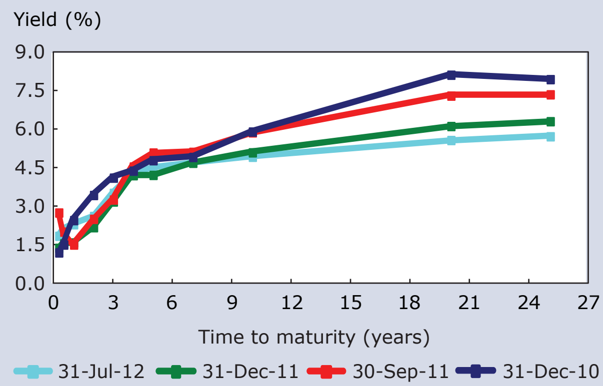
Philippines—Update

Yield Movements

The Philippine government bond yield curve flattened between end-December 2011 and end-July 2012 as the positive outlook on the country's fiscal and economic fundamentals fueled aggressive buying. Liquidity was primarily centered on longer-dated tenors, causing these yields to fall, while investor appetite for short- and medium-term notes waned. Yields for tenors between 10 years and 25 years dropped between 17 basis points (bps) and 59 bps from end-December to end-July. Meanwhile, yields for all other tenors rose between 1 bp and 71 bps. Yields for treasury bills and bonds maturing within the next 2 years rose the most, climbing between 43 bps and 71 bps. Yields for maturities of 3 years–7 years increased between 1 bp and 34 bps. Yield spreads between 2- and 10-year notes tightened to 230 bps at end-July from 291 bps at end-December **(Figure 1)**.

Figure 1: Philippines' Benchmark Yield Curve—LCY Government Bonds



LCY = local currency.
Source: Bloomberg LP.

The Philippine economy performed strongly in 1H12, with its gross domestic product (GDP) posting 6.1% year-on-year (y-o-y) growth following a lackluster 3.7% performance in full-year 2011. The country's GDP expanded 6.3% and 5.9% y-o-y in 1Q12 and 2Q12, respectively. 1Q12 GDP growth was buoyed by the combined effects of higher exports, accelerated spending, and robust household consumption, while 2Q12 was boosted by the resilient services sector, strong exports, and domestic consumption. Export growth for 1H12 climbed 7.7% y-o-y to US$26.8 billion, including a sharp 19.7% rise in May. Personal remittances from overseas Filipinos reached US$11.3 billion in 1H12, which translated to 5.3% y-o-y growth. In June, Bangko Sentral ng Pilipinas (BSP) began recording personal remittances in line with the International Monetary Fund's balance of payment (BOP) calculation methodology.

Inflation rose to a 7-month high of 3.8% y-o-y in August, following July's 3.2% and readings below 3.0% in May and June, bringing year-to-date (YTD) headline inflation to 3.2%, which is at the lower bound of the government's full-year forecast of 3%–5%. However, core inflation, which excludes some food and energy items, remained at an elevated level of 4.3% y-o-y in August, translating into YTD core inflation of 3.7%.

With core inflation posing a risk to BSP's inflation target, GDP growing rapidly in 1Q12, and two policy rate cuts already this year (January and March), most economists believed that BSP would pause from instituting additional monetary stimulus measures at its July monetary meeting. However, BSP surprisingly cut its policy rates by 25 bps, pushing them to new record lows. The overnight borrowing (reverse repurchase) and lending (repurchase) rates were lowered to 3.75% and 5.75%, respectively. In addition, BSP recently lowered the rates it pays on special deposit accounts (SDAs) by 1/32 of a percentage point and tightened its rules relating to the use of this facility. (See **Policy, Institutional, and Regulatory Developments** for more details).

