the bond market in the country. The insurance industry is undergoing a liberalization program to welcome foreign insurers in the country. Banks are segmented according to local banks and foreign banks, operating with some restrictions especially in deposit-taking services.

1. Overview of CLM Markets

1.1. Development Stages of CLM Bond Markets

Unlike the ASEAN6 markets¹, it is commonly known among Cambodia, Lao People’s Democratic Republic (PDR) and Myanmar (collectively referred to as CLM in this report) that none of the three countries have both government bond and corporate bond markets. Figure 1.1 provides an illustration of the presence of government bond and corporate bond markets in each country, as well as the presence of regulations. All three countries have government bond regulations. Both Lao PDR and Myanmar have been issuing government bonds more frequently, especially in the last 5 years. However, despite having the Law on Government Securities, Cambodia has yet to issue a government bond.

On the other hand, Cambodia and Lao PDR already have specific regulations on corporate bond issuance, while Myanmar has general regulations for the securities market that can be considered as preliminary basis for corporate bond issuance. At present, only Cambodia has a corporate bond market despite having some regulations in place. Under these observations, it has been inferred that having sets of regulations in place serves as the first step in fostering a corporate bond market.

Figure 1.1: Development Stages of CLM Bond Markets

Presence of corporate bond market	Cambodia	ASEAN6
Corporate bond regulations in place		Lao PDR Myanmar
No corporate bond regulation		
	No government bond regulation	Government bond regulations in place
		Presence of government bond market

ASEAN6 = Association of Southeast Asian Nations member states Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; CLM = For this report, refers to the collective name of Cambodia, Lao People’s Democratic Republic, and Myanmar.

Source: Author’s illustration.

Given the inadequate local bond markets, both sovereign and corporate issuers from these three countries have acquired different appetites for cross-border transactions. Issuers from Lao PDR are generally the most active in terms of cross-border bond issuance. Lao companies tap foreign bond market for funding because of the absence of a local corporate bond market. Furthermore, aside from local market issuances, the government of Lao PDR issues bonds in a foreign bond market, particularly in Thailand.

In the case of Myanmar, the government only issues bonds in the local market and has not yet looked into offshore markets. Corporate entities in Myanmar looking for additional funding may tap foreign bond markets because there is no corporate bond market in Myanmar. Nevertheless, the option of issuing cross-border bonds is not yet very well explored as there is only one bond issued by a Myanmar corporate entity in a foreign market.

¹ ASEAN6 refers to the six ASEAN member countries namely, Indonesia, Malaysia, Singapore, Thailand, the Philippines and Viet Nam.

Finally, Cambodia is the most inactive in cross-border bond issuances. According to available sources, neither government nor companies in Cambodia have issued bonds outside of the country.² Figure 1.2 shows a matrix on the presence or absence of cross-border bond issuances from the governments and corporate entities in Cambodia, Lao PDR, and Myanmar.

Figure 1.2: Cross-Border Issuances of CLM Governments and Companies

Presence of corporate bonds issued in a foreign market	Myanmar	Lao PDR
Absence of corporate bonds issued in a foreign market	Cambodia	
	Absence of government bonds issued in a foreign market	Presence of government bonds issued in a foreign market

CLM = For this report, refers to the collective name of Cambodia, Lao People’s Democratic Republic, and Myanmar
Source: Author’s illustration.

1.2. Economic Development Stages of CLM

The bond market development in CLM is related to their economic development. Generally, as the economy grows, the capital market of a country is developed. Within the capital market, the stock exchange is usually developed first, and then followed by the debt market (by way of corporate bond issuance via exchange or over the counter). Since CLM is considered as least developed countries (LDC), it can be said that the capital markets of these countries are still under development.³

Cambodia, Lao PDR, and Myanmar are the countries whose economic development stages are behind other ASEAN6 countries in terms of gross domestic product (GDP). As a result, their capital market development stages are nascent as implied from the ratio of market capitalization to GDP. In Table 1.1, among the ASEAN6 economies, Indonesia has the lowest ratio of market capitalization to GDP, which is 47%. Comparing the ratios of CLM to Indonesia’s further highlights the nascency of their respective capital markets: Cambodia’s market capitalization to GDP ratio is only 9%, 5% for Lao PDR, and 1% for Myanmar.

Table 1.1: GDP, Market Capitalization, and Corporate Bond Market of ASEAN6 and CLM, 2019 (USD billions)

Country	GDP	Market Capitalization	Corporate Bond Market Size	B/A	C/A
	(A)	(B)	(C)		
Singapore	372.06	495.39	127.34	133%	34%
Malaysia	364.70	399.86	174.08	110%	48%
Thailand	543.65	541.38	127.44	100%	23%
Philippines	376.80	275.30	29.70	73%	8%
Indonesia	1,119.19	523.32	32.10	47%	3%
Viet Nam	261.92	149.82	4.41	57%	2%

² This includes information sourced from Bloomberg and relevant news articles and press releases.

³ United Nations Conference on Trade and Development (UNCTAD). UN recognition of the least developed countries. <https://unctad.org/topic/vulnerable-economies/least-developed-countries/recognition>

Cambodia	27.09	2.42	0.07	9%	0.3%
Lao	18.17	0.87	-	5%	0%
Myanmar	76.09	0.42	-	1%	0%

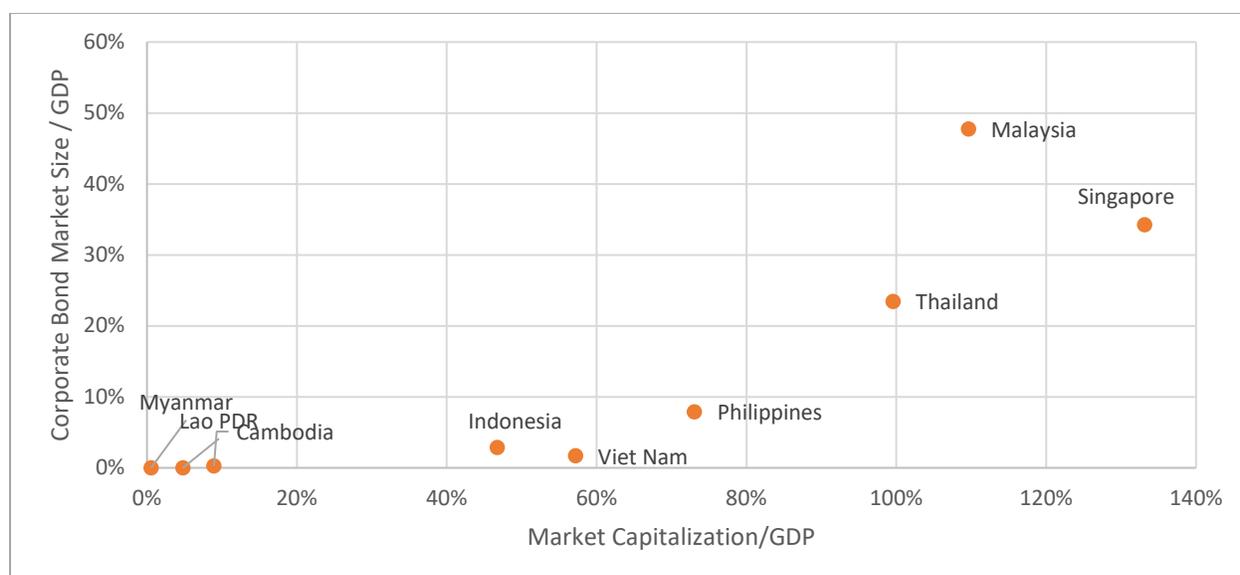
ASEAN6 = Association of Southeast Asian Nations member states Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; CLM = For this report, refers to the collective name of Cambodia, Lao People’s Democratic Republic, and Myanmar

Notes:

1. GDP and market capitalization figures are reported in USD current values.
2. Market capitalization figures are retrieved in local exchanges in each country. These are reported in local currencies. Exchange rates used are as follows: USD1 = KHR4,062; USD1 = LAK8,885; and USD1 = MMK1,493.
3. Figures are rounded off.

Source: World Bank for GDP, GDP growth, and market capitalization of Viet Nam and Thailand; Local exchanges of Cambodia, Lao People’s Democratic Republic, and Myanmar for market capitalization.

Figure 1.3: Relationship Between Market Capitalization to GDP and Corporate Bond Market Size to GDP in ASEAN, 2019



ASEAN = Association of Southeast Asian Nations

Source: Authors’ illustration.

Figure 1.3 shows that the corporate bond market size relative to GDP is positively correlated to market capitalization to GDP of each country. In addition, the figure further shows that CLM countries barely have corporate bond markets even if they already have their own exchanges, based on the fact that Indonesia and Viet Nam have corporate bond markets as much as only 2% to 3% of GDP even if their market capitalizations are almost 50% or more of their respective GDP.

1.3. Sovereign Ratings

Another way to look at CLM countries in terms of the financial and capital market development is by sovereign ratings. Sovereign credit ratings are independent assessment of credit rating agencies on the creditworthiness of a government. It is generally accepted that AAA to BBB- (Aaa to Baa3 by Moody's) are investment grades, and BB+ (Ba1 by Moody's) and below are speculative grades.

Table 1.2 shows ASEAN member states' sovereign ratings based on the global rating scales.⁴ Low sovereign ratings imply not only that the countries have capital markets of nascent stage, but also that both government and companies in these countries have difficulties raising funds overseas because foreign investors are reluctant to invest on unknown entities when they are given a low credit rating or even unrated. The reason why it is rare to observe the bonds, whether they are onshore or offshore, issued by the companies from CLM countries is in line with the expected difficulties from low rated sovereigns.

Table 1.2: Sovereign Credit Ratings of ASEAN6 and CLM

Country	Moody's	S&P	Fitch	RAM
Cambodia	B2	N/A	N/A	
Lao	Caa2	N/A	CCC	
Myanmar	N/A	N/A	N/A	B2
Indonesia	Baa2	BBB	BBB	
Malaysia	A3	A	A-	
Philippines	Baa2	BBB+	BBB	
Singapore	Aaa	AAA	AAA	
Thailand	Baa1	A-	BBB+	
Viet Nam	Ba3	BB	BB	

ASEAN6 = Association of Southeast Asian Nations member states Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; CLM = For this report, refers to the collective name of Cambodia, Lao People's Democratic Republic, and Myanmar
Source: Bloomberg for ratings from Moody's, S&P, and Fitch; RAM Rating for Myanmar as of 17 Nov 2020.

1.4. Official Development Assistance

Some ASEAN countries have been recipients of official development assistance (ODA). Table 1.3 shows that compared to other ASEAN countries, Cambodia, Lao PDR and Myanmar have higher ratios of ODA received to GDP. Cambodia and Lao PDR have a ratio of 3%, while Myanmar has a ratio of 2%. As ODA funds are intended for the infrastructure projects that can be funded by private sectors as well as public sectors, ODA funds may play a role in reducing the necessity for corporate bond issuance. Hence, the fact that corporate bond markets of CLM countries are less developed may be partially attributed to the presence of ODA funds.

Table 1.3: Official Development Assistance to Select ASEAN Countries, 2018 (USD millions)

Country	GDP	Net ODA and official aid received	Ratio of net ODA and official aid received to GDP
Cambodia	24,572	769	3%
Lao PDR	17,954	565	3%
Myanmar	76,168	1,688	2%

⁴ Table 1.2 does not include Brunei Darussalam.

Viet Nam	245,214	1,633	1%
Thailand	506,514	-423	-0.1%
Indonesia	1,042,240	949	0.1%
Philippines	346,842	541	0.2%

ASEAN = Association of Southeast Asian Nations; ODA = official development assistance; USD = United States dollar
Notes:

1. Data for 2018 is the most recent that is available in World Bank's database. For comparative purposes, the 2018 GDP figures are used.

2. Figures are rounded off.

Source: World Bank.

1.5. Currencies

Cambodia, Lao PDR, and Myanmar have their own local currencies: Cambodian riel (KHR), Lao kip (LAK), and Myanmar kyat (MMK). In the three countries, the United States dollar (USD) is widely used for domestic transactions. In addition to USD, Thailand baht (THB) is also used in Lao PDR and Viet Nam dong (VND) is used in the provinces of Cambodia bordering Viet Nam. Table 1.4 shows the currencies used in each of the countries.

