

# UNESCAP Philippines

# Tapping Financial Markets and Institutional Investors

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EDWARD ROCHE, ADVISOR

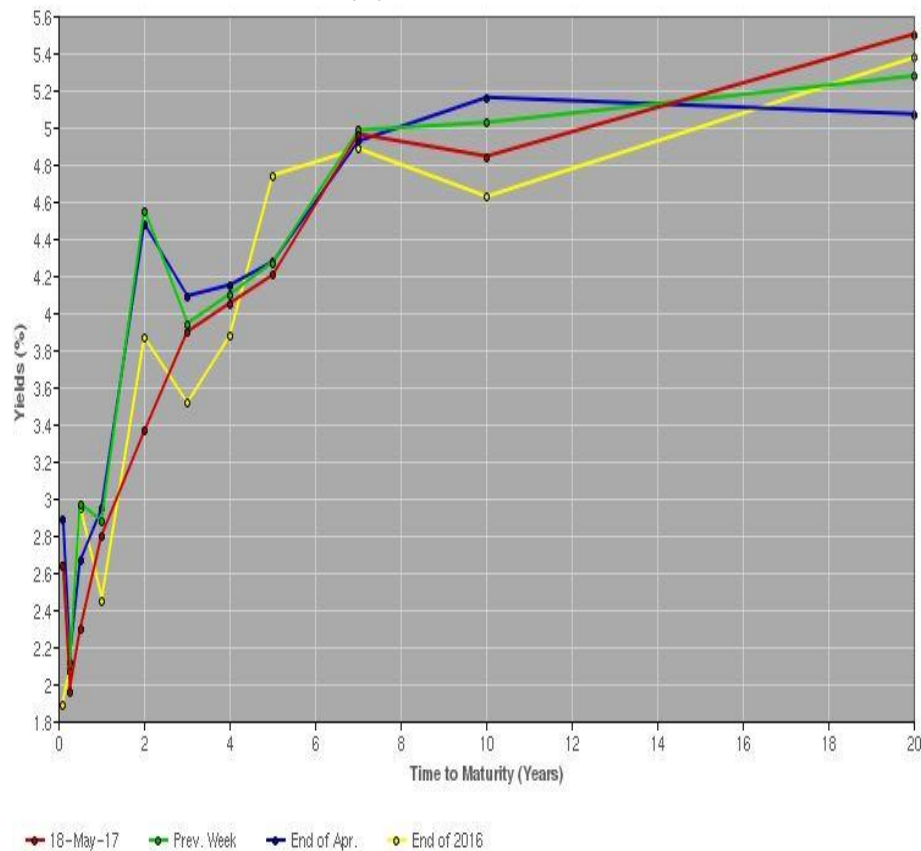
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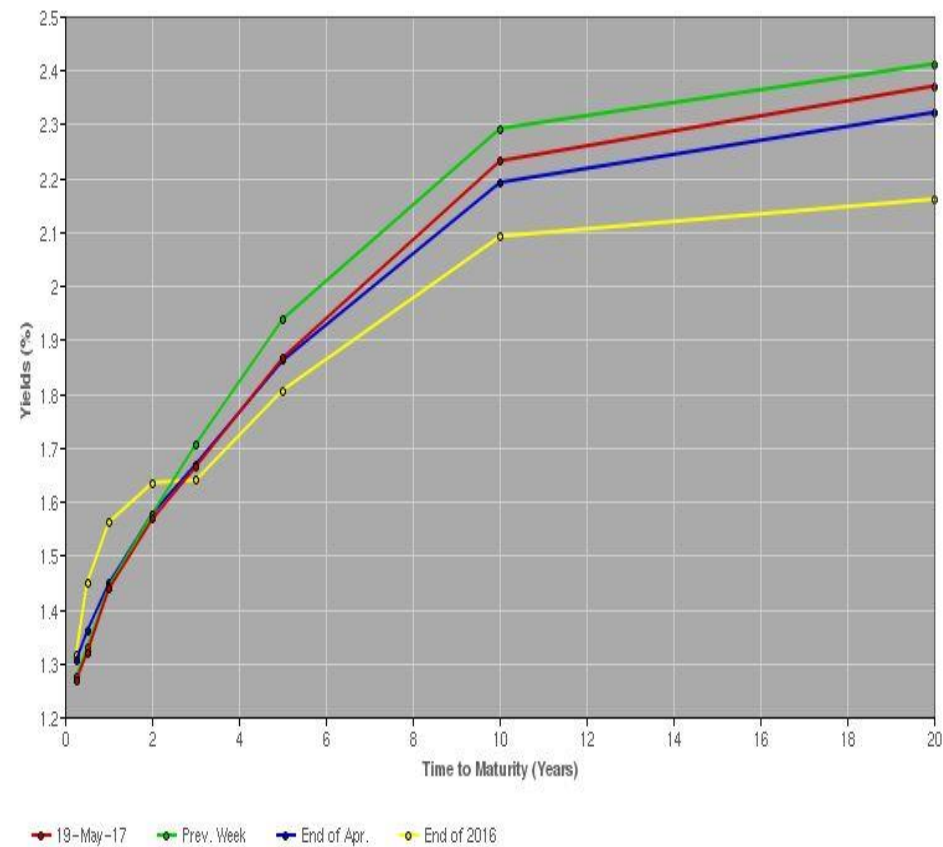
AUGUST 30, 2017

