

UNESCAP Philippines

Tapping Financial Markets and Institutional Investors

EDWARD ROCHE, ADVISOR

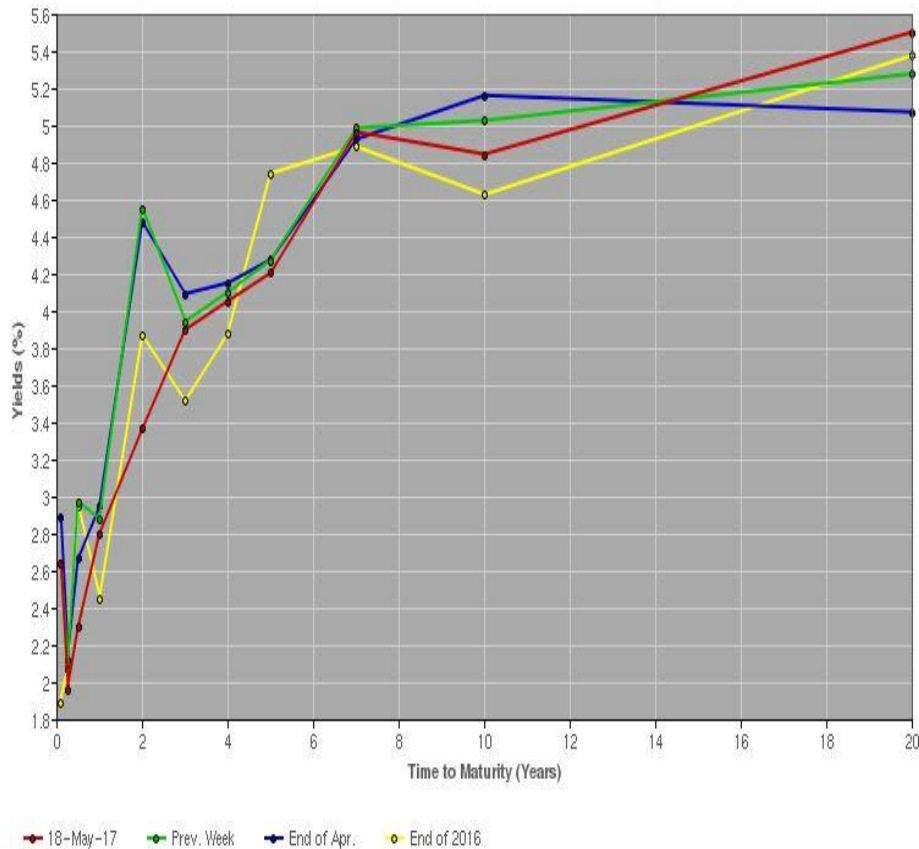
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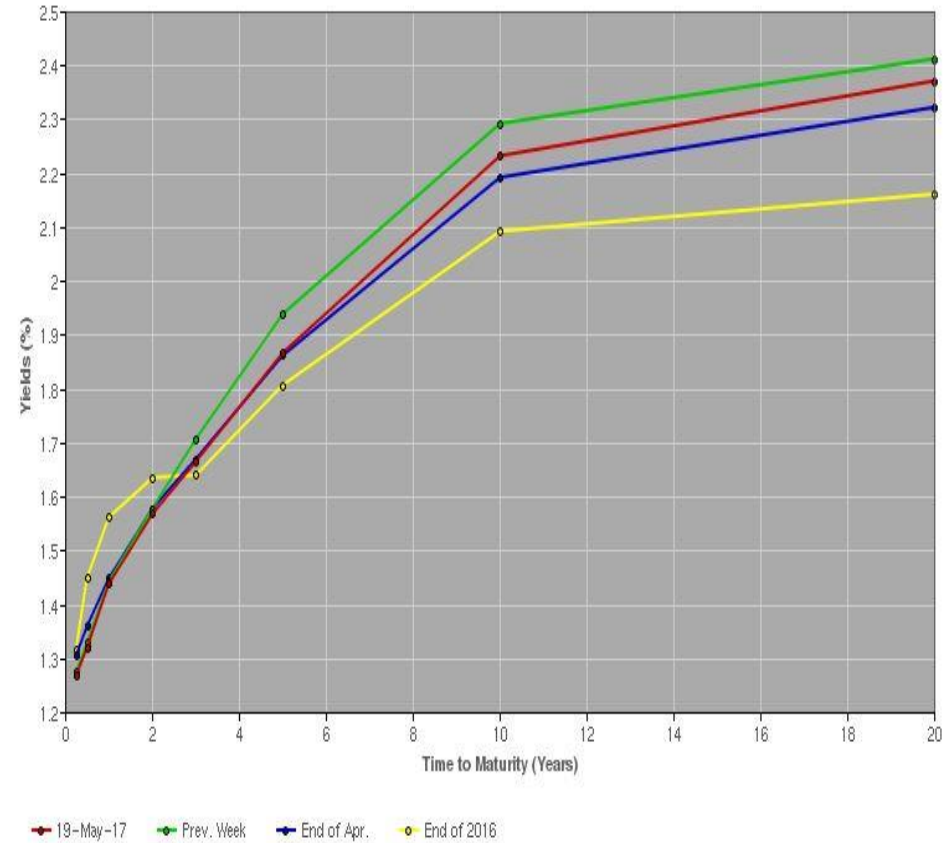
AUGUST 30, 2017