Size and Composition

LCY bonds outstanding grew 12.4% y-o-y and 2.9% quarter-on-quarter (q-o-q) to reach PHP3.7 trillion (US$87 billion) at end-June. Growth in treasury and corporate bonds led the robust expansion. Fixed-Rate Treasury Notes (FXTNs) stood at

Table 1: Size and Composition of the LCY Bond Market in the Philippines

	Amount (billion)								Growth Rate (%)						
	Mar-12		Apr-12		May-12		Jun-12		Mar-12		Apr-12	May-12	Jun-12		
	PHP	US$	PHP	US$	PHP	US$	PHP	US$	y-o-y	q-o-q	m-o-m	m-o-m	y-o-y	q-o-q	m-o-m
Total	3,562	83	3,595	85	3,621	83	3,667	87	12.8	4.3	0.9	0.7	12.4	2.9	1.3
Government	3,118	73	3,122	74	3,138	72	3,172	75	13.2	4.9	0.1	0.5	11.5	1.7	1.1
Treasury Bills	268	6	258	6	261	6	255	6	(33.0)	(1.6)	(3.7)	1.2	(33.1)	(4.7)	(2.2)
Treasury Bonds	2,724	63	2,737	65	2,753	63	2,793	66	21.8	5.5	0.5	0.6	19.0	2.5	1.4
Others	127	3	127	3	124	3	124	3	6.0	7.8	0.0	(2.4)	6.4	(2.4)	0.0
Corporate	444	10	473	11	483	11	495	12	10.4	0.2	6.5	2.1	18.7	11.5	2.5

LCY = local currency, m-o-m = month-on-month, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

1. Calculated using data from national sources.
2. Bloomberg end-of-period LCY–US$ rates are used.
3. Growth rates are calculated from LCY base and do not include currency effects.
4. "Others" includes bonds issued by government agencies, instrumentalities, and corporations with which repayment was guaranteed by the National Government. These include issues of Power Sector Assets and Liabilities Management (PSALM), National Food Authority, and others.
5. Peso Global Bonds (PHP-denominated bonds but payable in US$) and multi-currency Retail Treasury Bonds are not included. As of 30 June 2012, the Government of the Philippines and Petron Corporation have an outstanding PHP98.9 billion and PHP20.0 billion of Peso Global Bonds, respectively. The National government also has an outstanding PHP21.8 billion of multi-currency Retail Treasury Bonds.

Source: Philippine Bureau of the Treasury and Bloomberg LP.

PHP2.8 trillion in the first half of 2012 on a slow ascent of 2.5% q-o-q. Corporate bonds reached PHP495 billion, an impressive 11.5% q-o-q increase. On the other hand, treasury bills declined 4.7% q-o-q to PHP255 billion **(Table 1)**.

Government Bond Market Development. Treasury bonds outstanding grew 19.0% y-o-y in 2Q12 and corporate bonds grew 18.7%. Increased government expenditure encouraged private companies to expand their businesses and raise additional capital in private markets. Meanwhile, treasury bills contracted 33.1% y-o-y.

In the first half of 2012, the Bureau of the Treasury (BTr) issued a total of PHP404 billion worth of treasury bills and bonds. Treasury bonds comprised 69% of total issuance (PHP278.6 billion), while bills accounted for the remaining 31% (PHP125.4 billion). In March, BTr completed another record-breaking sale of Retail Treasury Bonds (RTBs), totaling almost PHP180 billion, with longer-dated maturities of 15 and 20 years. In addition to the RTB sale, BTr also sold PHP27.1 billion of 7-year notes, PHP18.0 billion of 10-year notes, and another PHP9.0 billion of 20-year bonds in 1Q12. A total of almost PHP37 billion of treasury bills was sold in1Q12.

In 2Q12, BTr issued PHP44.5 billion of treasury bonds and PHP88.4 billion of treasury bills. The treasury bonds issued have maturities of 5 years (PHP18.0 billion), 7 years (PHP10.9 billion), 10 years (PHP9.0 billion), and 20 years (PHP6.7 billion).

BTr is set to auction a total of PHP45 billion of treasury bills and PHP63 billion of treasury bonds in 3Q12. Treasury bonds for offer have tenors of 5, 7, 10, 20, and 25 years. As of 10 August 2012, PHP21.3 billion and PHP27.0 billion have been raised from the sale of treasury bills and bonds, respectively.

