

## **Thai bourse to trade interest rate futures in October**

Thailand Futures Exchange PCL (TFEX), a subsidiary of The Stock Exchange of Thailand, will start trading short-term interest rate futures and bond futures this October 18. These instruments will aid investors and businesses in managing risk due to interest rate movement. Offering this new product is in line with the Thai Capital Market Development Plan.

"TFEX will trade 6-month interest rate futures (THBFIX) futures and 5-year government bond futures. TFEX will test its futures trading system with its members in August," revealed TFEX Managing Director Kesara Manchusree.

THBFIX is an interest rate used by financial institution for making today's various transactions, and is calculated by Thomson Reuters. 6-month THBFIX futures' contract size is THB10million, and clearing will be in cash. 5-year government bond futures will have bonds with a remaining time to maturity of 4-6 years, and with an outstanding value of at least THB5,000 million as its underlying asset. TFEX will announce lists of bonds that will be used as the underlying assets before futures contracts start trading. As in most regional exchanges, clearing of 5-year government bond futures will be in cash, with no delivery of actual bonds.

In developing interest rate futures, TFEX closely coordinated with the Securities and Exchange Commission (SEC) and Bank of Thailand. The SEC is currently reviewing rules and regulations drafted by TFEX governing trading of these new instruments. In the meantime, TFEX will increase institutional investors' expertise in these products, e.g., banks, and asset management and insurance companies, which will gain most from these futures. Thai Bond Market Association and commercial banks which are primary dealers will give information about government bond that use for underlying asset interest rate movements.

"TFEX is confident that trading of interest rate futures will help develop the Thai capital market to have various products and increase alternatives risk management tools for investors. These new products will support the Thai bond market, which is now over THB6 trillion in size, to have sustained growth according to the government's policy," Ms. Kesara concluded.



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