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

Philippines



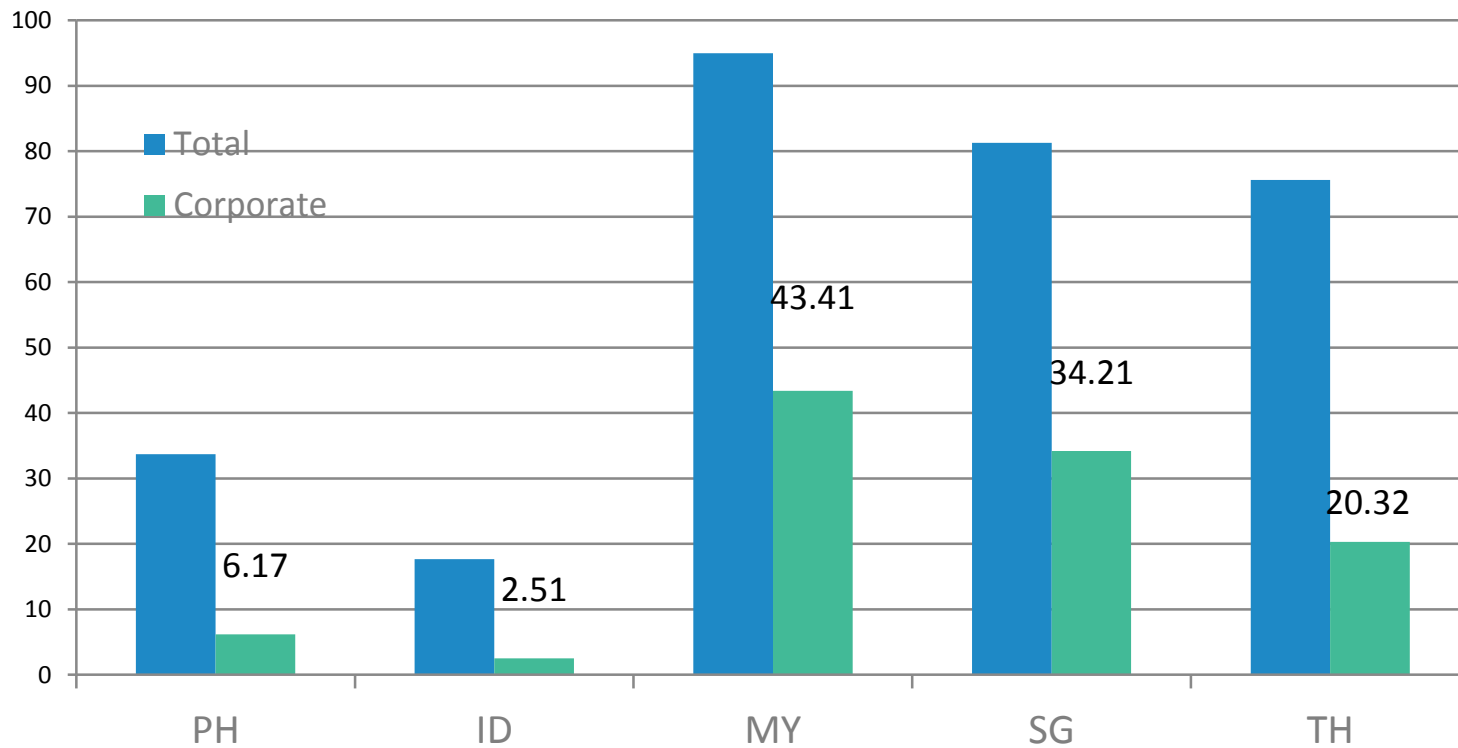
South Korea



