



Regional Bond Market

Cecile B. Saavedra
Managing Director, Asia-Pacific
Credit Market Services

Sept 1, 2003





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

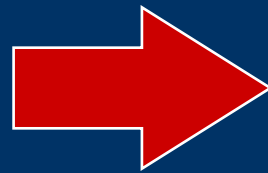


Intermediated (Bank) Market

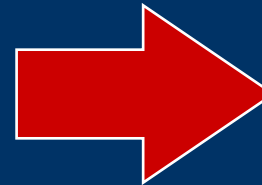
SOURCE OF FUNDS

USE OF FUNDS

Depositors



Bank



Borrowers

- *Bank provides liquidity*
- *Bank assumes credit risk*
- *Bank undertakes credit assessments*



Disintermediated (Capital) Market

SOURCE OF FUNDS

USE OF FUNDS

Investors



Borrowers

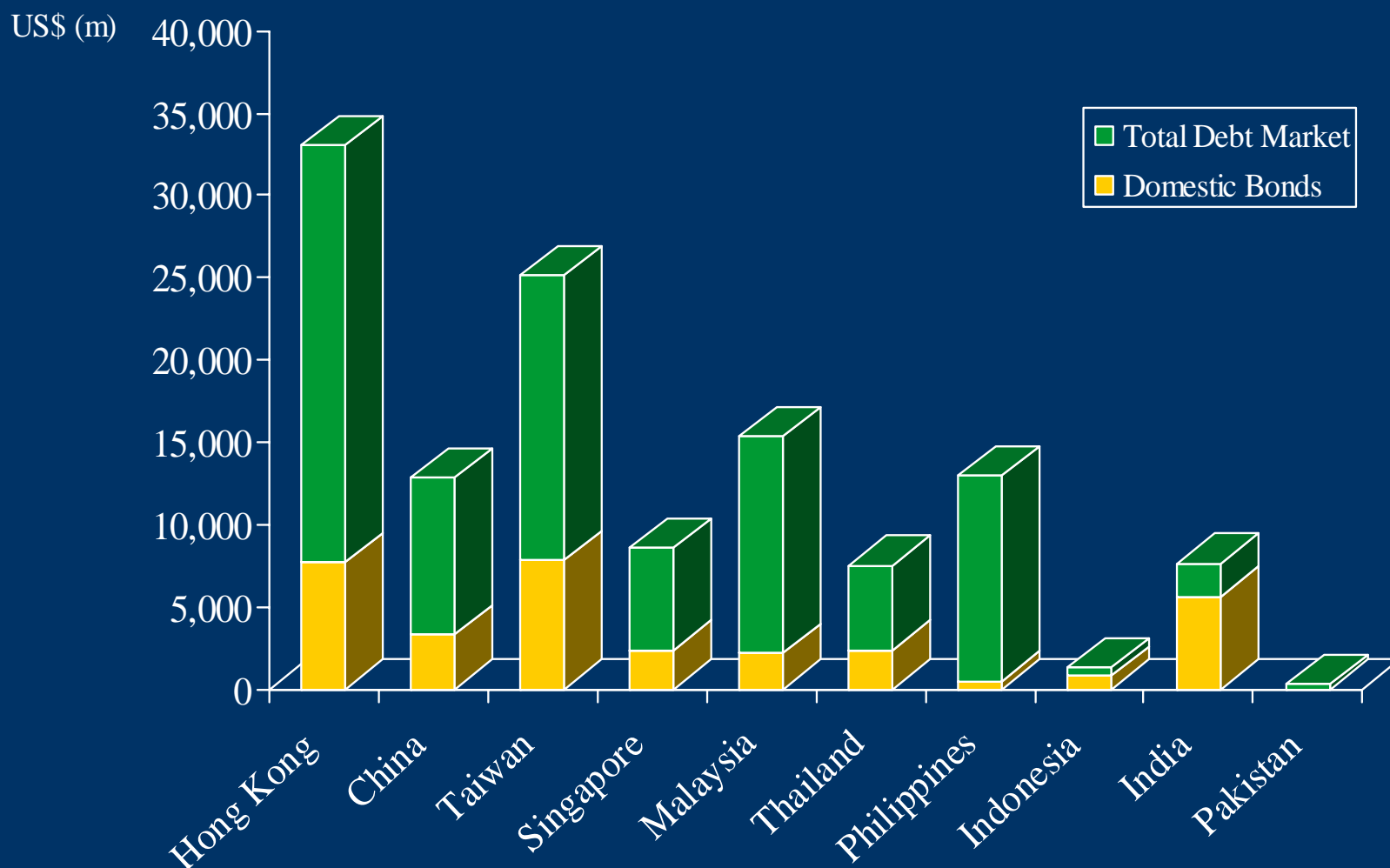
MARKET

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



Asian Debt Market Activity - 2002

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



Source Thomson Financial



Issues

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



Standard & Poor's Transparency and Disclosure Survey

Global survey of 1,600 companies

- Companies in Standard & Poor's Global 1200 Index
- 400 leading companies in S&P/IFCI Emerging Market Index
- Companies in the S&P Asia Pacific 100
- S&P 500 Index