Corporate Bond Market Development. A total of PHP93.5 billion of new LCY corporate bonds were printed during the first half of 2012. Of this total, roughly PHP74 billion worth were issued in 2Q12, resulting in an 11.5% q-o-q jump in corporate bond issuance. Banks tapped the bond market to improve their capitalization and liquidity ratios in advance of the adoption of Basel III regulations on 1 January 2014. Other LCY corporate bonds issuers were real estate and telecommunications firms, tollway operators, and a brewery **(Table 2)**.

In July, SM Investments Corporation sold PHP15 billion of senior unsecured bonds: PHP6.3 billion at 7 years and a 6.0% coupon rate, and PHP8.7 billion at 10 years and a 6.9442% coupon rate. In August, First Metro Investment Corporation sold PHP7 billion of callable retail bonds with maturities of 5 years and 3 months, and 7 years.

Total LCY corporate bonds outstanding in the Philippines reached PHP495 billion at end-June. San Miguel Brewery Inc. remained the top corporate issuer with PHP45.2 billion worth of outstanding bonds **(Table 3)**. The next largest borrowers in the bond market in 2Q12 were (i) BDO Unibank Inc. with PHP38.0 billion of debt, (ii) Ayala Corporation with PHP36.0 billion, (iii) Ayala Land Inc. with PHP30.5 billion, and (iv) Philippine National Bank with PHP27.9 billion.

Among the top 30 bond issuers, 25 companies were publicly listed on the Philippine Stock Exchange. The five unlisted companies among the top 30 corporate issuers were (i) MTD Manila Expressway Corporation, (ii) South Luzon Tollway Corporation, (iii) Manila North Tollways Corporation, (iv) Tanduay Distillers Inc., and (v) Philippine Phosphate Fertilizer Corporation.

Fifteen out of the top 30 issuers have bonds listed with the Philippine Dealing and Exchange Corporation (PDEx), the sole fixed-income exchange in the country. The Power Sector Assets and Liabilities Management Corporation (PSALM) has PHP30 billion worth of bonds listed with PDEx; however, *AsianBondsOnline* classifies these as government bonds.

Banking and financial service institutions remained the dominant issuers of bonds in 2Q12, accounting for 33% of the total market **(Figure 2)**. This was down from 36% in 4Q11. Real estate companies accounted for 18% of the total, up from 13%

Table 2: Selected Issuance in 1H12

	Issue Date	Amount		Coupon Rate (%)	Bond Type
		PHP (billion)	US$ (billion)		
April–June 2012					
San Miguel Brewery	02-Apr-12	20.00	0.47		Senior Unsecured
PHP3 billion 6.05% due 2017					
PHP10 billion 5.93% due 2019					
PHP7 billion 6.6% due 2022					
Ayala Land Inc.	27-Apr-12	15.00	0.36		Senior Unsecured
PHP9.35 billion 5.625% due 2019					
PHP5.65 billion 6.0% due 2022					
South Luzon Tollway Corporation	10-Apr-12	11.00	0.26		Secured
Variable rate due 2017					
Ayala Corporation	11-May-12	10.00	0.24	6.875	Senior Unsecured
Globe Telecom Inc.	01-Jun-12	10.00	0.24		Senior Unsecured
PHP4.5 billion 5.75% due 2017					
PHP5.5 billion 6.00% due 2019					
Filinvest Land Inc.	08-Jun-12	7.00	0.17	6.2731	Senior Unsecured
SM Development Corporation	27-Apr-12	6.31	0.15	6.0096	Senior Unsecured
January–March 2012					
Philippine Savings Bank	20-Feb-12	3.00	0.07	5.75	Tier 2 Notes
MTD Manila Expressways	15-Mar-12	11.50	0.27	8.6615	Secured
Development Bank of the Philippines	22-Mar-12	5.65	0.13	5.75	Tier 2 Notes