Source: Asia Bonds Online. Asian Development Bank

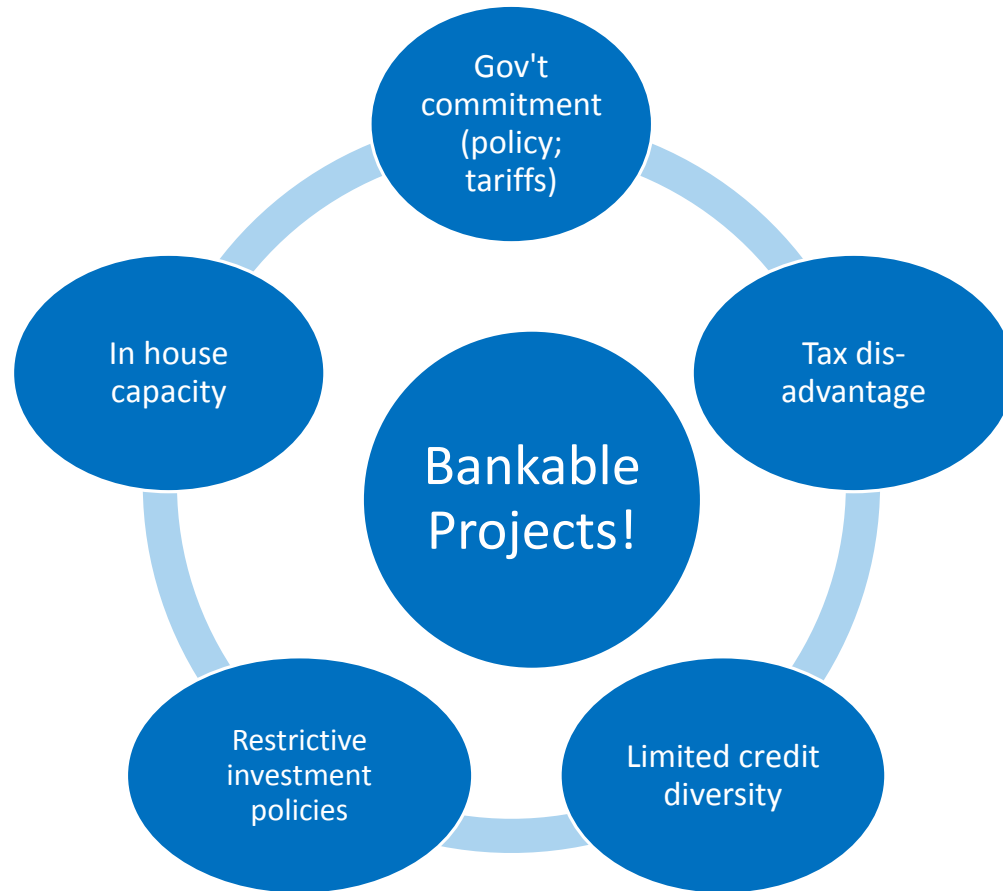
Selected ASEAN Local Currency Bonds

LCY bonds (share of Total %GDP, 2016)



