A Concept Note on

Bond Market Development in Bangladesh:

Challenges and Recommendations

Bangladesh Bank

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Editorial Board

Table of the Content

List of Abbreviation

ADB	Asian Development Bank
ABS	Asset Backed Securities
ABMF	ASEAN+3 Bond Market Forum
AT1	Additional Tier 1
AT2	Additional Tier 2
BB	Bangladesh Bank
BDT	Bangladesh Taka
BEX	Bond Electronic Exchange
BGTBs	Bangladesh Government Treasury Bonds
BOK	Bank of Korea
Bn	Billion
BOT	Bank of Thailand
BPDB	Bangladesh Power Development Board
BSE	Bombay Stock Exchange
BSEC	Bangladesh Securities and Exchange Commission
CCP	Central Counter Party
CD	Certificates of Deposit
CDBL	Central Depository Bangladesh Limited
CDMC	Cash and Debt Management Committee
CDMTC	Cash and Debt Management Technical Committee
CP	Commercial Paper
Co	Company
CRA	Credit Rating Agency
CSE	Chattogram Stock Exchange
DMD	Debt Management Department
DSE	Dhaka Stock Exchange
DvP	Delivery versus Payment
EBP	Electronic Book Platform
ESG	Environmental, Social, and Governance
FAP	Fully Accessible Route
FMI	Financial Market Infrastructure
FPI	Foreign Portfolio Investment
FY	Financial Year
G-Sec	Government Securities

GDP	Gross Domestic Product
HNX	Hanoi Stock Exchange
IDBs	Inter-Dealer Brokers
IDRA	Insurance Development and Regulatory Authority
IFC	International Financial Corporation
KONEX	Korea New Exchange
LT	Long Term
MoF	Ministry of Finance
MT	Medium Term
NBR	National Board of Revenue
NDS-OM	Negotiated Dealing System Order Matching
NHA	National Housing Authority
NIP	National Structural Pipeline
NPA	National Pension Authority
NSC	National Savings Certificate
NSE	National Stock Exchange
PDMO	Public Debt Management Office
PEA	Provincial Electricity Authority
PPFRA	Pension and Provident Fund Regulatory Authority
RBI	Reserve Bank of India
RFQ	Request for Quote
SEBI	Securities and Exchange Board of India
SLB	Sustainability Linked Bond
SDLs	State Developments Loans
SLR	Statutory Liquidity Ratio
SOE	State Owned Enterprise
SPV	Special Purpose Vehicle
SRO	Self-Regulatory Organization
ST	Short Term
T-Bills	Treasury Bills
ThaiBMA	Thai Bond Market Association
Tk	Taka
UPS	Universal Pension Scheme
VAT	Value Added Tax
WD	Working Day

Bond Market Development in Bangladesh: Challenges and Recommendations

1. Introduction

The bond market is a crucial component of a country's financial system, providing long-term financing for both public and private sectors and reducing over-reliance on bank lending. Globally, bonds have grown into a USD 130 trillion market compared with the global stock market size of USD 90 trillion, and money market size of USD 60 trillion in the first half of 2025. The bond market is the most preferred mode of financing offering stable, fixed-income investment options. Bangladesh's financial sector, however, remains heavily bank-dependent, around 80% of debt financing in Bangladesh comes from banks. Most bank deposits are short-term (around 70% mature within a year), leading to maturity mismatches and liquidity risks in funding long-term needs. In this context, developing a vibrant bond market in Bangladesh is essential for mobilizing capital for infrastructure and industry, diversifying financing sources, and bolstering financial stability. This paper takes stock of Bangladesh's bond market relative to regional peers, examines the imbalance between government and corporate bonds, and outlines comprehensive supply-side, demand-side, and regulatory measures to foster bond market development.

2. Current scenario of the Bond Market in Bangladesh

The underdevelopment of corporate bonds in Bangladesh is attributable to multiple factors–the dominance of bank financing (companies prefer long-term bank loans), high issuance costs and cumbersome regulations, a lack of investor appetite for non-sovereign debt, historically, due to lack of or weak regulatory enforcement and the crowding-out effect of lucrative government savings certificates. The result is a **skewed bond market structure** – essentially a government debt market – with none of the diversification and private sector funding benefits that a healthy corporate bond market can provide. This situation stands in contrast to more developed regional markets (Chart 4-7) where corporate bonds are often as large as government bonds, and in some cases even exceed government bonds in size. In sum, Bangladesh must work to energize its corporate bonds segment while continuing to deepen and modernize the government bond market. A balanced development of both segments is key to a robust bond market that can support sustainable economic growth.

2.1 An Overview of Bangladesh's Bond Market

Government Bond

- Number of listed Bangladesh Government Treasury Bonds (BGTBs) on the Dhaka Stock Exchange (DSE) remained relatively stable, increasing to 235 in June 2025 from 221 in December 2020.
- Market capitalization of BGTBs grew significantly from BDT 548.59 billion in December 2020 to BDT 3,252.85 billion by June 2025.
- The share of government bonds in total market capitalization of DSE increased markedly, reaching 49.12% by June 2025.
- In relation to GDP, the BGTBs market capitalization still remained low at 5.73 percent in June 2025.
- The turnover of BGTBs was not recorded as not traded in the secondary market for most years until 2023, when it showed some activity, registered at BDT 0.04 billion in December 2023 and fluctuated slightly afterward to BDT 0.14 billion in June 2025.
- Government bonds mostly traded in Bangladesh Bank's platform called Financial Market Infrastructure (FMI) system. In FY25, BGTBs turnover was BDT 1948.08 billion.

Corporate Bond

- Number of listed Corporate Bonds on DSE increased from two (2) in December 2020 to 16 by June 2025.
- **Only 16 corporate bonds** are listed on the **Dhaka Stock Exchange (DSE), o**f which: **14 bonds have been issued by banks**, mainly to meet regulatory capital requirements (e.g., Tier II capital under Basel III) and only **two (2) bonds have been issued by corporate entities** – Ashugonj Power Station Company Limited and Beximco.
- Corporate bond market capitalization rose from BDT 4.07 billion in December 2020 to around BDT 33.34 billion by June 2025. This large increase was also attributed to *Beximco Green Sukuk Bond*, which may not have fully complied with standard norms for issuance.
- Market capitalization of corporate bonds was only 0.50 percent of total market capitalization in June 2025.
- Corporate bond market capitalization of GDP was only 0.06 percent in June 2025.
- Trading of corporate bond is negligible.

A comprehensive overview of Bangladesh's bond market is presented in Table 1, and Chart 1 & 2

Table 1: Status of Bangladesh's Bond Market on Dhaka Stock Exchange

Period	Aggregate market size			Government bond market			Corporate bond market		
	Listed sec. (in no.)	Market Cap (Bn Tk)	Turnover (Bn Tk)	Listed BGTBs (in no.)	Market Cap (Bn Tk)	Turnover (Bn Tk)	Listed Com. (in no.)	Market Cap (Bn Tk)	Turnover (Bn Tk)
Dec-20	597	4482	216	221	549 (12.24)	NT	2	4 (0.09)	0.01
Dec-21	617	5422	194	222	598 (11.04)	NT	5	6 (0.11)	0.04
Dec-22	656	7609	72	248	3136 (41.21)	NT	9	38 (0.49)	1.09
Dec-23	654	7809	102	241	3256 (41.70)	0.04	13	45 (0.58)	0.005
Dec-24	656	6626	72	235	3008 (45.39)	0.10	16	34 (0.51)	0.01
Jun-25	656	6623	53	235	3253 (49.12)	0.14	16	33 (0.50)	0.02

Note: Figures in brackets are the % of total market capitalization. NT = No Trade
Source: Monthly Review, Dhaka Stock Exchange (Various Issues).

Chart 1: Market Share of Govt. Bonds in DSE (% of total market capitalization)

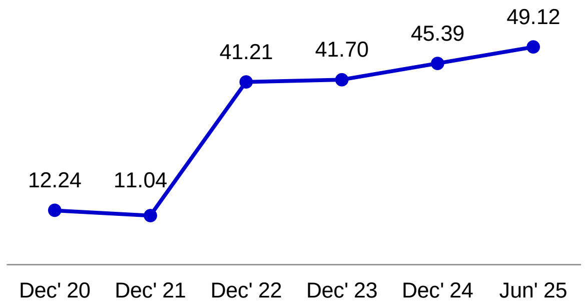
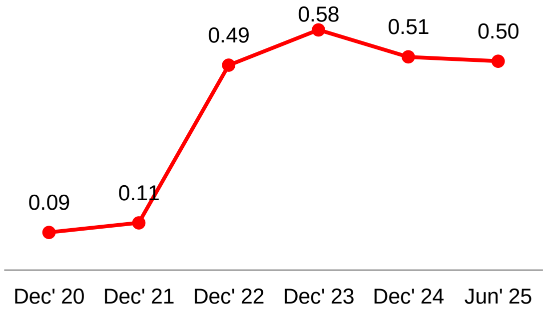


Chart 2: Market Share of Corporate Bonds in DSE (% of total market capitalization)



2.2 Development of Bangladesh Government Treasury Bonds (BGTBs)

Composition of BGTBs

The Table 2 shows the composition and trend of the BGTBs over the last five years. As the data shows, the 10-year BGTB held the foremost portion among BGTBs over the years with around 31% followed by 5-year BGTB.

Table 2: Composition of BGTBs

(Taka in Crore)

Issuance	June 2021		June 2022		June 2023		June 2024		June 2025	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
02-year	44,500	17	41,300	13	48,500	13	54,095	13	74,055	14
05- year	56,650	21	71,162	23	96,962	27	107,240	26	132,079	26
10-year	86,565	32	99,915	32	111,265	30	125,165	31	157,108	31
15-year	41,616	16	51,082	16	55,210	15	59,851	15	72,747	14
20-year	38,587	14	48,815	16	54,145	15	61,481	15	78,488	15
Total	**267,918**	**100**	**312,275**	**100**	**366,083**	**100**	**407,832**	**100**	**514,476**	**100**

Source: DMD, BB

Maturity Pattern of BGTBs

The following Table 3 illustrates the maturity buckets of BGTBs over the past five fiscal years. At the end of June 2025, the highest portion (28.81%) of BGTBs fell into 5-10 years maturity bucket and the lowest segment was into 15-20 years maturity bucket.

Table 3: Maturity Pattern of Outstanding BGTBs

(Taka in Crore)

Maturity Buckets	Jun-21		Jun-22		Jun-23		Jun-24		Jun-25	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
< 1 Year	34,600	12.9	30,450	9.8	40,680	11.1	54,501	13.4	57,302	11.1
1-2 Years	30,450	11.4	38,680	12.4	54,501	14.9	56,715	13.9	71,961	13.9
2-5 Years	72,301	27.0	81,909	26.2	90,807	24.8	94,754	23.2	141,636	27.3
5-10 Years	79,621	29.7	93,312	29.9	103,312	28.2	122,524	30.0	149,417	28.8
10-15 Years	35,146	13.1	41,896	13.4	45,424	12.4	47,295	11.6	59,443	11.4
15-20 Years	15,800	5.9	26,028	8.3	31,358	8.6	32,044	7.9	38,836	7.5
Total	**267,918**	**100.0**	**312,275**	**100.0**	**366,083**	**100.0**	**407,832**	**100.0**	**518,594**	**100.0**

Source: DMD, BB.