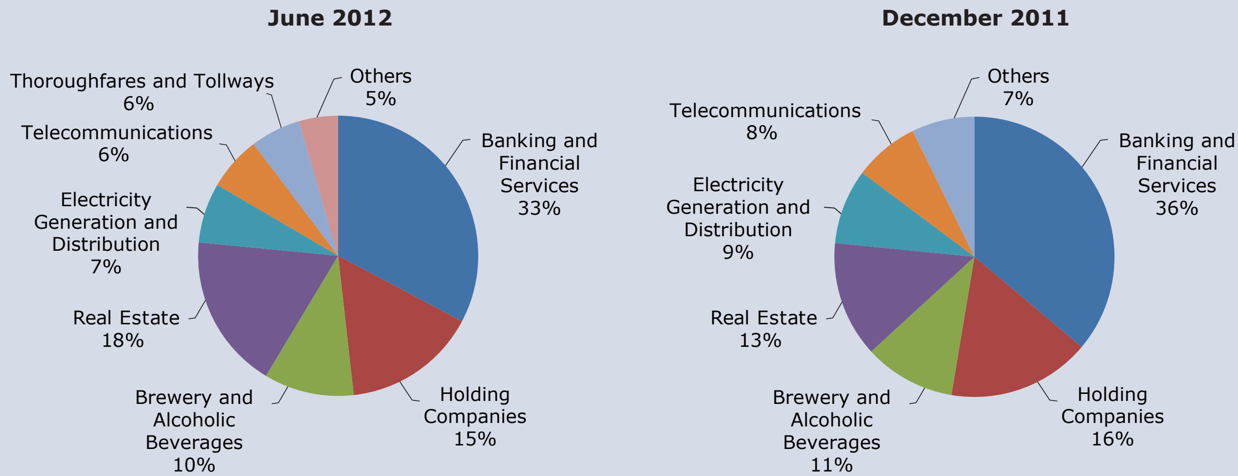
Source: Bloomberg LP.

Table 3: Top 30 Issuers of LCY Corporate Bonds in the Philippines (as of end-June 2012)

Issuers	Outstanding Amount		State-Owned	Privately-Owned	Listed Company	Type of Industry
	LCY Bonds (PHP billion)	LCY Bonds (US$ billion)				
1. San Miguel Brewery Inc.	45.21	1.07	No	Yes	Yes	Brewery
2. BDO Unibank Inc.	38.00	0.90	No	Yes	Yes	Banking
3. Ayala Corporation	36.00	0.85	No	Yes	Yes	Diversified Operations
4. Ayala Land Inc.	30.51	0.72	No	Yes	Yes	Real Estate
5. Philippine National Bank	27.85	0.66	No	Yes	Yes	Banking
6. SM Investments Corporation	21.10	0.50	No	Yes	Yes	Diversified Operations
7. Rizal Commercial Banking Corporation	21.00	0.50	No	Yes	Yes	Banking
8. Manila Electric Company	19.38	0.46	No	Yes	Yes	Electricity Distribution
9. Metropolitan Bank & Trust Co.	18.50	0.44	No	Yes	Yes	Banking
10. Philippine Long Distance Telephone Co.	17.50	0.42	No	Yes	Yes	Telecommunications
11. SM Development Corporation	16.31	0.39	No	Yes	Yes	Real Estate
12. Filinvest Land, Inc.	15.00	0.36	No	Yes	Yes	Real Estate
13. Petron Corporation	13.60	0.32	No	Yes	Yes	Oil Refining and Marketing
14. JG Summit Holdings, Inc.	13.31	0.32	No	Yes	Yes	Diversified Operations
15. Robinsons Land Corporation	12.00	0.28	No	Yes	Yes	Real Estate
16. Energy Development Corporation	12.00	0.28	No	Yes	Yes	Electricity Generation
17. MTD Manila Expressway Corporation	11.50	0.27	No	Yes	No	Transport Services
18. South Luzon Tollway Corporation	11.00	0.26	No	Yes	No	Transport Services
19. Globe Telecom Inc.	10.92	0.26	No	Yes	Yes	Telecommunications
20. Security Bank Corporation	8.00	0.19	No	Yes	Yes	Banking
21. Allied Banking Corporation	8.00	0.19	No	Yes	Yes	Banking
22. United Coconut Planters Bank	7.67	0.18	No	Yes	Yes	Banking
23. Megaworld Corporation	6.38	0.15	No	Yes	Yes	Real Estate
24. Manila North Tollways Corporation	6.15	0.15	No	Yes	No	Public Thoroughfares
25. Tanduay Distillers Inc.	5.00	0.12	No	Yes	No	Alcoholic Beverages
26. SM Prime Holdings Inc.	5.00	0.12	No	Yes	Yes	Real Estate Management Services
27. First Metro Investment Corporation	5.00	0.12	No	Yes	Yes	Investment Banking
28. China Banking Corporation	5.00	0.12	No	Yes	Yes	Banking
29. Bank of the Philippine Islands	5.00	0.12	No	Yes	Yes	Banking
30. Philippine Phosphate Fertilizer Corporation	4.50	0.11	No	Yes	No	Agricultural Chemicals
Total Top 30 LCY Corporate Issuers	**451.88**	**10.72**				
Total LCY Corporate Bonds	**495.00**	**11.75**				
Top 30 as % of Total LCY Corporate Bonds	**91.3%**	**91.3%**				