Table 1.4: Use of Multiple Currencies in CLM

Country	Local Currency	Foreign Currencies
Cambodia	KHR	USD, VND
Lao PDR	LAK	THB, USD
Myanmar	MMK	USD

CLM = For this report, refers to the collective name of Cambodia, Lao People's Democratic Republic, and Myanmar; KHR = Cambodian riel; LAK = Lao kip; MMK = Myanmar kyat; THB = Thailand baht; USD = United States dollar; VND = Viet Nam dong
Source: Interviews with market players.

In fact, these three countries are known as "dollarized economies". The degree of dollarization is practically represented by financial dollarization, which is measured by ratios of foreign currency deposits (FCDs) to total deposits. According to the Krungsri research published in September 2019, Cambodia, Lao PDR, and Myanmar have FCDs to total deposit ratios as shown in Table 1.5. The values presented in Table 1.5 implies that the three countries are significantly different in terms of the degree of dollarization. Cambodia has the highest ratio of FCDs to total deposits, while Myanmar has the lowest ratio. Lao PDR's dollarization may be lower than 54% because the country's financial institutions have significant amount of THB as foreign currencies.

Table 1.5: Foreign Currency Deposits to Total Deposits in CLM

Country	Cambodia	Lao PDR	Myanmar
FCDs to total deposits	96%	54%	Below 30%

CLM = For this report, refers to the collective name of Cambodia, Lao People's Democratic Republic, and Myanmar; FCD = foreign currency deposit

Source: Talaengsatya, S. 2019. *Dollarization in the CLMV economies: Future path*. Krungsri Research, September 2019.

https://www.krungsri.com/bank/getmedia/009703fd-cad5-4783-9dca-615e2a58b569/RI_Dollarization_in_CLMV_190919_EN.aspx

The three countries are currently in the process of de-dollarization by restricting the use of foreign currencies and promoting the local currencies. Promoting the use of local currencies as the currency of issuance in their respective bond markets is especially challenging in Cambodia where the bond market is heavily dollarized.

2. Cambodia

2.1. Regulation and Taxation of Cambodia's Bond Market

Government Bonds

The Law on Government Securities is the main regulation for the issuance of government bonds in Cambodia. This is implemented by the Ministry of Economy and Finance of Cambodia (MEF Cambodia). Based on the definition found in Article 2 of the Law on Government Securities, government securities refer to bills and bonds as well as other instruments for creating or acknowledging indebtedness. These are issued by or on behalf of the government, which includes the following:

- Treasury bills with maturity of less than 1 year;
- Treasury bonds with maturity of 1 year and more;
- Bonds on which yield is linked to another rate, such as the inflation rate or the exchange rate;
- Non-marketable savings bonds; and
- Other government securities.

Despite the presence of the Law on Government Securities, MEF Cambodia has not yet issued government bonds. Given the lack of tradable securities such as government bonds, the National Bank of Cambodia (NBC) issues negotiable certificate of deposit (NCD), which is a short-term interest-bearing debt. This is issued in KHR and USD. The objective behind the issuance of NCD is to help commercial banks and microfinance institutions to invest their short-term liquidity.

Corporate Bonds

The issuance of corporate bonds is guided by the Prakas on Public Offering of Debt Securities. Corporate bonds can only be issued by public limited companies or permitted entity that have been confirmed the obligation to pay interest, principal, and other obligations of the business for the bondholders.

In terms of issuance methods, corporate bonds can be offered through public offering or private placement. Private placement is offering made to less than 30 investors and placed within a 12-month period. These private placements are not allowed to be publicly announced in any form or methods. There are no differences in the intermediaries and processes between the two issuance methods, except that public offers need to secure approval from the Securities and Exchange Commission of Cambodia (SECC). The SECC is the main regulator for the issuance of corporate bonds in Cambodia. Private offers only need to be filed with the SECC.

To issue corporate bonds, issuers need to engage an underwriter that is recognized and licensed by the SECC. As of the time of writing, there are six licensed underwriters in Cambodia. They are Phnom Penh Securities Plc, RHB Securities (Cambodia) Plc., Cana Securities Ltd., Campu Securities Plc., Yuanta Securities (Cambodia) Plc., and SBI Royal Securities Plc. Moreover, a cash settlement agent, which is a commercial bank in Cambodia, is also required.

Effect of Tax Incentive on the Issuance of Corporate Bonds

It is very important to understand the details of tax incentive given to the issuer of the bond in Cambodia because corporate bonds in the country could not have been issued without this tax incentive. Furthermore, some characteristics of outstanding corporate bonds in Cambodia are directly related to the details of the tax incentive.

Sub-Decree 01 ANKr.BK dated 4 January 2019 ("Sub-Decree") introduced a new package of tax incentives for entities in Cambodia looking to list on the Cambodia Securities Exchange (CSX). The Sub-Decree reflects the desire of the Cambodian regulators to increase the existing number of listed entities in the CSX. The Sub-Decree is

applicable to entities that list and offer either stock or debt securities in the CSX from 4 January 2019.⁵ However, the offered incentives have a three-year limitation. Companies that gained approval from the SECC and registered with the CSX to conduct initial public offering of debt and/or debt securities within 3 years from the issuance of the Sub-Decree have to submit an application to the General Department of Taxation through the SECC. This means that entities should make an initial public offering of stocks or bonds before 4 January 2022. A qualifying entity will be eligible for a 50% reduction of its annual Tax on Income (TOI) liability for 3 years commencing at the beginning of the first tax year that the approval was given if the securities were issued before 30 June of that year. If the securities were issued after 30 June and before 31 December, the TOI reduction would take effect on the following year.

Prakas 183, dated 25 February 2020 and issued by MEF Cambodia, has provided the clarifications with respect to the implementation of the TOI incentive.⁶ Among the clarifications, the one related to debt securities states that issuers of debt securities will be granted the TOI incentive for 3 years based on the percentage of the TOI incentive with the cap of KHR8 billion. The following formula computes the percentage of the TOI incentive:

$$\text{Percentage of the TOI incentive} = \text{Min} \left[\frac{\text{Issued Amount to Total Assets}}{20.001\%}, 100\% \right] \times 50\%$$

The formula implies that the issuer can enjoy the income tax reduction in proportion to the ratio of the issued amount to total assets with 50% as maximum reduction rate. It also implies that the effect of the tax incentive varies per company depending on the company's total asset, net income, and bond issue size. To easily understand and realize the impact of tax incentives, examples of companies with different asset sizes, net incomes, and bond issue sizes are provided in Table 2.1. While the numbers in Table 2.1 are hypothetical, these are selected based on some companies' financial statements and bonds' yields that are available from the CSX website. This way, the example in Table 2.1 makes the tax incentive effect from this illustration as realistic as possible.

Table 2.1: Sample Computation for the Net Funding Rate in Issuing Corporate Bonds in Cambodia

	Entity A	Entity B	Entity C	Entity D	Entity E	Entity F
a. Total Asset	20,000,000	20,000,000	20,000,000	1,000,000	1,000,000	1,000,000
b. ROA	2%	4%	2%	2%	4%	2%
c. Net Income (a × b)	400,000	800,000	400,000	20,000	40,000	20,000
d. Income Tax (c × 20%*)	80,000	160,000	80,000	4,000	8,000	4,000
e. Bond Issue Size	80,000	80,000	40,000	80,000	80,000	40,000
f. % of TOI incentive**	1.0%	1.0%	0.5%	20.0%	20.0%	10.0%
g. Bond Yield	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
h. Bond Interest (e × g)	6,800	6,800	3,400	6,800	6,800	3,400
i. Incentive Earned (d × f)	(800)	(1,600)	(400)	(800)	(1,600)	(400)
j. Net Interest (h – i)	6,000	5,200	3,000	6,000	5,200	3,000
k. Net Funding Rate (j / e)	7.5%	6.5%	7.5%	7.5%	6.5%	7.5%

ROA = return on assets; TOI = Tax on Income

* Standard corporate income tax in Cambodia.

** Calculated based on the formula for Percentage of the TOI incentive.

Note: Units are in KHR million.

Source: Author's calculation and illustration.

⁵ Cambodia previously issued some tax incentives in 2011. However, the incentives in this Sub-Decree issued in 2019 were intended to be more comprehensive.

⁶ At the time of writing, Prakas 183 of MEF Cambodia is written in Khmer, and no English translation is available yet. The official Khmer version of Prakas 183 can be downloaded at: <https://www.tax.gov.kh/u6rhf7ogbi6/qdtstream/90a6fbbd-5e7c-499e-9bd9-a3e0063d3869>. For the purpose of this report, the basis of explanation for the tax incentive can be found at DFDL's website: <https://www.dfdl.com/resources/legal-and-tax-updates/cambodia-tax-alert-implementation-of-tax-incentives-for-listing-entities/>

What matters to a company is the net funding rate, which considers the tax incentive earned.⁷ If the net funding rate from the bond issuance is lower than the borrowing rates of other funding options, the company can consider the bond issuance when funding is needed. A comparison of six entities in Table 2.1 gives the following implications.

- How much of the funding rate can be reduced from the tax incentive stipulated in Prakas 183 depends on the ROA of the issuer. It is an interesting finding because the ROA is not explicitly included in the tax incentive formula. The higher the ROA is, the lower the net funding cost the issuer can enjoy from the bond issuance.
- As long as the ROA is the same, the issued amount or total asset size does not affect the net funding rate, even if the issued amount affects the incentive earned and total asset size affects the percentage of TOI incentive. This is observed in the cases of Entity A and Entity F. It is also an interesting finding because issued amount and total asset size are explicitly included in the formula.

The tax incentive as shown above influenced the characteristics of corporate bonds in Cambodia, particularly in terms of the listing at exchange and types of issuers and tenor of the bonds. The specific characteristics of corporate bonds are discussed in the next section.

In addition to the tax incentive given to issuers, public investors shall have 50% deduction of withholding tax on interest from holding and/or trading of corporate bonds for 3 years from the date of opening of the securities market. Foreigners or non-residents are also encouraged to participate in the bond market of Cambodia as there are tax incentives given to them for investing especially on bonds.

2.2. Characteristics of Outstanding Corporate Bonds

As of time of writing, corporate bonds issued in Cambodia are all listed in CSX. As of September 2020, there are eight corporate bonds issued by six entities in CSX, as shown in Table 2.2. Thus, all corporate bonds in Cambodia are used to analyze the general characteristics of the country's current corporate bond market.

Table 2.2: KHR-Denominated Corporate Bonds in Cambodia, as of September 2020

Issuer Name	Industry	Amount (KHR billion)	Issue Date	Maturity (Y)	Bond Type	Coupon Rate	Issue Rating
Hattha Kaksekar Limited (HKL)	Microfinance Deposit-taking	120	14 Nov 2018	3	Plain Bond	8.5%	None
LOLC (Cambodia) Plc.	Microfinance Institution	54	26 April 2019	3	FX-indexed bond	8%	None
		26	26 April 2019	3	Plain Bond	9%	None
Advanced Bank of Asia (ABA) Limited	Commercial Bank	85	14 August 2019	3	Plain Bond	7.75%	B (S&P)
Phnom Penh Commercial Bank	Commercial Bank	40	10 April 2020	3	FX-indexed bond	6.5%	None

⁷ In fact, net funding rate should consider not only the “minus factor” from tax incentive, but also the “plus factor” from various issuance costs. However, these issuance costs are not taken into account as the main purpose of this analysis is to show the factors affecting the tax incentive.

		40	22 Sep 2020	3	FX-indexed Bond	6.5%	None
RMA (Cambodia) PLC	Diversified	80	9 April 2020	5	FX-indexed, USD settled, Guaranteed amortizing Bond	5.5%	None
Prasac Microfinance Institution Plc.	Microfinance services	127	23 April 2020	3	Guaranteed Bond	7.5%	None

FX = foreign currency; KHR = Cambodian riel; USD = United States dollar; Y = year

Note: The “Bond Type” are descriptions of each issued bond based on the information found in their respective prospectus, and in reference with Prakas on Public Offering of Debt Securities, Article 3 – Types of Debt Securities to be Offered.

Source: Bond information on listed corporate bonds on CSX, as of September 2020. Cambodia Securities Exchange (CSX). 2020. *New Bond Listing*. <http://csx.com.kh/data/1stbond/listPosts.do?MNCD=50201>

Table 2.2 shows that there are plain bonds, FX-indexed bonds, guaranteed bonds, FX-indexed USD-settled bonds, and guaranteed amortizing bond in Cambodia. Based on the Prakas on Public Offering of Debt Securities, a plain bond is defined as a bond with a fixed coupon rate with maturity fixed on the time of issuance. Plain bonds would not have any enhancements, call or put options, as well as guarantees. Guaranteed bonds are those bonds in which interest and principal payments are guaranteed by a third party when an issuer defaults due to insolvency or bankruptcy. FX-indexed bonds are the bonds whose coupons and principals are adjusted by the foreign exchange rate to make them USD bonds economically.⁸ RMAC bond is both a guaranteed bond and FX-indexed USD-settled bond.