Ownership Pattern of the BGTBs

Government securities ownership pattern reveals that banks have remained the dominant investor class for BGTBs over the years followed by provident/pension funds, corporate bodies, and insurance companies (Table 4, Chart 3). Participation of individual investors is increasing indicating rising popularity but, still very nominal at around 1%. Notably, the presence of foreign investors remains insignificant.

Chart 3: Ownership Pattern of the BGTBs in Bangladesh (% of total amount)

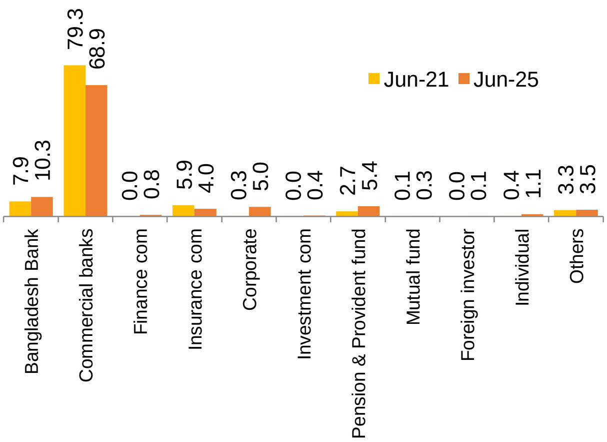


Table 4: Ownership Pattern BGTBs

(Taka in Crore)

Category	Jun-21		Jun-22		Jun-23		Jun-24		Jun-25	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BB	25,096	7.86	53,194	13.66	130,890	26.73	84,870	15.68	71,613	10.32
Bank	253,105	79.30	287,311	73.80	301,561	61.57	364,374	67.32	477,742	68.87
Finance co.	118	0.04	425	0.11	948	0.19	1,353	0.25	5,698	0.82
Insurance co.	18,970	5.94	19,321	4.96	19,579	4.00	31,123	5.75	27,889	4.02
Corporate	1,085	0.34	4,219	1.08	7,061	1.44	11,529	2.13	34,447	4.97
Investment co.	27	0.01	52	0.01	263	0.05	953	0.18	2,946	0.42
Pension fund	8,727	2.73	10,926	2.81	14,054	2.87	24,508	4.53	37,688	5.43
Mutual fund	251	0.08	469	0.12	634	0.13	1,407	0.26	2,247	0.32
Foreign investor	0	0.00	0	0.00	0	0.00	755	0.14	1,033	0.15
Individual	1,166	0.37	1,268	0.33	1,102	0.23	3,974	0.73	7,919	1.14
Others	10,643	3.33	12,113	3.11	13,671	2.79	16,431	3.04	24,504	3.53
Total	**319,187**	**100.0**	**389,298**	**100.0**	**489,763**	**100.0**	**541,278**	**100.0**	**693,726**	**100.0**

Source: DMD, BB

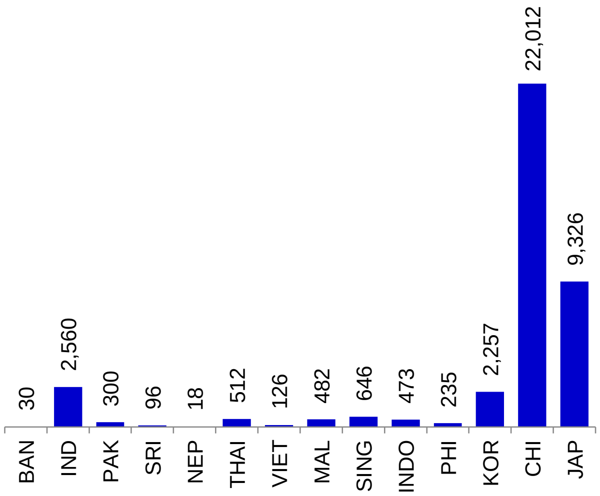
3. Stocktaking of Bond Markets: Bangladesh vs. Regional Peers

Bangladesh's bond market remains one of the smallest in Asia relative to size of its economy, lagging well behind regional peers (Chart 4–7). As of March 2025, the total outstanding value of Bangladesh's bond market was around USD 30 billion which accounted for around 6.6% of GDP, almost entirely comprising government securities (6.5% of GDP), with a **negligible share of corporate bonds** (0.1% of GDP). This is significantly lower than in neighboring and peer countries. For example, in March 2025, India's bond market with an outstanding size was valued over USD 2.5 trillion (including central government, state, and corporate debt) – roughly 63% of its GDP, with government bonds accounting alone 45% of GDP and corporate bonds contribute around 18% of GDP – a sizeable share that indicates many Indian companies are raising funds through debentures and corporate papers. In India, in terms of market composition, government securities represent about 71% of the total bond market, whereas corporate bonds make up the remaining 29%, reflecting a significant yet comparatively smaller segment. India's corporate bond market, while still modest relative to global standards, has been growing and now provides a significant alternative funding source. Pakistan and Sri Lanka also have deeper bond markets. In March 2025, Pakistan's bond outstanding was about 80% of GDP (mostly government debt–78% of GDP and remaining 2% in corporate bonds) and Sri Lanka's about 97% of GDP (government bonds–96% of GDP). Even smaller economy like Nepal has bond market size of around 43% of GDP as of March 2025, along with government bonds accounting for 42% of GDP and corporate bonds contributing roughly 1%. This was partly driven by banks and corporate in Nepal issuing debentures to meet capital requirements and fund projects – something Bangladeshi firms have scarcely done.

Several other peer countries have progressively expanded their bond markets in recent years; whereas **Bangladesh remains at an initial stage of development** (Chart 4—7). For instance, Vietnam (often considered a comparable emerging economy) has grown its local currency bond market to USD 126 billion roughly 27% of GDP (government 20% plus corporate nearly 7%) in March 2025, and has set targets for corporate bonds to reach 20% of GDP by end 2025. As of March 2025, the share of bond market in GDP in Malaysia was around 129%, Thailand 93% and Indonesia were around 31% (Chart 5).

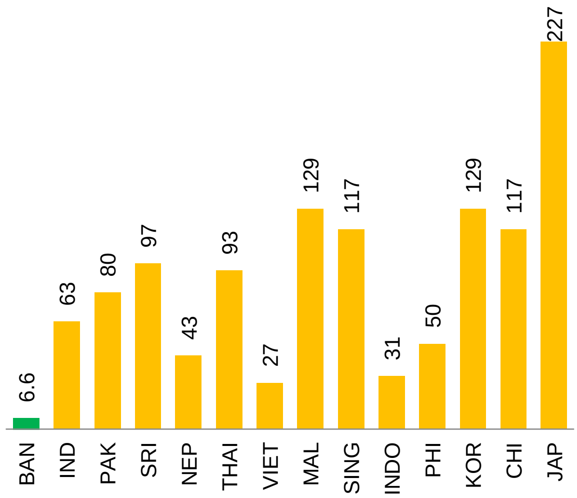
The scenario indicates that while government borrowing continues to dominate in South Asian countries, most peers have at least made a start in cultivating corporate debt markets. In contrast, Bangladesh's corporate bond market remains nearly non-existent. These comparisons underscore that Bangladesh's bond market is highly underdeveloped in terms of fixed-income instruments. The country has yet to realize its potential for market-based financing, as most funding for enterprises continues to come from banking sector. The relatively small capital market is still dominated by equities and government securities, leaving limited scope for the development of a vibrant corporate bond market. ***The excessive dependence on bank's financing is neither good for the health of the banking system nor for the enterprises.*** This regional disparity highlights the **urgency for Bangladesh to develop its bond market** in order to keep pace with peer economies and to support its own growing financing needs.

Chart 4: Size of Bond Market in selected Asian countries (USD in billion) - March 2025



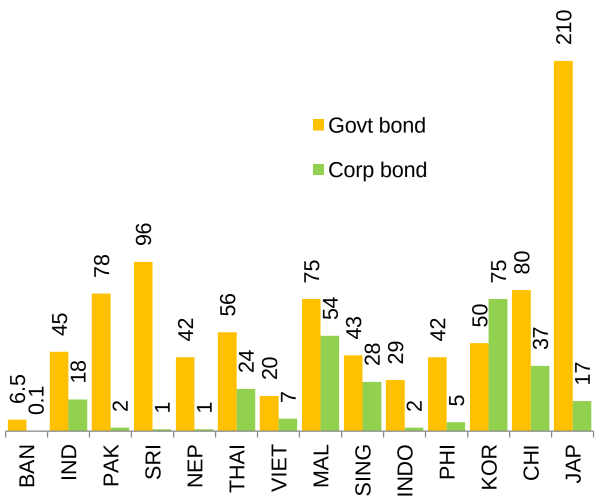
Source: Asia Bond Monitor, June 2025, ADB

Chart 5: Size of the bond market as % of GDP in selected Asian countries - March 2025



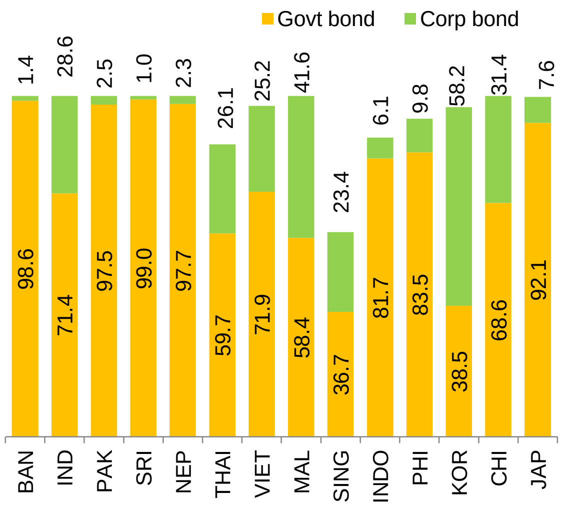
Source: Asia Bond Monitor, June 2025, ADB

Chart 6: Share of government and corporate bonds as % of GDP in selected Asian countries- March 2025



Source: Asia Bond Monitor, June 2025, ADB

Chart 7: Share of government and corporate bonds in the bond market (in %) in selected Asian countries - March 2025



Source: Asia Bond Monitor, June 2025, ADB

4. Bangladesh's Bond Market: Challenges and Recommendations

The development of the country's bond market faces both supply-side and demand-side challenges. On the supply side, limited participation from corporate due to complex regulatory requirements, high issuance costs, and a preference for bank financing restrict the volume and diversity of bond offerings. Many firms lack adequate credit ratings and sufficient financial transparency to attract investors. On the demand side, the investor base is narrow, dominated by banks that prefer holding government securities over corporate bonds due to regulatory requirements and risk aversion. Additionally, the lack of retail investor participation, insufficient market awareness, and limited availability of diversified investment products hinder the growth of demand. **The challenges and key recommendations for the development of Bangladesh's bond market are briefly outlined in the Table 5, and the issues are described in detail in the following sections.**

Table 5: Bond Market Development in Bangladesh: Challenges & Recommendations

Area	Challenges	Recommendations
Supply Side	- Limited corporate bond issuance due to preference for bank loans. - Lack of diverse bond instruments (e.g., perpetual, green, municipal and corporate bonds). - High issuance cost (VAT, trustee fees, stamp duties, listing fees, annual fee). - Weak credit rating penetration.	- Reduce issuance costs through tax incentives and regulatory fee cuts. - Encourage corporate to issue bonds via refinancing schemes or credit enhancement. - Develop diverse products (green, sukuk, perpetual, infrastructure bonds). - Strengthen domestic credit rating agencies for rating of bonds and companies.
Demand Side	- Limited participation of institutional investors beyond banks. - Lack of retail investor awareness and access. - Preference for government securities (risk-free, higher liquidity). - Absence of active secondary market.	- Broaden investor base by allowing pension, insurance, and provident funds to invest more in bonds by establishing a strong Pension and Provident Fund Authority. - Promote retail participation via digital trading platforms. - Create market-making mechanisms for liquidity. - Investor awareness programs on risk-return of bonds.
Institutional & Regulatory Framework	- Fragmented regulatory oversight between BB (regulates G-sec, manages primary auctions, oversees secondary market of	- Establish a unified debt market development strategy. - Strengthen coordination between regulators (BB, BSEC, NBR, MoF).