LCY = local currency.
Note: Petron Corporation has an outstanding PHP20 billion peso global bonds that are not included in this statistics.
Source: Bloomberg LP.

Figure 2: LCY Corporate Bond Issuers by Industry



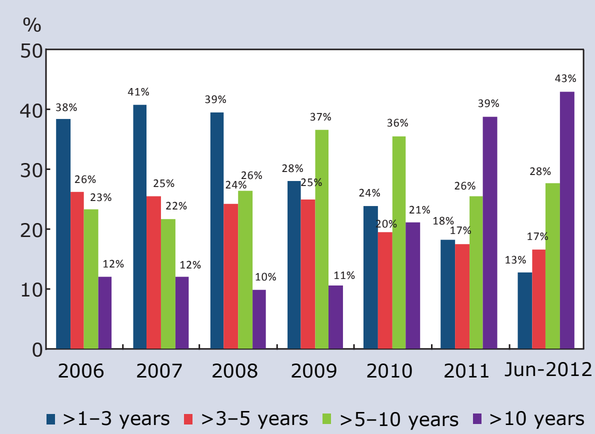
LCY = local currency.
Source: Bloomberg LP.

in 4Q11. Holding companies' share represented 15% of the total, slightly down from 16% in 4Q11. Brewery and alcoholic beverage companies comprised 10% of the total in 2Q12, down marginally from 11%. The share of companies operating tollways and expressways rose to 6% in 2Q12 from zero in 2011. The growing share of real estate companies and operators of expressways and tollways reflected the effects of the government's resumption of public works and infrastructure expenditure in the first half of the year.

Government and Corporate Bond Maturity Profiles. The growing confidence of domestic investors in the Philippines has given the government the ability to execute its debt consolidation and lengthening strategy. The share of FXTNs with maturities of more than 1 year to 3 years dropped to 12.7% in June from 18.3% in December 2011, while the share of FXTNs with maturities of more than 3 years to 5 years increased to 17.4% from 16.6%. On the other hand, the share of FXTNs with maturities of more than 5 years to 10 years grew to 27.7% from 25.5%, while the share of FXTNs with maturity terms of more than 10 years rose to almost 43% in June from 38.8% in December 2011 **(Figure 3)**.