# A smooth yield curve is a reliable reference for pricing financial instruments

Philippines



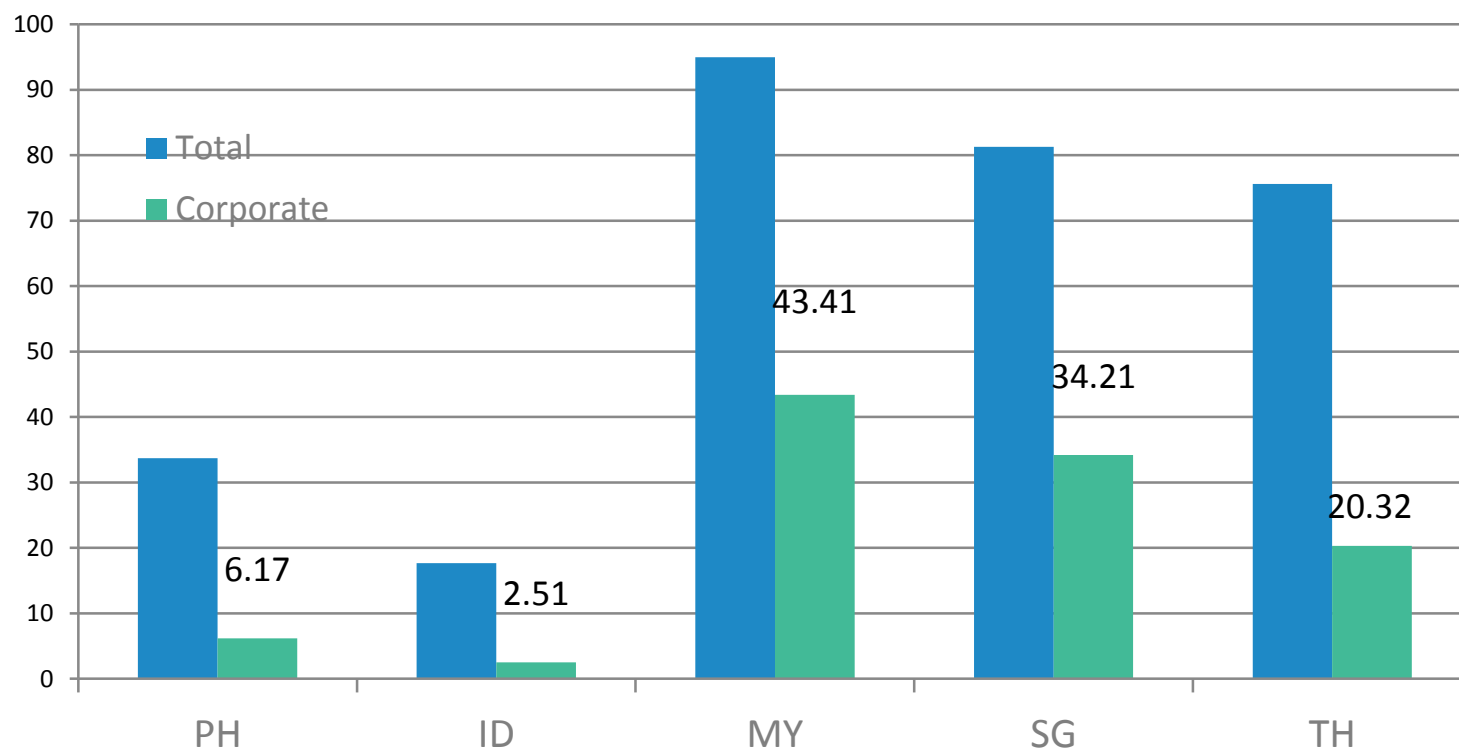
South Korea



Source: Asia Bonds Online. Asian Development Bank

# Selected ASEAN Local Currency Bonds

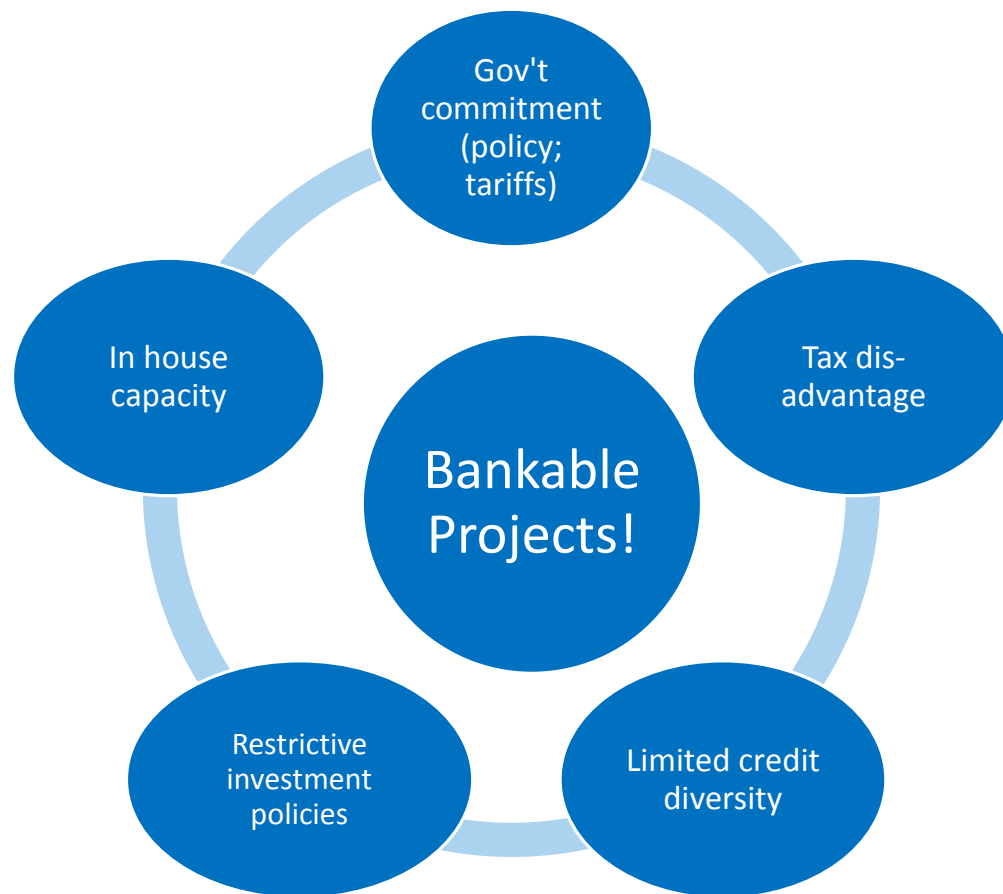
LCY bonds (share of Total %GDP, 2016)



Source: Asia Bonds Online. Asian Development Bank

# Other challenges for financing infra through capital markets

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# Coordinated initiative by BSP, Treasury & SEC a major step

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- Permanent increase in volume of T-bills
- Consolidation into 6 liquid tenors: 2, 3, 5, 7, 10, 20 yrs
- Designation of market makers with privileges and obligations
- Introduction of GMRA-based repo market
- Adoption of a market-based benchmark pricing approach and other reforms to facilitate price discovery
- Consideration of other methods to facilitate trading

# Local capital market development complements infra-specific efforts

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- ✓ Legal and Institutional Framework
  - ✓ Amended BOT Law & Implementing Rules
  - ✓ PPP Center & Line Agency Capacity
- ✓ PPP equity listing rules approved
- ✓ Shelf registration

