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Financial Centres Of The World 2023: Focus On Manila

Atty Kelvin Lester K Lee, Commissioner, Securities and Exchange Commission of the Philippines

Monday, 13 February 2023



A Word From Today's Chairman

Professor Michael Mainelli

Chairman
Z/Yen Group





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Today's Agenda



- 09:00 – 09:05 Chairman's Introduction
- 09:05 – 09:25 Keynote Presentation – Atty Kelvin Lester K Lee
- 09:25 – 09:45 Question & Answer



Poll 1

What's your level of understanding/knowledge on the Philippines' economic growth and SEC Philippines' role in ensuring the stability of the country's financial system?

- Non-familiarity with the subject
- Some basic knowledge
- I have a solid background on the topic/s discussed
- I'm such an expert!



How much of the content on the Philippines' financial sector developments was new to you?

- 100%
- 75%
- 50%
- 25%



Today's Speaker

Atty Kelvin Lester K Lee

Commissioner

Securities and Exchange Commission of
the Philippines





THE SECURITIES AND EXCHANGE COMMISSION

Financial Centres of the World: Focus on Manila

KELVIN LESTER K. LEE
Commissioner

Overview

- Philippine advantage
- Economic highlights
- Financial sector developments
- Fintech opportunities
- Opportunities in sustainable finance



Philippines



“Pearl of the Orient Seas” - archipelagic state made up of more than 7,000 islands

Population: 108 million (2019 estimates)

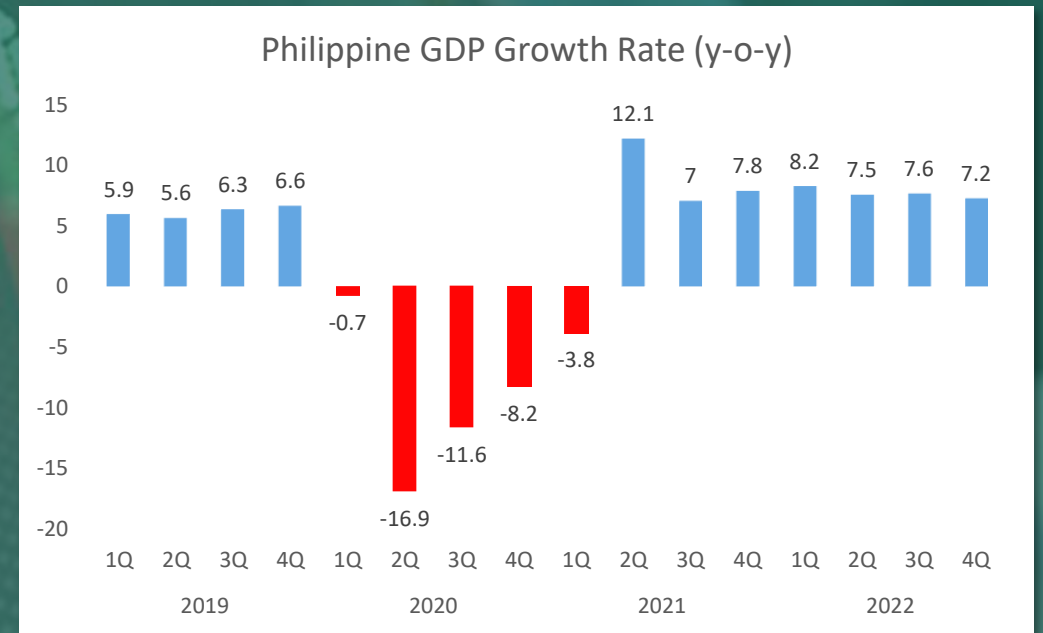
Capital: Manila

Political System: Constitutional Republic

Major Religions: Catholicism (90%), Islam

Currency: Philippine Peso

Above-target GDP growth



BROAD-BASED ECONOMIC EXPANSION

Record-low unemployment rate

Lowest level since 2005

4.2%



UNEMPLOYMENT RATE

95.8%



EMPLOYMENT RATE

67.5%



LABOR FORCE PARTICIPATION RATE

Households and NPISHs final consumption expenditure (% of GDP) - Philippines

World Bank national accounts data, and OECD National Accounts data files.