	BGTBs), BSEC (oversees corporate bonds), MoF (oversees NSC) and NBR (oversees taxes). - Inadequate secondary market infrastructure. - Weak enforcement of disclosure, governance, and trustee functions. - Limited credit enhancement/guarantee mechanisms.	- Enforce strict disclosure and governance standards for issuers. - Develop guarantee/insurance mechanisms to reduce investor risk.
Market Infrastructure	- Absence of robust yield curve and price mechanism model for both government and corporate bonds. - Inefficient clearing & settlement systems. - Lack of bond indices and market benchmarks. - Limited transparency in pricing.	- Develop reliable benchmark yield curves (govt + corporate). - Improve settlement systems (T+1/T+0). - Create bond indices and valuation agencies. - Enhance transparency through regular reporting and pricing by an independent agency (like ThaiBMA model).
Macroeconomic Environment	- Dominance of banks in financing system. - Underdeveloped capital market relative to GDP. - Inflationary pressures and exchange rate volatility discourage long-term debt investment.	- Strengthen macro stability to encourage long-term savings. - Gradually rebalance financing system from bank-dominant to sector and bond markets. - Introduce inflation-indexed and long-term bonds.

Addressing the current structure and challenges of Bangladesh's bond market, on supply, demand and institutional fronts is critical for building a deep, liquid, and resilient bond market. **The major issues in this regard are briefly outlined below**.

4.1 Supply-Side Challenges and Policy Recommendations

Supply-side policies focus on encouraging more **issuers and instruments** in the bond market– essentially, boosting the **supply of bonds** available for investors. In Bangladesh's case, there is no shortage of potential financing needs (infrastructure, industrial expansion, bank capital, etc.), but very few institutions actually issue bonds. The following supply-side measures are recommended to develop the market:

4.1.1 Macroeconomic stability

Macroeconomic stability plays a pivotal role in shaping the development, efficiency, and resilience of a country's bond market. **A stable macroeconomic environment—particularly one**

characterized by low and predictable inflation alongside a market-based low and steady interest rate regime—creates favorable conditions for both issuers and investors. Under such conditions, investor confidence is significantly enhanced, as the risk of inflation eroding the real value of fixed-income returns is minimized. Consequently, the demand for bonds increases, leading to deeper market participation and improved liquidity. Issuers, including government and private corporation, benefit from reduced borrowing costs, allowing them to finance long-term investments through bond issuance rather than relying heavily on bank credit on shorter-term funding mechanisms. Moreover, macroeconomic stability contributes to the development of a comprehensive and stable yield curve, which serves as a benchmark for pricing financial instruments across different maturities. This facilitates more efficient capital allocation and strengthens the role of the bond market in financial intermediation. In such environments, foreign investors are also more likely to participate in local bond markets, further enhancing capital inflows and diversification of sources of financing.

In contrast, macroeconomic instability—typically characterized by high inflation and elevated interest rates—poses serious challenges to bond market development. High inflation diminishes the real returns on bonds, compelling investors to demand higher yields to compensate for increased risk. This raises the cost of borrowing for issuers and may deter both public and private entities from accessing the bond market. Furthermore, macroeconomic volatility contributes to uncertainty, shortens investment horizons, and discourages long-term fixed-income investments. As a result, the bond market becomes shallow, fragmented, and less attractive to both domestic and foreign participants.

Table 6: Bond Market Development vs. Macroeconomic Stability

Factor	**Stable Macro-Economy** *(Low Inflation, Low Interest Rates)*	**Unstable Macro-Economy** *(High Inflation, High Interest Rates)*
Investor Confidence	High – Predictable returns	Low – Uncertainty and inflation risk
Real Returns on Bonds	Preserved	Eroded by inflation
Borrowing Costs for Issuers	Low – Encourages more bond issuance	High – Limits access to capital markets
Market Liquidity	Higher – Encourages trading and participation	Lower – Investors avoid long-term instruments
Yield Curve Development	Well-developed across maturities	Distorted or underdeveloped
Investment Horizon	Long-term investment encouraged	Short-term focus due to risk
Foreign Investor Participation	More attractive – stable and more predictable returns	Less attractive – currency and credit risks
Government Debt Management	Easier – Lower debt servicing costs	Harder – Interest burden increases

4.1.2 Establishment of a Pension and Provident Fund Regulatory Authority or strengthening the existing National Pension Authority

To effectively manage the pension and provident funds of all sectors– government, semi-government, autonomous, and corporate in designing premium, benefits, investment opportunities, and governance of the emerging systems; Bangladesh must establish a dedicated **Pension and Provident Fund Regulatory Authority (PPFRA)**. This institution would serve as the central regulatory and supervisory body for all types of pension and provident funds—including the **public sector pension scheme that should be funded**, the **Universal Pension Scheme (UPS)**, and any autonomous and **corporate or occupational pension and provident funds**. A specialized and autonomous regulatory authority is crucial for ensuring transparency, accountability, and long-term financial sustainability of pension and provident assets, which will increasingly play a critical role in the country's capital markets—particularly the bond market.

The primary functions of the said authority should include registration of pension and provident fund operators, setting investment and prudential guidelines, monitoring fund performance, enforcing governance and disclosure standards, and protecting the interests of contributors and beneficiaries. The authority should also be tasked with developing a robust risk-based supervisory framework to ensure that funds mobilize assets in line with legal requirements and invest prudently, especially as they channel growing pools of long-term capital into domestic fixed-income instruments such as government and corporate bonds.

In addition, the proposed PPFRA should facilitate coordination among regulatory bodies—such as Ministry of Finance, Bangladesh Bank, the Bangladesh Securities and Exchange Commission (BSEC), and the Insurance Development and Regulatory Authority (IDRA)—to align investment policies and ensure a harmonized financial sector development strategy. Capacity building for trustees and fund managers, consumer education, and promoting portability and inclusiveness across pension and provident schemes should also fall under its mandate. Establishing such a regulatory authority is not only essential for managing pension and provident reforms but also for unlocking a critical pillar of long-term institutional investment that can significantly deepen and stabilize Bangladesh's bond market. If establishing a new authority requires excessive time or financial resources, an alternative approach would be to strengthen the existing National Pension Authority (NPA) to regulate, and supervise the proposed pension and provident fund across all sectors.

4.1.3 Streamline issuance processes and reduce costs

Lengthy and complex approval requirements have been a major deterrent for corporate issuers. While regulations formally prescribe a quick approval process (officially within seven working days), in practice approvals often take considerably longer, involving multiple regulators' consents (e.g. Bangladesh Bank's no-objection certificate for bank issuers). It is noted that, under the Bangladesh Securities and Exchange Commission (BSEC) Regulation (Bangladesh Gazette, 2021[1]) for issuing a corporate bond in Bangladesh, an issuer is required to go through several phases. These include obtaining primary approval from BSEC, completing the underwriting process, securing BSEC approval of the Information Memorandum (IM), publication the approved IM on the website of issuer, completing the subscription process, and undergoing BSEC verification of the submitted bank statements. Overall, the entire issuance process takes more than 60 working days to complete. In the subsequent stage, which involving listing and secondary trading on stock exchanges, the process takes more than 25 additional working days. Such prolonged timelines may result in changes in market conditions or target interest rates by the time the bond is finally issued, thereby reducing issuance efficiency and increasing market risks. Simplifying and **fast-tracking regulatory approval** is crucial – the BSEC has recently taken steps to expedite bond issue approvals, and this needs to continue and improve. Additionally, issuance and listing fees, stamp duties, and other costs should be **lowered** to make raising funds via bonds more attractive relative to bank loans. Reducing the high costs of issuing and trading bonds (such as the flat trading fee on DSE) would remove a significant disincentive. ***The fees and other costs for issuing bonds in Bangladesh compared to India is presented in Annex-1.***

4.1.4 Expand the variety of issuers and instruments

At present, the market is limited to government bonds and a handful of corporate issuers (mostly banks 14 out of 16). The government can encourage **state-owned enterprises, infrastructure authorities, and city corporations with large tax payers' base** to issue bonds (including green Sukuk/Islamic bonds) to finance local and national development projects – this would diversify instruments and demonstrate the viability of bond financing. The absence of bonds from various government-backed entities has been noted as a gap. Introducing new products like **city corporation bonds, infrastructure bonds, green bonds, social and sustainable bonds and Shariah-compliant Sukuk** will broaden the market's appeal and reach new classes of investors. Diversifying instruments (e.g. floating-rate notes, inflation-indexed

[1] Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2021.

bonds also help issuers to manage risk and meet investors' needs. **The Ministry of Finance (MoF) may issue asset-backed securities (ABS) against Jamuna and Padma bridges as their cash flows increase, in order to finance the construction of new infrastructure projects. All toll roads and other toll bridges may also be collaterized to issue Sukuks or normal bonds.**

4.1.5 Sukuk issuance – backed by asset

On the supply side, the introduction of *Sukuk* or Islamic bonds, has been a significant development in Bangladesh's bond market. In 2020, the Government of Bangladesh issued its first sovereign *Sukuk* to finance infrastructure projects. This instrument not only broadened the supply of Shariah-compliant securities but also attracted participation from Islamic banks, non-bank financial institutions, and retail investors who prefer interest-free instruments. The *Sukuk* issuance helped diversify funding sources beyond conventional T-bonds and national savings instruments, while creating opportunities for corporate issuers to consider similar structures. BSEC has promulgated rules on *Sukuk* issuance for corporate in 2019 and the commission subsequently approved the issuance for two *Sukuk* instrument in 2021. However, the supply remains limited compared to demand, highlighting the need for a regular issuance calendar, diversified tenors, and corporate *Sukuk* frameworks that can expand the market's depth and provide alternative fund raising channels without relying solely on equity or bank loans.

