

AMBIF Elements in the Philippines

This chapter describes the key features of the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), also known as the AMBIF Elements, and puts into perspective the equivalent features of the domestic professional bond market in the Philippines.

A. Summary of AMBIF Elements

The bond market in the Philippines features many of the attributes of a professional market in the context of AMBIF, including the well-defined Qualified Buyers and Qualified Securities exemptions from full disclosure and related regulatory processes, and from existing registration and listing processes. Issuances to Qualified Buyers, which are generally referred to as QB bonds, together with enrollment on the Philippine Dealing & Exchange Corp. (PDEX), are presently deemed to best represent the intentions of the AMBIF Elements.

As a Securities and Exchange Commission (SEC)-registered exchange and SEC-authorized over-the-counter (OTC) market operator, PDEX operates the organized secondary market for the trading of fixed-income securities, which includes both government securities and corporate bonds and notes.

Table 1 identifies the features and practices of the domestic corporate bond market in the Philippines that directly correspond or are equivalent to the AMBIF Elements.

Table 1: AMBIF Elements and Equivalent Features in the Philippines

AMBIF Element	Description	Equivalent in the Philippines
Domestic Settlement	Securities are settled at a national CSD in each ASEAN+3 market.	PDTC is the depository and place of settlement for all eligible bonds and notes.
Harmonized Documents for Submission (Single Submission Form)	There is a common approach to submitting information as input to regulatory process(es) where approval or consent is required; appropriate disclosure information, based on an ADRB recommendation, needs to be included.	The Single Submission Form is acceptable but additional information and document(s) may be requested during the evaluation process, as necessary.

Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)	Information on bonds, notes, and issuer needs to be disclosed continuously in the relevant ASEAN+3 market. A registration or listing authority function is required to ensure continuous and quality disclosure.	Enrollment of bonds or notes on the PDEX Qualified Board is required, including continuous disclosure obligation by the sponsor under the Listing and Enrollment Rules; reference pricing for traded instruments is available.
Currency	Bonds or notes are denominated in one of the currencies normally used for issuances in the domestic bond market of an ASEAN+3 member.	Philippine pesos and US dollars
Scope of Issuers	Resident of an ASEAN+3 member	Philippine and nonresident regional issuers, in accordance with BSP regulatory processes based on type of issuer, residency, and currency of denomination
Scope of Investors	Professional investors defined in accordance with the applicable laws, regulations, or market practice in each market in ASEAN+3	QB concept—as per the Securities Regulation Code and provisions in the MORFXT, as may be applicable—which includes foreign institutional investors

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; BSP = Bangko Sentral ng Pilipinas; CSD = central securities depository; MORFXT = Manual of Regulations for Foreign Exchange Transactions; PDEX = Philippine Dealing & Exchange Corp.; PDTC = Philippine Depository & Trust Corp.; QB = Qualified Buyer; SEC = Securities and Exchange Commission; US = United States.
Source: ABMF SF1.

B. Description of AMBIF Elements and Equivalent Features in the Philippines

The market features in the Philippines that are comparable to the AMBIF Elements listed in Table 1 are explained in this section in greater detail.

1. Domestic Settlement

ASEAN+3 Multi-Currency Bond Issuance Framework

AMBIF is aimed at supporting the domestic bond markets of ASEAN+3 member economies. To be recognized as a domestic bond, an AMBIF bond or note needs to be settled at the designated central securities depository. Hence, domestic settlement is a key feature of an AMBIF bond.

Equivalent Features in the Philippines

The Philippine Depository & Trust Corp. (PDTC) is the designated central depository for equities and corporate bonds and notes. With the exception of a number of corporate notes that are not listed on PDEX, PDTC settles and provides safekeeping

for all fixed-income instruments traded on PDEX. Both entities are subsidiaries of the Philippine Dealing System Holdings Corp.

2. Harmonized Documents for Submission (Single Submission Form)

ASEAN+3 Multi-Currency Bond Issuance Framework

Based on the review of actual offering circulars, information memoranda, and program information formats in ASEAN+3, it was recognized that most information was similar or comparable. Hence, a Single Submission Form (SSF)—a single format in English that can be applied to all of the relevant regulatory processes for bond or note issuance in each participating ASEAN+3 market—was proposed. The information contained in the SSF has been normalized based on the prevailing regulations in each participating market and therefore can be accepted by all relevant regulatory authorities and market institutions for their respective approvals or consent in anticipation of an AMBIF bond or note issuance.