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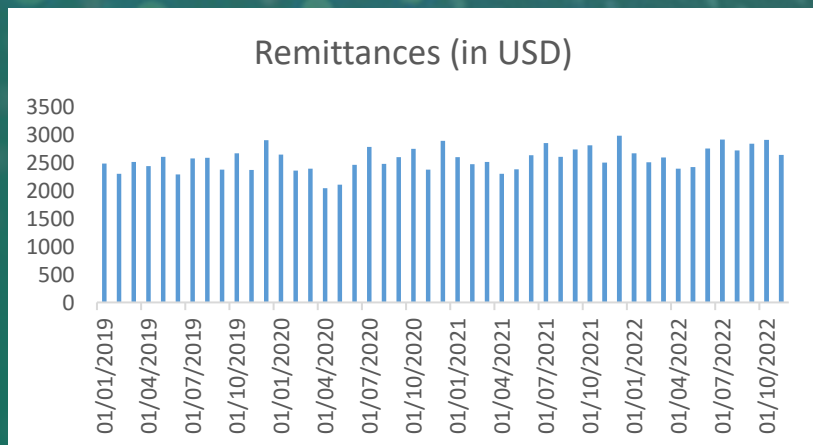
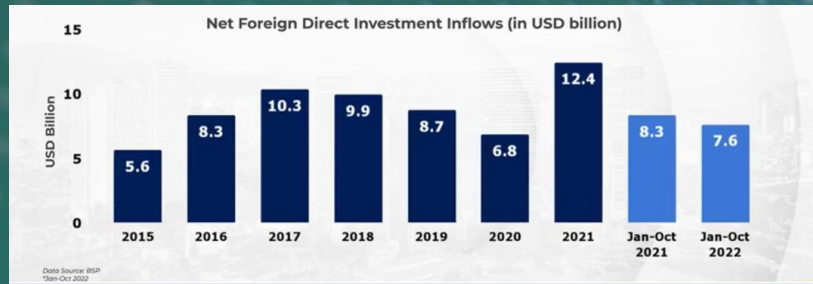
Line Bar Map

75% of GDP



1981 - 2021

Leading Economic Indicators



- Revenue collections for January to November 2022 have already reached PHP 3.3 trillion, 18 percent higher than the collection for the same period in 2021.
- **Record high net FDI** of USD 12.4 billion in 2021.
- Sustained remittance growth continues to support private consumption.

Philippine Competitive Advantage

WHAT'S IN IT FOR
INVESTORS AND
BUSINESSES

01 FAST GROWING
POPULATION

Large potential market for consumer goods

02 DEMOGRAPHIC
DIVIDEND

Young and growing population expected to contribute to growth in the next 2-3 decades