The following are the characteristics that are observed from the list of bonds.

1. All corporate bonds are listed in CSX. It is a unique characteristic of the corporate bond market in Cambodia because it is more common for corporate bonds to be traded over the counter (OTC) than exchange in most of other countries. The reason why all corporate bonds are listed in CSX is that a tax incentive is given to the issuer whose bond is listed in CSX.⁹ The fact that there is no OTC bonds nor private placement implies that companies in Cambodia do not consider bond issuance unless there is a tax incentive.
2. The maturity of bond is mostly 3 years. It is also related to the tax incentive regulation because 3 years is the maturity stated in order to maximize the tax incentive. The incentive is given to the issuer for 3 years from the time that the bond is issued. Local banks prefer the 3-year period as the maturity of the bonds that they invest in. Insurance companies participate in 3-year bonds since these are the only available bonds in the market. However, life insurance companies are more interested in longer tenor bonds.
3. Issue size ranges from KHR40 billion to KHR127 billion (approximately USD10 million to USD31 million). According to market participants, the equivalent of USD10 million to USD20 million is the appropriate amount per issue in consideration of local investors’ capacity. While both HKL and Prasac bonds were issued with the size of around the equivalent of USD30 million, these bonds were invested by local investors of up to the amount equivalent to USD20 million. Around two thirds of HKL bond were invested by the International Finance Corporation (IFC) and an amount equivalent to USD10 million of Prasac bond was invested by a foreign bank.¹⁰ It

⁸ This is not defined in the Prakas on Public Offering of Debt Securities. However, the said Prakas has provisions on allowing the issuance of other types of corporate bonds subject to the approval of regulators.

⁹ Although bonds are listed at the exchange, there is no trading activity.

¹⁰ The support from the IFC became instrumental in the successful issuance of the first corporate bond in Cambodia. This also signaled the other local investors on the developing investment climate for bond market in the country.

is also told that less than USD10 million is not practical in view of fixed costs incurred for bond issuance regardless of size.

4. Most of issuers of bonds are financial institutions. It is known that financial institutions are required to produce audited financial statements due to NBC regulation; whereas non-financial institutions are not required to produce such statements. In order for bonds to be listed, their issuers have to disclose audited financial statements in the CSX website. Between these two, financial institutions would find it relatively easier to comply with the listing requirements than non-financial institutions.

5. FX-indexed bond is a well-received instrument in the market. In fact, FX-indexed bond is the outcome of accommodating two conflicting requests. One is the request from NBC, which does not allow financial institutions to issue USD bonds. The other is the request from investors whose preference are USD bonds as Cambodia is known to be a heavily dollarized country. FX-indexed bond is structured as a KHR-denominated bond, but with the economic characteristic of a USD bond.¹¹

Figure 2.1: Illustration of the Structure of FX-Indexed Bond in Cambodia

Face Value=KHR000,000

Adjusted Face Value = Face Value x Reference Exchange Rate/Initial Exchange Rate.

Reference Exchange Rate will be fixed at the opening of business on the second Business Day prior to any payment dates.

Coupon= Coupon Rate × Adjusted Face Value × Actual/365

Principal Redemption= Adjusted Face Value

6. FX-indexed bonds are more popular. While there was only one FX-indexed bond from 2018 to 2019, there were three FX-indexed bonds out of four corporate bonds issued in 2020. Based on market interviews, it is known that the second tranche of PPC bank bond was initially planned to be issued as a plain bond. However, it was changed to FX-indexed bond due to the lack of demand on bonds in KHR currency. Prasac is the only issuer who issued KHR bonds in 2020. A part of this bond was invested by a foreign investor who traded by cross-currency swap to fix the cash flows in USD. This is similar to FX-indexed bonds in the sense that investors want to be exposed more to USD than KHR.

7. Coupons of FX-indexed bonds are lower than those of KHR bonds. This situation is obviously seen from two tranches of LOLC where the FX-indexed tranche has a lower coupon rate than the KHR tranche when other conditions are identical to each other.

8. Most of the bonds are unrated because a rating is not required for bonds to be listed in CSX. One exception is the ABA bond, which is rated with a single B by S&P.

2.3. Investors

General Investment Appetite by Investor Group

The overall capital market in Cambodia is only starting to be developed. The recent issuances of corporate bonds provide another investment instrument especially for different investor groups. Institutional investors have long been investing in deposits and negotiable certificates of deposits from the NBC.

¹¹ Information was taken from bond documents of FX-indexed bonds found at the CSX website.

The main investor groups in Cambodia include banks and life insurance companies. There are individual investors of corporate bonds, but their participation is negligible.¹² There is a foreign bank that invested in a corporate bond through its local subsidiary. Together with IFC, which is the anchor investor of the first KHR bond, the foreign bank is classified as a foreign investor. Table 2.3 provides the overall preferences of investor groups based on their actual investments and feedback from interviews.

Table 2.3: Summary of Investment Appetite Among Select Investor Groups

	Banks	Insurances	Retail Investors	Foreign Investors
Tenor	3 years	5 years or more	No preference	No preference
Target Yield	Yields from loans	Deposit rates	Deposit rates	
Currency	USD and KHR	USD and KHR	USD and KHR	USD and KHR
Guarantor(s)	Yes	Yes	Yes	Depends

KHR = Cambodian riel; USD = United States dollar

Source: Interviews with market players.

This summary also reflects the earlier discussion on the characteristics of the corporate bond market in Cambodia. Institutional investors have welcomed the 3-year tenor bonds issued previously. However, in terms of preferences, banks are keen on 3-year bonds, while insurance companies prefer longer tenor bonds such as those with 5 years or more. Banks can invest in both USD and KHR bonds as they have both USD and KHR liabilities even if they prefer USD bonds. This is because banks have liabilities in USD that are much bigger than those in KHR. On the other hand, insurance companies strongly prefer USD bonds since their liabilities are mostly in USD even if they have invested small amounts in KHR bonds. Foreign investors have different appetites depending on the institution. For most investors, the presence of guarantors is preferred. Details of investment appetite by investor group are described in the following sections.

Banks

As shown in Table 2.4, the local banks are the most active investors for the KHR corporate bonds. Except for the HKL bond of which two thirds was invested by IFC, most of the KHR corporate bonds were invested by local banks.

Table 2.4: Types of Investors of Select Corporate Bonds in Cambodia

	HKL Bond	LOLC Bond	ABA Bond
Local Banks	31%	97%	96%
Local General Insurance	2%	4%	
Local Life Insurance	-		3%
Retail Investors	-		1%
IFC	67%		
Total	100%	100%	100%

ABA = Advanced Bank of Asia (ABA) Limited; HKL = Hattha Kaksekar Limited; IFC = International Finance Corporation; LOLC = LOLC (Cambodia) Plc.

Note: Figures may not add up to 100% due to rounding off.

Source: SBI Royal Presentation 2019.

¹² Market participants mentioned that individual investors only invest an equivalent of about USD1,000 to USD6,000 in corporate bonds. In addition, individual investors only took up less than 1% of the total corporate bond market in Cambodia.

As previously mentioned, banks generally prefer USD bonds over KHR bonds as investments since much of their liabilities are in USD. Having said that, banks can invest KHR bonds because they have KHR liabilities that are composed of KHR borrowings from NBC and other banks, and KHR deposits from clients.

While banks are the biggest investors of corporate bonds in Cambodia, interestingly, none of the top tier banks have invested in KHR corporate bonds. Table 2.5 shows the top five commercial banks in Cambodia that take 52% of total assets, 54% of total loans, and 59% of total deposits in the entire commercial bank segment in which 43 commercial banks are operating as of 2018.

Table 2.5: Top 5 Commercial Banks in Cambodia, 2018 (KHR billion)

	Total Assets	Gross Loans ¹	Total Deposits
Canadia Bank Plc.	24,091	13,546	18,611
Aceda Bank Plc.	22,466	14,086	14,013
Advanced Bank of Asia Limited	10,956	7,358	8,725
Cambodian Public Bank	8,865	4,240	7,637
Sathapana Bank Plc.	5,291	4,083	3,103
Total of Top 5 Banks	71,669	43,313	52,089
Total Commercial Banks	137,223	79,758	88,661
Share of top 5 banks to total commercial banks	52%	54%	59%

¹ Gross Loans exclude loans to government and banking and financial institutions.

Source: National Bank of Cambodia.

According to market participants, top tier banks are not interested in the investment of corporate bonds because their yields are lower than those from the loans that the banks disburse. However, second tier banks can consider investing in corporate bonds because their yields are similar to the yields of their loans, which are lower than those of the top tier banks.

Insurance Companies

There are 32 member companies of the Insurance Association of Cambodia.¹³ Of these, 15 are licensed general insurance, 10 life insurance, 5 micro insurance, and 1 reinsurance company operating in Cambodia. For the purpose of this report, focus is on life insurance companies.

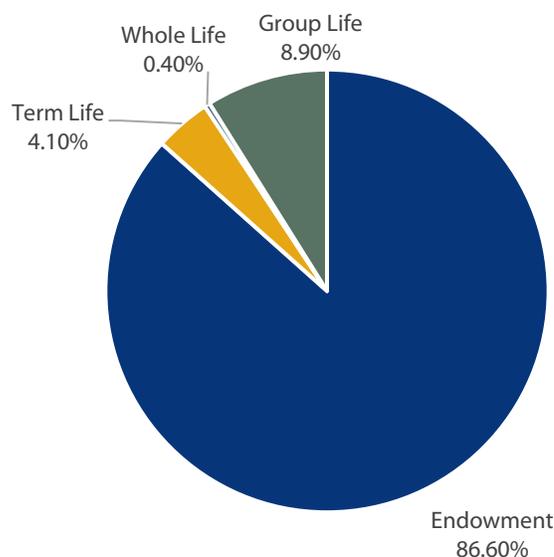
Life insurance products in Cambodia include endowment, whole life, term life, and group life insurance. Based on the Cambodian Insurance Law of 2014, endowment is defined as a life insurance that is payable to the insured if the insured is still living on the maturity date stated in the policy, or paid to the beneficiary(s) if the insured dies prior to the maturity date. Whole life insurance is an insurance contract that provides cover on the death of the insured person. Term life insurance is the insurance payable to the beneficiary at the date of the insured, provided death occurs within a specified period before a specified age. In term life insurance, if the insured survived after the specified age, none of the benefits will be provided to the beneficiary.

It is inferred by the description of the main products that are sold that the liability duration of life insurance companies in Cambodia is quite long. Policies in USD dominate the market in terms of currency of the policies sold. According to an interviewee from an insurance company, policies in USD occupy 99% of the policies sold even when both KHR and USD policies are promoted.

¹³ Insurance Association of Cambodia (IAC). *Members*. <http://www.iac.org.kh/index.php/about-us/members> (accessed 21 May 2020).

Gross premiums reached USD143 million in 2019. Figure 2.2 shows that endowment products take the largest market share in the life insurance industry, with 86.6% of the total market share.

Figure 2.2: Life Insurance Industry Market Share by Products, 2019



Source: Insurance Association of Cambodia, 2019¹⁴.

In terms of investments, life insurance companies are investing predominantly in USD time deposits (approximately 90% of total investments) as most of their policies sold are in USD. Unlike time deposits, which are generally very short in maturities for most of other countries, the time deposits in Cambodia have maturities of up to 15 years. However, the maximum tenor available in the market is getting shorter that 7-year has become the maximum tenor available for time deposits in the market nowadays. As even a 7-year tenor is not always available, 3 to 5 years is the maturity of the time deposits that insurance companies generally invest in.¹⁵

The remaining 10% are invested in corporate bonds. To match the currency of the policies sold, most of the corporate bonds invested by insurance companies are not plain KHR bonds, but FX-indexed corporate bonds that are economically similar to USD bonds. When insurance companies invest in FX-indexed bonds, their USD yields should be at least similar to the yields of USD time deposits. Otherwise, there would be no incentive for insurance companies to invest in FX-indexed bond. It is known that RMAC bond, which is FX-indexed bond and USD-settled bond, was invested in mostly by insurers. While USD yields of the bonds were not as attractive as those of its alternative investments, these bonds attracted life insurers who are all subsidiaries of global insurers because the bond is guaranteed by Credit Guarantee and Investment Facility (CGIF), an AA-rated entity. This implies that insurers differentiate the target yield based on the credit risk they are willing to take. Life insurance companies invested small amounts of plain KHR bonds to help promote the capital market of Cambodia as well as match the marginal amount of KHR liabilities that they have.

