Frequently Asked Questions (FAQs)

International Bond Pricing Initiative

Money Market Association of the Philippines Guide to the International Bond Pricing Convention

About this guide

This document answers common questions about the International Bond Pricing Initiative - an industry-wide move to align the Philippine bond market with international pricing standards. The questions are grouped General, Investment Impact, Taxes, Buying and Selling, Corporate & Institutional Investors FAQs.

Please note: *As the initiative is still evolving, some details may be refined as consultations with regulators and market participants continue.*

Section 1 — General FAQs (For All Investors)

Q1. What is the International Bond Pricing Initiative?

It is a financial sector initiative supported by multiple stakeholders across the public and private sectors that aligns the calculation of settlement amount for peso-denominated bonds with global bond pricing convention. This initiative aims to streamline processes, enhance interoperability, and boost competitiveness of the Philippine bond market for local and foreign investors. Specifically, the price adjustment currently embedded into the existing bond pricing convention will be removed. The contractual terms of your bonds do not change – you remain entitled to the same coupon payments and the same principal amount at maturity.

Q2. What exactly is changing in the way bonds are priced?

In today's bond pricing convention, the final price and settlement amount calculated for buying or selling a bond embeds a price adjustment on the premium or discount equivalent to 20% of the quoted yield. This price adjustment is commonly referred to as the "tax on premium" and "tax on discount."

Under the international convention, bond prices and settlement will be calculated using the full negotiated gross yield without embedding the 20% adjustment in the price formula, consistent with international practice.

For illustration, under the current convention, if negotiated yield is 10.00%, bond price will be calculated using a net effective yield of 8.00% (10% net of the 20% price adjustment). While for the international convention, if negotiated yield is 10.00%, the bond price is calculated directly using an effective yield of 10.00%.

Note: *"Tax on premium" and "tax on discount" are not actual taxes remitted to the BIR.*

Q3. Why is the Philippine market making this change?

The change aims to align the Philippine bond market with global standards, making it more accessible, transparent, and efficient:

- **Global Access**: Makes Philippine bonds comparable and accessible to local and foreign investors by adopting internationally recognized market conventions.
- **Transparency**: Removes price adjustment under the current convention.
- **Standardization**: Promotes consistent pricing and settlement across the market.

Q4. Is this initiative mandatory?

Yes. This is an industry-wide initiative adopted by Philippine financial institutions and regulators. Once implemented, eligible bonds will follow the new convention. Because the change applies across the market, all peso fixed income investors will be affected.

However, if you hold your bonds until maturity, your contractual coupon payments and maturity proceeds remain unchanged.

Q5. Which investments are covered?

Eligible peso-denominated, coupon-bearing securities, including:

- Fixed Rate Treasury Notes (FXTNs);
- Retail Treasury Bonds (RTBs);
- Other eligible coupon-bearing Government Securities; and
- Peso-denominated Corporate Bonds.

Q6. Which securities are NOT covered?

Currently outside the scope are:

- Treasury Bills (T-Bills);
- BSP Bills and BSP Securities;
- Cash Management Bills (CMBs);
- Zero-coupon bonds; and
- Non-peso fixed income instruments

Q7. When will these changes take effect (the transition date)?

The target date is January 4, 2027, subject to the necessary regulatory approval/s and subsequent confirmation or market-wide announcement.

Section 2 — Market Trading Conventions

Q8. Will BSP regulatory reports require changes in reporting templates or methodologies?

At this time, no changes to BSP regulatory reporting templates or reporting methodologies are expected solely as a result of the transition to the International Bond Pricing Convention. Market participants should continue submitting regulatory reports in accordance with existing BSP reporting requirements unless otherwise advised through a separate regulatory issuance or guidance.

Institutions should, however, assess whether the transition has any material impact on the data reported in existing submissions and ensure that such impacts are appropriately reflected in accordance with applicable accounting and regulatory requirements.

Q9. Will there be changes to how PHP-fixed income securities are traded?

No. PHP-denominated fixed-income securities will continue to be traded in the same manner.

Q10. Will there be a change in market quotation convention?

No. Bid and offer levels will continue to be quoted on a gross-yield basis.