03 FOREIGN-INVESTOR
FRIENDLY STANCE

Liberalized policies and regulations on foreign investments

04 PROGRESSIVE REGULATORY
FRAMEWORK

Enabling changes in the capital markets

05 BPOs and ICT

Booming industry generating employment for local citizens

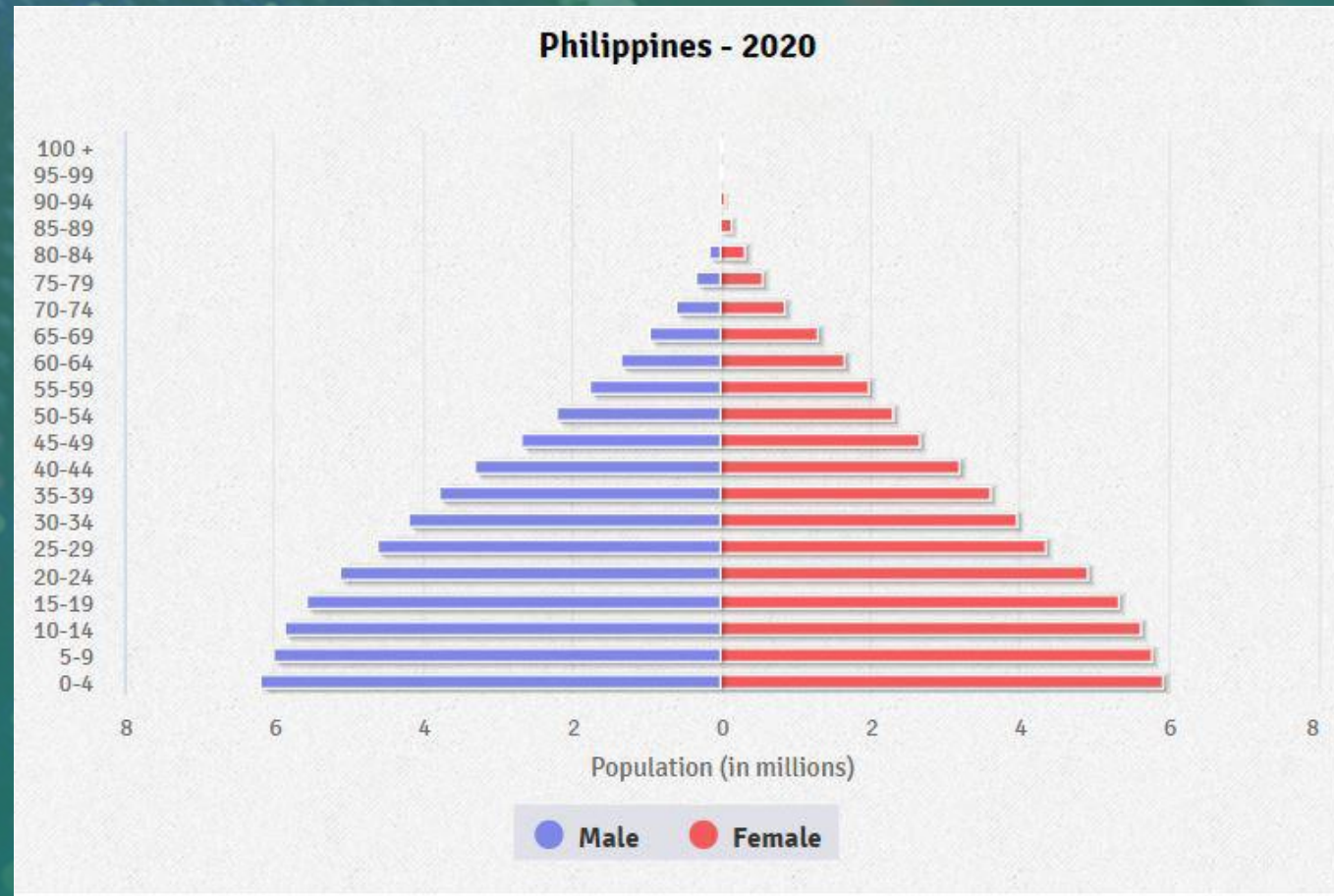
06 ASEAN AFFILIATION

Provides further opportunities for access to ASEAN Free Trade Area

07 CONDUCTIVE LOCATION

Few hours away from neighboring ASEAN countries

Fast Growing Population and Demographic Dividend



Enabling Business Environment

Philippine Development Plan 2023-2028

- Economic and social transformation
- High growth trajectory
- Job creation
- Accelerate poverty reduction

Medium-Term Fiscal Framework

- Reduce fiscal deficit
- Fiscal sustainability
- Bring down debt-to-GDP ratio to less than 60 percent by 2025
- High investments in infrastructure at 5 to 6 percent of GDP annually

Structural reforms that remove barriers to foreign investments

- Retail Trade Liberalization
- Foreign Investments Act
- Public Service Act
- Corporate Recovery and Tax Incentives

Public-Private Partnerships

- Build, Better, More Infrastructure
- IRR of the Build-Operate-Transfer Law

Philippine Energy Plan 2020-2040

- Just and clean energy transition
- Renewable energy sector opened up to full foreign ownership
- 35 to 50 percent share of RE in the power generation mix

FOREIGN INVESTOR FRIENDLY STANCE OF GOVERNMENT

Progressive Regulatory Framework

SEC Philippines Mandate

The SEC is the national government regulatory agency charged with supervision over:

- the corporate sector;
- the capital market participants;
- the securities and investment instruments market; and
- the protection of the investing public.

