

A Signing LPPSA Ceremony By Deputy Finance Minister

 Friday, Jun 10 2016

SPEECH BY YB. DATUK JOHARI ABDUL GHANI DEPUTY FINANCE MINISTER

A SIGNING LPPSA CEREMONY

Date: 10 June 2016 (Friday)

Time : 9.30am

Venue : Le Meridien Hotel, Kuala Lumpur

YBhg Tan Sri Dr. Mohd Irwan Serigar B. Abdullah
Secretary General, Treasury and Chairman of LPPSA

Yang Berusaha Puan Norsimah Binti Ab Wahab
Chief Executive Officer, Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA)

LPPSA Board of Directors

Distinguished Guests and Potential Investors

Ladies and Gentlemen,

Assalamualaikum Warahmatullahi Wabarakatuh, Salam 1Malaysia and a very Good Morning

1. First and foremost, I am very grateful to be here today, in this prestigious event, surrounded by prominent bankers, insurers and investors alike. It is good to see many familiar faces. Some of you may well know that before my foray into the world of politics, I was also from the corporate sector.

2. I would also like to take this opportunity to congratulate LPPSA on its successful inception on 1 January 2016 and the proposed maiden Sukuk issuance that will be presented shortly.

Ladies and Gentleman,

3. In Budget 2013, the Government announced that Bahagian Pinjaman Perumahan (BPP) or the Housing Loans Division of the Treasury would be restructured as one of the measures to strengthen the fiscal position and relieve the financial burden of the Government.

4. Based on a study conducted, it was derived that the best method to achieve the set objectives is to transform BPP into a separate Statutory Body. As such, the Economic Council meeting on June 3, 2013 agreed in principle that BPP should be incorporated as a new entity and a statutory body. This decision was further upheld in the Cabinet Meeting on 14 November 2014, naming the new entity as Lembaga Pembiayaan Perumahan Sektor Awam (LPPSA).

LPPSA ROLE IN ADMINISTERING THE LOANS FOR THE PUBLIC SECTOR

5. On 1 January 2016, LPPSA has fully taken over the management of housing loans disbursement to the public sector from the Housing Loan Division (BPP). This was further well established under the Akta Lembaga Pembiayaan Perumahan Sektor Awam 2015 (Act 767) which was gazetted on June 4, 2015. One of the pivotal conditions of the transformation is that all facilities and benefits previously enjoyed by the public sector will be maintained. This transformation will undoubtedly lead to greater efficiency in years to come.

6. The objective of the establishment of LPPSA is to reduce the Government's debt by the government and the ratio of total loans to the Federal Government's Gross Domestic Product (GDP). This is also important in reducing the dependency on the government and to ensure the entity can concentrate fully and function to its maximum capacity in disbursing housing loans for the public sector.

7. I believe that this transition will ensure LPPSA continued independence in its operations while developing a sustainable financial model to sustain the operations for many years to come.

INVESTOR BRIEFING PROGRAM

Ladies and Gentleman,

8. One of the popular methods of funding, which has been largely implemented by the banks, is through the issuance of Sukuk and bonds or private debt securities. In some countries, Sukuk has become the method of financing the state budget on a yearly basis.

9. Already, Malaysian banks are world leaders in Islamic Banking, providing competitive options to those offered in conventional banking. Our capital market as at 2015, was reach at RM2.82 trillion, with the growth was driven by the equity market amounted RM1.7 trillion and RM1.1 trillion from the bond market. Of which, 54.1% or RM608 billion was outstanding Sukuk from the bond market.

10. Malaysia continued to maintained its position as the third largest local currency bond market as percentage of GDP in Asia after Japan and South Korea.

11. Malaysia has strengthened its position as a top investment destination with the overwhelming response to the Government's newly-priced global sukuk issuance, which reflects global investors' continued confidence on the Malaysia's strong economic fundamental. Investors from a combined base of more than 195 accounts subscribed for the Government's USD1 billion 10-year tranche and USD500 million 30-year tranche, attracting an aggregate interest of more than USD6.3 billion (RM24.5 billion) and representing an oversubscription of 4.2 times.

Ladies and Gentleman,

12. We are lucky today, with this event its will be a platform and opportunity for investors to see the potential of LPPSA and the investment options available to institutional investors in the market. The upcoming issuance, besides providing investors with a viable investment option will also help LPPSA in providing better services to the public sector in ensuring that there is adequate funding to cover their housing needs. In this respect, it is not just a secured investment decision but will also contribute towards our nation-building efforts.

13. It is in this respect, and the spirit of nation-building and in line with our efforts to provide better services and facilities, LPPSA has organized the 'Investors Briefing & Signing Ceremony' today for the impending issuance of the RM25 Billion Islamic Commercial Papers and Medium-term Notes and Conventional Commercial Papers and/or Medium Term Notes Programme which is Guaranteed by the Government of Malaysia. The funding will be utilise to fund housing loans for the public sector.

14. Once again, I wish to reiterate that I fully support this programme because it will benefit the investor's community as a whole and indirectly help the economic viability of the country. In closing, I wish to once again congratulate LPPSA on the impending maiden issuance of its Sukuk programme and may this lead more issuance in the future, thus ensuring a more vibrant bond market in Malaysia.

Thank you.