Q11. Will there be any changes to market trading hours in connection with the transition?

There will be no change to market trading hours except on the last business day before the Transition Date

Date	Trading Hours
December 29, 2026	Morning Session Only (9:00AM – 12:00 NN) for T+0 transactions only
January 4, 2027	Transition Date/Go-Live

January 4, 2027 onwards	Regular Trading hours

An announcement containing further information and guidance on the transition to the International Bond Pricing Convention will be posted on the official PDS website.

On December 29, 2026, the last business day prior to the transition, PDEx's Fixed Income Trading Statistics, End-of-Day (EOD) reports including the Board Summaries (with Bid Yield and Prices) and the PHP BVAL Reference Rates will be published on PDS Website and MarketPage according to their standard publication schedule.

Because trading on that day will be limited to T+0 transactions during the morning session, all reports and reference-rate snapshots will reflect only the data and market activity captured up to 12:00 noon.

Q12. How should institutions treat outstanding tax-on-premium/discount balances on transition day?

Based on the recommendation of the Financial Reporting Standards Council (FSRSC), the outstanding tax on premium/discount is closed out on the transition date, with the change in pricing convention incorporated into fair value measurement under PFRS 13.

The effect of the transition is applied prospectively from the date the new convention is adopted, and the close-out should be consistent with the instrument's PFRS 9 classifications:

- FVTPL (Fair Value through Profit or Loss): The transition adjustment is recognized immediately in P&L - tax on premium is an unrealized trading gain; tax on discount is an unrealized trading loss.
- FVOCI (Fair Value through Other Comprehensive Income): The adjustment is recognized in OCI / Equity Reserve - tax on premium is a comprehensive gain; tax on discount is a comprehensive loss. The transition adjustment shall be amortized into Interest Income following the Effective Interest Rate method post-transition.
- HTC (Held to Collect / Amortized Cost): No immediate P&L or Equity impact on transition date for existing holdings; contractual amortization continues under the original effective interest rate. For entities following the Gross Basis, the carrying value of existing holdings may change because of the close-out of tax on premium/discount. Subsequent purchases follow the new gross convention.

Please refer to the cascaded info-session materials on the International Bond Pricing Initiative for details on how to handle the transition date close-out of the tax on premium/discount by PFRS 9 classification.

Any deviation from the FSRSC's recommendations should be discussed with the entity's external auditors.

Q13. As the settlement value will change, will this impact the Bank's Mark to Market Valuation?

There will be no impact if the Bank is already using the Gross Price for its MTM valuation. For those who use Net Price in their MTM valuation they would need to switch to using Gross Price.

Q14. Can trades dealt on or before transition date settle beyond the transition date cut-off (Will there be a trade/settlement moratorium before transition date? How will trades executed before the transition date but settling after the transition date be handled?)

To ensure a smooth transition to the new convention, transactions executed before the Transition Date must settle no later than December 29, 2026.

To prevent any transactions from remaining unsettled during the transition:

- Trades executed on December 29, 2026, the last business day before the Transition Date, must settle on the same day (T+0 settlement only).
- No spot transactions executed under the current convention may remain outstanding beyond December 29, 2026.
- Beginning January 04, 2027 normal market settlement conventions will resume, with standard settlement on T+1.

Date	Event
December 29, 2026	Last day for settlement under the current convention (T+0 only)
January 04, 2027	Transition Date / Go-Live
January 04, 2027 onwards	Normal T+1 settlement resumes

Any trade with a settlement date that falls on or after the Transition Date will be cancelled. To maintain market integrity and preserve the original economic intent of the transaction, the cancellation process will be undertaken in accordance with existing PDEx rules and standard operating procedures. As part of this process, a corresponding replacement trade must be executed for every cancelled transaction.

To ensure all market participants are fully guided on these operational arrangements, a detailed memorandum outlining the applicable procedures and guidelines will be distributed to the PDEx market community upon approval of the proposed amendments by the SEC.

Q15. How should failed trades be handled if they span the transition date?

Failed trades will continue to be subject to the applicable PDEx rules, procedures, and penalties. The transition to the International Bond Pricing Convention does not alter the treatment of failed trades, and market participants are expected to resolve such transactions in accordance with existing market rules.