Notable Laws

- The Revised Corporation Code
- The Securities Regulation Code
- Lending Company Regulation Act of 2007
- Foreign Investments Act
- Financing Company Act
- Investment Company Act
- Investment Houses Law
- Real Estate Investment Trust Act of 2009

Financial Sector Stability

Regional Organizations



Other Government Agencies

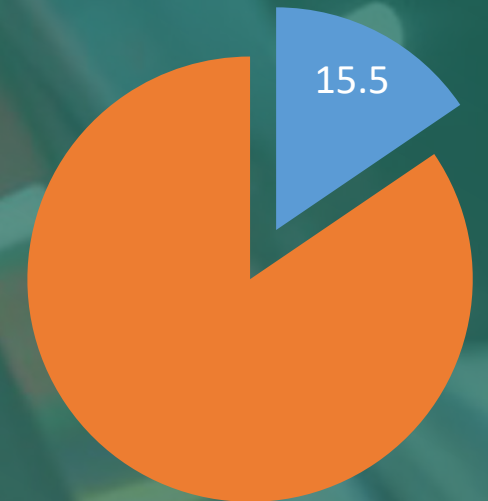


International and Local Engagements



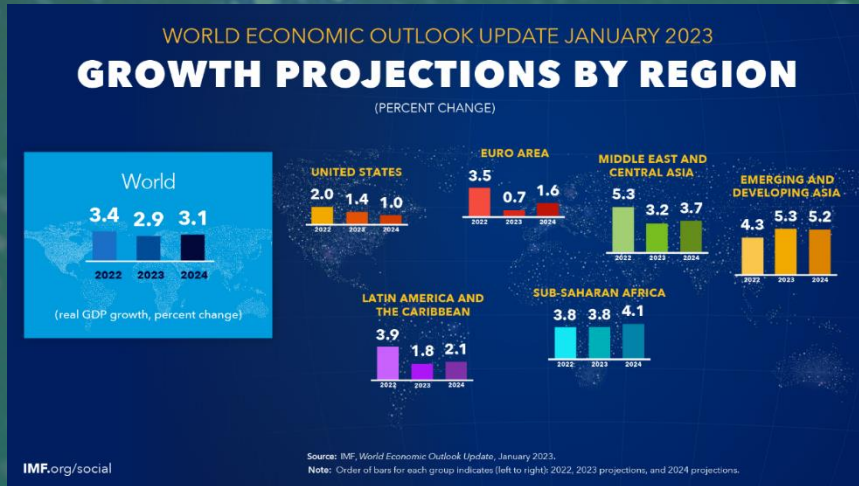
BPO-IT Industry

- Revenue and headcount growth are expected to remain in the double digits
- Philippines is expected to outperform the global IT-BPM sector with revenue
- By 2028, IBPAP estimates that there will be roughly 2.5 million people working in outsourcing



Share of the Global IT-BPM Outsourcing Sector in 2022

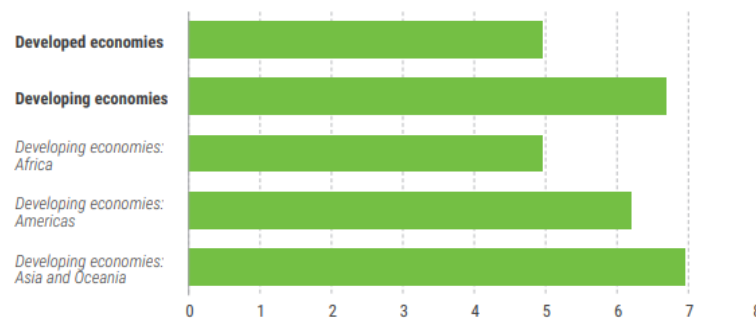
ASEAN Growth Story



The Association of Southeast Asian Nations (ASEAN) is a regional grouping of the ten Southeast Asian States to promote economic, political, and security cooperation among its members.