4.1.6 Rationalize competing saving schemes

National Savings Certificates (NSCs) have long been a dominant instrument in Bangladesh's savings and debt landscape, primarily designed to mobilize domestic savings and provide secure returns to small savers and households. The NSC–a government-guaranteed instrument is offering high fixed returns to retail investors. These instruments have often offered above-market interest rates and enjoy tax advantages, making them more attractive than market-traded bonds. The government has already been **aligned profit rates of NSCs with market yields.** However, should be limit government's sales especially to large investors. This will prevent the NSCs from siphoning away all the retail savings. As market bond offerings (both government and corporate) become competitive in return, some portion of savings can be redirected to market bonds. The goal is to create a level playing field so that government savings tools do not crowd out demand for tradable bonds in the long run.

4.1.7 Tradability of national savings certificate

National Savings Certificates (NSCs) are currently non-tradable in the secondary market, which restricts their integration into the broader bond market and presents secondary market development. From a supply-side perspective, transforming NSCs into tradable instruments could arrest instability and significantly deepen the bond market by expanding the pool of available securities and improving liquidity. Such reform would also align NSCs more closely with market-driven interest rates, reduce distortions in government borrowing, and create opportunities for banks, institutional investors, and individuals to manage their portfolios more efficiently. Gradually converting NSCs into marketable securities, while safeguarding the interests of small savers if so desired by the government, would enhance the supply of tradable instruments and strengthen the foundation for a vibrant and diversified bond market in Bangladesh.

To make NSCs tradable in the secondary market, a structured procedure needs to be established. First, the regulatory framework must be amended to allow transferability and define which NSC instruments are eligible for trading while safeguarding small savers. Existing physical NSCs should be converted into electronic form through the Central Depository Bangladesh Ltd. (CDBL) and assigned unique identification numbers to facilitate secure transactions. A dedicated secondary market platform, integrated with delivery-versus-payment (DvP) settlement through CDBL and Bangladesh Bank, would enable transparent trading among banks, institutional investors, and retail participants. Market prices can be determined using benchmark yield curves and discounting formulas, while regular reporting of trade volumes, yields, and pricing ensures transparency and investor confidence. Additional safeguards, such as minimum lot sizes, caps on saleable proportions, and potential buyback options, would protect small savers while creating a liquid, diversified, and market-oriented NSC segment that contributes to the depth and vibrancy of Bangladesh's bond market.

4.1.8 Introduction of buy-back option

Buy-back options, or bond repurchase provisions, allow issuers to redeem their outstanding bonds before maturity at a pre-determined price. Introducing such options can provide issuers–government or corporate with greater flexibility to manage debt, reduce borrowing costs when interest rates fall, and demonstrate financial discipline to investors. For investors, buy-back options offer liquidity, portfolio flexibility, and reduced credit risk, making bonds a more attractive investment instrument. From a market development perspective, buy-back options can encourage more corporate participation, enhance secondary market liquidity, and support efficient pricing of bonds. Several countries, including India and Malaysia, have successfully used buy-back provisions to deepen their corporate bond markets. In Bangladesh, adopting clear regulatory guidelines and disclosure requirements for buy-back options could strengthen investor confidence, improve market functioning, and contribute to a more robust and mature bond market.

4.1.9 Leverage bank bond issuance as a catalyst

One practical near-term step is to focus on **bank-issued bonds**. Banks in Bangladesh regularly issue subordinated bonds (e.g. to meet the regulatory capital requirements), but mostly through private placements that are not traded. By **listing these bank bonds on the exchanges and opening them to public investors**, the market can get an immediate supply of relatively safe corporate bonds. This is as a strategy-encourage banks to publicly issue and list bonds to meet capital requirements, thus familiarizing investors with bond products and addressing banks' own asset-liability mismatches. Simplifying the listing process and **mandating large banks to issue a portion of their required capital through publicly traded bonds** can help align with Basel III capital requirements while also strengthening the domestic bond market. Basel III encourages banks to maintain higher-quality capital, including **Additional Tier 1 (AT1)** and **Tier 2 capital**, which can be raised through bond issuances. Requiring public issuance ensures transparency, market discipline, and broader investor participation. It also diversifies funding sources for banks, reducing reliance on deposits or equity alone. This approach not only helps banks meet regulatory standards but also stimulates corporate bond market activity by creating regular, high-quality supply. In contrast, raising the **entire capital requirement** through bonds could expose banks to **excessive debt servicing obligations**, increase **solvency risks**, and make them more vulnerable during economic stress. Additionally, the domestic bond market—especially in developing economies— may not yet have the **depth or investor base** to absorb large volumes of bank-issued capital instruments. A partial mandate allows banks to **diversify their capital structure** across equity, retained earnings, and bonds, while gradually deepening the corporate bond market without overwhelming it. It also protects retail investors from overexposure to complex instruments like AT1 or Tier 2 bonds, which carry higher risk.

4.1.10 Introduce shelf registration and flexible issuance formats

Regulations should allow issuers to raise funds in **multiple tranches over time (shelf offerings)** rather than in one lump sum. Currently, public bond offerings must be done in a single go, which can overshoot the issuer's immediate funding need. Allowing a shelf registration (one-time approval) under which a company can issue bonds in phases as projects progress will encourage more efficient use of funds and attract issuers who have staggered financing needs. This flexibility in issuance mechanism would particularly help infrastructure and large manufacturing firms to tap the bond market gradually and efficiently minimizes cost of fund.

4.1.11 Provide credit enhancements and guarantees

To overcome investors' low confidence in unfamiliar corporate issuers, **credit enhancement mechanisms** should be promoted. For example, **guaranteed corporate bonds** – where a reputable bank or financial institution or insurance guarantees the payment including principal and coupon/interest that can reassure investors about credit risk. Regulators can facilitate this by establishing a legal framework for third-party guarantees and perhaps encouraging development of a guarantee institution or bond insurance fund. Reputable banks guaranteeing corporate bonds to reinforce investor trust. Over time, as the market matures, strong corporate can issue bonds on their own credit, but initially, guarantees or collateralized structures (asset-backed bonds) might be necessary to supply more investable bonds.

4.1.12 Remove regulatory hurdles

Authorities should identify and eliminate specific regulations that hinder bond issuance. For example, a **Special Purpose Vehicle (SPV)** is a separate legal entity established solely for issuing bonds, adding legal, administrative, and operational complexities. In Bangladesh, SPVs have primarily been used in sectors like Islamic finance, banking, and infrastructure. Notably, SPVs have been employed for issuing **Sukuk**—such as Beximco's Tk 3,000 crore Sukuk—to comply with Shariah principles and manage asset-backed structures. In banking, while not always explicitly using SPVs, several banks have issued subordinated and perpetual bonds to meet Tier 2 capital requirements under Basel III. Additionally, the central bank has encouraged the use of SPVs for **infrastructure and project finance**, particularly in sectors like energy, transport, and ICT, through regulatory circulars allowing banks to invest in SPV-issued bonds. The BSEC also oversees SPVs through its Mutual Fund and SPV department, signaling regulatory support for broader use in securitization and capital market development. While **these measures aim to protect investors,** they often discourage companies from utilizing bonds as a financing option due to the increased costs and procedural burdens. Implementing these changes could significantly enhance corporate bond activity and contribute to the broader development of the bond market in Bangladesh.

Similarly, if large companies are overly reliant on bank loans, policymakers might consider mandates or incentives for them to access capital markets (e.g. **if a firm's debt exceeds a threshold, it should explore bond issuance**). Ensuring that **banks do not unduly prefer loans over bonds** is also key – if banks can earn fees by underwriting or distributing bonds (fee-based income) rather than only lending, they will encourage clients to issue bonds. In short, all regulations, approval procedures, and tax policies should be reviewed to create a *bond-issuance-friendly environment* for corporate and government agencies alike.

4.1.13 Role of public sector bond issuances

Public sector bond issuances play a pivotal role in the development of a robust bond market, particularly in emerging and developing economies. By issuing bonds, government and public sector entities establish benchmark yield curves, which serve as reference points for pricing private sector debt instruments. This helps in enhancing price discovery and improving market transparency. Moreover, public sector bonds typically carry lower risk due to sovereign backing, thereby attracting a wide range of investors and fostering investor confidence in the broader market. Regular and predictable issuance also promotes liquidity, encourages the development of secondary markets, and supports the creation of market infrastructure such as credit rating agencies, custodial services, and trading platforms. Over time, this not only reduces the cost of borrowing for both public and private sectors but also aids in mobilizing long-term domestic capital, supporting infrastructure development and economic growth.

By implementing these supply-side measures, Bangladesh can significantly increase the volume and variety of bonds available in the market. A robust pipeline of new bond offerings – from both the government (which should issue bonds on a clear schedule to build a yield curve) and private or state-owned enterprises – will create the foundation for an active bond market.

In this context, agencies such as the Civil Aviation Authority, Chittagong Port Authority, River Ports Authority, and Roads and Highways Department, Bangladesh Power Development Board (BPDB) and others can play a transformative role by issuing infrastructure-backed or revenue-linked bonds to finance their large-scale development projects.

Tapping into the bond market would reduce their dependence on budgetary allocations or foreign loans while promoting financial discipline and transparency. The entry of these agencies as regular bond issuers would diversify the issuer base, expand the range of instruments available, and stimulate the development of essential market infrastructure, attracting a broader pool of investors and accelerating the growth of Bangladesh's bond market.

The presence of more issuers and instruments will also drive the need for better market infrastructure and investor participation, creating positive momentum for market development.

4.2 Demand-side Challenges and Policy Recommendations

Boosting the demand side means cultivating a broad and active investor base that is willing and able to purchase bonds. In Bangladesh, a limited investor base and weak demand have contributed to low trading liquidity and little appetite for corporate bonds. The following demand-side initiatives can stimulate greater investment in bonds:

4.2.1 Expanding the institutional investor base

A critical step toward developing and deepening Bangladesh's bond market lies in broadening the domestic investment base, particularly through the mobilization of long-term institutional investors. Bangladesh needs to grow its **pension and provident funds, insurance companies, and mutual funds** and channel them into bond investments. Currently, the absence of substantial private pension and provident funds and the conservative investment patterns of insurers mean low demand for corporate bonds. One of the most promising opportunities in this regard is the government's plan to transition from the existing unfunded public sector pension and provident fund scheme into a funded model, with potential implementation for new public sector employees starting in FY26. A fully funded government pension and provident fund would create a significant pool of long-term, stable capital that is naturally aligned with fixed-income investments, such as government and corporate bonds. In parallel, the rollout of the **Universal Pension Scheme**—designed to cover private sector workers and informal economy participants—presents another window which is potentially a very large avenue to channel pension savings into the bond market, provided it is managed through prudent investment frameworks, strong governance and a rational, transparent benefits structure.

In addition, encouraging the development of **corporate provident fund** within the private sector can further contribute to sustained demand for long-term bonds, including infrastructure and green bonds. At the same time, **every public sector corporation, as well as autonomous financial and non-financial agencies**, must have required to establish **funded provident and pension schemes**, thereby creating a **pipeline** of long-term institutional investors in the economy. Similarly, **insurance companies**, which manage large reserves and have long-term liabilities, represent a strategic class of investors that can anchor bond market growth. Policy steps- such as the insurance regulator-can **raise the investment limits for insurers in corporate bonds** and clarify rules so that insurers feel comfortable holding a diversified bond portfolio. **Mutual funds and asset managers** should likewise be nudged or incentivized to include bonds in their portfolios. The government could even require that mutual funds hold a minimum percentage of fixed-income securities, to ensure consistent demand for bonds. These entities, when properly governed and professionally managed, can play a critical role in deepening the domestic bond market and supporting long-term financing needs.

