PHILIPPINES TO ADOPT INTERNATIONAL BOND PRICING CONVENTION

Philippine financial regulators as well as market participants and associations announce that pricing of peso-denominated government bonds for settlement purposes will adopt the international pricing convention effective 4 January 2027, confirming that all relevant regulations and systems will be in place before end-2026.[1]

The initiative is led by the Bureau of the Treasury (BTr), Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Insurance Commission (IC), Philippine Dealing and Exchange Corp. (PDEx), and industry associations Bankers Association of the Philippines (BAP), Trust Officers Association of the Philippines (TOAP), Fund Managers Association of the Philippines (FMAP), Money Market Association of the Philippines (MART), National Association of Securities Brokers Inc. (NASBI), Philippine Investment Funds Association (PIFA), and Philippine Life Insurance Association (PLIA).

Work on the project, including consultations with investors and other stakeholders, intensified this year to ensure a smooth transition. The shift in bond pricing convention will be incorporated into PDEx's revised fixed-income market rules and trading conventions. The regulators of financial institutions - the BSP, the SEC, and the IC - will support the industry and the public through the transition process.

For investors who hold bonds to maturity, there will be no actual impact. Most individual holders of Philippine bonds fall under this category.

As a result of the new convention, some investors may see changes in the computation of the settlement value of government bonds.

However, tax obligations will remain the same. The transition will not alter the contractual terms of the bonds, and investors will continue to receive the scheduled interest payments (coupons) and principal at maturity, in accordance with the terms of their bonds.

This is consistent with common international market practice, making the bonds easier to buy and trade and boosting global demand.

For any concern, market participants are encouraged to reach out to their respective dealers, sales brokers, trust institutions, and banks, among others.

[1] Financial institutions and relevant market participants are expected to conduct the necessary transition activities from 1 to 3 January 2027.

More participants in the government bond market would deepen market liquidity and broaden investor base, eventually allowing the government to borrow more efficiently and at lower rates.

This would create more fiscal space, helping fund more and better public infrastructure and services. A deeper and more liquid government bond market would also support more efficient price discovery and bond valuations, benefiting all bondholders and boosting investor confidence. Over time, this could also bring down the cost of borrowing of the private sector, helping businesses to expand, invest, and create jobs while allowing households to finance major investments and purchases. All of this could translate into broader opportunities and stronger economic growth.

Regulator comments

Finance Secretary Frederick D. Go said: "This reform is part of our broader effort to modernize the Philippine financial system. Aligning with international standards makes it easier for the Philippines to compete for capital in an increasingly integrated global financial system."

BSP Governor Eli M. Remolona Jr. said: "A deeper and more liquid capital market provides more investment opportunities while giving businesses additional ways to raise funds. A more robust bond market complements bank credit and helps make the Philippine financial market and economy more resilient."

Treasurer of the Philippines Sharon P. Almanza said: "This is an important step in making the Philippine bond market more accessible and attractive to international investors. Broader participation in the government bond market will help lower borrowing costs, enabling the government to finance more productive spending, including public infrastructure and services," she added.

SEC Chairman Francis Lim said: "By making Philippine bond pricing more familiar to global investors, we hope to encourage more trading, developing a more active secondary market for Philippine bonds. This will not only benefit the government but, eventually, Philippine businesses that need to raise money and Philippine investors seeking more investment options."

IC OIC Ermar U. Benitez said: "This transition is expected to enhance liquidity in the bond market, providing IC-regulated entities greater flexibility in managing their investment portfolios while ensuring their continued ability to fulfill their obligations to policyholders and beneficiaries."

The initiative follows J.P. Morgan's announcement that Philippine peso-denominated government bonds will be included in its Government Bond Index – Emerging Markets series on 29 January 2027. **(END)**

Classification: GENERAL