- Population: 680 million (projected to be 770 million by 2040)
- Fifth largest economy currently (projected to be 4th largest by 2030, outgrowing that of Japan and the EU)

Figure 2 Growth of real gross domestic product by group of economies, 2021
(Percentage)



Note: In constant 2015 United States dollars.

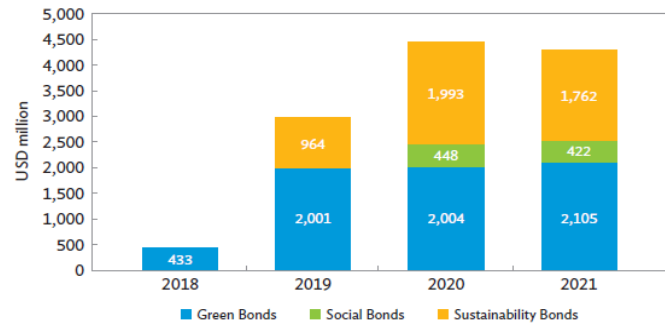
Alignment of Sustainability Efforts

- ASEAN Sustainability Linked Bond Standards
- ASEAN GSS Fund Standards
- ASEAN Transition Standards
- ASEAN Sustainable Finance Taxonomy
- Philippine Sustainable Finance Roadmap
- Philippine Sustainable Finance Guiding Principles



Opportunities in Sustainable Finance in the Philippine Capital Markets

Figure 1: Sustainable Bonds Outstanding in the Philippine Market by Bond Type

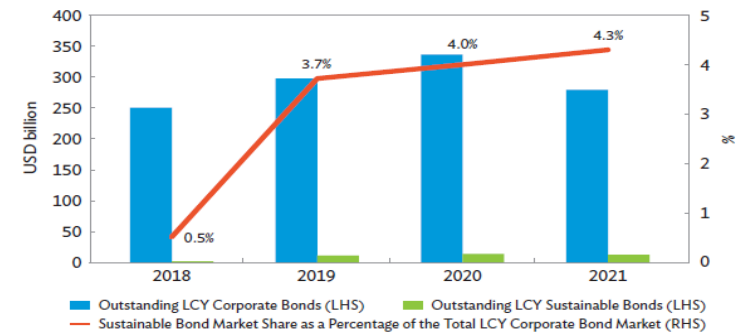


USD = United States dollar.

Note: All data as of 25 March 2022. Data were obtained using Bloomberg LP's SRCH function. The SRCH criteria include green bonds, social bonds, sustainability bonds, sustainability-linked bonds, and transition bonds.

Sources: AsianBondsOnline and Bloomberg LP.

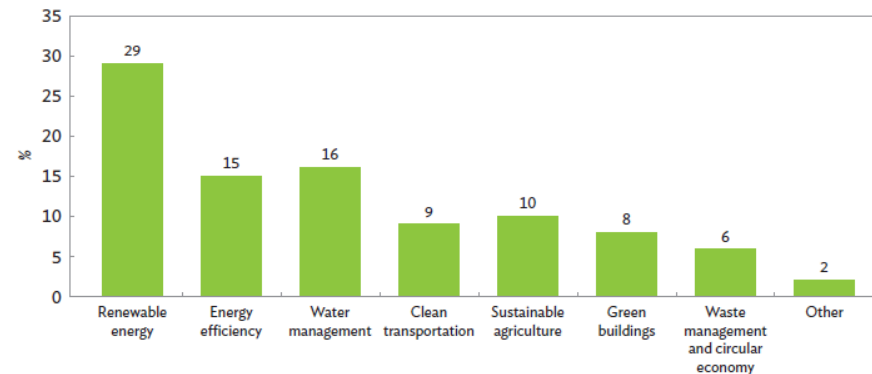
Figure 5: Local Currency Sustainable Bonds Outstanding as a Share of the Local Currency Corporate Bond Market



LCY = local currency, LHS = left-hand side, RHS = right-hand side, USD = United States dollar.