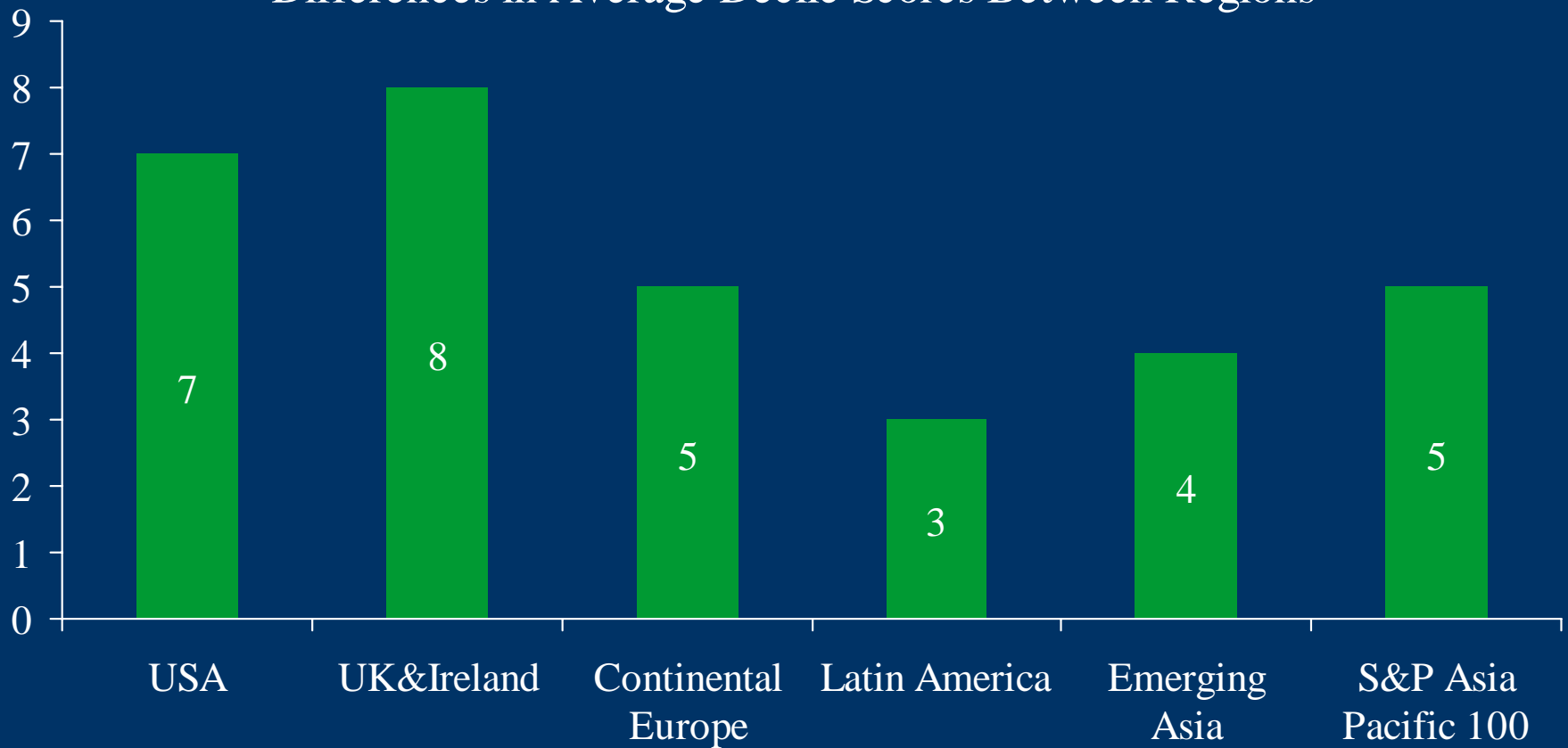
98 information items

- Ownership structure and investor rights (28 attributes)
- Financial transparency and information disclosure (35 attributes)