In order to invest in USD bonds to match the USD liabilities of insurance companies in Cambodia, two other investment options can be considered: one is USD bonds outside of Cambodia, and the other is KHR bonds that are hedged back to USD. In fact, long term USD bonds traded in global bond markets could be sound investment options for life insurers in Cambodia to match their liability duration. This is because longer than 5-year financial

¹⁴ IAC. 2020. Business Figures for Life Insurance Industry in 4Q 2019. *Press release*. <http://www.iac.org.kh/images/Media%20Release/Statistics/Life/2019/Market%20Statistic%20for%20Life%20Industry%202019.pdf> (accessed 3 August 2020).

¹⁵ Information from market interviews.

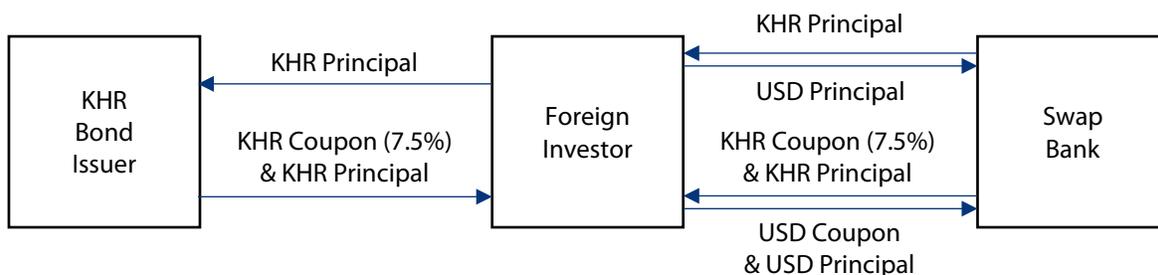
products are scarce in their domestic market. However, both options are not considered practical based on the following reasons: first, it is unclear under the insurance regulation in Cambodia whether insurance companies can invest overseas in USD bonds. Yields of USD bonds traded in global USD bond markets are not attractive compared with the USD yield available in the domestic market in Cambodia. In addition, the duration mismatch between asset and liability does not seem to elicit a high concern as risk-based capital (RBC) is yet to be mandatorily regulated. Therefore, insurance companies in Cambodia are not keen to sort out the regulatory ambiguity that is related to overseas investments.

Second, insurance companies do not consider the combination of KHR bond and cross-currency swap as attractive. This is because the said combination has a significant hedge cost even when cross currency swap is available under the regulation in Cambodia, and even when it is practically possible to do by some local insurance companies. It is, therefore, inferred that both investment options are not considered because of the economic reason.

Foreign Investors

A part of the Prasac KHR bond was invested by a foreign bank through its local subsidiary. This foreign investor traded cross-currency swap that enabled the investor to fix the USD yield from the KHR bond investment.¹⁶ This is further illustrated in Figure 2.3. While the fixed USD yield was known to be lower than the KHR coupon rate, the investor initiated the swap trade as the USD yield was still acceptable in consideration of AA-rated bond because this Prasac bond is guaranteed by CGIF, an AA-rated guarantor.

Figure 2.3: Transaction Flows Associated with KHR Bond and Linked Cross-Currency Swap



KHR = Cambodian riel; USD = United States dollar
 Source: Author's illustration based on market interviews.

This kind of KHR bond investment by foreign investors is expected to repeat only when two conditions are met.

- First, the bond needs to be guaranteed by globally reputable institutions. This is because foreign investors will be reluctant to invest in the bonds issued by Cambodian entities without guarantee due to their low credit ratings (B or lower).
- Second, there should be a swap bank that can pay USD and can also receive KHR as a counterparty of an investor. Most market participants in Cambodia are known to prefer receiving USD from the cross-currency swap trades. However, it is uncertain that an investor can find a swap bank that can pay USD from the swap trade when needed.

On the other hand, IFC is the foreign investor who supported the first-ever bond issuance in Cambodia. According to an article published by IFC, IFC invested an amount that is approximately equivalent to USD20 million in KHR-denominated bonds issued by the Cambodian microfinance institution, Hattha Kaksekar Limited (HKL). This noteworthy move was made to help create a domestic corporate bond market and allow HKL to expand its local currency lending to micro and small businesses, including farmers and women entrepreneurs. Following the

¹⁶ Information gained from market interviews.

investment in late 2018, IFC has issued in early 2019 the inaugural offshore KHR bond worth approximately USD12 million (about KHR48.6 billion), proceeds of which were used to replace a portion of the local currency funding of the KHR bond investment. With the KHR bond issuance, IFC would be able to reduce the KHR risk from the KHR bond investment even if a small portion of the risk remains due to the different size between investment and issuance. As a multilateral organization, whose objectives are founded on providing development opportunities in less developed countries in addition to being a commercial and financial institution, it seems IFC is differentiated from other investors in terms of reason or goal as an investor.

Retail Investors

It is known that the small amount of ABA bond was distributed to retail investors who are the existing depositors of ABA bank. Apart from the ABA bond, it is unknown whether retail investors invest in other bonds. While it is premature to describe the general investment appetite of retail investors because of limited investments made by them, it is told that retail investors are interested in investing in corporate bonds when their yields are higher than deposit rates. They, however, do not have any preference when it comes to the tenor of the corporate bonds.¹⁷

Fund Management Companies

According to the SECC website, there are five fund management companies in the country.¹⁸ These fund management companies were allowed to establish and manage public funds or private funds of collective investment schemes. However, based on information available in their respective websites, these fund management companies have yet to engage in any fund management products that involve collective investment schemes.

Concept of Qualified Investors

The Prakas on Qualified Investors in the Securities Sector provides the definitions and classification of qualified investors in the corporate bond market of Cambodia. Qualified investors are comprised of institutional investors and high net worth investors.

By definition found on Article 2 of Prakas on Qualified Investors, qualified investors as institutional investors mean investors as legal entities and professionals investing in the securities sector, which is further elaborated in Article 3 of the Prakas on Qualified Investors to include the NBC, securities firms, investment advisors, and collective investment scheme dealers that are licensed by the SECC, banking and financial institutions licensed by the NBC, and insurance companies licensed by MEF Cambodia.¹⁹ On the other hand, qualified investors as high net worth investors are any legal entities or individual persons who fit one or more of the criteria described in Table 2.6.

¹⁷ As of present, there are no consolidated information or report about the activity of retail investors in Cambodia. The information presented in this part came from interviews with market players.

¹⁸ SECC. 2017. *List of Intermediaries Company*. <http://www.secc.gov.kh/english/m52.php?pn=6> (accessed 21 May 2020).

¹⁹ Securities and Exchange Commission of Cambodia (SECC). *Prakas on Qualified Investors in the Securities Sector*. <http://www.secc.gov.kh/english/m81.php?pn=12>

Table 2.6: Qualified High Net Worth Investors in Cambodia

Legal Entities	Individuals
Total shareholder's equity of at least KHR2 billion, as shown in the latest financial statement	Total net assets of at least KHR1 billion
Annual revenues of KHR 500 million in the last 2 years	Annual net income of at least KHR80 million
Investments in the securities sector in Cambodia of at least KHR200 million	Participation in the investments securities sector in Cambodia of at least KHR100 million

KHR = Cambodian riel

Source: Securities and Exchange Commission of Cambodia (SECC). *Prakas on Qualified Investors in the Securities Sector*.

<http://www.secc.gov.kh/english/m81.php?pn=12>

The concept of qualified investors differentiates professional investors from general investors for whom SECC will pursue maximum protection within its bond market framework.²⁰ This also hints of the possible stance of the SECC to introduce a market segment for professional investors and possibly include provisions for private placement as an issuance method in the future.²¹

2.4. Potential Issuers in Cambodia

As mentioned at an earlier part of this report, the availability of audited financial statements disclosure is one of the conditions required for companies to issue and list bonds in Cambodia. As a result, corporate bond issuers are mostly financial institutions as they have already audited financial statements based on NBC regulation. There are also non-financial institutions that have audited financial statements. As shown in Table 2.7, out of six companies listed in CSX for stocks, five are examples of non-financial companies that have audited financial statements. These statements have already been disclosed in CSX. However, these companies are unlikely to issue bonds. This is because one caveat in the tax incentive for the securities market in Cambodia is that it can only be availed once by an issuer. For instance, a company availing the incentive through an initial public offering (IPO) of stocks is no longer qualified to avail the same tax incentive for a debt issuance.

Table 2.7: Listed Companies in Cambodia

Company Name	Market Capitalization (KHR million)	Share to total market capitalization	Industry
ACLEDA Bank PLC	7,493,720	76.09%	Financial
Sihanoukville Autonomous Port	1,334,612	13.55%	Consumer, Non-cyclical
Phnom Penh Water Supply Authority	487,050	4.95%	Utilities
Phnom Penh Autonomous Port	238,284	2.42%	Consumer, Non-cyclical
Phnom Penh SEZ PLC	164,594	1.67%	Consumer, Non-cyclical

²⁰ Asian Development Bank (ADB). *ASEAN+3 Bond Market Guide: Cambodia*. Future Direction, Utilization of the Qualified Investors Concept. p. 64. <https://www.adb.org/publications/asean3-bond-market-guide-2018-cambodia> (accessed 20 April 2020).

²¹ Footnote 20.

Grand Twins International Cambodia Plc	130,000	1.32%	Consumer, Non-cyclical
Total	9,848,260	100%	

KHR = Cambodian riel

Note: Industry classification is based on Bloomberg.

Source: Bloomberg.

In most cases, companies match bond issuance against other funding options and choose bonds when this is more favorable than other options in terms of funding cost. Table 2.8 lists the funding options that are observed in Cambodia. Based on market interviews, it is known that state-owned enterprises (SOEs) are not keen on issuing bonds because these enterprises can enjoy the loans from development finance institutions (DFIs), which are cheaper than bond issuances. Sihanoukville Autonomous Port, Phnom Penh Water Supply Authority, and Phnom Penh Autonomous Port in Table 2.7 are SOEs that would have unlikely issued bonds even if they hadn't done IPOs.

Table 2.8: Funding Options Observed in Cambodia

Funding option	Remark
Bank loan	The most common funding option.
Microfinance Institution (MFI) loan	Known to be more expensive than a bank loan.
Offshore bank loan	Applicable to top tier banks that can borrow USD with lower cost from banks in Thailand than domestic banks.
Public offering of stocks	Applicable to entities that can accept ownership dilution.
Development Finance Institution (DFI) loan	Cheaper funding option for entities that are eligible to be supported by DFI.
Borrowing from parent companies	Generally, the cheapest funding option to the subsidiaries of foreign financial institutions.

Source: Interviews with market participants.

2.5. Pricing

Based on the seven corporate bonds issued by six entities, these can be classified into three categories in terms of credit risk and two categories in terms of currency. Coupon rates of the bonds depend on these classifications as shown in Table 2.9.

Table 2.9: Coupon Rates of Corporate Bonds by Credit Risk and Currency, 2020

Credit	Currency	
	KHR	USD (FX-indexed)
CGIF-guaranteed	7.5%	5.5%
Bank	7.75% (ABA)	6.5% (PPCB)
MFI	8.5 (HKL) to 9.0% (LOLC)	8% (LOLC)

ABA = Advanced Bank of Asia Limited; CGIF = Credit Guaranty and Investment Facility; HKL = Hattha Kaksekar Limited; KHR = Cambodian riel; LOLC = LOLC (Cambodia) Plc.; MFI = microfinance institution; PPCB = Phnom Penh Commercial Bank

Source: CSX Website.

It is widely accepted in Cambodia that banks are better than MFIs in terms of credit quality in general so that banks are required fewer funding costs than MFIs. There are some investors who are reluctant to invest in corporate bonds issued by MFIs because of their credit risks. Bonds guaranteed by CGIF, however, are highly evaluated in Cambodia and attract not only local investors but also foreign investors. In consideration of this different credit risk perception, bonds guaranteed by CGIF are priced at the lowest yield, followed by bank bonds and MFIs at the highest yields.

On the other hand, the coupon rate of FX-indexed bond is lower than that of the KHR bond under the same credit risk. Based on Table 2.9, the KHR bond requires 1%–2% of more yield than FX-indexed bond, which is economically similar to USD bond. This is in line with the observations from Table 2.10 and Table 2.11 that the deposit rate and loan rate of USD are lower than those of KHR.