Sources: AsianBondsOnline and Bloomberg LP.

Figure 16: Sectors with Most Potential for Green Bond Investments



Source: Authors' compilation based on survey results.

Financial Technology Initiatives



Rules and Regulations Governing Crowdfunding
MC No. 14, Series of 2019



First ever **digital peso bonds**



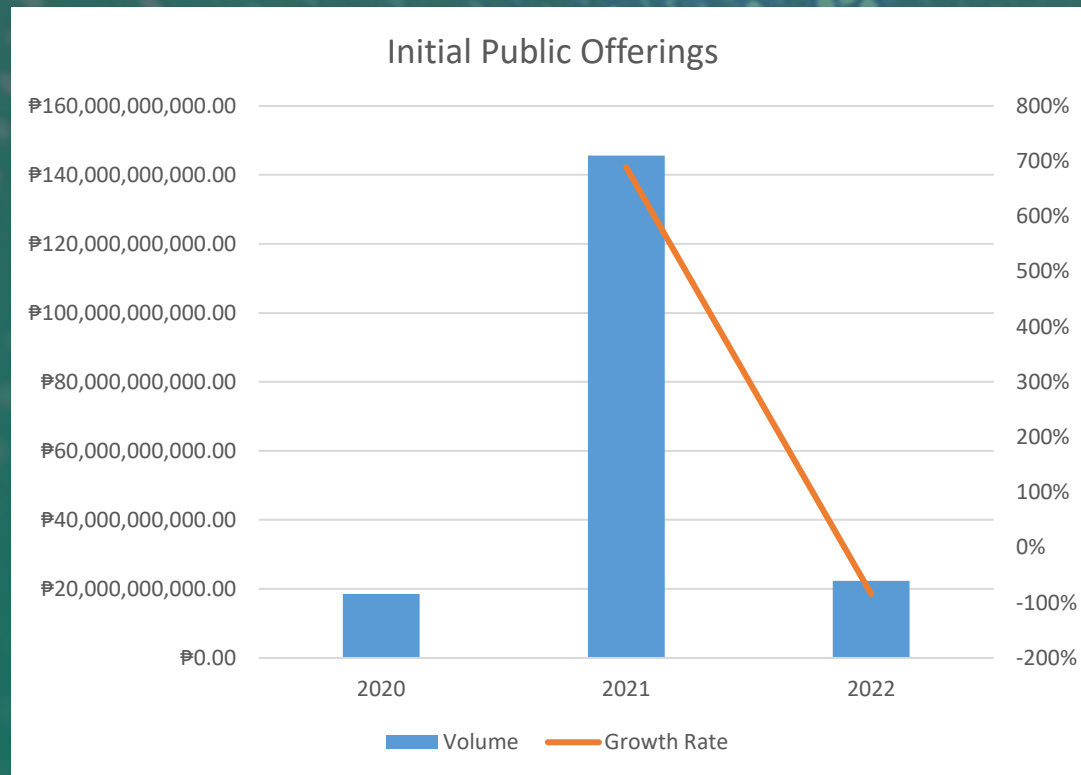
Use of Distributed Ledger
Technology (DLT) in the
corporate bond market