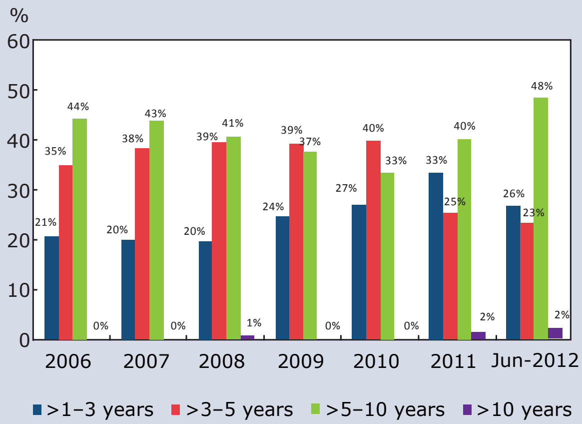
Corporate issuers also have been able to sell longer-dated bonds, albeit in smaller amounts than the government. Bonds with maturities of more than 10 years re-emerged in the market last year after a long hiatus, although they comprise only a 2% share of the total corporate bond market. Prior to 2006, corporate bond issuers rarely offered bonds with maturities beyond 5 years and never more than 10 years. Moreover, the proportion of bonds maturing within 5 years–10 years reached new highs in June, accounting for 48% of total corporate bonds outstanding. Meanwhile, the share of bonds maturing within 3 years–5 years shrank to 23% in June from 35% in 2006. Corporate issues with

Figure 3: Historical Government Bond Maturity Profile, 2006–2012



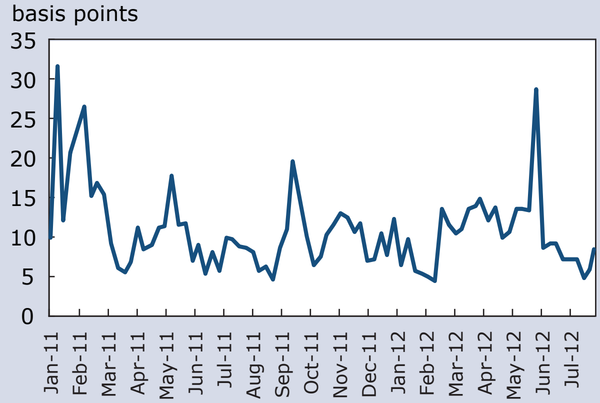
Note: Bills and bonds maturing in 1 year or less are excluded in the calculation of the bond maturity profile.
Source: *AsianBondsOnline*.

Figure 4: Historical Corporate Bond Maturity Profile, 2006–2012



Note: Bills and bonds maturing in 1 year or less are excluded in the calculation of the bond maturity profile.
Source: *AsianBondsOnline*.

Figure 5: Weekly Average Bid–Ask Spreads for the Most Active Government Securities, 7 January 2011–31 July 2012



Note: The following were included among the monitored government securities: (i) FXTN 5-67, (ii) FXTN 7-48, (iii) FXTN 10-42, (iv) FXTN 7-49, (v) FXTN 7-51, (vi) FXTN 7-53, (vii) RTB 10-2, (viii) FXTN 10-53, (ix) RTB 10-3, (x) FXTN 10-54, (xi) RTB15-1, (xii) RTB15-2, (xiii) FXTN 20-17, (xiv) RTB 20-1, and (xv) FXTN 25-8.
Source: *AsianBondsOnline*.

tenors between 1 year and 3 years have consistently accounted for about 25% of the total market **(Figure 4)**.

Benchmark Government Securities Bid–Ask Spreads

Bid–ask spreads for the most traded government securities (GS) between 7 January 2011 and 31 July 2012 are presented in **Figure 5**. Treasury bonds with the highest outstanding sizes—and with daily or frequently available bid–ask (two-way) quotes—were analyzed in order to monitor liquidity in the LCY secondary market. The data used to capture the bid–ask spreads for these securities were obtained from the Bloomberg pages of money brokers operating in the Philippines.

Between 15 March and 1 June, average bid–ask spreads widened from 11 bps to a high of 29 bps on 1 June. The mean spread during this period was 13.8 bps. Risk aversion prevailed among LCY market participants on the back of negative news of a possible Greek exit from the eurozone and a slowdown in the People's Republic of China's (PRC) economy. After 1 June, average bid–ask spreads returned to single digits, with a mean spread of 7.2 bps, as positive domestic developments overshadowed the negative overhang from foreign markets. Among the positive information points that encouraged investors' risk appetite were (i) stable or declining inflation, (ii) the long-term foreign currency (FCY) sovereign credit rating upgrade by Standard & Poor's (S&P), and (iii) monetary easing by BSP.

