

The main objectives are to study the problems of Government Bonds in both the primary and secondary market and to suggest administering recommendation for the improvement of the management of government bonds.

The research findings indicate that there are six problems involved in the management of government bonds as follow :

1. The bond interest rates are frequently adjusted, on average 2-3 times a year. This has caused confusion and uncertainty among bondholders as well as created problem in bond management. The resolution to the problem, as found by the research, is that bond interest should be let to freely fluctuate in line with the bank interest rates.

2. The imposition of 15% tax on the spread between the bond interest and the bank saving deposit causes investors to lose their confidence in bondholding. In this regard, the study shows that the calculation of tax on the said spread on the basis of the average saving deposit rate as of the date, when the bonds are issues, can have the investors informed in advance of the income receivable, and in addition, by this mean, the authorities concerned can foresee revenues and expenses rather accurately, as well.

3. The bond shortage stemming from the Government's policy to reduce domestic borrowings. The problem, according to the research, can be resolved, on the one hand, by means of reducing the bank branch opening requirement from the rate of 16% to 14% of total bondholding and, on the other hand, by allowing state enterprises to issue their own bonds. These two solutions will certainly enhance the supply of bonds transacted in both the primary and secondary markets to the sufficient level.

4. Commission fees granted to distributive agencies are not high enough to encourage bond sales. In this connection, the research has reached the solution that should the Bank of Thailand loan and rediscount facilities be based on the sales volume of bonds sold by commercial banks, and should considerably high fees be granted to bond dealers, it is encertained that bond sales will be greatly encouraged.

5. The offices for registration of ownerships, purchases, tranfers, pledgings or changing ownership of bonds are at present four in number, viz. Bank of Thailand and its three regional branches. This is not apparently sufficient. The solution to this is to issue bearer bonds in a larger number and, in addition, to increase the number of Bank of Thailand regional branches to be located in more provinces.

6. Lack of good co-ordination among secondary markets. This can be solved by means of introduction of modern technology, especially computer and establishment of data centre of either the Securities Exchange of Thailand (SET) or at any commercial bank, which is regarded as one of main acceptance market, and this will also create mutual interests among all secondary markets.