Table 2.10: Weighted Average of Interest Rate for Deposits, 2018

		Deposits in KHR	Deposits in USD
Fixed Deposit	1 month	2.6%	2.0%
	3 months	3.8%	2.5%
	6 months	5.3%	3.4%
	12 months	6.4%	4.8%
Savings Deposit		1.0%	0.6%

KHR = Cambodian riel; USD = United States dollar

Source: National Bank of Cambodia.

Table 2.11: Weighted Average of Interest Rate for Loans, 2018

Maturity	Loans in KHR	Loans in USD
< 1 year	11.3%	7.8%
1–5 years	15.7%	11.6%
> 5 years	10.0%	9.3%

KHR = Cambodian riel; USD = United States dollar

Note: The weighted average interest rates include both commercial banks and specialized banks.

Source: National Bank of Cambodia.

The fact that coupon rates of corporate bonds are lower than loan rates in Table 2.11, it may give the impression that bond issuance is more beneficial than bank loan to borrowers. However, this assumption is not true. The loan rates in the table are the average rates from all borrowers, which are higher than the loan rates applied to bond issuers who are considered as high-end names in the country. In addition, financial institutions can borrow KHR from DFIs and NBC with low KHR costs, and borrow USD from banks in Thailand with lower USD funding costs than those available in domestic banks. Lastly, given the fact that issuers do not consider bond issuance without the tax incentive, it is certain that actual bank loan rates of potential bond issuers are lower than those provided in the table.

3. Lao People’s Democratic Republic

3.1. Regulations and Taxation of Corporate Bonds in Lao People’s Democratic Republic

The Regulation on Issuance of Corporate Bonds was passed in December 2014. This is the main reference for the issuance of corporate bonds in Lao People’s Democratic Republic (PDR). This regulation indicates the conditions and supporting documents required for the issuances of both public offering and private placement. Table 3.1 shows the difference between public offering and private placement in terms of, among others, some critical supporting requirements for issuance of both public offering and private placement.

Table 3.1: Comparison of Public Offering and Private Placement of Corporate Bonds in Lao PDR

Public Offering	Private Placement
More than 100 investors	100 or less investors An institution should not hold 80% of the bond
Audited financial statements Separated and consolidated financial statements for a group of company Audited semi-annual financial statements for application after June 30	Same as Public Offering
Having a sufficient average profit of the last 3 financial years to cover the corporate bonds’ total interest repayment in the following year	Same as Public Offering
Credit rating, which shall be certified by Lao Securities Commission Office in case rating is done by a foreign credit rating agency	Same as Public Offering
Guarantee of debt repayment from a guarantor in instances where there is no credit rating or the credit rating’s result is below BBB	Same as Public Offering
At least 3 years of operation since the company’s establishment	At least one year
Documents relating to principal and interest repayment plan, including an illustration of sources of financing for such repayment	Not applicable

Source: Lao People’s Democratic Republic (PDR). 2014. *Regulation on Issuance of Corporate Bonds*. https://www.lsc.gov.la/Doc_legal/Regulation%20on%20Issuance%20of%20Corporate%20Bonds.pdf

Government Bond and Corporate Bond Listing Regulation was passed in December 2018. The regulation indicates the requirements for corporate bonds in order to be listed in Lao Securities Exchange (LSX). Some of the requirements in this regulation are overlapped with those of the regulation on issuance of bonds. The following list describes some of the requirements that are uniquely applied to the listing.

- At least LAK20 billion of registered capital;
- At least LAK30 billion of income in the latest year;
- No debts overdue for more than 1 year;
- No accumulated loss in the recent year;

- No disputes or pending lawsuits that may materially affect the company management; and
- Consecutive profit and positive outlook for a future business performance.

It is inferred from the corporate bond regulations that eligible companies for corporate bond issuance are limited based on the following reasons. First and most critical reason is the requirement of being rated BBB by a credit rating agency that is certified by Lao Securities Commission Office (LSCO). The Lao sovereign is rated BBB by TRIS Rating in Thailand. This implies that only Lao corporate entities whose credit ratings are equal to or higher than the Lao government can issue corporate bonds regardless of whether it is for public offering or private placement. Based on this rating requirement, the most possible issuers would be SOEs that are either explicitly or implicitly guaranteed by the Lao government. Hence, Lao corporate entities that are not rated as good as the Lao government cannot issue bonds unless they can find a guarantor for their bonds.

Second reason is the requirement of audited semi-annual financial statements that are for application after June 30. It is uncommon for companies not only from Lao PDR but also from other countries, to have audited semi-annual financial statements. With this requirement, Lao corporate entities may face timing constraints as the window to issue corporate bonds is limited to the first half of each year.

The regulation states that the following should be the characteristics of corporate bonds.²²

- Tradable and transferable;
- Having returns;
- Having maturity of 1, 3, 5, 7, 10 or 15 years;
- Denominated in Lao Kip (LAK) or other foreign currency as authorized by the LSCO; and
- With minimum face value of LAK1 million, as specified in the corporate bond certificate.

The Bond Market Guide for Lao PDR published by the Asian Development Bank states that for investors, the income tax for corporate bonds is exempted from interest income. Moreover, there is an exemption for withholding tax and capital gains tax if the corporate bond is listed at LSX.

3.2. Characteristics of Outstanding Corporate Bonds

Though there is no local currency-denominated corporate bond in Lao PDR yet, three Lao corporate entities have already tapped the overseas market for corporate bonds. Table 3.2 shows their corporate bond issuances.

Table 3.2: Corporate Bond Issuances from Companies in Lao PDR

Issuer Name	Issuance Currency	Total Amount issued (millions)	No. of Issues	Average Maturity (Y)	TRIS Rating
EDL Generation Public Company (EDL-Gen)	USD	312	3	9.67	BBB
	THB	24,000	12	7.92	BBB
LVMC Holdings (previously Kolao Holdings)	USD	56	2	3	BB
	SGD	60	1	3	N/A
Nam Ngum 2 Power Co.	THB	15,600	8	6.50	A

SGD = Singapore dollar; THB = Thailand baht; USD = United States dollar; Y = year

Source: Bloomberg. Ratings are based on the date of writing, and not the dates of actual issuance.

²² Lao People's Democratic Republic (PDR). 2014. *Regulation on Issuance of Corporate Bonds*. https://www.lsc.gov.la/Doc_legal/Regulation%20on%20Issuance%20of%20Corporate%20Bonds.pdf (accessed 22 May 2020).

The number of bonds may not be enough to arrive at a generalization of the characteristics of bonds issued by Lao corporate entities. However, some interesting points from these bonds can be summarized as follows:

First, Thailand is the primary bond market that Lao corporate entities turn to when they consider issuing bonds. Out of the 26 bonds in Table 3.2, 20 bonds are denominated in THB and mostly rated by TRIS Rating, a rating agency in Thailand. Thus, these bonds were most likely issued in Thailand and invested in by Thai investors. There are three USD-denominated bonds issued by EDL Generation Public Company (EDL-Gen) and one USD-denominated bond issued by LVMC that were also rated by TRIS and governed by Thai laws. It is known that Thai investors invested in these bonds. Therefore, 24 out of 26 bonds were issued in Thailand in which the investors were Thai.²³

Second, most of the foreign bonds of Lao corporate entities in which the investors are Thai are rated by TRIS Rating. Based on the regulations for bond issuance in Lao domestic market, potential Lao issuers should secure a rating of BBB from a certified credit rating agency.²⁴ The fact that all Lao corporate entities do issue bonds in Thailand and not in Lao PDR even if they can meet the issuance requirements of the government (such as obtaining a credit rating) implies that Thailand is more favorable than Lao PDR for Lao bond issuers when considering the funding cost, size, maturity or speed of issuance process. This point will be elaborated in the following sections.

Third, both EDL-Gen and Nam Ngum 2 Power Co. are the issuers from the electric power industry that requires in general a significant-sized long-term funding. As most of the bonds issued by Lao corporate entities are the bonds issued by these two companies, they are considered mostly long in terms of maturity and big in terms of issuance size, which may not well represent the funding requirements of other companies in the country.

Last, Nam Ngum 2 Power Co. is rated A by TRIS Rating, which is three notches higher than Lao PDR's sovereign rating of BBB. This is significantly due to the reliable cash flows received from a long-term power purchase agreement (PPA) with the Electricity Generating Authority of Thailand (EGAT – rated AAA by TRIS Rating).

²³ The remaining two bonds issued by LVMC – one SGD-denominated bond and one USD-denominated bond – are not related to Thailand's bond market.

²⁴ At present, TRIS Rating of Thailand is regarded as a certified credit rating agency in Lao PDR.

3.3. Investors

General Investment Appetite by Investor Group

While it is not possible to recognize the actual appetite of investors for corporate bonds, it is possible, however, to infer their appetite from their investments on government bonds. In 2019, Lao government issued LAK bonds, as shown in Table 3.3:

Table 3.3: LAK-Denominated Bonds of the Government of Lao PDR

Maturity	Coupon rate	Issue Amount (LAK million)	USD Equivalent*
1 Year	5.30%	210,890	22,922,826
3 Year	6.80%	1,160,440	126,134,782
5 Year	6.95%	40	4,348
7 Year	7.10%	220	23,913
10 Year	7.50%	495	53,804
15 Year	7.70%	260	28,260
20 Year	8.00%	484	52,609

LAK = Lao kip; USD = United States dollar

* Exchange rate: USD1 = LAK9,200 (as of September 2020)

Source: Lao Securities Exchange (LSX). *Government Bond Listing Information*.

<http://www.lsx.com.la/market/bond/info.do?lang=en>

From market interviews, it is known that the government bond issue amount of each maturity tranche is determined by the demands from investors. Based on Table 3.3, it is easily understood that demands are concentrated on 1-year and 3-year bonds that are mostly invested in by banks. The issue amounts from 5-year to 20-year maturity tranches are much smaller than those of 1-year or 3-year tranches. It is also known that 5-year or longer maturity bonds are invested in by retail investors. Although insurance companies are not yet active investors in the government bond market, it can be said that their investment appetite may range from 7-year to 20-year tenors. Table 3.4 shows a summary of investment appetite among select investor groups.

Table 3.4: Summary of Investment Appetite for Government Bonds Among Select Investor Groups in Lao PDR

	Banks	Insurance Companies	Retail Investors
Tenor	1–3 years	7–20 years	Up to 20 years
Target Yield	Alternative return for reserve	Above bank deposit rates	Above bank deposit rates
Currency	LAK	LAK	LAK

LAK = Lao kip

Source: Interviews with market players.

Banks

Currently, the Bank of Lao PDR (BOL) mandates the following reserve requirement rates for banks: 4% for LAK deposits, while 8% for foreign currencies. Government bonds are accepted as eligible reserves of banks. The BOL allows a maximum of 90% of LAK reserve requirement to be composed of government bonds, while 25% of FCY are reserve requirements.²⁵ Based on this reserve requirement, it is understandable that banks are incentivized to

²⁵ Bank of the Lao PDR (BOL). *Reserve Requirement Rate*. <https://www.bol.gov.la/en/reservRate> (accessed 9 June 2020)

invest in government bonds. Among the government bonds available, banks target to invest only in 1-year and 3-year bonds to match the maturity profiles of their liabilities.

Similar to the appetite for government bonds, if ever there would be corporate bonds in the local market, the possible investment appetite is for the short tenor, such as 1–3 years maturity. As banks receive deposits in LAK, THB and USD, they are also open to investments on corporate bonds issued in any of the three currencies. Investing in foreign corporate bonds is possible. However, banks would need the approval from the BOL first.

The BOL reports that there are 44 commercial banks operating in the country, 3 of which are state-owned commercial banks, 1 specialized bank, 3 joint-state commercial banks, 8 private banks, subsidiary banks, and 21 foreign commercial bank branches.²⁶ The BOL also reports the deposits and assets of commercial banks. As shown in Table 3.5, state-owned commercial banks have the highest assets and deposits among the bank groups.

Table 3.5: Assets and Deposits of Commercial Banks in Lao PDR, as of December 2019 (LAK billion)

Bank Group	Assets		Deposits	
	Value	Share to total	Value	Share to total
State-Owned Commercial Bank	63,021.68	43.14%	47,690.87	54.47%
Joint State Commercial Bank	12,803.28	8.76%	6,809.87	7.78%
Private Bank	27,809.28	19.04%	18,916.20	21.60%
Foreign Bank Branch	42,450.80	29.06%	14,143.18	16.15%
Total	146,085.04	100.00%	87,560.12	100.00%

Note: Figures may not add up due to rounding off.