However, for these institutions to participate effectively, regulatory reforms are needed to modernize investment guidelines, improve credit rating practices, and ensure market transparency. By actively involving these institutional investors, Bangladesh can significantly expand its bond market's investor base, improve liquidity, enhance market depth, and reduce reliance on long-term bank financing—thereby creating a more resilient and diversified financial system.

4.2.2 Provide tax incentives for bond investors

Tax policy can significantly influence investor preferences. At present, Bangladesh offers some tax benefits for zero-coupon bonds, mainly benefiting corporations and high-net-worth individuals. These incentives should be **expanded to all types of bonds** – for instance, making interest income from listed corporate bonds tax-exempt (or at least tax-reduced) for a period to attract investors away from bank deposits. The National Board of Revenue (NBR) can also introduce **targeted tax incentives for institutions** (like lower tax on interest income for insurance companies or provident funds investing in bonds). Reinstating tax concessions for institutional investments in bonds – which were removed in 2008 – could revive interest in bond holding by in reason. Such fiscal incentives would improve the after-tax return on bonds and stimulate demand.

4.2.3 Increase financial literacy and awareness program

A major demand-side barrier is that many investors (retail and even small institutions) are unfamiliar with bonds and perceive them as complex or risky. **Awareness is a game changer**, as experts note. Joint efforts by the regulatory authorities such as Bangladesh Bank, BSEC, and market participants should educate the public on bond investing – explaining that bonds offer stable returns and can *offset risks* from the stock market. Outreach could include seminars, media campaigns, and even by integrating basic bond market concepts into financial literacy programs. Previous successful initiatives (like popularizing school banking) show that Bangladeshi savers can be guided towards new financial products. If investors understand that government and well-rated corporate bonds can provide fixed, assured returns with lower risk than equities, they will be more inclined to participate and add bonds in their portfolios.

4.2.4 Make bonds more accessible to retail investors

Currently, bonds in Bangladesh often have high face values (Tk 1 million or more per unit) and trade in lot sizes that are out of reach for small investors. Lowering the face value (e.g. to Tk 5,000 or Tk 10,000) or allowing fractional ownership would enable **retail investors** to buy bonds with modest sums. Additionally, simplifying the process of selling and buying bonds (for example, through online platforms and bank branches) will increase retail participation. India's experience shows that when digital platforms and smaller lot sizes were introduced, retail bond transactions jumped significantly. Bangladesh can follow suit by leveraging fin-tech solutions and the existing mobile financial networks to distribute government and corporate bonds widely. A diverse retail base not only boosts demand but also deepens market liquidity.

4.2.5 Enhance liquidity and exit options

Investors are more willing to buy bonds if they know they can sell them readily. A **liquid secondary market** is therefore essential to enhance demand. In Bangladesh, secondary trading of even government bonds is still very limited, and corporate bonds are virtually illiquid (often held to maturity by initial buyers). To address this, regulators and market makers should step in to provide liquidity. For instance, **primary dealer banks** could be encouraged (or instructed) to quote two-way prices for certain benchmark bonds, improving tradability. The central bank may suggest that banks could offer liquidity facilities for bonds similar to how they allow early encashment of fixed deposits. If investors have the option to get liquidity – even at a slight penalty or via repurchase agreements – they will be more confident in holding bonds. Establishing a **central counterparty (CCP)** for clearing could also reduce counterparty risk and encourage more active trading.

In Bangladesh, the establishment of a **Central Counterparty (CCP)** for bond market transactions would require joint efforts by the **Bangladesh Bank**, the **Bangladesh Securities and Exchange Commission (BSEC)**, and the **Central Depository Bangladesh Limited (CDBL)**. The CCP would act as an intermediary between buyers and sellers, guaranteeing settlement and thereby significantly reducing counterparty risk—a major barrier to active trading. To establish this mechanism, regulatory reforms are needed to enable netting, margining, and default management, supported by strong legal and operational frameworks. Initially, the CCP could be developed as a subsidiary or expansion of CDBL, with oversight from both the central bank and BSEC, and possibly with technical assistance from international financial institutions. Phased implementation—starting with government securities and gradually expanding to corporate bonds—would allow market participants to adapt while enhancing trust, liquidity, and overall market depth. Over time, as more investors enter, market liquidity will organically improve, but some interim support may be needed to kick-start trading. The interim support may be the establishment of a special liquidity window by BB where banks can temporarily refinance their bond holdings. Banks/FIs may also provide short-term loans to individual/retail investors, and limited-scale buyback programs for benchmark government bonds to provide an exit route for investors and stimulate secondary market activity.

Implementing these demand-side policies will help build a robust investor base comprising banks, financial institutions, insurers, various types of funds, and individuals. With greater participation, investor preferences may also evolve – for example, conservative investors might start considering slightly lower-rated bonds if properly compensated by higher yields, once they gain experience. A broad demand base not only ensures successful bond issuances but also contributes to a more stable financial system, as investment risks are spread across many investors and asset classes.

4.3 Regulatory Weaknesses and the Way Forward

4.3.1 Legal and regulatory framework of government bond market

The key legal base for the Government bonds in Bangladesh is *Sorkari Rin Ain, 2022* (previously *Public Debt Act, 1944*). The relevant other major legal framework includes the *Public Debt Rules, 1946*, *the Bangladesh Government Treasury Bond Rules, 2003 (amended up to 2023*), and *the Bangladesh Bank Order, 1972*. The aforesaid legal framework confers Bangladesh Bank (BB) the authority to issue new debt securities and manage the government's debt. The Debt Management Department (DMD) of BB manages the government's debt in collaboration with the Ministry of Finance (MoF). The Cash and Debt Management Committee (CDMC), chaired by the Finance Secretary, is responsible for the efficient regulation and management of government borrowings. The Cash and Debt Management Technical Committee (CDMTC), which is comprised of the officials of different ministries and BB, assists the CDMC for the purposes of cash and debt management.

Regulatory and structural reforms form the backbone of bond market development. Bangladesh’s regulatory framework for bonds has historically been underdeveloped, but recent efforts indicate recognition of needed changes. Here we outline key regulatory measures and governance improvements to support a thriving bond market:

4.3.2 Strengthen the legal and regulatory framework

It is critical to establish clear and dedicated rules for debt securities. The BSEC is already working on **separate rules for bond issuance and trading**, distinct from equity market rules.

These should cover issuance requirements, disclosure standards, credit rating obligations, and trustee oversight in line with international best practices. Additionally, Bangladesh needs a stronger **insolvency and creditor rights regime** to protect bond investors. India's introduction of a modern bankruptcy code, for example, helped reduce credit risk by providing faster resolution for bondholders. BB is drafting a new banking law in consultation with the International Financial Corporation (IFC) of the World Bank Group, which shall include among the protection provisions for bondholders in terms of enforceable claims in case of default, which will greatly increase investor confidence.

4.3.3 Enhance investor protection and accountability

Regulators must ensure that bond investors are well-protected from misconduct or default. Recent regulatory changes are steps in the right direction – for instance, issuers in Bangladesh are now required to make provisions if interest or profit payments on bonds remain unpaid at year-end, escalating to a 100% provision after three years of non-payment. Defaults are also reported to the credit bureau, improving transparency. Going forward, **strict enforcement of reporting, covenant compliance, and timely payment requirements** is essential. The BSEC should maintain a **vigilant oversight** of issuers, conducting regular reviews of their financial health (even if bonds are guaranteed by banks). In cases of violations, the regulatory response should be swift and cover all responsible parties– not only penalizing the issuer, but also any negligent trustee, auditor, or rating agency involved. This comprehensive accountability will deter malpractices. Investor protection could be further bolstered by establishing an investor compensation fund or guaranteeing a minimal recovery in case of fraud/default, to shore up trust in the market. Several countries have successfully implemented such measures—for instance, the UK's Financial Services Compensation Scheme and India's Investor Protection Fund, Pakistan's Investor Protection Fund at Pakistan Stock Exchange, and Malaysia's Capital Market Compensation Fund provide limited financial compensation to retail investors in the event of broker default or fraud, helping maintain public confidence. Similarly, Turkey's Investor Compensation Center and South Africa's planned reforms reflect growing recognition in emerging markets of the need to safeguard investors. These schemes are typically funded through a combination of levies on market intermediaries, penalties, and regulatory fees—ensuring market-led ownership while reinforcing regulatory oversight. For Bangladesh, adopting such a mechanism—possibly under the joint stewardship of the BB, BSEC, and industry stakeholders—would demonstrate strong commitment to investor rights, deepen capital markets, and align with global best practices.

4.3.4 Improve market infrastructure and transparency

A well-functioning bond market requires robust and reliable infrastructure to ensure efficient trading, settlement, and custody of securities. Bangladesh should prioritize upgrading its existing systems and consider establishing a dedicated bond trading platform or a specialized segment within the stock exchange. Such a platform would enhance transparency by providing real-time price discovery, standardized trade reporting, and greater market visibility. At present, **in Bangladesh, most government bond trades occur over-the-counter** with limited reporting. Looking at cross-country experiences, many emerging markets have successfully developed dedicated bond trading platforms to support market growth. For example, India's **NSE (National Stock Exchange)** operates a well-developed debt segment where government and corporate bonds are traded transparently, supported by strong settlement systems. Similarly, South Korea's **KONEX** platform provides a structured environment for bond trading, improving liquidity and investor confidence. In Vietnam, the **Hanoi Stock Exchange (HNX)** runs a government bond trading platform that facilitates centralized trading and reporting, contributing to the market's development. The authorities in Bangladesh have already listed Treasury bonds on the stock exchanges to improve visibility, and the next step is to actively encourage trading on those platforms by market participants. Establishing a **centralized database or information portal** for all bond issues, their prices, yields, and credit information will enhance data transparency. Investors and regulators alike would benefit from easy access to real-time yield curves and corporate bond pricing. Moreover, introducing a **central counterparty clearing house (CCP)** for bond transactions can reduce settlement risk and enable features like repo markets, which in turn add liquidity. All these infrastructure improvements require coordination between Bangladesh Bank (for government bonds) and BSEC (for corporate bonds) to ensure seamless integration.

4.3.5 Coordinate monetary and fiscal policies

The government and central bank should prioritize bond market growth as part of the broader financial sector development strategy. For example, better **debt management practices** – such as publishing a **medium-term auction calendar** for government securities–would instill confidence and help build a benchmark yield curve. At present, Bangladesh Government produces and publishes the bond issuance calendar on a quarterly basis only. In contrast, countries like India– RBI releases an annual borrowing calendar detailing planned auctions for government securities. In South Korea, Bank of Korea (BOK) also publish their government bond issuance calendars annually. Like so many other countries' central bank publishes planned auctions for government securities annually. Bangladesh Bank and the Ministry of Finance need to coordinate on cash management so that government borrowing is predictable and the market isn't disrupted by sudden cancellations or gluts of issuance. In the monetary side, Bangladesh Bank could adapt prudential regulations to support the bond market: for instance, assigning **lower risk weights for highly-rated corporate bonds** in bank portfolios to incentivize banks to invest in them, and allowing banks to count certain investment-grade corporate bonds toward their statutory liquidity requirements (SLR). Such moves would align the banking sector's incentives with bond market development. Likewise, the Ministry of Finance should gradually shift away financing from costly national savings certificates to market-based bonds, as mentioned, to integrate fiscal policy with market growth.