From 15 March to 31 July, the bonds posting the tightest bid–ask spreads were FXTN 20-17 (1.7 bps), RTB 20-1 (3.8 bps), FXTN 25-8 (5.3 bps), RTB 10-3 (7.8 bps), FXTN 10-53 (7.8 bps), and FXTN 10-54 (9.0 bps).

Investor Profile

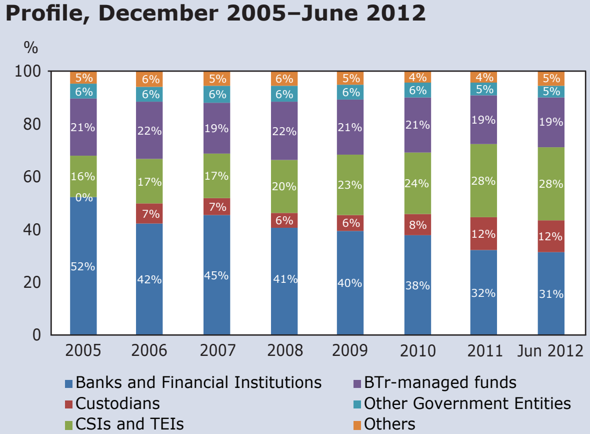
Major investors in GS in 2Q12 included (i) banks and other financial institutions, (ii) BTr-managed funds, (iii) contractual savings and tax-exempt institutions (TEIs), (iv) custodians, (v) other government entities such as government-owned and -controlled corporations (GOCCs), and (vi) various corporate and individual investors. The category of banks and other financial institutions comprise institutions supervised by BSP. The BTr-managed funds consist of the Bond Sinking Fund (BSF), Securities Stabilization Fund (SSF), and the Special Guaranty Fund (SGF). Contractual savings institutions (CSIs) and TEIs include government pension and insurance funds (e.g., Government Service Insurance System [GSIS], Social Security System [SSS], and Philippine Health Insurance Corp. [PHIC]), private insurance companies, and tax exempt funds and corporations.

Custodians are not primary bond investors. Instead, they are BSP-accredited securities custodians designated to perform safekeeping, administration, and monitoring of investments for their clients. BSP Circular 524 of 2006 requires the delivery of securities by the seller to the purchaser or his designated BSP-accredited custodian. The inception of third-party custodians has made it difficult for BTr to identify the ultimate holders of its bonds, particularly foreign investors.

Investor diversity in the LCY government bond market changed significantly between 2005 and 2012 **(Figure 6)**. The share of banks and financial institutions declined to 31% of total bonds outstanding in 2Q12 from 52% in 2005, while the BTr's managed funds' share of the total fell to 19% from 21%. A notable trend has been the growing shares of CSIs and TEIs, and custodians. CSIs and TEIs comprised 28% of the total in 2Q12, up from only 16% in 2005. In LCY terms, these investors' GS holdings grew from PHP332 billion in 2005 to PHP840 billion in 2Q12, a 153% increase. Currently, CSI investors are segmented from real-time price action in the secondary market due to limitations in security transfers between taxable and tax exempt investors, and prohibitions in the corporate charters of government CSIs.

The share of custodians' holdings of total GS outstanding swelled to 12% in 2Q12 from 7% in 2006. In LCY terms, GS under the safekeeping of custodians stood at PHP368 billion at end-June.

Figure 6: LCY Government Bonds Investor Profile, December 2005–June 2012



CSIs = contractual savings institutions, LCY = local currency, TEIs = tax-exempt institutions.
Note: For purpose of investor profile presentation only, LCY government bonds are defined as domestic bonds, which include multi-currency (US$ and EUR) retail bonds totaling almost PHP21 billion as of end-June 2012.
Source: Bureau of the Treasury.

Rating Changes

On 29 May, Moody's Investors Service (Moody's) raised its outlook on the Philippines' sovereign credit rating from stable to positive **(Table 4)**. Moody's maintained its credit rating for the country at Ba2, or two notches below investment grade. The rating agency noted the government's continued prudent fiscal management as evidenced by a low budget deficit (compared with its economic peers) and a steadily declining debt-to-GDP ratio resulting from improved revenue collections and controlled spending. Moody's also noted, however, that deeper structural reforms in revenue mobilization, accelerated investment spending, and a sustained low debt-to-GDP ratio are needed for a ratings upgrade.