Source: Bank of the Lao PDR (BOL).

Insurance Companies

The Insurance Law (Amended) of 2011 of Lao PDR serves as the main regulation for operating an insurance business in Lao PDR. Based on this law, insurance companies may only use their idle capital to invest in the country in the following areas: (1) purchase of government bonds, (2) purchase of corporate shares and bonds, (3) invest in real estate business, (4) capital contribution in other enterprises, and (5) deposit with commercial banks or financial institutions.

Insurance companies mostly invest in bank time deposits, wherein the maturities can be negotiated depending on their existing business relationship. In terms of the bond market, at present, insurance companies are not yet active investors. One reason is due to the credit risk associated in investing in government bonds.²⁷ Nevertheless, insurance companies are starting to build some appetite for government bonds, particularly those with a longer tenor. This is one way of diversifying their respective investment portfolios. One reason for possibly investing in government bonds is that it is observed to have marginally higher coupon rates than deposit rates.

As insurance companies explore other investment opportunities, corporate bonds may be a viable option for them. Insurance companies may look into the 3- to 7-years tenor, with coupon rates that are competitive with the existing bank deposit rates. Since insurance policies are sold in LAK, the preferred currency is LAK as part of the asset-liability matching of insurance companies.

²⁶ BOL. *Banks in Laos*. https://www.bol.gov.la/en/comercial_bank (accessed 9 June 2020).

²⁷ As mentioned, the sovereign rating for Lao PDR was downgraded, in which one contributory reason is the effect of the COVID-19 pandemic.

Table 3.6: List of Insurance Companies in Lao PDR

Category of Insurance Company	Name of Insurance Company
Composite insurance (3)	<ul style="list-style-type: none">• Allianz General Lao (AGL)• Lane Xang Assurance Public Company• Forte Toko Lao Assurance Co. Ltd.
Life insurance (2)	<ul style="list-style-type: none">• TKI Life Insurance Company Ltd.• Prudential Life Assurance (Lao) Company Limited
General insurance (5)	<ul style="list-style-type: none">• MSIG insurance (Lao)Co. Ltd.• TKI General Insurance Company Ltd.• Bangkok Insurance (Lao) Co. Ltd.• Lao-Viet Insurance Co. Ltd.• Vientiane Insurance Company

Note: Numbers in parentheses indicate the count of insurance companies per category.

Source: Asia Insurance Review. 2017. *Company List*.

<http://apps.asiainsurancereview.com/AID/Asp/CompanyList.aspx?company=&type=&jobType=&country=Laos&search=company>

There are 10 insurance companies operating in Lao PDR.²⁸ The insurance industry in Lao PDR is governed by the MOF Lao PDR. One notable insurance company is Allianz General Lao (AGL), since it is a joint venture between the MOF Lao PDR and Allianz Finance II Luxembourg SARL. The MOF Lao PDR owns 49% share of AGL.

Retail Investors

Since retail investors invested in LAK government bonds with up to 20-year maturities, it can be inferred that retail investors do not mind investing in long maturity bonds, even in 20-year bonds, as long as they are compensated based on yield.

Public Funds/Asset Management Companies

The Law on Securities allows for the establishment of public funds, which can be close-end or open-end. A close-end public fund is a fund with a fixed number and par value of public fund units that raises funds from the public at one time upon its establishment. It also has a specific maturity. An open-end fund refers to funds with a non-fixed and par value of public fund units which may be increased or decreased and has non-specific maturity. The public fund contracts should be established between asset management companies, custodian banks, and investors.²⁹

Public funds can be invested in the following products: money market products (e.g., cash deposits, certificates of deposit, etc.), shares listed on the securities exchange, corporate bonds, government bonds, and other securities that may be prescribed by the LSCO.

Nevertheless, there are no established asset management companies in Lao PDR.

²⁸ Asia Insurance Review. 2017. *Company List*.

<http://apps.asiainsurancereview.com/AID/Asp/CompanyList.aspx?company=&type=&jobType=&country=Laos&search=company> (accessed 9 June 2020).

²⁹ English translation of Law on Securities. [https://www.lsc.gov.la/Doc_legal/Law_on_Securities\(Eng_version\).pdf](https://www.lsc.gov.la/Doc_legal/Law_on_Securities(Eng_version).pdf) (accessed 9 June 2020).

3.4. Potential Issuers of LAK Corporate Bonds

In Lao PDR, three currencies are seen in the market—the local currency LAK, and two foreign currencies, THB and USD. LAK is the functional currency used for most economic activities in Lao PDR. THB and USD are significantly used for deposits or loans in banks. It is known that generally, non-financial Lao corporate entities prefer to borrow LAK because they are exposed to currency risk if they borrow other currencies.

Companies in Lao PDR do not tap their domestic local currency bond market for their funding needs based on three reasons. First, companies think that the funding cost of bond issuance is more expensive than that of the bank loan. The funding sizes of the companies are mostly less than the equivalent of USD5 million, which makes bond issuance more expensive due to the fixed costs. These fixed costs include documentation and listing costs that are required for bond issuances regardless of the issue size.

Second, it is told that companies do not fully utilize their bank loans and that they believe they can achieve lower borrowing costs as banks are still competitive in terms of providing loans.

Third, the bond is still not a well-known financial product in Lao PDR. Some potential issuers believe that bonds can hardly attract investors who are already satisfied with bank deposits.

Lastly, corporate bond issuance regulation requires BBB rating from a certified rating agency, unless there is a guarantor. As BBB is the rating of Lao government by TRIS Rating, which is a certified rating agency, it is likely that most of the companies in Lao PDR cannot meet this rating requirement.³⁰ However, it seems that Lao corporate entities are not sensitive to this regulation because they are already indifferent to bond issuances. This is because of the two reasons mentioned in the previous paragraphs.

The LSX has 11 listed companies as shown in Table 3.7. These companies can be considered potential bond issuers as they have already tapped a capital market for their equity funding. EDL-Gen is the biggest listed company, which has already issued THB bonds in Thailand. EDL-Gen is one of the few companies that have the best conditions for LAK bond issuance, since it is rated BBB by TRIS Rating. In addition, the company already has previous funding experiences from both Thailand and Lao capital markets. In this case, EDL-Gen already has experience in preparing necessary documentation for bond issuance, such as audited financial statements.

Table 3.7: Listed Companies in Lao PDR, 2019

Company Name	Market Capitalization (LAK million)	Share to total market capitalization	Industry
EDL Generation Public Company (EDL-Gen)	4,164,673.17	55.48%	Utilities
Banque Pour Le Commerce Exterieur Lao Public (BCEL)	1,163,250.48	15.13%	Banking
Lao ASEAN Leasing Public Company (LALCO)	633,150.00	8.24%	Leasing
Phousy Construction and Development Public Company (PCD)	564,540.00	7.34%	Construction
Lao World Public Company (LWPC)	284,838.54	3.68%	Services
Souvanny Home Center Public Company (SVN)	278,850.00	3.31%	Services
Vientiane Center Lao Public Company (VCL)	154,559.89	2.01%	Real Estate

³⁰ As of time of writing, international rating agencies such as Moody's and Fitch downgraded the sovereign rating of Lao PDR to Caa2 and CCC, respectively. With this downgrade, it may be more challenging for potential issuers to proceed with any plans to issue corporate bonds.

Mahathuen Leasing Public Company (MHTL)	114,000.00	1.48%	Leasing
Petroleum Trading Lao Public Company (PTL)*	112,800.00	1.47%	Petroleum
Lao Agrotech Public Company (LAT)	108,000.00	1.4%	Agro-processing
Lao Cement Public Company (LCC)	36,003.60	0.47%	Cement
Total	7,688,295.86	100%	

LAK = Lao kip

Note: Market capitalization is as of 22 July 2020. Industry classification is based on company descriptions on their respective fact sheets at LSX.

Source: LSX.

Other unlisted companies, such as commercial banks, may also be interested in issuing bonds. However, a significant challenge among unlisted companies is the compliance for information disclosures and transparency.

3.5. Pricing

It is not possible to know the credit spread of a LAK corporate bond because there has been no LAK corporate bond issued in Lao PDR. In this section, a range of corporate bond yield or spread is estimated by bank deposits and loan rates. Table 3.8 shows LAK deposit and loan rates published by BOL, where USD and THB deposit and loan rates are also available. Deposit rates can be considered the minimum rates required by investors for corporate bonds. Otherwise, no investor would be interested in corporate bond investment. In fact, government bonds rates are very similar to deposit rates with the same maturities in Lao PDR. This is also to support the assumption that corporate bonds are required to generate at least deposit rates.

On the other hand, loan rates could be the maximum rates companies can accept as the coupon rates of their bond issuances. Otherwise, companies would borrow money from banks. As bond issuance requires an issuer to bear other costs on top of the coupons, the issuer will not push through with bond issuance if the coupon rate itself is already as high as the loan rate.

Table 3.8: LAK Deposit and Loan Rates in Commercial Banks in Lao PDR (%)

Term	Deposit rates		Term	Loan rates	
	2015	2019		2015	2019
1-Year	7.59	5.37	Short (1 Year)	11.75–13.04	9.47–10.30
3-Year	10.67	6.83	Mid (1–3 Years)	12.30–14.07	10.30–11.01
5-Year	12.44	6.94	Long (3–5 Years)	12.80–14.46	10.40–11.13

LAK = Lao kip

Source: BOL.

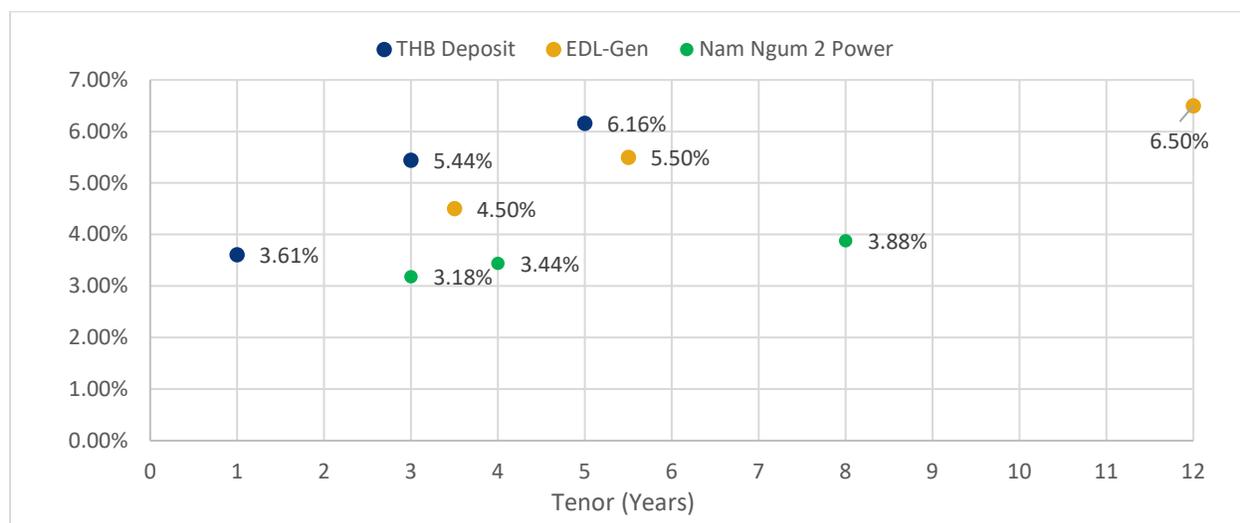
In 2015, BOL implemented an interest rate cap on deposits. The deposit interest rate would be determined as the inflation rate of the previous year plus 2%. The local currency lending rate would technically be capped as there should be a 4% weighted interest rate spread between loans and deposits.³¹ Based on this regulation, it is inferred that if issued, credit spread of a corporate bond would be no more than 4% in general. However, 4% is the maximum spread allowed between the weighted average loan rate and the weighted average deposit rate. The individual loan rate can be very volatile depending on the borrowers and the conditions. For instance, BCEL

³¹ For foreign currencies, the interest rate spread between lending and borrowing was capped at 3%.

reported that their interest rates for commercial loans in 2019 range from 6% to 16% for loans denominated in LAK.

While there has been no LAK corporate bond issued in Lao PDR, three Lao corporate entities – EDL-Gen, Nam Ngum 2 Power, and LVMC holdings, have issued bonds outside of Lao PDR and in foreign currencies. Among them, EDL-Gen and Nam Ngum 2 Power issued bonds in 2019, all of which were issued in Thailand and denominated in THB.