- Board and management structure and process (35 attributes)



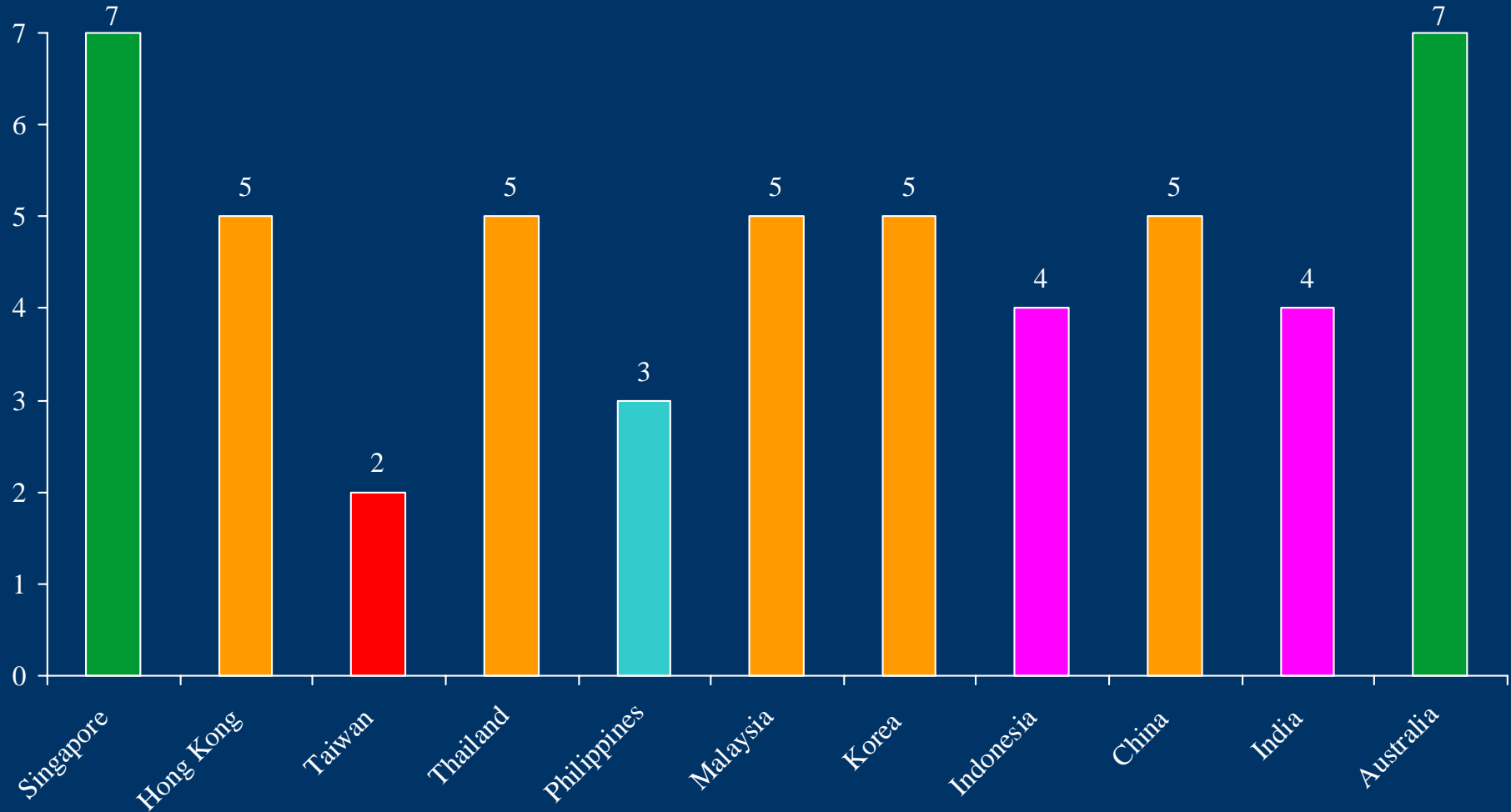
Annual Report Transparency & Disclosure Survey