Q16. How will Bloomberg pricing screens and yield calculations change? Will Bloomberg be making changes to the BVAL algorithm or is there a change in the MTM methodology by BSP going forward?

Bloomberg will implement the necessary enhancements to reflect the International Bond Pricing Convention in its pricing screens, yield calculations, and settlement-related computations.

There will be no changes to the BVAL methodology, as the published BVAL curve is already based on gross pricing principles.

To clarify, the BSP does not prescribe a methodology for marking-to-market debt securities but requires supervised institutions to mark-to-market securities in accordance with PFRS 13. As the transition relates to the market pricing convention and settlement computations, and does not alter the underlying mark-to-market valuation methodology, the same shall continue to be acceptable for regulatory purposes.

Q17. Will the BTR issue distinct ISINs for outstanding securities post-transition?

No. The transition does not create new securities. Accordingly, distinct ISINs for outstanding securities are not expected. The change relates to the bond pricing convention and not the securities themselves.

Q18. For Corporate Bonds with embedded derivatives (call or put options), will calculations change?

No material changes are expected to the treatment of embedded call or put options solely as a result of the transition. The change relates to the bond pricing convention used for trading and settlement calculations and does not alter the contractual features of the underlying security.

Section 3 — Regulatory Reports, Documentation and Systems

Treasury (Regulatory reports, trade confirmation, repos)

Q19. Will regulatory reports covering investment securities, trading portfolios, liquidity ratios, or capital metrics require special transition disclosures?

At this time, no special regulatory reporting templates or transition disclosures are anticipated solely as a result of the implementation of the International Bond Pricing Convention. Institutions should continue to comply with existing regulatory reporting requirements and disclose the impact of the transition where required under applicable accounting, financial reporting, or regulatory standards. Any additional reporting requirements, if necessary, will be communicated through separate regulatory guidance.

Q20. Will there be a designated reporting period during which both conventions may need to be disclosed?

Following the effective date of the transition, reporting and disclosures should be based on the new convention. For financial statement purposes, unless when the impact on comparative period is not material, entities should align the presentation of comparative period amounts to enhance comparability. The level of disclosure related to the transition is best discussed with your respective external auditors.

Q21. How should limit breaches arising solely from pricing convention changes be treated? Will regulatory capital relief be granted if accounting impacts arise?

The treatment of limit breaches, capital impacts, or other regulatory consequences resulting from the transition remains subject to regulatory assessment. Market participants should continue to comply with existing regulatory requirements and notify their regulators of any material impacts arising from the transition.

Q22. Will existing Treasury confirmations, ISDA schedules, GMRA annexes, or other documents require amendments?

The transition to the International Bond Pricing Convention does not, by itself, automatically require amendments to existing contractual agreements. However, market participants should assess their documentation and internal procedures to determine whether any references to pricing, settlement calculations, collateral valuation, or related conventions require clarification or updates. Institutions are encouraged to consult their legal advisers as appropriate.

Q23. Will there be a parallel-run period or testing environment available to market participants?

Bloomberg test securities are available to market participants ahead of the transition to allow them to test relevant Bloomberg workflows and functions under the international bond pricing convention.

Participants may use the two test securities to validate pricing and settlement calculations, trade ticketing, and other related Bloomberg functions to confirm that the proposed changes are reflected correctly prior to implementation.

The following test securities are available:

1. Fixed Rate Treasury Note Test Security (FXTN 20-17)

- Test Security: BBTEST 8 07/19/31
- Bloomberg ID: EJ9064811
- The security can be retrieved either by entering BBTEST 8 07/19/31 <CORP> <GO> or EJ9064811 <CORP> <GO>.
- Once loaded, use DES to confirm the security details before reviewing the relevant pricing and other outputs.

2. Retail Treasury Bond Test Security (RTB 20-1)

- Test Security: BBTEST 5 7/8 03/01/32
- Bloomberg ID: DQ5124697
- The security may be retrieved by entering BBTEST 5 7/8 03/01/32 <CORP> <GO> or DQ5124697 <CORP> <GO>.
- Once loaded, use DES to confirm the security details before proceeding with testing.