Figure 3.1: THB Deposit Rates and Coupon Rates of EDL-Gen and Nam Ngum 2 Power THB Bonds, 2019



THB = Thailand baht; EDL-Gen = EDL Generation Public Company

Source: BOL for THB deposit rates; Bloomberg for coupon rates of bonds issued by EDL-Gen and Nam Ngum 2 Power.

It can be understood how competitive these THB coupon rates are when they are compared with THB deposit rates in Lao PDR. As shown in Figure 3.1, the 3-year THB bond issued by Nam Ngum 2 Power is 3.18%, while the 3.5-year THB bond issued by EDL-Gen is 4.5%. These are much lower than the 5.44% 3-year THB deposit rate in Lao PDR. It can also be seen that deposit rate curve lies higher than the EDL-Gen and Nam Ngum 2 Power curves. Under these circumstances, EDL-Gen and Nam Ngum 2 Power would not have any incentive to tap THB bond issuance in Lao PDR because Lao investors would not be keen to invest their THB bonds when the yields are lower than the THB deposit rate in Lao PDR.

It is not ideal for Lao corporate entities that do not have THB cash inflows to issue THB bonds because they are exposed to currency risk from THB funding. However, it is advantageous for companies like EDL-Gen and Nam Ngum 2 Power, both of which generate THB cash inflows, to issue THB bonds in Thailand due to the pricing advantage. Having said that, the privilege to tap the Thai bond market is expected to be given only to a limited number of Lao corporate entities like EDL-Gen and Nam Ngum 2 Power, which have business relationships in Thailand and have investment grade ratings from TRIS Rating.

4. Myanmar

4.1. Corporate Bond Regulations in Myanmar

According to the Myanmar Bond Market Guide 2018 published by the Asian Development Bank (ADB), three key points on the regulatory frameworks for corporate bond issuance in Myanmar are described in the following summary.

1. The legal framework and regulatory processes for all securities issuance are in place, which encompasses debt securities.
2. A specific regulatory framework for corporate bond issuance is absent.
3. The issuance of securities in Myanmar is only possible through a public offering. Provisions for private placements are not yet contained in key legislation or applicable rules and regulations.

These key points are still valid, though there are efforts from capital market regulators to update the existing regulations.

Aside from these points from ADB's Myanmar Bond Market Guide, additional information about corporate bond regulations includes the following aspects.

- Under the Myanmar Companies Law, it is clear that private companies cannot issue publicly offered securities.³² It is unclear, however, if private companies can issue private securities.
- As an update to the development in the regulations related to corporate bonds, a recent regulation was passed by the Securities and Exchange Commission of Myanmar (SECM) that introduced the concept of qualified investors – Notification No. 1/2020 or the SECM Notification on Provisions of Offering of Securities Not Required to Submit Prospectus. Although this is not an explicit basis for bond issuance under private placement, the SECM notification seems to provide some basis for private placement of corporate bonds.

At present, the Securities Exchange Law (2013) and the Securities and Exchange Rules (2015) serve as the starting point for potential corporate bond issuances. In addition to this, the SECM also passed the Notification on Public Offers. Despite these laws and regulations that were passed, there is no specific regulation for corporate bond issuances in Myanmar unlike the corporate bond markets of Cambodia and Lao PDR. This indicates that Myanmar is on a very nascent developmental stage of its corporate bond market.

In the case of banks and other financial institutions, while the regulatory process for all securities issuance may be provided as a reference point of corporate bond issuance, it is still unclear if the Central Bank of Myanmar (CBM) would approve the issuance of bonds and notes by banks and non-bank financial institutions (NBFIs) under its governance. This is apparent from the lack of a corporate bond issuance framework. It is therefore inferred that in general, companies may think that bond issuances are not yet possible in Myanmar even if they are not under CBM's governance.

³² A reference on Myanmar Company Law can be found in the website of the Directorate of Investment and Company Administration (DICA) of the Ministry of Investment and Foreign Economic Relations (MIFER): https://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/final_mcl_english_version_6_dec_president_signed_version_cl.pdf. Under definitions in this law, a private company "must not issue any invitation to the public to subscribe for the shares, debentures, or other securities of the company."

4.2. Outstanding Corporate Bonds Issued by a Myanmar Company

As of the time of writing, Myanmar has no outstanding local currency corporate bonds (i.e., issuance made by a Myanmar company and denominated in Myanmar kyat). Critical factors that hinder the issuance of corporate bonds in the country include the lack of corporate bond issuance regulations and guidelines, limited investor base, and lack of pricing guidelines. In addition, despite being the country where infrastructure projects are strongly promoted, the bond issuances by individual companies are not urgently required in Myanmar as the projects are mainly financed by external lenders such as multilaterals and policy banks from developed countries.³³

If there will be any issuance of corporate bonds in the country, this will be limited to Myanmar kyat (MMK).³⁴ The Myanmar government promotes the local currency as the functional currency in the country. However, many daily transactions, including financial services, are still linked to the USD.

Based on data available, there is only one bond issued by a Myanmar company. This is the THB bond guaranteed by CGIF and issued by Yoma Strategic Holdings (Yoma) in Thailand's bond market in January 2019. Details of this bond is described in Table 4.1.

Table 4.1: Outstanding Corporate Bond Issued by Yoma Strategic Holdings

Issuer Name	Issuance Currency	Issued Amount (million)	Tenor	Guarantor	Issue Rating
Yoma Strategic Holdings	THB	2,200	5	CGIF	AAA (TRIS)

CGIF = Credit Guarantee and Investment Facility; THB = Thailand baht
Source: Bloomberg.

As Myanmar's local market is not yet ready for corporate bonds, potential issuers in the country may consider offshore corporate bond markets for additional financing. However, the biggest issue that hinders cross-border corporate bonds of Myanmar companies is the sovereign credit rating of the country. RAM Ratings (Malaysia) provided a rating of B2 on a global scale to Myanmar. Aside from RAM Ratings, there are no other credit rating agencies that provided sovereign ratings to the country. This low or unrated sovereign rating limits the issuances of Myanmar companies in foreign markets because they are also unrated, or at best capped at the sovereign rating. This is already too low for foreign investors to consider investing. In this case, it is inferred that the guarantee from CGIF was the critical factor for the successful issuance of Yoma's bond in Thailand.

Since the local market is still in its nascent stages, other Myanmar companies may consider regional offshore market for bond issuance.³⁵ If this happens, Myanmar companies will need reputable guarantors when they issue bonds in foreign markets, just like in the case of Yoma. Unless they happen to be already well-known in a particular country.

However, Myanmar issuers will be exposed to currency risk if they issue bonds denominated in non-MMK in a foreign corporate bond market. This is because there are no MMK forwards or cross-currency swaps that can hedge the currency risk from non-MMK funding. For instance, assume that a Myanmar company taps bond issuance in one of the developed corporate bond markets in ASEAN such as Singapore, Thailand or Malaysia. As illustrated in

³³ Thomson Reuters. 2018. Practical Law. *Project Finance in Myanmar: overview*. 1 April. Myanmar. [https://content.next.westlaw.com/Document/1de4ee878ac8111e698dc8b09b4f043e0/View/FullText.html?contextData=\(sc.Default\)&transitionType=Default&firstPage=true](https://content.next.westlaw.com/Document/1de4ee878ac8111e698dc8b09b4f043e0/View/FullText.html?contextData=(sc.Default)&transitionType=Default&firstPage=true)

³⁴ ADB. 2018. *ASEAN+3 Bond Market Guide 2018: Myanmar*. <https://www.adb.org/publications/asean3-bond-market-guide-2018-myanmar>

³⁵ Similar to Yoma, other companies may consider Thailand for bond issuance.

Table 4.2, THB or Malaysian ringgit (MYR) funding causes more currency risk than USD funding to Myanmar companies as denoted by the volatilities. Singapore dollar (SGD) funding appears to be most advantageous in terms of currency risk from the perspective of Myanmar companies even if the effect is not substantial. Correlation results presented in Table 4.3 are also in line with volatility results in which MMK is the most positively correlated with SGD, followed by MYR and THB.

Table 4.2: Volatility of USD/MMK, SGD/MMK, THB/MMK, and MYR/MMK

	USD/MMK	SGD/MMK	THB/MMK	MYR/MMK
Volatility	6.68%	6.47%	7.78%	7.63%

MMK = Myanmar kyat; MYR = Malaysian ringgit; SGD = Singapore dollar; THB = Thailand baht; USD = United States dollar
 Note: Volatility was calculated based on the monthly return for 5 years (from November 2015 to October 2020), then annualized.
 Source: Bloomberg; Author's calculations.

Table 4.3: Correlation of MMK Against SGD, THB, and MYR

	MMK	SGD	THB	MYR
Correlation		38.96%	22.00%	36.87%

MMK = Myanmar kyat; MYR = Malaysian ringgit; SGD = Singapore dollar; THB = Thailand baht; USD = United States dollar
 Note: Correlation was calculated by the monthly returns of MMK against those of each currency for 5 years (from November 2015 to October 2020).
 Source: Bloomberg; Author's calculations.

4.3. Investors

As there is no corporate bond in Myanmar, there is no corporate bond investor. Under this circumstance, government bond investors are expected to be the potential investors of corporate bonds once these are issued. At present, Myanmar only has two big investor groups for government bonds – banks and insurance companies. While there are government pension funds, such as social security fund, they are too small to be counted as a significant investor group. Retail investors also invest in government bonds although their volumes are very marginal. It is known that they do not buy government bonds at the primary market. Retail investors buy government bonds from institutional investors at the secondary market.

Table 4.4: Summary of Investment Appetite for Government Bonds Among Select Investor Groups in Myanmar

	Banks	Insurance Companies
Tenor	1–5 years	2–3 years
Currency	MMK	MMK

MMK = Myanmar kyat

Note: Retail investors and government pension funds are excluded due to their small participation in the government bond market in Myanmar.

Source: Interviews with market players.

Between these two investor groups, the differences in investments in government bonds lie in the tenor. Out of the 5 years' maturities provided by government bonds, banks are investing in all the provided maturities, whereas insurance companies are investing mainly in 2 to 3 years' maturities. There are no preferences in terms of the yield that they may possibly get.

Banks

The banking sector of Myanmar is still developing. As an overview, the banking sector of Myanmar is composed of five groups: state-owned banks (4 banks), private banks (27 banks), foreign banks (13 banks), finance companies (29 banks), and mobile finance institutions (5 banks).³⁶ Based on these numbers, private banks can be considered the most active group in extending loans in the country.³⁷ The state-owned banks are primarily doing commercial banking services.³⁸

For the state-owned banks, Myanmar Economic Bank (MEB) is the largest in the country. Though considered to be the biggest, MEB functions as one of the main investors of government bonds. MEB also functions as the financier of state economic enterprises, including another state-owned bank, Myanmar Agricultural Development Bank. Two banks – the Myanmar Investment and Commercial Bank and Myanmar Foreign Trade Bank – previously controlled the foreign exchange transactions in Myanmar.

One limitation in Myanmar's banking sector is the difference in the scope of banking services for foreign banks and local banks. Foreign banks are not allowed to provide interests on local currency deposits, while local banks are not allowed to provide interests on foreign currency deposits. These restrictions on both banks limit the possible clientele of each bank based on their ownership. Companies holding more local currencies would be more inclined to deposit money in local banks. Meanwhile, companies holding more foreign currencies would be inclined to deposit money in foreign banks.

As mentioned earlier, banks are the major investor of government bonds in Myanmar. One reason for this is that government bonds can be used for repurchase agreement (repo) transactions with the CBM. Banks lend the proceeds funded by repo transactions to earn extra yield. In addition, government bonds can be used for capital requirements of banks. Local banks would invest in all tenors of government bonds, while foreign banks would invest in the shorter-end, 2-year and 3-year tenors.

It is uncertain if banks would be open to investments in corporate bonds. One reason for this is that corporate bonds cannot be used for repo transactions. Banks use government bonds so that they can earn extra return from the proceeds funded by repo transactions. As a result, from the banks' perspective, total yields from government bond investments include the yield of the bond itself and the extra yield (which is the difference between lending rate and funding cost from repo transactions). Unless corporate bonds provide more yield than the total yield from government bonds, banks would not be interested in investing in corporate bonds.

