

### **Primary Dealer System in Thailand**

Primary dealers are a group of financial institutions appointed by authorities as principal intermediaries in the government securities.

As part of the overall strategic plan to develop the domestic bond market, the Bank of Thailand introduced “a Primary Dealer System.”

The system was established with the objective to not only support the auction process in the primary market and to enhance liquidity in the secondary market, but to also facilitate open market operations. To meet these aims and due to the segmentation of players in the money market and bond market, the Bank of Thailand appointed 2 sets of PDs: (1). PDs for outright transactions and (2). PDs for bilateral repo transactions.

On 5 June 2000, nine financial institutions were appointed as PDs for outright transactions. As PDs, they are required to act as market makers and to provide daily two-way quotations for outstanding government bond issues. Furthermore, these PDs must frequently participate in the auction of government securities, maintain the percentage of government securities allotted in the primary market, while having exclusive rights to submit Non-Competitive Bids (NCB) on behalf of their customers, as well as act as advisors to the Ministry of Finance for the planning of government bond issuance and to the Bank of Thailand in developing the bond market.

On 1 October 2002, nine financial institutions were appointed PDs for bilateral repo transactions. This group of PDs will act as counterparties for bilateral repo transactions with the Bank of Thailand as well as intermediaries in the transmission of bilateral repo transactions to other market participants. Moreover, these PDs can facilitate money market development and improve the efficiency of monetary operations under the inflation-targeting framework as PDs are expected to be active players in the money market and bond market.