The testing arrangement is intended to allow market participants to familiarize themselves with the updated workflows and independently validate that calculations and related functions are working as expected under the International Bond Pricing Convention prior to Transition Date.

Q24. Is there a concerted effort across trading platforms and information vendors to adopt to the new convention simultaneously?

Yes. The Technical Working Group has been engaging market infrastructure providers, systems providers, and other relevant stakeholders to support a coordinated implementation of the new convention on the agreed transition date.

Q25. Apart from banks' internal booking systems, will related systems go live with the change in bond computation on the same date? (i.e., Bloomberg for secondary market trading, NRoSS for auctions and bond settlements, etc.)

The target is for all affected market systems, including trading, valuation, settlement, and related infrastructure platforms, to implement the necessary enhancements in accordance with the agreed transition timeline. However, the readiness and deployment of individual systems remain subject to the respective operators and service providers. Market participants should

monitor communications from the relevant platform operators for implementation details and confirmation of system readiness.

Section 4 — Repo Transactions

Q26. How will the International Bond Pricing Convention affect repo computations?

For repo transactions with a Purchase Date / Near Leg Date that falls after the Transition Date, the wired amount and termination amount will be calculated using the international bond pricing convention.

For repo transactions where the Purchase Date / Near Leg Date has settled before the Transition Date, but the Termination Date / Far Leg Date falls after the Transition Date, the original termination amount will remain unchanged.

With respect to margining, the market value used to calculate Transaction Exposure will be based on the new pricing convention beginning on the Transition Date. As a result, outstanding repo transactions entered into before the transition may experience changes in their reported Transaction Exposure, even though their contractual wired and termination amounts remain unchanged.

Accordingly, counterparties may observe changes in margin requirements and, where applicable, margin calls may be triggered if the recalculated Transaction Exposure breaches the agreed margin thresholds.

Q27. For the outstanding repo transactions that mature past the transition date, do we adjust far leg of the repo deal to use the new convention if the near leg was settled using the old convention? If we don't, how do we treat the remaining adjustments on premium and discount?

The Termination Money is not adjusted for outstanding repos dealt and settled prior to the transition date. The adjustments following the transition will be felt in the Transaction Exposure amounts which potentially can result to Margin Calls.

Also, please note that closing out the entries for the unamortized adjustment on premium or discount will occur for all bond holdings, including the bonds sold under repos. The repo seller remains as the owner and theoretically they should continue to amortize the adjustment on premium/discount up until the cut-over date. The one-time adjustment to be done on cut-over date will include those bonds sold under repo.

The far leg can settle as is under the old convention BUT will not impact or create different accounting entries by then other than what has been discussed.

Q28. When a bank's HTC portfolio is impacted by the transition, is any special treatment required for securities that are under repo and will return to the securities lender after the Transition Date? Should the adjustment relating to the tax on premium and discount be recognized on Transition Date or when the securities are returned to the lender's books?

No. Securities sold under repo will not receive special treatment. Since the repo seller remains the economic owner of the securities, any one-time adjustment relating to unamortized tax on premium or discount will be recognized on the Transition Date, including for securities under repo. No additional transition adjustment is expected when the securities are returned at repo maturity.

Section 5 — Client Related

Q29. Are banks required to disclose the change in settlement amount computation to fixed income investors post transition?

Banks are encouraged to inform affected clients of the changes arising from the transition to the International Bond Pricing Convention, particularly where the computation of settlement amounts may differ from current market practice.

To support consistent communication across the industry, a standard information memorandum and client communication materials will be made available, which banks may use or adapt when communicating the transition to their fixed income investors.

Q30. Will this affect back-to-back loans against GS? Will clients be required to put up additional collateral?

The transition does not automatically require clients to provide additional collateral. However, changes in the valuation of the underlying GS collateral may affect collateral coverage ratios. Any collateral top-up requirements will continue to be assessed based on the terms of the applicable lending agreement and the bank's existing collateral policies.

Q31. Who can I contact if I have questions about the transition?

You may email the MART secretariat at realgidget@gmail.com.