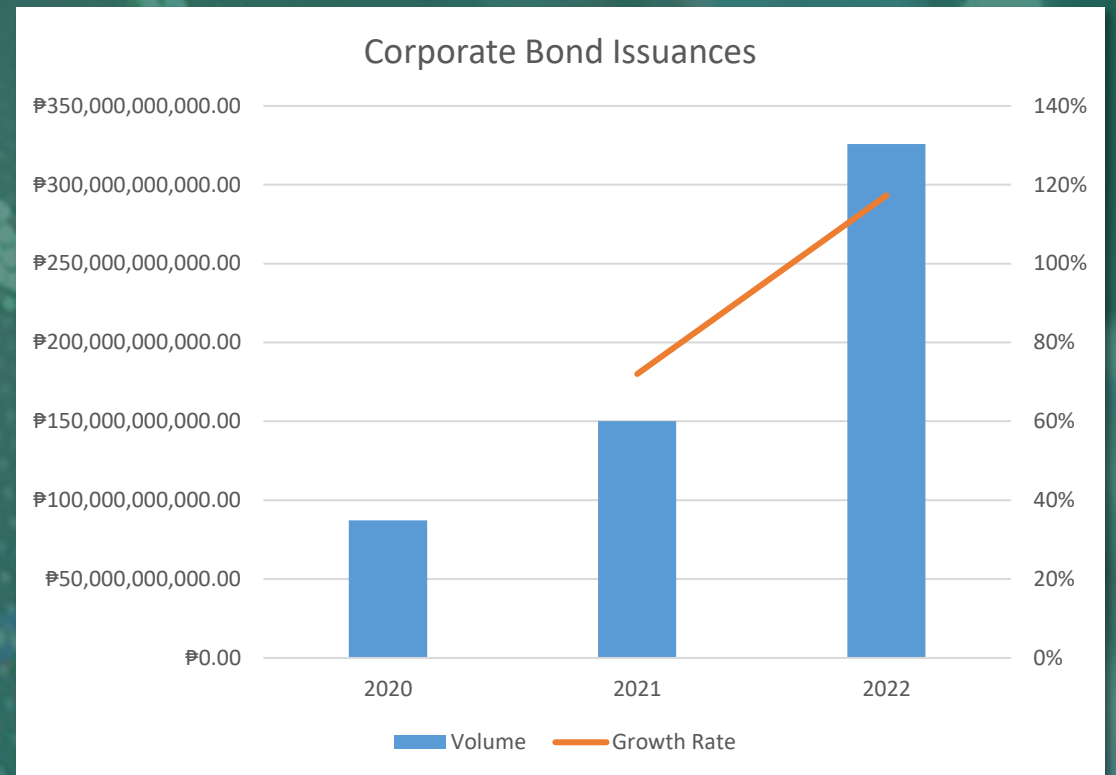
Equity trading and fintech
payment channel partnerships

Robust Capital Markets

EQUITY MARKET



CORPORATE DEBT MARKET



Equity Market

2023 Listing Pipeline



APPROVED / AWAITING APPROVAL

IPO



Upson International Corp.
~Php5.43 billion



Alternergy Holdings Corporation
~Php1.87 billion



Prime Infrastructure Capital, Inc.
~Php28.81 billion

SRO



Union Bank of the Philippines
~Php12 billion



Lepanto Consolidated Company
~Php2.02 billion



Philippine Business Bank
~Php500 million

FOO



Megawide Construction Corporation
~Php1.5 billion

Corporate Debt Market

Primary Market Activity: Face Amount of New Bonds Listed - PHP 508.66 B

First Digital Bond Issuance

UNIONBANK PHP 11 B



PHP 52.7 B Sustainability Bonds



PHP 27 B Bonds



PHP 30.6 B Bonds



PHP 23.7 B Bonds



PHP 14.8 B Sustainability Bonds



PHP 12 B Bonds



PHP 7.5 B Bonds



PHP 10 B Bonds



PHP 10 B Green Bonds



PHP 3 B Green Bonds



PHP 4 B Bonds



PHP 90 B Bonds



PHP 40 B Bonds



PHP 15 B Bonds



PHP 45 B Bonds



PHP 15 B Bonds



PHP 5 B Bonds



PHP 1.9 B Commercial Paper



PHP 11.9 B Bonds



PHP 20 B Bonds



PHP 30 B Bonds



PHP 15 B Bonds



PHP 3 B Bonds



PHP 10 B Bonds



PHP 0.6 B Commercial Paper

Bank Bonds: PHP 179.3 B

Green, Social, Sustainability Bonds: PHP 80.5 B

30 Listings, 53 Securities and 26 Issuers

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Forthcoming Events

- Wed, 18 Jan (11:00-11:45) Workers Voices – Fulfilling The S Ambitions In ESG

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