Equivalent Features in the Philippines

In the Philippines, regulatory authorities and market institutions accept the SSF, though this does not preclude the possibility of additional information being submitted to the authorities if deemed necessary.¹ At the time of writing, the SSF was in the process of being updated to incorporate additional information required under the PDEX Rules.

Effective 9 November 2015, the filing of a Notice of Exempt Transaction (SEC Form 10.1) with the SEC is no longer required when a resident corporate issuer wants to issue bonds or notes to professional investors (Qualified Buyer issuances) in the Philippines. As a result, the pilot AMBIF issuance in the Philippines in October 2018 made use of the SSF as the key disclosure document to Qualified Investors and was submitted as a matter of record to the BSP.

However, corporate issuers still have the option to request for a Confirmation of Exempt Transaction from the SEC (see also Chapter III.D). This option was already available to issuers in the previous Implementing Rules and Regulations (IRR) of the Securities Regulation Code (SRC).

The use of English is prescribed in BSP and SEC regulations, including the provisions related to PDEX.

3. Registration or Profile Listing in ASEAN+3 (Place of Continuous Disclosure)

ASEAN+3 Multi-Currency Bond Issuance Framework

Information on the issuer and the bond or note needs to be disclosed continuously in ASEAN+3 markets. A registration or listing authority function to ensure continuous disclosure is required. This will also ensure the quality of information disclosure and help create a transparent, well-organized market for AMBIF issuances that is differentiated from ordinary private placements or exempt offers for which information is often neither available nor guaranteed. Owing to this important feature, an AMBIF secondary market is expected to emerge as the number of issuances increase.

¹ For the AMBIF pilot issuance in the Philippines, the SSF was accepted by PDEX for its application for enrollment. SEC and BSP approval was not necessary at the time.

A profile listing is a listing without trading. The objective of a profile listing is to make a bond or note visible and to provide more information to investors via a recognized listing place, particularly those investors with more restrictive mandates such as mutual and pension funds. A profile listing at a designated listing place can ensure the flow of continuous disclosure information and possibly even reference pricing in some markets.

Equivalent Features in the Philippines

In the Philippines, the listing or enrollment of a bond or note on PDEX covers listing and enrollment, as well as trading processes and practices, for debt instruments. According to the PDEX Listing and Enrollment Rules (7.2.1), a listing or enrollment is possible for debt instruments issued by either resident or nonresident issuers. A listing or enrollment of a note issuance program, such as a medium-term note (MTN) program, is principally possible. PDEX is in the process of implementing a framework for bank issuances (see Chapter III.F for details).

The listing or enrollment of bonds or commercial paper by banks or quasi-banks registered in the Philippines is subject to the PDEX Guidelines for Listing or Enrollment of Bank-Issued Bonds and Commercial Paper, as approved by the SEC and pursuant to BSP Circular No. 1010 (2018) on Additional Requirements for the Issuance of Bonds and Commercial Paper, which became effective on 15 October 2018. Under the BSP circular, such bonds and commercial paper are required to be listed or enrolled on an organized securities market approved by the SEC; PDEX is such a market. More details on the relevance of the direct applicability of the guidelines and the underlying BSP circular can be found in Chapter III.

A listing of a bond or note is for instruments open to all investors and needs to be initiated by the issuer. In contrast, an enrollment is for bonds and notes aimed at Qualified Buyers (professional investors), or those considered Restricted Securities, and may be initiated by the issuer or a trading participant.² The party who enrolls a bond or note on PDEX, also referred to as the sponsor, is responsible for the disclosure of material information as stipulated in the PDEX Listing and Enrollment Rules. A listing or enrollment on PDEX requires the appointment of a facility agent or trustee by the issuer. In the event of the issuer being a bank or quasi-bank, the issuer will need to appoint at least one market maker; the issuing bank or quasi-bank must have an issuer or issue credit rating provided by a credit rating agency (CRA) duly accredited by the BSP.