# Local capital market development complements infra-specific efforts (continued)

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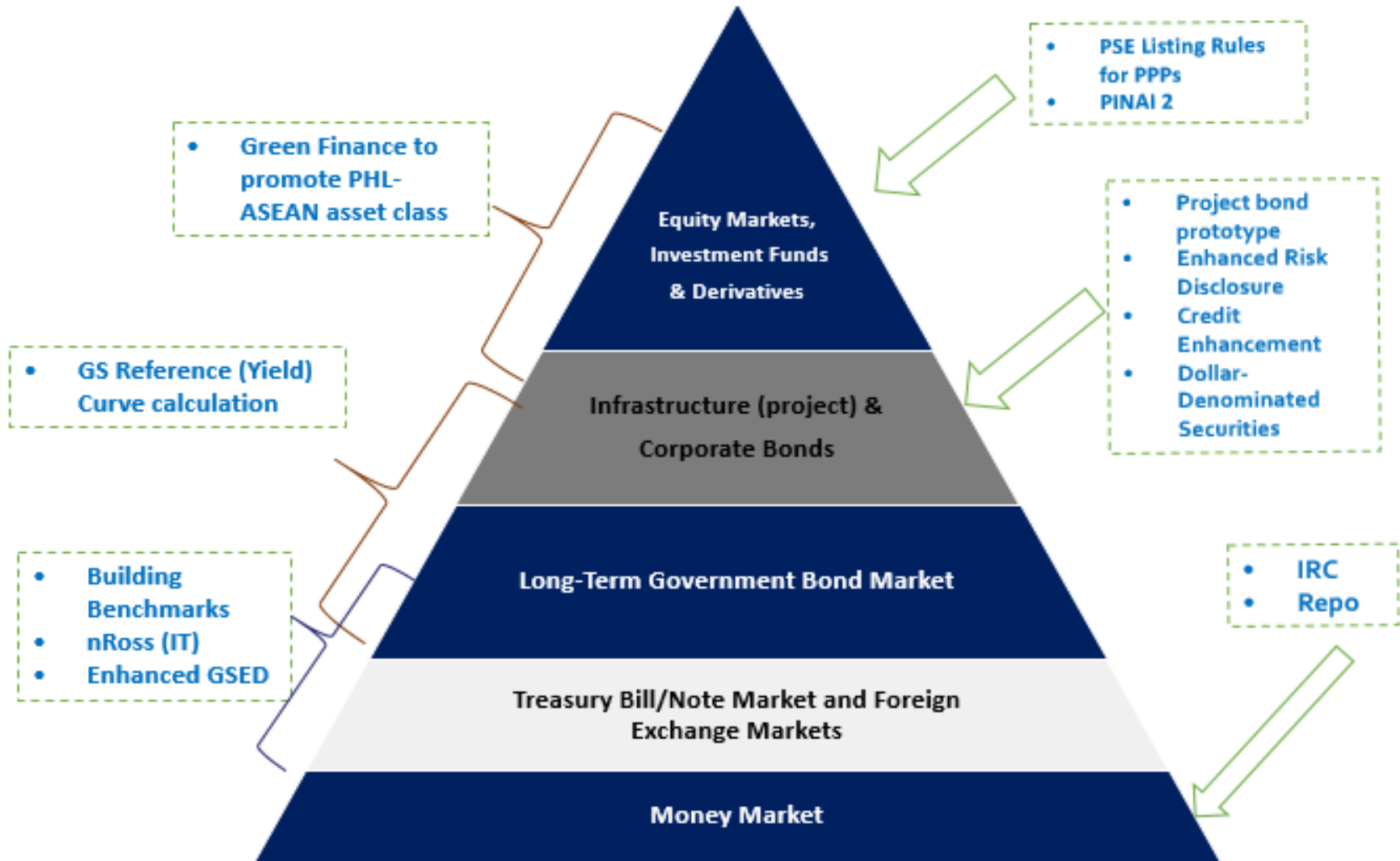
## ➤ Project finance

- ✓ Banks - new BSP guidelines on SBLs for properly ring-fenced entities
- ✓ Capital markets - working with institutional investors and market regulators

## ➤ Green bond standards in preparation

## ➤ Optimizing ODA and risk mitigation tools

# Domestic Capital Market “Pyramid”\*



\*Karacadag et al (2003). Managing Risks in Financial Market Development: The Role of Sequencing. IMF Working Paper.



# Thank you!

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