



# Asian Bond Market Forum

## Supporting Growth In Asia's Local Currency Debt Markets

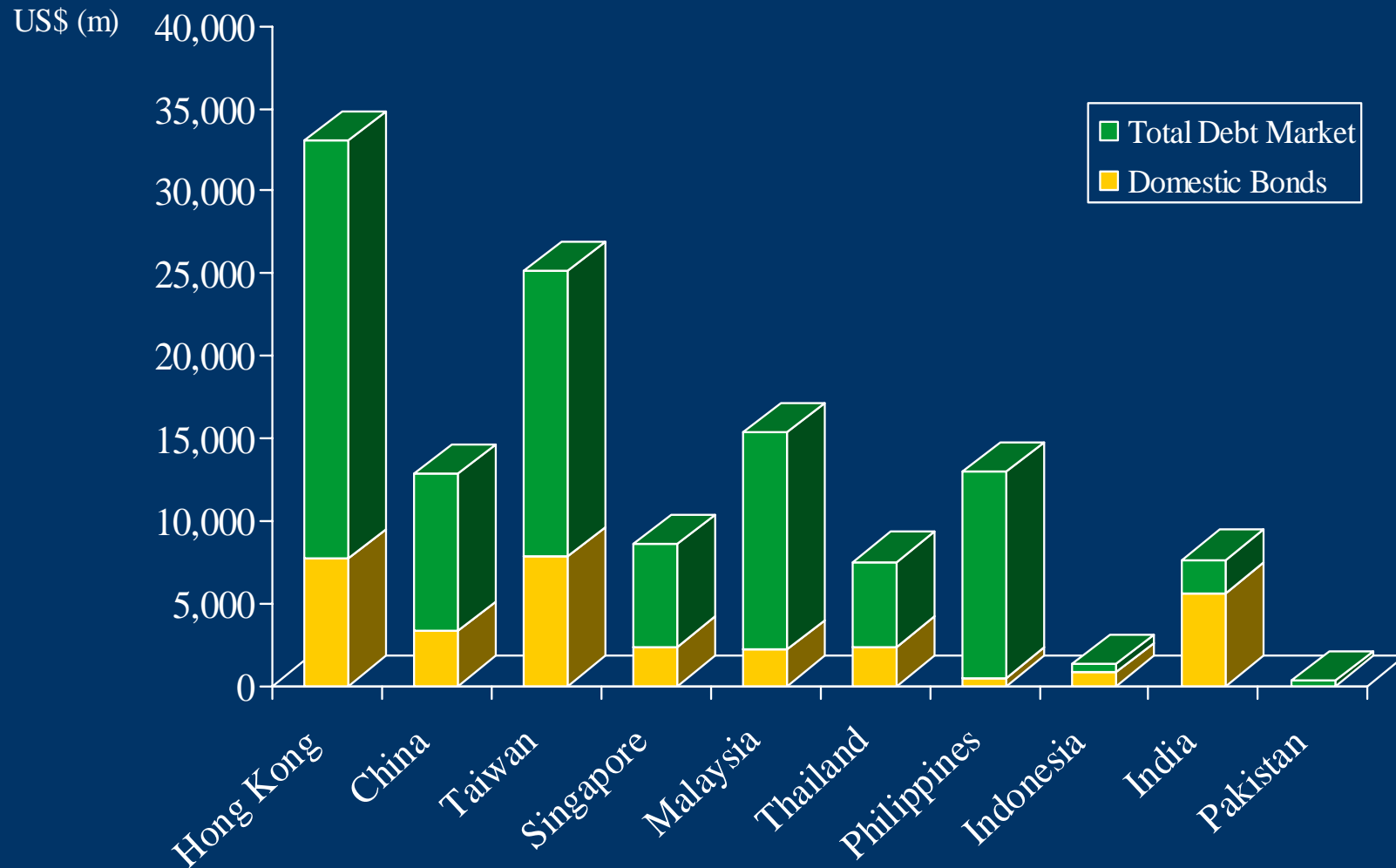
*Cecile B. Saavedra  
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*November 13, 2003*



# Asian Debt Market Activity - 2002

## Aggregate of Cross-Border Bond, Domestic Bond and Loan Market



Source Thomson Financial



## Goals of Region's Fixed Income Markets

- Provide local issuers with alternative means of finance
- Provide local investors with new investment opportunities
- Attract foreign issuers
- Attract foreign investors
- Be an integral part of the global financial markets

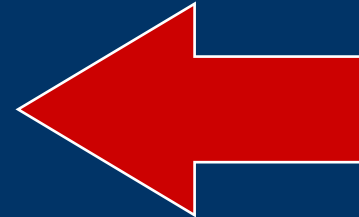
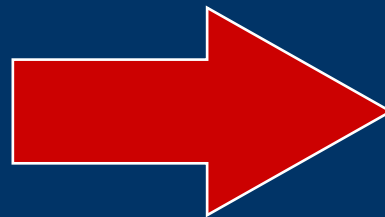


# Disintermediated (Capital) Market

**SOURCE OF FUNDS**

**USE OF FUNDS**

**Investors**



**Borrowers**

- *Market provides liquidity*
- *Investors assume credit risk*
- *Credit rating service provides measure of credit risk*



# Issues

1. Transparency and disclosure
2. Protection of creditor rights
3. Global scale vs National scale
4. Credit Rating Board



# Global Vs. National Rating Scales

## Global Scale

- Include relevant sovereign and country risk considerations
- Creditworthiness based on a global comparative analysis
- Both foreign and local currency credit opinions

## National Scale

- Exclude direct sovereign risks of other country risk factors that affect all local obligators
- Relative credit standing within a given country
- Local currency credit opinions



# National Rating Scales

- Limited track record
- Differences in implicit default risk
- “Investment grade status” mistakenly conferred on the symbology
- Credibility outside of home market



# Credit Rating Board

## *Aimed at*

- Harmonizing standards and criteria
- Calibrating rating scales

## *But need to consider*

- Ratings compression
- Impacts independence and objectivity
- Affects competitive dynamics
- How do you police and monitor?





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