A listing or enrollment of a bond or note on PDEX does not automatically require trading. However, should the issuer or sponsor of a bond or note enrolled on PDEX wish to trade the instrument, all trades must be done on PDEX. According to the Rules Governing the Over-the-Counter Market (OTC Rules) issued by the SEC in 2006, all OTC trading of debt instruments issued in the Philippines needs to occur in an SEC-authorized marketplace. PDEX is such an authorized marketplace. Hence, the listing or enrollment is a necessary step to ultimately trade a bond or note in the OTC market in the Philippines.

At the same time, PDEX also principally offers the feature of profile listing in the form of the so-called Qualified Board, which takes its name from its designation to enroll (by the issuer) only bonds or notes issued to professional investors, or Restricted Securities.

² Restricted Securities refer to debt securities that are issued by a financial institution without a quasi-banking license as an Exempt Transaction under Section 10.1 (I) of the SRC. Restricted Securities are required to not exceed a maximum of 19 investors, which is referred to as the "19-lender limit," during their tenor. Please see Chapter III for more details.

Under the OTC Rules, the SEC conferred listing authority functions on PDEX. The PDEX Listing and Enrollment Rules compel the continuous disclosure of material information from issuers or sponsors of a bond or note listed or enrolled on PDEX. PDEX also publishes bond pricing information based on actual traded prices that have to be captured by deal parties within 1 minute of deal closure and reported in the Central Trade Reporting System within 15 minutes, as provided under Section 16 of the OTC Rules.

In addition, or as an alternative, the issuer may opt for a profile listing in another regional market in order to achieve listing status closer to an intended investor universe. This may be a consideration, particularly if a bond or note issued in the Philippines will be marketed and offered to professional investors in other ASEAN+3 economies. In such cases, the professional investor would be able to obtain continuous disclosure information via the listing place and/or that market's mechanisms for information dissemination.

4. Currency

ASEAN+3 Multi-Currency Bond Issuance Framework

In the context of AMBIF, the denomination of a bond or note is expected to be the currency normally issued in the domestic bond markets of ASEAN+3 (i.e., the local currency of that particular market). This does not exclude the possibility of issuing in other currencies if market practice regularly supports these other currencies and if cash-clearing capabilities exist. At present, the United States (US) dollar (ISO code: USD), Japanese yen (ISO code: JPY), and offshore Chinese renminbi (ISO code: CNH) are the other currencies most commonly in use in ASEAN+3 markets.

Equivalent Features in the Philippines

In addition to settlement for bonds and notes issued in Philippine pesos, PDTC can also settle bonds and notes denominated in US dollars that are registered in the Philippines and listed on PDEX, as the Philippines features a domestic US dollar clearing system. In recent years, PDEX has listed a number of USD-denominated bonds issued by the Government of the Philippines.

5. Scope of Issuers

ASEAN+3 Multi-Currency Bond Issuance Framework

As AMBIF aims to support the development of domestic bond and note markets in the region and promote the intra-regional recycling of funds, an issuer must be a resident of ASEAN+3.

Equivalent Features in the Philippines

The SEC does not differentiate between resident and nonresident issuers. However, nonresident issuers wishing to use the proceeds from a PHP-denominated bond or note issued in a foreign currency (FCY) may require a policy decision by the SEC.

As for the purview of the BSP, the rules applied to the onshore issuance of bonds or notes may vary depending on whether the issuer is a resident or nonresident, and whether the bonds or notes are denominated in Philippine pesos or another currency. In addition, if the issuer is a financial institution, other prudential considerations may apply (see also Chapter III).

For resident nonfinancial institution issuers, no prior BSP approval is required for the onshore issuance of bonds, notes, and other similar instruments (not resembling in nature a foreign loan) that are denominated in pesos. For resident financial institutions, the issuance of PHP-denominated bonds and notes is allowed, subject to regulations governing the borrowing of banks and quasi-banks under the provisions of the new Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBF1), respectively, including those amended via BSP Circular No. 1010 (2018) (see Chapter III). However, the issuance of unsecured subordinated debt instruments that will be counted as regulatory capital by banks and quasi-banks is subject to BSP approval.

Similarly, no prior BSP approval is required for onshore issuances by residents (both financial and nonfinancial institutions) of bonds or notes (not resembling in nature a foreign loan) that are denominated in a foreign currency.³ On the other hand, prior BSP approval is required for issuances by residents of bonds, notes, and other similar instruments with public sector involvement either as an issuer or borrower, or as a guarantor.⁴

For nonresident issuers, the onshore issuance of bonds, notes, and similar instruments (regardless of the currency of denomination) requires BSP approval before execution of the transaction. Table 2 gives an overview of these approval criteria for easy reference.