Source: Asia Bonds Online. Asian Development Bank

Other challenges for financing infra through capital markets



Coordinated initiative by BSP, Treasury & SEC a major step

- 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

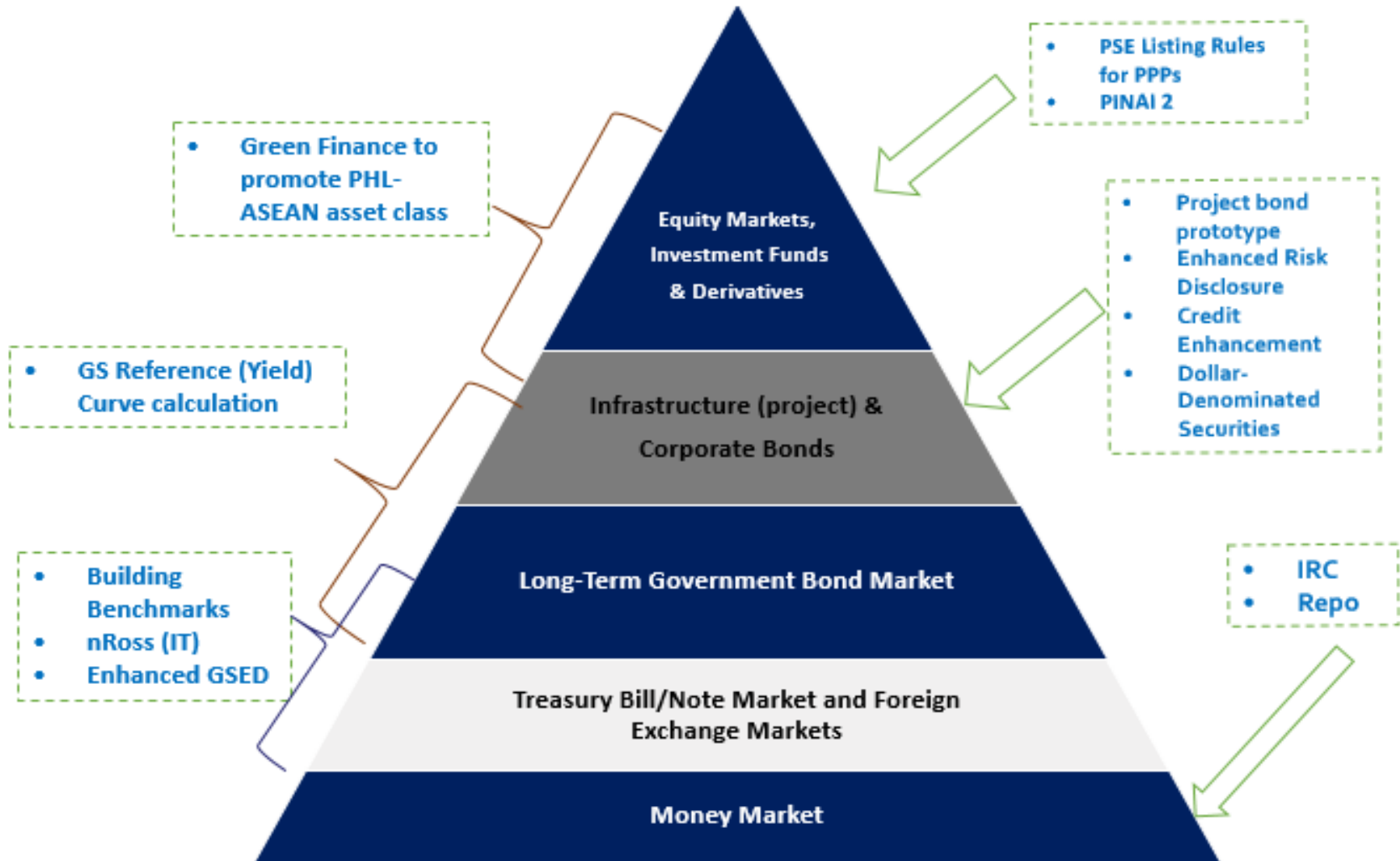
Local capital market development complements infra-specific efforts

- ✓ 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)

- 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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EDWARD.ROCHE@OTATREAS.US