Differences in Average Decile Scores Between Regions





Country Decile Rankings





Protection Of Creditor Rights

- Bankruptcy laws
- Implementation



World Bank Rule of Law Indicator

Singapore	98.2
Australia	93.5
UK	92.4
Japan	91.8
US	91.2
Germany	90.6
Hong Kong	89.4
France	87.1
S Korea	70.6
Poland	70.6
India	61.8
Argentina	61.2
S Africa	54.7
Turkey	51.8
China	51.2
Brazil	48.8
Mexico	41.2
Indonesia	17.1
Russia	17.1



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 options

National Scale

- Exclude direct sovereign risks of other country risk factors that affect all local obligators
- Relative creditstanding 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

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



Standard & Poor's Asia-Pacific Network – 2003



Standard & Poor's *

Hong Kong

Melbourne

Seoul

Singapore

Sydney

Tokyo

* *Staff - 320*

Affiliates

CRISIL (Mumbai)

PEFINDO (Jakarta)

PhilRatings (Manila)

TRC (Taipei)

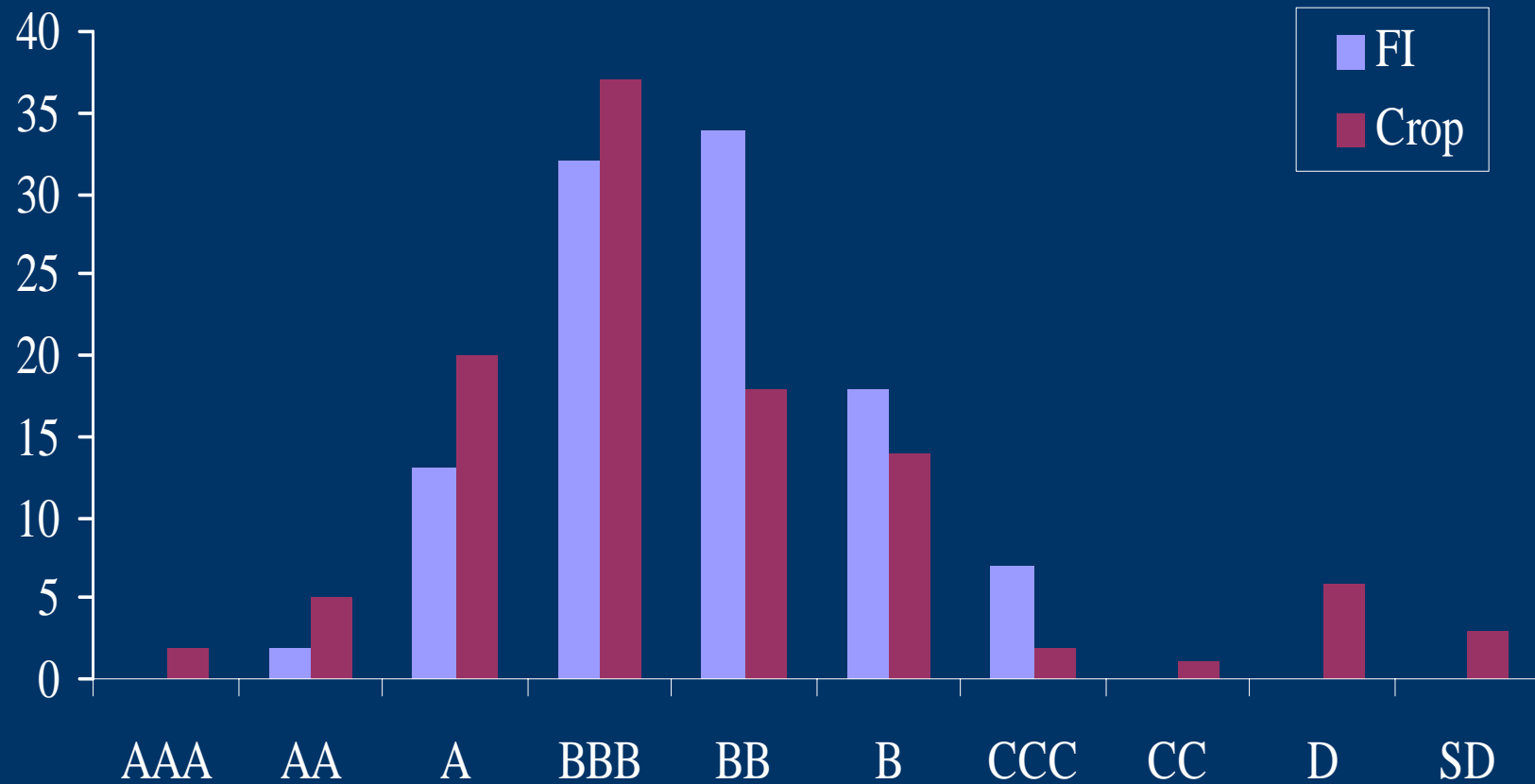


Sovereign Ratings

	<u>Foreign Currency Ratings</u>	<u>Local Currency Ratings</u>
Australia	AAA/Stable	AAA/Stable
Singapore	AAA/Stable	AAA/Stable
New Zealand	AA+/Stable	AAA/Stable
Taiwan	AA-/Stable	AA-/Stable
Japan	AA-/Negative	AA-/Negative
Hong Kong	A+/Stable	AA-/Negative
Korea	A-/Stable	A+/Stable
Malaysia	BBB+/Stable	A+/Stable
China	BBB/Positive	-
Thailand	BBB-/Positive	A-/Positive
Philippines	BB/Stable	BBB/Stable
India	BB/Negative	BB+/Negative
Vietnam	BB-/Stable	BB/Stable
Cook Islands	B+/Positive	B+/Positive
Pakistan	B/Stable	BB-/Stable
Mongolia	B/Stable	B/Stable
Papua New Guinea	B/Negative	BB-/Negative
Indonesia	B-/Stable	B/Stable

