

# Institutional Framework and Regulatory Aspects of Capital Market in Bhutan

Capital Market Development in Bhutan,  
18-19 December, 2019

# Outline

- Legal and Policy Framework
- Institutional Framework
- Challenges and Opportunities
- Way Forward

# Legal Framework

## Constitution of the Kingdom of Bhutan

- Article 9.9
- Article 14.4 and 14.5

## Public Finance Act (PFA) 2007 and PF (Amendment) Act of Bhutan 2012

- Section 14 (b) and Section 125 and 127 (Chapter VII)

## Financial Services Act 2011

- Chapter 18 (Securities Business)

## Companies Act of Bhutan

- Chapter 6 (Shares and Securities)

# Institutional Aspects

- Royal Monetary Authority
  - Recognized the Authority under the Financial Services Act, 2011
    - REGULATOR
- Ministry of Finance
  - Legally authorized under the Public Finance Act
    - PRIMARY ISSUER
- Royal Securities Exchange of Bhutan
  - As recognized by the FSA, 2011
    - FACILITATOR/SERVICE PROVIDER

# Opportunities and Challenges

- **Opportunities (In addition to the Legal Framework)**

- Economic Development Policy, RGOB, December, 2016 - Policy Point 7.12.7
- Fiscal Incentives, RGOB, 2016 - Part I Direct Tax Incentives,
- Government's Fiscal Need
- Exchange Rate and External Debt
- Government's bond issuance strategy for the development of capital market leaves the stakeholders clear about the market's long-term direction

- **Challenges**

- Limited diversification and demand for investment opportunities (institutional investment community mainly confined to few)
- Lack of domestic credit rating agency
- Awareness and understanding of capital markets.

# Way Forward

- Establish a Commission or a Board to dedicatedly govern securities market in Bhutan
- Explore the possibility of an international sovereign credit rating for Bhutan
- TALK (consultations)