4.3.6 Foster collaboration among regulators and stakeholders

Bond market development cuts across multiple regulatory domains – the central bank, securities commission, finance ministry (for tax and debt), insurance and pension regulators all have roles. A collaborative taskforce or committee can ensure that reforms are synchronized. Recent dialogues in Bangladesh have involved BSEC, BB, NBR, IDRA, and market experts coming together to chart a roadmap. This has yielded a consensus on measures like tax breaks, adjusting investment limits, and wealth management facilitation. Going forward, a **coordinated implementation** of these measures is crucial. For example, while BSEC streamlines approval and oversight, the NBR must concurrently implement tax incentives, and IDRA must relax insurance investment caps. Regular monitoring of progress and addressing new challenges (like any regulatory arbitrage or unintended consequences) will be needed. Essentially, regulators should adopt a proactive, *problem-solving approach* – if a particular rule is found to hinder bond activity, be ready to amend it in consultation with all relevant market participants.

By putting these regulatory measures into action, Bangladesh can create an enabling environment where both issuers and investors feel confident. Many of these reforms draw on **global best practices** adapted to local context – for instance, ensuring strict disclosure like in developed markets, but also providing catalytic incentives until the market stands on its own. Over time, as the government bond's yield curve becomes well-established (e.g. if T-bond yields stabilize below about 8% as a benchmark) and the regulatory base is fixed, the corporate bond market can truly flourish on the back of sound regulations. The end goal is a well-regulated, transparent, deeper and liquid bond market that enhances financing options or choices for investors and business houses and reduces their excessive dependence on the banking system in financing Bangladesh's growth.

5. Conclusion

Bangladesh's bond market development is not just a financial sector issue, but a strategic imperative for the country's economic future. The comparisons with neighboring countries highlight how far behind Bangladesh is in leveraging bond financing – both government and corporate. A vibrant bond market would mobilize long-term funds for infrastructure and industry, reduce pressure on banks, and offer investors stable returns to balance the risks of equities. To achieve this, Bangladesh must undertake a **holistic approach**: on the supply side, make it easy and attractive for credible borrowers to issue bonds; on the demand side, cultivate a diverse investor base with proper incentives and awareness; and on the regulatory side, lay down a robust framework that instills confidence and fairness in the market. Neighboring peer economies have shown that progress is possible – for instance, India's reforms (improving insolvency law, encouraging digital platforms for bonds, etc.) have steadily broadened its corporate debt market, and even smaller countries like Nepal have tapped corporate bonds for bank capital needs. Bangladesh can draw lessons from these experiences while tailoring solutions to local challenges (such as addressing the dominance of national savings tools and bank financing).

If the outlined policies and reforms are implemented in earnest, we can expect a virtuous cycle to begin: more issuers will come to market, investors will find an array of fixed-income products to invest in, and liquidity and market depth will improve. Over time, the bond market could evolve from its current "subdued presence" to a dynamic source of funding, distributing risk across the economy. A well-developed bond market will also enhance Bangladesh's financial resilience – for example, companies can raise funds even when banks face liquidity crunches, and investors can fall back on bond interest income when stock markets are down. In conclusion, accelerating bond market development in Bangladesh requires strong commitment and coordination among regulators, government, and industry stakeholders. With prudent implementation of supply and demand side policies and unwavering regulatory support, Bangladesh can build a robust bond market to fuel its long-term development and financial stability.

Annex-I

Comparison of Fees and Associated Costs for Corporate Bond Issuance: Bangladesh vs. India

Particulars/ Components	Bangladesh (in BDT)	India (in INR)	Remarks
Primary issuance			
Application Fee	10,000	100,000 for (<10 Cr), 0.1% of Issue size above 10 Cr	
Underwriting process fee	not exceed 0.10% of the underwritten amount	Negotiable based on risk and issue size	
Issue manager fee	not exceed 0.50% of the public issue size	0.25% to 1% based on Size and Complexity	
Trustee Application fee	50,000	0	Higher in BD
Trustee Registration fee	100,000	50,000 to 2,00,000 (depending on trustee)	
Trustee annual fee	0.3% of the outstanding amount of the securities	50,000 to 1,00,000 (based on bond size and trustee)	
Subscription cost	Not Specified	Not specified	
Consent fee	0.10% of the total face value	1,00,000 if total issue size < 10 Cr, 0.1% if issue size >10Cr	
Stamp duty	0.1% of Issue size or max 10,000,00	0.005% of the issue value	Higher in BD
Others Legal fee & charges Service fee Certificate printing fee Credit rating fees	 0.05% of issue size 0.75% of issue size 0.14% of issue size 2.50 lac – 4.00 lac	0.5 to 1% of issue Size	Higher in BD
Secondary Market			
Initial listing fee	0.25% of the bond Value up to 10Cr; 0.15% if>10Cr)	7500 (for corporate), 25000 to 2,50,000 (for public bond)	
Annual listing fee	0.05% of the Issue Size (<100 Cr); 0.02% (>100Cr)	55,000 to 2,50,000 (depending on issue size and exchange)	
Trading fee/Transaction fee	100 (T-bond trade via bank/FI each side); 0.10% (brokerage)	Government Bond 6 to 10,000 per face (0.06%), Corporate bond: varies	Higher in BD
Others (CDBL charges, custodian fees, broker fees)	0.1%, DSE charge-Tk25, Brokerage commission-TK 25, CDBL charge-Max TK 25 (Per Transaction)	0.05% to 0.2%	

Data source: (i) For Bangladesh, BSEC, Bangladesh Bank, DSE, other secondary Sources; (ii) For India, SEBI, NSE, BSE, Tax department.

Annex-II

Peer Countries Experiences

Bond Market in India: The Growth and Infrastructural Development

A landscape scenario of India's Bond Market

India's bond market has experienced significant expansion over the past decade. The total market size, including government and corporate debt, has ballooned to USD 2.6 trillion. This growth is not just limited to government securities (G-Secs, SDLs-State Development Loan), which dominate the market at about 63%, but also corporate bonds, which have risen steadily, and are having a market share of 18% as of March 2025.

- **Size of Indian Bond Market:** Standing at USD 1.2 trillion as on 2016, this has steadily risen to USD 2.6 trillion as on end March 2025.
- **Government Securities (G-Secs)**: USD 1.2 trillion (end March 2025).
- **State Development Loans (SDLs)**: USD 0.63 trillion (end March 2025). It has risen 5 times in 10 years.
- **Corporate Bond Market**: Estimated at USD 0.73 trillion (end March 2025). It has risen 3 times in 10 years. It is expected to grow faster, with a CRISIL report suggesting it could more than double by 2030.
- **Market Size Growth**: Expected to reach USD 5 trillion by 2030, making it the second largest globally.
- **Bond Market Liquidity**: India's bond market liquidity has seen a boost with foreign participation reaching nearly 7% in government securities in 2025, compared to less than 2% a decade ago.

This growth is driven by both structural reforms and favorable economic conditions. The Indian government has actively taken measures to liberalize the market, simplify regulatory frameworks, and increase transparency, which has played a pivotal role in attracting global capital.

Reforms and Infrastructural Development

To foster the growth of India's government and corporate bond markets, and to lessen dependence on traditional bank financing while stimulating private sector investment for broader economic development, a coordinated effort has been undertaken by the government, the Securities and Exchange Commission, the central bank, and other regulatory bodies. The following are some of the key measures introduced to support this objective.

Government of India – Reform and Infrastructure Push in the India Bonds Market: The Government of India has played a pivotal role in creating a conducive environment for the bond market to flourish. Several key initiatives have contributed to this growth:

- **Introduction of New Financial Instruments**: The government introduced innovative instruments like masala bonds (rupee-denominated offshore bonds), **green bonds**, and **municipal bonds**. These have broadened the issuer base.
- **National Infrastructure Pipeline (NIP)**: The government's focus on building robust infrastructure through projects worth ₹ 11.10 trillion under the NIP between the years 2020-25 is fueling the need for long-term financing, with bonds serving as a key funding mechanism.

Reserve Bank of India (RBI) – Facilitating Liquidity and Market Access: The RBI's role in the bond market has been crucial, particularly in developing government securities markets and improving liquidity.

- **Retail Direct Scheme**: Launched in 2021, this scheme allows retail investors to directly purchase government bonds through an online platform. This initiative has enabled wider participation from smaller cities and rural areas.
- **Market-making and Yield Curve Development**: The RBI has actively worked to establish a reliable yield curve by issuing government bonds of varying maturities. A well-formed yield curve helps the issuers price debt efficiently and provides investors with clearer signals about future interest rates and inflation trends.
- **Monetary Policy and Liquidity Management**: RBI's actions in setting repo rates, managing liquidity through open market operations, and creating avenues for banks to trade bonds have had significant impacts on bond yields and market participation. During periods of high inflation or economic contraction, the RBI's intervention has maintained liquidity in the bond market, stabilizing yields.
- **Inflation Control:** The RBI's focus on inflation control has also played a key role in stabilizing bond yields. By maintaining inflation within a targeted range of 4%-6%, the RBI has made bonds an attractive investment, providing predictable returns in a stable economic environment.
- **Foreign Investment Promotion**: The RBI has liberalized norms for Foreign Portfolio Investors (FPIs), making it easier for them to participate in India's bond market. The introduction of the Fully Accessible Route (FAR) for foreign investors in 2020, which allows full access to government securities without any caps, has been a game changer. This reform has greatly increased foreign interest in India's bond market. Moreover, RBI removed short-term and concentration limits for FPI investments in corporate bond on

May 8, 2025, under the General Route. Previously, FPIs were restricted from investing more than 30% of their corporate bond portfolio in instruments with residual maturity of up to one year, and were subject to issuer-level concentration caps of 10% (for general FPIs) and 15% (for long-term FPIs). With these limits withdrawn, FPIs now have greater flexibility to allocate across maturities and issuers, enhancing liquidity and participation in the corporate bond market. However, key safeguards such as minimum residual maturity requirements and issue-wise caps (50% of a single issuance) remain in place to manage systemic risk. This move aligns India's regulatory framework with global standards and is expected to deepen the corporate debt market and attract more foreign investment.

Securities and Exchange Board of India (SEBI) – Regulation and Market Confidence: SEBI's regulatory framework has been instrumental in fostering trust and transparency in the corporate bond market.

