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## E-Bond Trading Platform to create wider investor base and liquidity in the government securities: Salim Raza

Syed Salim Raza, Governor State Bank of Pakistan has said that Electronic Bond Trading Platform will enhance investor's base of the sovereign debt market as it will attract investors from the non-banking sector as well resulting in higher liquidity in the government securities.

Speaking at the launching ceremony of Electronic Bond Trading Platform at State Bank, Karachi today, Mr. Raza said that the Platform will help investors to easily access marketable securities including Market Treasury Bills, Pakistan Investment Bonds, Ijara Sukuks, diversification of investment portfolios, ensure expected better returns based on the risk adjusted return basis and achieve liquidity through the system.

SBP Governor said that the Platform was selected by a Committee of members from commercial banks and SBP, and is expected to foster a brisk environment for the development of secondary market activities.

Mr. Raza said that this Platform will serve as a central database for all fixed income activities in the country resulting in improved price discovery and liquidity in the securities. The availability of real-time information about yields and turnover will be beneficial for all investors & corporate issuers, facilitating them to benchmark on their upcoming corporate bonds or funding requirements and reduction in cost of borrowing due to reduced liquidity premiums and wider investor base, he added.

'The introduction of this Platform is not expected to provide a boost to fixed income markets overnight, but it would definitely pave the way forward for the development of non-bank debt markets and non-bank savings and investment instruments – an essential need if we are to deepen and diversify our financial markets,' he said and added that for market participants, it will provide opportunities to create and underwrite corporate debt; proprietorial interest rate trading and positioning besides, providing advisory services for hedging market interest rate risk.

He said that Electronic Bond Trading Platform will also provide international investors an additional window to access the country's financial markets thereby bringing it on the radar of international financial markets.

Mr. Raza said: "the fact that this Platform is tried and tested in global financial markets in the world is an added advantage as it will provide international investors with an additional window to access Pakistan's financial markets and it will help put Pakistan on the trading map for globally distributed portfolios

SBP Governor opined that since sovereign yield curve serves as the benchmark for all other borrowing in a country, the focus in the initial phases will be on the development of sovereign paper market. The most active participants in this market are the Primary Dealers (PDs) in government securities, therefore, it has been made mandatory for them to use this Platform for market making in the sovereign paper, he added.

“We have had planned discussions with non-PD banks, Asset Management Companies (AMCs), Insurance Companies and Employee Funds to be part of the system, and expect they will play a regular market role, going forward,” he said and added that initially this system will capture government securities (MTBs, PIBs and Sukuks). Going forward this platform would be used to conduct Primary Auctions, OMOs and other instruments and work is also in progress to link this platform to SBP’s Real Time Gross Settlement (RTGS) payment system to create a straight-through processing environment.

Executive Director, Mr Asad Qureshi, Director, Financial Markets Strategy and Conduct Department, Mr Ali Sultan and Director, Domestic Markets & Monetary Management Department, Muhammad Ali Malik of State Bank of Pakistan also spoke on the occasion.

It may be mentioned here that the primary reason for introducing an Electronic Trading Platform in the fixed income market is to enhance efficiency. Presently, there is lack of real-time information source for fixed income instruments in the country of the price and volume trends in the OTC market. The platform that has been launched by SBP is not just a trading platform; it will also serve as a central database for all fixed income activity in the country resulting in much improved pre-trade price discovery. Any deals that take place on the system will be disseminated in real-time resulting in a representative sovereign yield curve which is the pre-requisite for the development of other debt market segments. Additionally, SBP would also source & disseminate information from this platform pertaining to Fixed Income Market activity vis-à-vis traded prices & volumes on its website at each end-of-day for wider investor awareness and facilitate in their investment decisions.

The launching ceremony was attended, among others, by heads and representatives of commercial banks besides senior officials of the State Bank.

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