



BANK OF THAILAND NEWS

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The Bank of Thailand Bonds and Market Development

The Bank of Thailand (BOT) has continually issued the BOT bonds since February 2003 as one of the monetary instruments used to ensure money market liquidity is at the appropriate level and to foster the development of money market and debt securities market in Thailand.

The BOT bonds issued thus far comprise fixed-coupon bonds with maturities ranging up to two years and a three-year floating rate bond. In determining the type, issue size and maturity distribution of the bonds, the BOT not only takes into account the prevailing market conditions, but also plans the issuance schedule with an aim to facilitate market development.

In order to enhance liquidity of trading activities in the secondary bond market, the BOT has reduced the number of issues as well as lessened auction frequency to enlarge issue size, which help promoted overall liquidity in the debt securities secondary market.

Since January 2006, the BOT has gradually adjusted the issuance schedule as planned by reducing the number of issues for one-year bonds from four to two issues per month, and then to a current monthly auction. The number of issues of one-year bonds thus declined considerably from fifty to twelve issues per year. In addition, the BOT also scaled the auction frequency down to twice a month for the one-year bonds and once a month for the two-year bonds. Consequently, each bond's issue size has increased significantly to approximately 50-70 billion baht per issue.

Going forward, the BOT plans to lessen the auction frequency further. From the second quarter of 2007 onwards, the two-year bonds will be auctioned once every quarter instead of once a month, with the first such auction to be held on 15 May 2007. From September 2007 onwards, the one-year bonds will also be auctioned less frequently from twice a month to once a month.

Once the aforementioned plan has been completely carried out, it is expected that trading volume in the secondary bond market would increase. These together with the regular issuance and advanced issuance calendar, the number of issues, issue size and auction frequency of the BOT bonds will be quite appropriate for the market condition going forward, which will facilitate further development of the Thai financial market.

Bank of Thailand

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