Insurance Companies

Insurance companies are under the supervision of the Ministry of Planning and Finance (MOPF) and the Insurance Business Regulatory Board (IBRB). Previously, insurance products and services were offered under Myanmar Insurance. In 2013, the MOPF started to liberalize the market. This initiative opened the industry to 11 local players. Recently, Myanmar welcomed the entrance of foreign players in their insurance market, which is part of the insurance market liberalization. For instance, in 2019, the IBRB granted insurance business licenses to 100%-foreign owned insurers such as AIA, Prudential, Manulife, Dai-ichi Life, and Chubb. Foreign insurance companies can also offer insurance services through their representative offices in the country or through joint ventures with

³⁶ Categories are taken from the total loan portfolio statistics in the Financial Stability Report of Myanmar, April to December 2018. Central Bank of Myanmar (CBM). 2018.

https://www.cbm.gov.mm/sites/default/files/2018_sep_fsr_to_cabinet_to_hlutaw_26-11-2019.pdf (accessed 23 June 2020).

³⁷ The illustration of total loan portfolio chart in the Financial Stability Report does not enumerate the breakdown per group. (Footnote 36)

³⁸ Schellhase, J. and Sun, L. 2017. *The Banking Sector in Myanmar: An Assessment of Recent Progress*. Milken Institute. <https://assets1c.milkeninstitute.org/assets/Publication/Viewpoint/PDF/083117-MyanmarBanking.pdf>

local companies.³⁹ Table 4.5 shows the list of insurance companies operating in Myanmar by based on the type of insurance.

Table 4.5: Insurance Companies in Myanmar

Life Insurance (11)	General Insurance (5)	Composite Insurance (7)
<ul style="list-style-type: none"> • Dai-ichi Life Insurance Myanmar • AIA Myanmar Life Insurance • Aung Myint Moh Min Insurance • AYA Myanmar Life Assurance • Capital Taiyo Life Insurance • CB Life Insurance • Chubb Life Insurance Myanmar • Grand Guardian Nippon Life Insurance • KBZ Life Insurance • Manulife Myanmar Life Insurance • Prudential Myanmar Life Insurance 	<ul style="list-style-type: none"> • AYA SOMPO Insurance • Grand Guardian Tokio Marine General Insurance • KBZ MS General Insurance • Mitsui Sumitomo Insurance • The New India Assurance Company 	<ul style="list-style-type: none"> • Aung Thitsa Oo Insurance • Excellent Fortune Insurance • First National Insurance • Good World Insurance • Myanma Insurance • Pillar of Truth Insurance • Young Insurance Global

Source: Asia Insurance Review.

Insurance policies are sold in MMK. While long term products like endowment are sold, health products that are renewed annually are more popular. Due to the nascent stage of the insurance industry in Myanmar, the policies sold in Myanmar are generally simple in terms of structure, and still small in terms of volume. As the local populace increases their awareness for insurance products, then more insurance policies are expected to be sold.

Insurance companies invest in government bonds and time deposits, both of which are denominated in MMK, to match the currency of the policies sold. As mentioned earlier, insurance companies should invest 30% of their paid capital in Myanmar’s government bonds and bills. This is indicated in the Myanmar Insurance Business Rules (1997), Notification 116/97, of the Ministry of Finance and Revenue.⁴⁰ Insurance companies invest in government bonds with 2 to 3 years’ maturities, and deposits with mostly 1 to 2 years. For time deposits, while the longest maturity available in Myanmar can be up to 5 years, the deposits with longer than 2 years are no longer common in the market.⁴¹ Insurance companies in Myanmar are not keen to invest in long term (i.e., longer than 3 years) financial instruments not only because long-term MMK bonds or deposits are not available in the market, but also because the insurance industry of Myanmar is too nascent for liability-driven investment to be established.

While it is too early to predict, insurers are considered the strongest candidate for the corporate bonds if issued. Unlike banks that use government bonds for repo transactions to generate additional yields, insurers cannot use government bonds for the same transactions. As a result, it is possible that insurers may have lower target yields required for their corporate bond investment than banks. However, given the nascency of the insurance industry

³⁹ Tilleke & Gibbins. 2018. *Insurance and Reinsurance in Myanmar: Overview*.

<https://www.tilleke.com/sites/default/files/Insurance%20and%20reinsurance%20in%20Myanmar%20overview.pdf>

⁴⁰ Ministry of Finance and Revenue. Government of Union of Myanmar. *Myanmar Insurance Business Rules. Notification 116/97 of the Ministry of Finance and Revenue*. Chapter IV. English Translation.

<https://myanmar.gov.mm/documents/20143/9099741/ins+business+rules-eng.pdf/ceac1f9e-8eb5-9842-960b-4c68afa5fc8a?t=1539148886820>

⁴¹ Information gained from market interviews

in Myanmar, it is hard to predict the level of participation among insurance companies in the corporate bond market of the country in the near term.

Other Investors

At present, there are no asset management companies in Myanmar. Securities companies, meanwhile, are present in Myanmar. In 2016, the SECM allowed securities companies to purchase treasury bonds from the Myanmar government with up to 10% of their paid-in capital (or equivalent to MMK1.5 billion).⁴² Nevertheless, securities companies are still a relatively smaller investor group compared to banks and insurance companies. As an example, the total amount that a securities company can invest in a treasury bond is just 0.2% of the government bond issue in 20 August 2020, which is MMK765.3 billion. (See Table 4.9 for details.) Retail investors can purchase government bonds through securities companies. However, the participation of retail investors is also not yet significant, as noted by some market experts.

Other potential investors are not yet ready to become significant investors in the entire bond market of Myanmar. For instance, the Social Security Law of Myanmar was passed in 2012, and the Social Security Rules (Notification No. 41/2014 of the Ministry of Labor, Employment and Social Security of Myanmar), which establishes the creation of the social security fund, were just passed in 2014. Given that social security is relatively new in the country, the social security fund may not have accumulated enough funds to be a significant investor in the country's bond market.

4.4. Potential Issuers in Myanmar

As discussed earlier, existing corporate bonds in Cambodia are all publicly offered and listed in Cambodia Securities Exchange (CSX) as corporate bonds are incentivized to be listed in Cambodia. While there is no corporate bond in Lao PDR yet, it is expected that corporate bonds will be publicly offered and listed, and not by private placement. This is because withholding tax exemption is given to bonds that become listed. For Myanmar, it is still uncertain how bonds would be issued due to the lack of clarity in existing regulations.

Myanmar opened the Yangon Stock Exchange (YSX) in December 2015. Still considered as a young stock exchange, YSX has six listed companies. In 30 December 2019, the market capitalization of YSX reached MMK627.45 billion (or an equivalent of approximately USD486 million). In October 2020, market capitalization of YSX increased to MMK650.59 billion (or an equivalent of approximately USD504 million). Based on data as of 19 October 2020, the leading listed company in YSX is First Myanmar Investment Public Co. Ltd. (FMI), taking 41.67% of the total market capitalization of YSX.⁴³ The listed companies are considered candidates of bond issuers as they already have the experiences of corporate governance and transparency required to finance issuances in the capital market.

Table 4.6: Listed Companies in Myanmar, 2020

Company Name	Market Capitalization (MMK millions)	Share to total market capitalization	Industry
First Myanmar Investment Public Co., Ltd. (FMI)	271,127	41.67%	Diversified
Myanmar Thilawa SEZ Holdings Public Ltd. (MTSH)	144,038	22.14%	Real Estate

⁴² Securities and Exchange Commission of Myanmar (SECM). 2016. *Instruction No. 9/2016. Allow Securities Companies to purchase the Government Treasury Bonds for 10% of paid up Capital.* <https://secm.gov.mm/wp-content/uploads/2016/11/Instr-9-E.1.pdf>

⁴³ FMI is a related company to Yoma Strategic Holdings.

Myanmar Citizens Bank Ltd. (MCB)	83,208	12.79%	Bank
First Private Bank Ltd. (FPB)	54,385	8.36%	Bank
TMH Telecom Public Co., Ltd. (TMH)	35,905	5.52%	Telecommunications
Ever Flow River Group Public Co., Ltd. (EFR)	61,929	9.52%	Logistics
Total	650,592	100%	

MMK = Myanmar kyat

Note: Industry classification is based on descriptions found in their company profiles at YSX.

Source: Yangon Stock Exchange (YSX).

4.5. Pricing

This section discusses the potential pricing benchmarks for corporate bonds in Myanmar. As there are no corporate bonds issued in the local market yet, it is impossible to know the yield or spread of a corporate bond as of this writing, based on the credit quality of the issuer and tenor of the bond. However, it is reasonably expected that the corporate bond yield will be between the maximum rate that issuers accept to pay and the minimum rate in which investors consider investing.

The maximum rate issuers will accept is the rate applied when they borrow funds from banks. CBM sets the highest lending rate that banks can charge.⁴⁴ In October 2020, the maximum secured lending interest rate is 10%, while it is 14.5% for unsecured lending.⁴⁵ During the interview with a market expert, it was mentioned that companies would be interested in issuing bonds if the funding costs from bond issuances are not higher than the secured lending rate.

Table 4.7: Loan Rates in Myanmar

Lending Rate	December 2017	December 2018	December 2019	October 2020
Working capital loans (secured)	13%	13%	13%	10%
Working capital loans (unsecured)	-	-	16%	14.5%
Private sector (agriculture, farmers)	8%	8%	8%	7%
Private sector (personal loans)	30%	30%	28%	28%

Source: Central Bank of Myanmar (CBM).

On the other hand, the minimum rate that investors consider investing is the yield of the government bond. Investors will not invest in corporate bonds if they do not provide more yields than those from government bonds

⁴⁴ Market participants noted that in practice, the lending rate is fixed at the highest possible rate for all borrowers, regardless of their credit quality.

⁴⁵ The Central Bank of Myanmar publishes the deposit interest rates in its website, "Interest Rates".

<https://www.cbm.gov.mm/content/3912>. In addition, an unofficial English translation of the CBM Directive No. 8/2020 can be found in this link: <https://www.lincolnmyanmar.com/wp-content/uploads/2020/04/CBM-8-2020-.pdf>. Additional information on the explanation on banks' lending rates are found in DFDL's website: <https://www.dfdl.com/resources/legal-and-tax-updates/myanmar-legal-alert-amendment-of-central-bank-of-myanmar-lending-rates/>. The interest rate of 10% for secured lending and 14.5% for unsecured lending is the total rate, which includes fixed lending rate for loans added to other collectible charges.

or deposits, whichever is higher. Table 4.8 includes information on government bond rates and deposit rates sourced from CBM. CBM sets the minimum or maximum interest rates of banks for their deposits and loan products from time to time through its directives. Across the different tenors, deposit rates in Myanmar were unchanged from 2017 to 2019. The deposit rates dropped in 2020.

Table 4.8: Deposit Rates and Government Bond Coupon Rates in Myanmar

Instrument	Tenor	Rate as of Dec 2017	Rate as of Dec 2018	Rate as of Dec 2019	Rate as of Oct 2020
Deposit	3 months	8%	8%	8%	5%
	6 months	8%	8%	8%	5%
	9 months	8%	8%	8%	5%
	Savings bank: basic rate	10%	10%	10%	5%
	Savings certificate (12Y)	9%	9%	9%	5%
Government Bond	2 years	8.8%	8.8%	8.8%	8.8%
	3 years	9.0%	9.0%	9.0%	9.0%
	5 years	9.5%	9.5%	9.5%	9.5%

Y = year

Source: CBM.

While government bond rates are the same as those of previous years, these may not be updated with the recent government bond rates (as of October 2020, released from CBM's statistics). Based on information in Table 4.9, the Myanmar government issued bonds with coupons from 9.5% to 9.75% in January 2020 before the pandemic outbreak started. However, the government reduced the coupon rates of the bonds issued in May and August 2020, after the pandemic outbreak, to be in line with the reduction of lending and deposit rates by the central bank. Hence, it is more reasonable to assume that the minimum rate investors consider when investing in corporate bonds is 7.5% as of October 2020. As a result, corporate bond yield will be in the range of 7.5% and 10% if corporate bonds are issued at present.

Table 4.9: MMK-Denominated Government Bonds Issued, 2020

Issue Date	Maturity	Coupon Rate (%)	Amount Issued (MMK million)	Amount Issued (USD million)
23 Jan 2020	15 Feb 2022	9.5	261,900	198
23 Jan 2020	15 May 2025	9.75	492,670	372
21 May 2020	15 Aug 2022	7.25	791,010	597
21 May 2020	15 Nov 2025	7.5	641,480	484
20 Aug 2020	15 Feb 2023	7.25	315,500	238
20 Aug 2020	15 Aug 2025	7.5	765,300	577

MMK = Myanmar kyat; USD = United States dollar

Source: Bloomberg.

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