On 4 July, S&P upgraded the Philippines' long-term FCY sovereign credit rating to BB+ from BB, the highest long-term FCY rating the country has received since 2003. S&P also affirmed the Philippines' long-term LCY sovereign rating of BB+. The outlooks on both ratings are stable. S&P noted the country's increased fiscal flexibility, improved government debt profile, and reduced interest burden as the primary basis for the upgrade.

Table 4: Selected Sovereign Ratings and Outlooks for the Philippines

	Moody's	S&P	Fitch
Sovereign FCY LT Rating	Ba2	BB+	BB+
Outlook	Positive	Stable	Stable

FCY = foreign currency, LT = long-term.
Source: Rating agencies.

Policy, Institutional, and Regulatory Developments

BSP Adopts Stricter Compliance Rules for Banks

In May, BSP adopted global practices for good corporate governance based on the Basel Committee on Banking Supervision's Principles for Enhancing Corporate Governance. These guidelines emphasize the need for the Board of Directors of banks to enhance their ability to exercise objective judgment and ensure a system of checks and balances. The 34-page circular (including appendices) imposed the following guidelines:

(i) The Board of Directors should have a sufficient number of non-executive members. Non-executive members are those who are not involved in the day-to-day management of banking operations.

(ii) The minimum composition of independent directors was raised from two to at least 20% of the Board of Directors' membership (not less than two). Furthermore, independent directors will have term limits of 10 years: a period of 5 consecutive years extendable for another 5 years following a 2-year hiatus.

(iii) The Chief Executive Officer and Chief Financial Officer and/or Treasurer are prohibited from participating on the audit committee.

(iv) Non-executive board members are required to conduct regular meetings with the external auditor and heads of the internal audit, compliance, and risk management functions.

The guidelines also covered the appointment and reporting line of a Chief Risk Officer. The performance ratings of the Chief Risk Officer should be confirmed by the Board of Directors and any replacement for this position should be reported to BSP.

The approved guidelines are the first of a three-part analysis of corporate governance, which will be followed by further reports governing internal controls and risk management. The three-part governance package is expected to be completed this year.

BSP Defers Implementation of PFRS 9 Financial Instruments to 1 January 2015

In July, BSP deferred the mandatory effectivity date of Philippine Financial Reporting Standards (PFRS) 9 Financial Instruments to 1 January 2015 from 1 January 2013. BSP said the deferment is in line with the issuance by the International Accounting Standards Board (IASB) of further amendments to International Financial Reporting Standards (IFRS) 9, as well as its local adoption by the Financial Reporting Standards Council in December 2011. IFRS 9 Financial Instruments is the first phase of a three-phased improvement project by the IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. Phases 2 and 3 of the project are ongoing and deal with impairment and hedge accounting.

BSP Cuts SDA Rates and Tightens Rules

BSP cut its SDA rates by 1/32 of a percentage point effective 13 July. SDAs are fixed-term deposits made by banks and trust entities with the BSP. This deposit facility was introduced in November 1998 to expand BSP's toolkit for liquidity management after the central bank was stripped of its power to issue bills and bonds under its revised charter. In April 2007, BSP expanded access to the SDA facility to allow the trust entities of financial institutions under BSP supervision to make deposits. After the BSP lowered its SDA rate and cut its policy rates last month, the 7-day SDA rate had been reduced to 3.78125% from 4.0625%, the 14-day SDA rate to 3.84375% from 4.125%, and the 32-day SDA rate to 3.90625% from 4.1875%. Based on data from BSP, SDA deposits stood at PHP1.64 trillion as of 22 June. BSP also tightened the rules on the use of the SDA by requiring banks and trust entities to certify that funds invested in the facility did not come from foreign investors or entities. This rule was issued to curb currency speculation.