Table 2: Overview of BSP Approvals for Issuance of Bonds and Notes by Issuer Type

Issuer	Currency of Bond or Note Issuance	
	Philippine Peso	Foreign Currency
Resident nonfinancial institution ^a	No prior BSP approval is required (for issuances not resembling in nature a foreign loan). However, a Monetary Board opinion is required for government domestic borrowing. ^b	
Resident financial institution ^a	1. Issuance is subject to regulations on the borrowing of banks and quasi-banks under the Manual of Regulations for Banks. 2. Issuance of unsecured subordinated debt instruments that shall be counted as regulatory capital by banks or quasi-banks is subject to BSP approval.	
Nonresident nonfinancial institution	Subject to BSP approval prior to execution of transaction	
Nonresident financial institution		

BSP = Bangko Sentral ng Pilipinas.

Note: At present, there were no distinctions between approvals for issuances in either Philippine pesos or a foreign currency; however, this could eventually change.

^a Prior BSP approval is required for resident issuances of bonds, notes, and other similar instruments (not resembling in nature a foreign loan) with public sector involvement either as an issuer or borrower, or as a guarantor.

^b Pursuant to Section 123 of Republic Act No. 7653 (as amended).

Source: BSP.

³ The corresponding provisions are contained in Section 22 of the Manual of Regulations for Foreign Exchange Transactions (as amended by BSP Circular No. 1030 dated 5 February 2019), which is also known as the Foreign Exchange Manual.

⁴ Sections 22, 23, 24, and 31.3 of the Manual of Regulations for Foreign Exchange Transactions (as amended by BSP Circular No. 1030 dated 5 February 2019).

Both resident and nonresident issuers may list or enroll their debt instruments aimed at Qualified Buyers on PDEX, depending on the SEC framework. Pursuant to prescriptions in BSP Circular No. 1010 (2018), banks and quasi-banks must enroll their debt securities on PDEX. For more details on PDEX and the regulatory processes of the BSP and SEC, please refer to Chapters II and III, respectively.

6. Scope of Investors

ASEAN+3 Multi-Currency Bond Issuance Framework

Professional investors are defined in accordance with regulations and/or market practice in each market in ASEAN+3. Some jurisdictions may have a clear definition of professional investors, while other jurisdictions may need to establish the concept through agreements.

Professional investors are institutions defined by law and licensed or otherwise registered with regulators by law in their economy of domicile and, hence, are subject to governance and inspection based on securities market and/or prudential regulations. Most of them are also subject to oversight and professional conduct and best practice rules by a self-regulatory organization such as an exchange or a market association.

Equivalent Features in the Philippines

Section 10.1 of the SRC describes professional investors as Qualified Buyers. Concessions on disclosure and obligations under the Qualified Buyer concept are prescribed in this section. At present, the issuance of bonds or notes to Qualified Buyers, which are generally referred to as QB bonds, constitutes the professional bond market in the Philippines. The descriptions of regulatory processes included in Chapter III are for corporate QB bond issuances only.

The SRC deals with so-called Exempt Transactions—circumstances under which concessions from the full disclosure and approval processes of the SEC are available. Section 10.1 (I) prescribes exemptions from full disclosure and the related approval process when issuing bonds or notes to the following institutions, thereby decreeing them as professional investors:

- i. banks,
- ii. registered investment houses,
- iii. insurance companies,
- iv. pension funds or retirement schemes,
- v. investment companies, and
- vi. other institutions or individuals as determined by the SEC.⁵

SEC Memorandum Circular No. 10 (2018) provided that unit investment trust funds and funds established and covered by a trust or investment management agreement under a discretionary arrangement shall be considered a Qualified Buyer.⁶ Funds established and covered by a trust or investment management agreement under a nondiscretionary arrangement shall be considered a Qualified Buyer provided that it has complied with the conditions, including the financial capacity requirement, specified in 2015 in SRC Rule 10.1.11.1 for natural persons and SRC Rule 10.1.11.2 for juridical persons.

⁵ SRC Rule 10.1.1 provides the financial capacity and sophistication requirements for a Qualified Buyer.