- **Lowering Minimum Investment:** SEBI reduced the face value of privately placed debt from ₹10 lakh to ₹1 lakh in 2022, and further down to ₹10,000 only in 2024-25, encouraging retail participation.
- **Reforming Corporate Bond Market:** SEBI has introduced various measures to simplify the issuance of corporate bonds. For instance, it has mandated that companies with a certain credit rating must raise a portion of their debt from the bond market, encouraging issuers to tap into this avenue rather than relying solely on banks.
- **Electronic Bond Trading Platforms (EBP):** The EBP for Private Placement of Debt has made mandatory for private debt issuance that is easier for issuers to raise funds and for investors to access transparent pricing.
- **Introducing the Request for Quote (RFQ) Platform:** The RFQ Platform is a unified electronic marketplace launched by the National Stock Exchange (NSE) on February 4, 2020, for trading various types of debt securities, including corporate bonds, Commercial Papers (CP), Certificates of Deposit (CD), Government Securities (G-Sec), State Development Loans (SDL), and Treasury Bills (T-Bills). It was initially designed for institutional participants but has become more inclusive following the SEBI's circular permitting participation through brokers effective from January 1, 2023. This regulatory change has allowed all categories of investors, including retail investors, to access the RFQ Platform by transacting through registered members of the NSE's debt segment. Currently, over 700 participants are active on the platform, enhancing transparency, efficiency, and liquidity in the Indian debt market.

- **Credit Rating Agencies:** SEBI's efforts to improve the standards and accountability of credit rating agencies have bolstered investor confidence in corporate bonds. This ensures that bonds issued in India maintain a high level of credibility.

Moreover, the RBI and SEBI have been promoting investor education and awareness programs, which have contributed to the growing culture of bond investing beyond the traditional urban centers. This trend is expected to gather momentum as digital penetration increases and more investors seek the relative safety and stable returns offered by bonds.

Here's a summary presentation of the key measures India has undertaken to develop and deepen its bond market, organized by supply side, demand side, and institutional/regulatory framework:

Measures Undertaken in India for Bond Market Development

Dimension	Measures undertaken	Examples / Details
Supply Side	Regular, predictable issuance of government securities (G-Secs),	Annual issuance calendar by RBI; benchmark securities across maturities
	Consolidation of government bonds,	Switches, buybacks to reduce fragmentation and enhance benchmark liquidity
	Electronic Book Platform (EBP) for private placements,	SEBI mandated EBP for corporate bond issuance above a threshold, improving transparency
	Reduced minimum face value of bonds	From ₹10 lakh to ₹10,000 for retail-friendly access
	Green & ESG bond issuance	Sovereign Green Bonds (since 2023) created pricing benchmarks for corporate
Demand Side	Retail participation initiatives	RBI's *Retail Direct* platform enabling individuals to invest in G-Secs online
	Development of institutional investors	Insurance, pension, EPFO encouraged to invest in long-term bonds
	Expansion of mutual funds & ETFs	Bond mutual funds and debt ETFs created secondary market depth
	Infrastructure-focused bonds & InvITs	Special structures for infra financing with tax incentives
Institutional & Regulatory Framework	Strengthened disclosure & listing norms	SEBI mandated continuous disclosures, credit ratings, trustee oversight
	Clearing & settlement reforms	CCIL acts as central counterparty (guaranteed settlement, repo in G-Secs)
	Credit enhancement mechanisms	IIFCL, partial credit guarantees for infra bonds to support lower-rated issuers
	Transparency & data availability	FIMMDA publishes yield curves; stock exchanges provide real-time trade reporting
	Bankruptcy & recovery framework	Insolvency and Bankruptcy Code (2016) improved investor confidence in recovery

Annex-III

Bond Market in Thailand: The Growth and Infrastructural Development

A landscape scenario of Thai Bond Market

The Thai bond market has experienced remarkable growth and development since the 1997/98 Asian financial crisis. Over the past two decades, the government has consistently issued bonds to finance annual budget deficits, support economic development, and restructure public debt. As a result, the bond market has evolved into a key funding source for both the public and private sectors, while also serving as a crucial instrument for monetary policy implementation by the Bank of Thailand (BOT). This development has contributed to a more balanced financial system, alongside the banking and equity markets.

The diversification of Thailand's financial landscape is evident in the shifting proportions of key financial indicators relative to GDP. Between 1997 and June 2025, bank loans declined from 131% to around 60% of GDP, while the overall bond market expanded from 12% to 93%, and corporate bonds grew significantly from 3% to 27%. As of June 2025, the total outstanding value of the Thai bond market reached THB 17.3 trillion (USD 512 billion). Government bonds, including Treasury bills, made up 60% of the total, followed by corporate bonds at 27%, central bank bonds at 20%, state-owned enterprise (SOE) bonds at 7%, and foreign bonds at 1%.

Reforms and Infrastructural Development

To support the development of Thailand's bond market—both government and corporate—with the aim of reducing reliance on bank loans and accelerating private investment to drive overall economic growth, the government, Securities and Exchange Commission, central bank, and other regulatory authorities have implemented a range of strategic measures. Key initiatives are outlined below:

- **Introducing Dynamic Central Bank Issuance Strategy:** The **Bank of Thailand** has refined its bond issuance program to boost market liquidity and deepen bond market infrastructure. The annual BOT Bond Issuance Programme has been developed in coordination with the Public Debt Management Office (PDMO), outlines adjusted auction sizes and frequencies based on evolving market dynamics.
- **Establishment of the Thai Bond Market Association (ThaiBMA):** The Thai Bond Market Association (ThaiBMA) was established as a self-regulatory organization under the supervision of the Securities and Exchange Commission (SEC) in September 2005 to support the rapid growth and complexity of Thailand's bond market. The ThaiBMA comprises three main categories of members: **Ordinary Members**, which include 53 licensed bond-dealing institutions such as Thai and foreign commercial banks and securities companies; **Extraordinary Members**, made up of 4 inter-dealer brokers (IDBs) that serve as intermediaries in the bond market; and **Associate Members**, consisting of

dealers whose average monthly trading volume is less than THB 100 million. Created in response to the need for greater transparency, efficiency, and infrastructure development in the fixed-income market, ThaiBMA plays a central role in facilitating bond trading, setting market conventions, and disseminating real-time bond prices and reference yields. It also acts as a bond pricing agency and provides registration services for corporate bond issuance, contributing significantly to market standardization and investor confidence. Through its efforts in market data dissemination, investor education, and regulatory support, ThaiBMA has been instrumental in promoting the stability, transparency, and long-term development of Thailand's bond market.

- **Advancing Sustainable Financing and ESG Integration:** Thailand has accelerated the growth of **sustainable financing instruments**, particularly ESG (Environmental, Social, and Governance) bonds. The PDMO introduced Thailand's first sovereign **sustainability bond in 2020**, financing projects such as the Mass Rail Transit Orange Line and employment programs, which were subsequently listed on the Luxembourg Green Exchange and certified by the Climate Bonds Initiative. In 2024, the PDMO launched a **Sustainability-Linked Bond (SLB)** worth THB 30 billion, with financial terms tied to national targets for greenhouse gas reduction and electric vehicle adoption. Additionally, the **Provincial Electricity Authority (PEA)** issued a sustainability bond to support submarine cable extensions and renewable micro grid projects on remote islands, while the **National Housing Authority (NHA)** issued a social bond to finance affordable housing. These instruments reflect Thailand's strategic use of ESG bonds to support inclusive, low-carbon development and align with global sustainable finance standards.

  Complementing this, the SEC and ThaiBMA launched an information platform dedicated to ESG bonds, providing comprehensive data including external reviews and issuance standards. To lower barriers for issuers, regulators have also implemented fee waivers: application and filing fees for green, social, and sustainability bonds issued before mid-2025 have been removed, and ThaiBMA waived registration fees for ESG bonds issued up to June 2022. Thailand's leadership in ESG finance continues to gather momentum. In 2022, it stood as the **second-largest ESG financing market in ASEAN**, with sovereign sustainability bonds comprising nearly two-thirds of ESG.
- **Strengthening Market Infrastructure and Transparency:** Efforts have been made to enhance the structural foundations of the bond market. The **Bond Electronic Exchange (BEX)**—operated under the Stock Exchange of Thailand—offers an electronic trading platform for bonds ("Firsts"), complete with real-time information, transparent disclosures, and efficient execution and clearing.

Moreover, the **Three Regulators Steering Committee**—comprising the BOT, SEC, Office of Insurance Commission, and Ministry of Finance—established a **Working Group on Sustainable Finance** in 2019. This group fosters collaboration across regulatory bodies to embed sustainable finance in policy frameworks.

Additionally, Thailand's **credit rating environment** has been bolstered to enhance investor confidence. While credit rating agencies (CRAs) remain essential for pricing and transparency, recent market events have underscored the need for rigorous monitoring and more reliable default assessments to mitigate investor risks.

- **Easing Foreign Issuer Access and Regulatory Refinement:** To broaden market participation, the SEC has streamlined procedures for foreign issuers. Beginning 1 January 2024, foreign entities can file for Thai baht–denominated bond issuance directly with the SEC—without requiring prior Ministry of Finance approval. Mandatory conditions now include an investment-grade rating from an international CRA, appointment of a bondholder representative, and registration with ThaiBMA. Temporary exemptions are available for refinancing existing sub-investment-grade bonds.

The SEC has also redefined which bills are classified as securities—specifically, those issued by companies to more than ten investors or with public solicitation—clarifying regulatory boundaries and aligning them with contemporary financial practices.

Here's a **snapshot** of the key measures and steps undertaken in **Thailand** for the development and deepening of its **government and corporate bond markets**.

Measures Undertaken in Thailand for Bond Market Development

Dimension	Measures	Examples / Details
Supply Side	Regular issuance of government securities	Ministry of Finance issues benchmark bonds across maturities, creating a reliable yield curve
	Bond consolidation program	Buybacks and switches to reduce fragmentation, improve liquidity
	Development of corporate bond issuance	Thai SEC and ThaiBMA promoted greater issuance of corporate bonds, including green & sustainability bonds
	Tax incentives for bond market participants	Tax privileges for certain long-term bonds and retirement funds investing in bonds
Demand Side	Development of institutional investors	Provident funds, Social Security Fund, and insurance companies encouraged to invest in bonds
	Retail investor participation	Introduction of "*Savings Bonds*" via banks and digital platforms for individuals
	Infrastructure financing bonds	Use of government-guaranteed and infrastructure project bonds to mobilize long-term funds
	Islamic bonds (Sukuk)	Promoted to diversify investor base and attract Middle Eastern capital

Institutional & Regulatory Framework	Establishment of Thai Bond Market Association (ThaiBMA)	Functions as SRO, provides trading, reporting, yield curve publication, credit risk monitoring
	Strengthened disclosure requirements	SEC requires corporate issuers to disclose financials, credit ratings, and covenants
	Credit rating mandatory for public offerings	Corporate bonds must be rated by licensed credit rating agencies
	Market infrastructure improvements	Electronic trading platforms, real-time reporting systems
	Legal & regulatory reforms	Public Debt Management Office (PDMO) strengthened framework for debt issuance and investor protection
	Regional integration	Participation in ASEAN+3 Bond Market Forum (ABMF) to harmonize standards and practices

Thailand's bond market is now **one of the largest in ASEAN** (≈ 93% of GDP; government bonds ≈ 76%, corporate bonds ≈ 24%). Strong institutional backing (ThaiBMA, SEC, PDMO, BOT) helped ensure transparency, liquidity, and investor protection.

