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DEVELOPING CORPORATE BOND MARKETS DIAGNOSTIC CHECKLIST

This diagnostic checklist is a tool to help USG program officers make a preliminary determination if the fundamental legal, regulatory, market, and governmental support preconditions are in place for developing a viable and sustainable corporate bond market.

Key Questions	Yes	No	Comments/Responses
Macroeconomics			
1. Is the economy growing?			If yes, by what percent?
2. Is the rate of inflation under 10 percent?			
3. Does the government issue and place securities in the domestic market?			If yes, how much of the budget is financed? List the maturities of the securities issued:
4. If yes, how much of the budget is financed?			
5. Is there a debt-management strategy?			
6. If yes, is it referenced in a law?			
Issuers and Investors			
7. Are there private pension funds?			Note whether Pillar II or III, and list size of assets:
8. Are there mutual funds?			List how many and size of assets:
9. Are there insurance companies?			List what kind, how many, and size of assets.
10. Is there an actuarial profession?			List how many actuaries:
11. Is there an inter-bank trade in securities?			
12. Have banks issued any corporate securities?			If yes, list what kind:
Legal and Financial Infrastructure			
13. Is there a stock exchange?			
14. If yes, are any bonds listed?			List how many:
15. Is there a central depository or depository services available?			
16. Are clearance and settlement services available?			
17. Is there a securities law that gives bond holders preference over shareholders?			

18. Is there a securities law that excludes pledge from bankruptcy estate?			
19. Is there a legal and regulatory framework in place that supports mortgage lending?			
20. If yes, is there a mortgage market?			If yes, note the size of the market and how many banks are making loans:
21. Is there a domestic ratings agency?			
22. Is there an independent and separate securities regulator?			
Other			
23. Are there senior government and private- sector counterparts committed to bond market development?			If yes, identify those with a high level of interest and their positions.
24. Is Islamic Finance a factor in market development?			If yes, identify sources of supply and demand.

Resources

While there are numerous resources on aspects of building corporate bond markets, several are key to understanding issues covered in this checklist

Endo, T. (2001). *Corporate Bond Markets Development*. OECD Publishing.
 International Monetary Fund/World Bank. (2001, September). *Developing Government Bond Markets: A Handbook*.
 Ayub, M. (2008). *Understanding Islamic Finance*. Hoboken, NJ: Wiley, John and Sons.
 Fabozzi, Frank, J. (2002). *The Handbook of Financial Instruments*. The Frank J. Fabozzi Series, Wiley Finance.

Primary resources used in the development of this checklist can be found in the bibliography section of *FS Series #6, Developing Corporate Bond Markets in Emerging Economies*. In addition, select websites recommended as “gateways” to further resources on development of corporate bonds and web accessible country-level data sources for corporate issuance are listed below.

Recommended Web Sites

The World Bank: <http://www.worldbank.org/>
 Organization Economic Development and Cooperation: <http://www.oecd.org>
 Bank for International Settlements: <http://www.bri.org/publ/bppdf/bispap11b.pdf>
 Asian Development Bank: <http://www.adb.org>
 European Bank for Reconstruction and Development: <http://www.ebrd.org>
 International Finance Corporation: <http://www.ifc.org>
 International Monetary Fund: <http://www.imf.org>
 European Covered Bond Council: <http://ecbc.hypo.org>

Country-level Data Sources on Corporate Bonds

International Monetary Fund Global Financial Stability Report: <http://www.imf.org>
 Stern School of Business, New York University: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/data.html

DECEMBER 2009

This diagnostic tool appears in *FS Series #6: Developing Corporate Bond Markets in Emerging Economies*, which was produced for review by the United States Agency for International Development. It was prepared by Chemonics International, Inc. for the Financial Sector Knowledge Sharing Project, delivery order number EEM-E-03-05-00006-00.