



## Governor's Remarks

### The Opening Day for Live Trading of Government Debt Instruments on The Bahamas International Securities Exchange

(As prepared for delivery)

July 9, 2020

Today, we are celebrating the inauguration of the integrated infrastructure for the listing and trading of Government debt on ~~The~~ the Bahamas International Securities Exchange (BISX). This trading platform is connected to the Central Bank sponsored Bahamas Government Securities Depository (BGSD), with the capacity for immediate delivery of trades versus payments that would be enabled through The Bahamas Interbank Settlement System (BISS) for real-time gross settlements (the RTGS), also directly maintained by the Central Bank.

Formatted: Font color: Auto

Formatted: Font color: Auto

This modernised infrastructure provides context for improved transparency and efficiency in both public and private sector debt market operations. It offers a more enabling environment in which mature private firms can raise financing; and it further empowers the Central Bank to perfect indirect monetary policy tools, to influence changes in interest rates in the economy.

This infrastructure will draw investors more conveniently into the secondary trading process, as counterparties to both sides of the buying and selling of government securities. This will increase the transparency around the determination of market prices. Up to this point, the Central Bank was commonly the second participant, and therefore, the facilitator of most secondary trades.

The Central Bank, as Issuing Agent, will continue to facilitate primary market offerings of government bonds and participate, when necessary, to support secondary market liquidity.

Nevertheless, the average investor's ability to participate in the market will not be impeded. Government bonds will remain accessible to every Bahamian who wishes to invest, either through a licensed broker-dealer or directly through the market desk at the Central Bank. The minimum investment in any government Bond is still \$100.

Collaboration between the Central Bank and the Ministry of Finance has been critical for the establishment of the securities depository. This project benefitted from extensive technical assistance provided by the Commonwealth Secretariat, around the governance arrangements for trading; the technology design of the depository; and identification of complementary legal reforms to the debt management process. The dematerialisation provision for all Registered Stock ownership certificates to be made digital was just passed into law, ahead of other comprehensive reforms in debt and public financial management legislation that have already been drafted. This enhances the efficiency of the digital processes. Paired with the custodial features of the Bahamas Government Securities Depository (BGSD), this will eventually accommodate more efficient product structures around repurchase agreements (around the borrowing and lending of securities) and secured pledging of government instruments to obtain credit. The BGSD is also planned to extend to bonds issued by Government agencies and public corporations.

The market modernisation process is a continuous journey. It is also collaborative and consultative. While we would have liked to have been at this point sooner than now, we are confident that the momentum will increase on multiple tracks, given the enabling legal reforms of which we are in the midst. The Central Bank is appreciative of the contributions of all of the stakeholders in this process and we applaud the Deputy Prime Minister and the Ministry of Finance for their leadership. Personally, I am also grateful for the commitment that all of my Central Bank colleagues have shown to this process.