Annex-IV

Side-By-Side Comparison of the Bond Market Development: Bangladesh vs. Thailand vs. India

1) Institutional roles & flagship measures

Pillar	Bangladesh	Thailand	India
Central Bank	**Bangladesh Bank (BB)** – conducts T-bill/bond auctions; GS settlement via BB systems; limited retail access; repo mostly interbank; limited market data published to the public.	**Bank of Thailand (BOT)** – predictable BOT/MoF calendars; active liquidity ops via repos; THOR risk-free rate; BAHTNET RTGS DvP; supports benchmarks and secondary-market depth.	**Reserve Bank of India (RBI)** – regular calendars; NDS-OM order book for G-Secs; Retail Direct for individuals; OMOs/switches/buybacks; well-developed repo & derivatives (IRS/IRF).
Debt Management	**MoF (Finance Division / Debt Mgmt Wing) + National Savings Directorate**; auctions operated with BB; limited switch/buyback use; retail savings instruments outside exchange ecosystem.	**PDMO (under MoF)** – benchmark-building, switches/buybacks, retail **Savings Bonds** via banks & mobile, occasional ESG sovereign; strong comms & calendars.	**MoF (DEA)** + RBI as agent – active consolidation (switch/buyback), **Sovereign Green Bonds**, predictable supply; infra-linked programs.
Securities Regulator	**BSEC** – public issue rules for debt; ratings required for public debt; trustee regime improving; private placements common; limited electronic book-build use; disclosure enforcement uneven.	**SEC Thailand** – strict disclosure; **standard debenture T&Cs** & trustee duties; PP-II/PP-HNW regimes; enforcement post-defaults strengthened; supports ESG/SLB guidelines.	**SEBI** – **Electronic Book Platform (EBP)** for private placements; continuous disclosures; reduced face value to ₹10,000; **Bond Central**-style info; strong trustee oversight.
SRO / Pricing & Transparency	No dedicated bond SRO publishing trade prints, curves, indices; pricing is fragmented.	**ThaiBMA (SRO)** – mandatory post-trade reporting; public **yield curves**, indices (govt & corporate), pricing/analytics; market surveillance & education.	**FIMMDA/PDAI** (+ CCIL data) – standardized valuation; daily curves; trade repositories; robust market statistics.
Trading Venues	**DSE/CSE** – corporate debt listing possible but thin trading; govt debt mainly OTC/BB; retail channels limited.	**SET/BEX** – **Bond Electronic Exchange** offers retail access alongside OTC; transparent quotes/info pages.	**NSE/BSE** – active RFQ/order-book segments (debt); BSE BOND/NSE EBP for primary; vibrant secondary prints.
Clearing & Settlement	**BB FMI Module (BGTBs) + CDBL** (corporate); DvP coverage improving; limited triparty repo; no	**BAHTNET (RTGS)** DvP; robust repo; integrated custody; efficient fails	**CCIL** as CCP for G-Secs & repo; RTGS integration; trade repository for OTC derives; well-oiled

	CCP for corporate bonds.	management.	fails/guarantee framework.
Reference Rates & Hedging	Interbank benchmarks; limited term RFR adoption; IRS/IRF markets shallow.	**THOR** (transaction-based overnight RFR) supports FRNs/derivatives.	MIBOR/overnight benchmarks; active **IRS/IRF** markets.
Credit Ratings	**CRAB, CRISL, NCR** – coverage improving but many issuers unrated; investors rely on banks.	**TRIS, Fitch (Thailand)** – mature coverage; ratings central to corporate issuance.	**CRISIL, ICRA, CARE, India Ratings** – deep coverage; multiple notches; strong use in mandates.
Institutional Investors	Insurance, provident funds present but conservative limits; pensions small vs. peers.	Large **provident funds, SSF, insurers, mutual funds** anchor long tenors.	**EPFO, insurers, mutual funds, pensions** create strong demand across curve; InvIT/REIT ecosystem.
Retail Access	Savings certificates outside exchange; corporate bonds high face value; no unified retail portal.	**App-based savings bonds** + bank channels; smaller lots; education.	**RBI Retail Direct** (G-Secs/T-bills online); smaller lots; OBPPs under SEBI for corporate.
ESG / Thematic	Sukuk framework in place; limited ESG issuance/benchmarks; no sovereign green yet.	Regular **ESG/SLB** corporate; strong guidance; sovereign sustainability themes.	**Sovereign Green Bonds** since 2023; growing corporate green/SLB market.

Annex-V

Gap in Bangladesh's Bond Market Compared to Thailand and India

Bangladesh Institution	Gap vs. TH/IN	Do Next (Practical Steps)
Bangladesh Bank (BB)	No retail G-Sec portal; limited public market data; shallow repo & hedging.	Launch **Retail G-Sec Portal** (non-competitive bids + T-bills SIP); publish **daily curve & auction stats**; expand **repo/triparty repo** and standardize haircuts; pilot **switch/buyback** ops with MoF.
MoF – Debt Mgmt Wing / NSD	Fragmented retail channels; limited consolidation/benchmarks.	Publish **rolling issuance calendar**; run **two switch operations/year**; integrate **digital savings bonds** via bank apps; align NSD products with market pricing to avoid distortions.
BSEC	Infrequent EBP; uneven trustee enforcement; high ticket sizes.	Mandate **EBP** for PP above a threshold; issue **model debenture T&Cs** + trustee accreditation; cut **min lot sizes** (retail access); tighten continuous disclosure timelines.
SRO / Pricing (new)	No ThaiBMA-like hub for prices/curves/indices.	Stand up a **Bond Pricing & Indices Agency** (public-private SRO): real-time trade reporting, **govt & corporate curves**, indices, analytics, education.
DSE/CSE	Thin secondary trading; retail UX weak.	Launch a **retail debt board** (order-driven) with odd-lot trading; integrate broker apps; show live **RFQ quotes**, spreads, and factsheets.
CDBL / Settlement	DvP/RTGS integration not universal; no CCP for bonds.	Expand **DvP for all listed debt**; explore **CCP** (start with G-Secs repo); publish settlement fail metrics; roadmap for **T+1** corporate bonds.
Credit Rating Agencies	Limited coverage & consistency.	Subsidize ratings for debut IG issuers; publish **methodology scorecards**; require **rating surveillance** cadence; enable **PCG wrap** to upgrade credits.
Institutional Investors (IDRA/Financial Institutions Division)	Conservative limits; duration/credit caps restrict demand.	Update **insurer & PF mandates** to include IG corporate/PCG-wrapped issues; set prudent concentration & duration bands; allow **ESG/sukuk** buckets.
ESG / Thematic (MoF/BSEC/BB)	No sovereign green anchor; few standards.	Issue **sovereign green/sustainability bond**; adopt **ESG disclosure templates**; fee rebates for verified green/SLB; create a **verifier registry**.

Annex-VI

Action Plan Matrix for Development of the Bond Market in Bangladesh

Categorized by priority:

- ✓ **Short-term (ST):** within 1 year (by December 2026)
- ✓ **Medium-term (MT):** within 2 years (by December 2027)
- ✓ **Long-term (LT):** within 5 years (by December 2030)
- ✓ **Continuous (CT):** regular activities

Category	Issues	Implementing Agencies	Area of the works	Priority
SUPPLY SIDE	Strengthening National Pension Authority or **establishment a new – Pension and Provident Fund Authority**	FD & NPA	Preparation of a **comprehensive framework on Pension & Provident Fund** covering all sectors– govt, semi-govt. autonomous, corporate & private. addressing – objective, operational functions, investment model, monitoring of investment performances, governance & disclosure requirements.	MT
	Streamlining issuance processes & reducing cost	BSEC, DSE, CSE	- Identification of barriers to reducing bond issuance time & cost with recommendations for amending existing policies or formulating new ones as needed.	ST
	Expanding the variety of issuers (govt., corporate, city corporation) & instruments (social, infrastructure, green, Sukuk bonds, etc.)	FD, Local Govt, BSEC	Development of a strategy to broaden the bond market addressing the sectors– - Corporate, - state-owned enterprises - infrastructure projects - City corporations, - Green projects - Sukuk etc.	MT

	Tradability of National Savings Certificate	NSD, FD, IRD	Preparation of wide-ranging - Regulatory/policy framework - Price discovery mechanism	MT
	Leverage bank bond issuance as a catalyst	BB	Preparation of a comprehensive policy framework	MT
	Introduce shelf registration	BSEC	Preparation of a comprehensive policy framework	ST
	Introducing credit enhancements and guarantee scheme/fund	BSEC, FD, BB	Preparation of a comprehensive Regulatory & policy framework	ST
	Easy access & exit/buy back options	BSEC	Preparation of an inclusive framework	ST
	Reduces face value of a lot	BSEC	Issuance of an administrative circular to reduce face value of bonds, which may start from BDT 5000.	ST
	Enhance liquidity support	BB, FD, BSEC	Preparation of a policy & well-structured framework	MT
DEMAND SIDE	Expanding Institutional Investor Base (pension & provident fund (of govt, semi-govt, autonomous, corporate, private), social security, insurance, mutual funds, etc.)	FD, FID, BB, BSEC	Preparation of wide-ranging Policy Framework	MT
	Tax incentives and tax rationalization for bond investors	NBR, FD	Review of the existing policies to identify reforms needed to broaden the bond market	ST
	Financial literacy & awareness	BSEC, FD, FID, BB	Arrangement of dialogues & discussion meetings with bond market stakeholders	CT
MARKET INFRASTRUCTURE	Enhancing real time secondary market	BSEC	To identify gaps in the existing market structure and to prepare a comprehensive framework	ST
	Improving settlement & delivery vs. payments system	BSEC	To identify gaps in the existing market structure and to prepare a comprehensive framework	ST

	Develop benchmark robust yield curve	BB/BSEC	To identify gaps in the existing market structure and to prepare a comprehensive framework	ST
	Introduces bond indices	BSEC	Development of a bond index grounded in clear, rule-based methodology aligned with globally standards.	ST
	Introduces Electronic Book Platform (EBP) for private placement	BSEC	Preparation of an inclusive framework	ST
REGULATORY ISSUES	Strengthen legal and regulatory framework	FD, FID, BB, BSEC	Review existing regulations/rules/guidelines to identify gaps, and amend or develop new provisions as required.	ST
	Investor protection & ensure accountability	FD, FID, BB, BSEC	Strengthen enforcement, compliance, oversight & governance.	ST
	Attractiveness of foreign Investment	FD	Develop a comprehensive policy framework incorporation inflation-indexed feature.	MT
	Reducing reliance on long-term bank loans by corporate	BB	Review existing regulations/rules/guidelines to identify gaps, and amend or develop new provisions as required aligned with globally standards.	ST
	Issuing bond by banks to maintain CAR	BB	Review existing regulations/rules/guidelines and amend or develop new provisions as required aligned with globally standards.	MT
	Coordination among regulators & stakeholders	FD, FID, BB, BSEC	Dialogue/discussion & taking pragmatic policy measures	CT
	Coordination between monetary and fiscal authorities	FD, BB	Policy discussions	CT
	Establishment Self-Regulatory Organization (SRO) - an organization of bond market participants	BSEC	Analyses real time trade reporting, indices, & providing education to market participants	LT

MACROECONOMIC STABILITY	Ensuring macroeconomic stability	FD, BB	Policy coordination & consultations	CT

Note:

BB: Bangladesh Bank

FD: Finance Division

FID: Financial Institution Division

BSEC: Bangladesh Securities and Exchange Commission

NBR: National Board of Revenue

NPA: National Pension Authority

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