⁶ SEC Memorandum Circular No. 10 (2018) on Rules and Regulations on Determination of Trust Fund as a Qualified Buyer is available at <http://www.sec.gov.ph/wp-content/uploads/2018/08/2018MCNo10.pdf>.

In order to be considered a Qualified Buyer, eligible institutions must register with a registrar authorized by the SEC; the formal title is Registrar of Qualified Institutional and Individual Buyers. Pursuant to SRC Rule 39.1.4.1, the institutions eligible to be registrars include

- i. banks, with respect to their registration as a broker–dealer, Government Securities Eligible Dealers, Government Securities Brokers, and/or underwriters of securities;
- ii. brokers;
- iii. dealers;
- iv. investment houses;
- v. investment company advisers; and
- vi. issuer companies with respect to offerings of their own securities.

The act of registration with an authorized registrar fulfills the assessment and confirmation of the eligibility of a Qualified Buyer to invest in QB bonds. If the registration is successful, the registrar will issue a certificate of registration to the Qualified Buyer, which is valid for 3 years from the date of registration. A registrar is required to maintain a registry book and provide an annual report to the SEC on the number of Qualified Buyers in its registry and selected additional information as prescribed in SRC Rule 39.1.4.4.7.

In practice, the registration does not require an extra step in the investment process; Qualified Buyers are typically—if not previously—registered with the underwriter from which they intend to buy QB bonds during the solicitation or book-building process.

There is no distinction in the SRC, or in the related IRR, between domestic and foreign professional investors.

For investments in bonds or notes issued onshore, the following BSP rules shall apply:

- i. In cases of investments in PHP-denominated bonds and notes issued by residents:
 - a. investments by residents may be done without BSP approval; and
 - b. investments by nonresidents may be done without prior BSP approval, subject to registration only if the foreign exchange (FX) to service repatriation of capital and related earnings will be sourced from the Philippine banking system.
- ii. In cases of investments in PHP-denominated bonds and notes issued by nonresidents:
 - a. investments by residents may be done without BSP approval; and
 - b. investments by nonresidents may be done without prior BSP approval, subject to registration only if the FX to service repatriation of capital and related earnings will be sourced from the Philippine banking system.
- iii. In cases of investments in FCY-denominated bonds and notes issued by residents:
 - a. investments by residents may be done without BSP approval; and
 - b. investments by nonresidents may be done without prior BSP approval, but sourcing of the FX from the Philippine banking system by a resident issuer is subject to documentation (for bonds and notes [not resembling in nature a foreign loan] or registration [for bonds and notes resembling in nature a foreign loan]).

- iv. In cases of investments in FCY-denominated bonds and notes issued onshore by nonresidents:
 - a. investments by residents may be done without prior BSP approval, subject to notification to the BSP only if the investment exceeds the USD60 million annual threshold per investor; the FX to service redemption and coupon payments cannot be sourced from the Philippine banking system by a nonresident issuer; and
 - b. investments by nonresidents may be done without BSP approval, but the FX to service the redemption and coupon payments cannot be sourced from the Philippine banking system by a nonresident issuer.

Table 3 gives an overview of the abovementioned approval criteria for investment in bonds and notes issued in the Philippines.

Table 3: Overview of BSP Approvals for Investment in Bonds and Notes

Investor	Issuer	
	Resident	Nonresident
PHP-Denominated Bonds and Notes		
Resident	Allowed	Allowed
Nonresident	Allowed, subject to registration only if the FX to service repatriation of capital and related earnings will be sourced from the Philippine banking system	Allowed, subject to registration only if the FX to service repatriation of capital and related earnings will be sourced from the Philippine banking system
FCY-Denominated Bonds and Notes		
Resident	Allowed	Allowed, subject to notification to BSP and documentation only if the investment exceeds the USD60 million annual threshold per investor; the FX to service redemption and coupon payments cannot be sourced from the Philippine banking system
Nonresident	Allowed, but sourcing of the FX from the Philippine banking system by resident issuers is subject to documentation (for bonds and notes not resembling in nature a foreign loan) or registration (for bonds and notes resembling in nature a foreign loan)	Allowed, but the FX to service redemption and coupon payments by nonresident issuers cannot be sourced from the Philippine banking system

FCY = foreign currency, FX = foreign exchange, PHP = Philippine peso, USD = United States dollar.
 Source: Bangko Sentral ng Pilipinas.