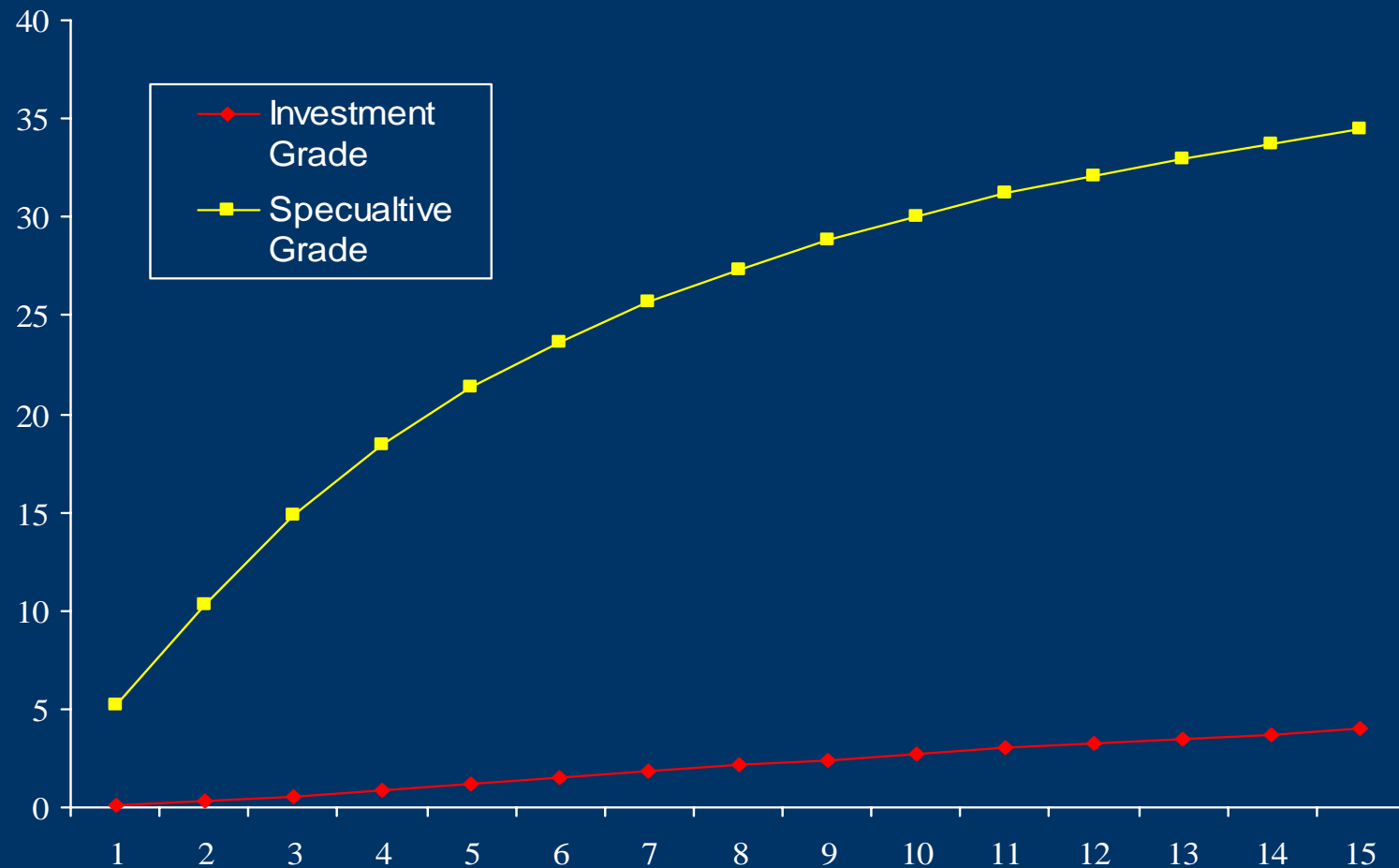


Ratings Distribution Corporate & Financial Institution as at 18 Aug 2003



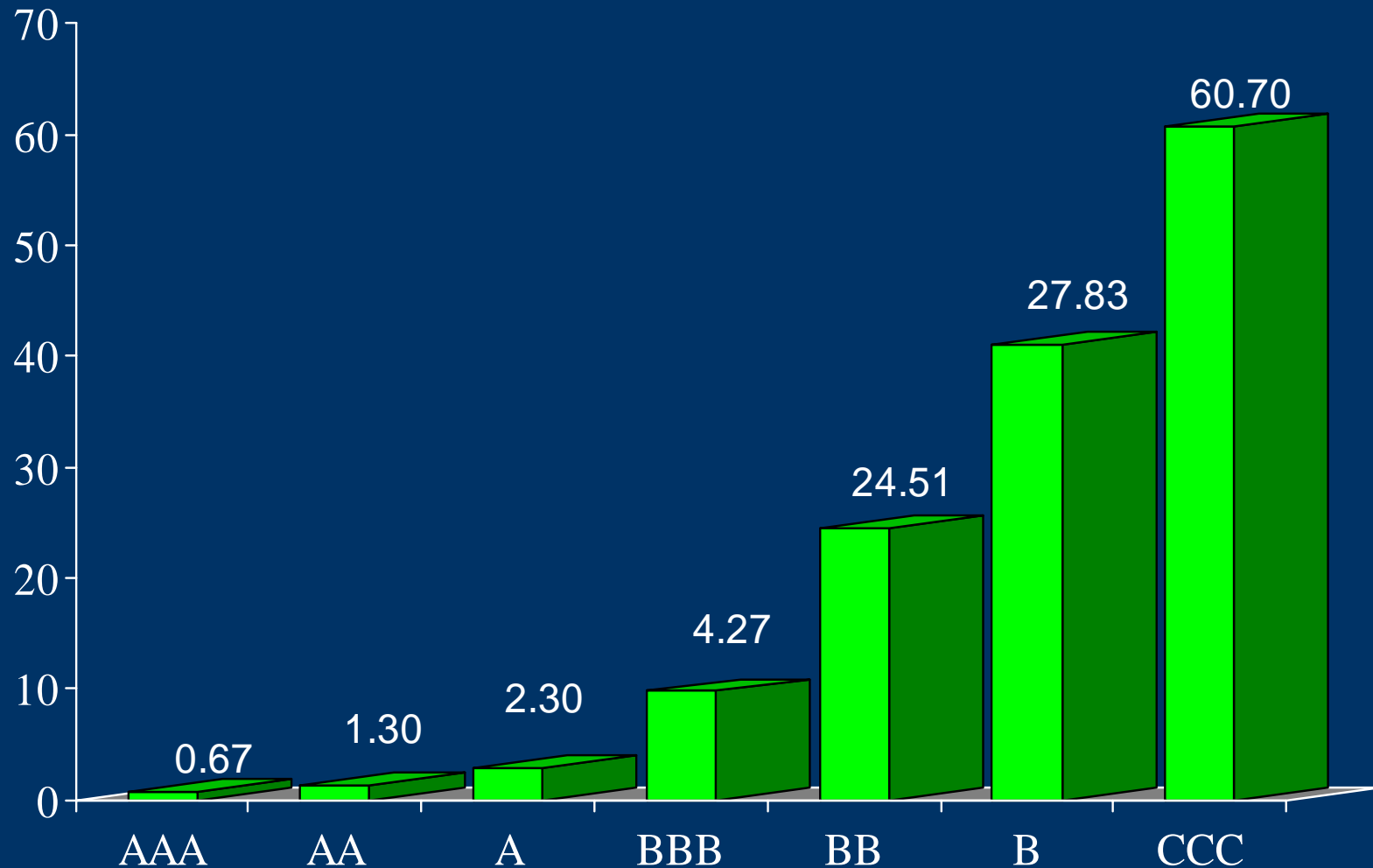


Average Cumulative 15-Year Default Rates (%)





Average Cumulative 15-Year Default Rates (%)



Source: Standard & Poor's



Regional Bond Market

Cecile B. Saavedra
Managing Director, Asia-Pacific
Credit Market Services

Sept 1, 2003

