

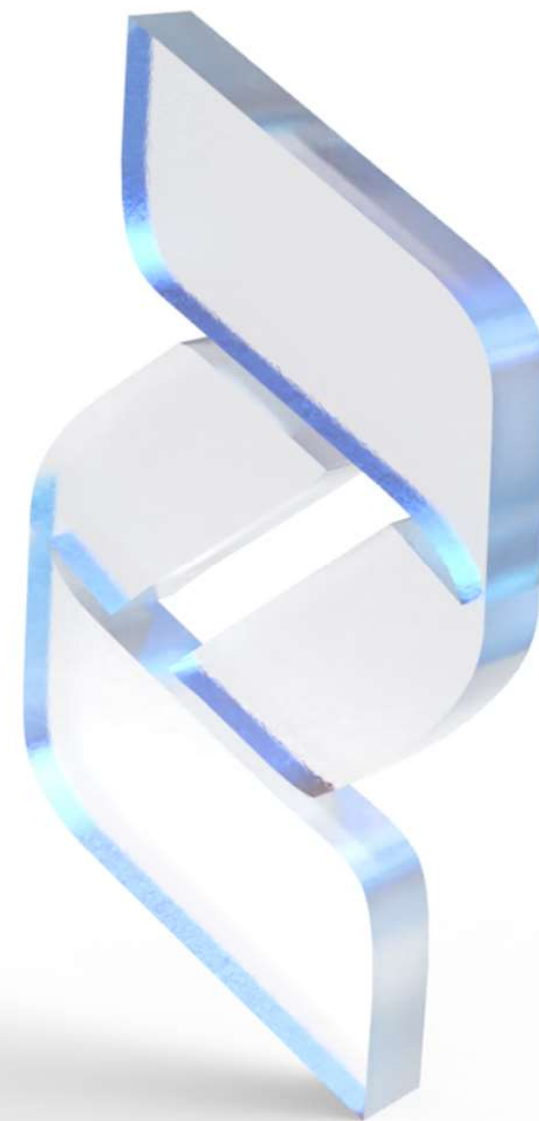


Financial Innovation in the Philippine Capital Market

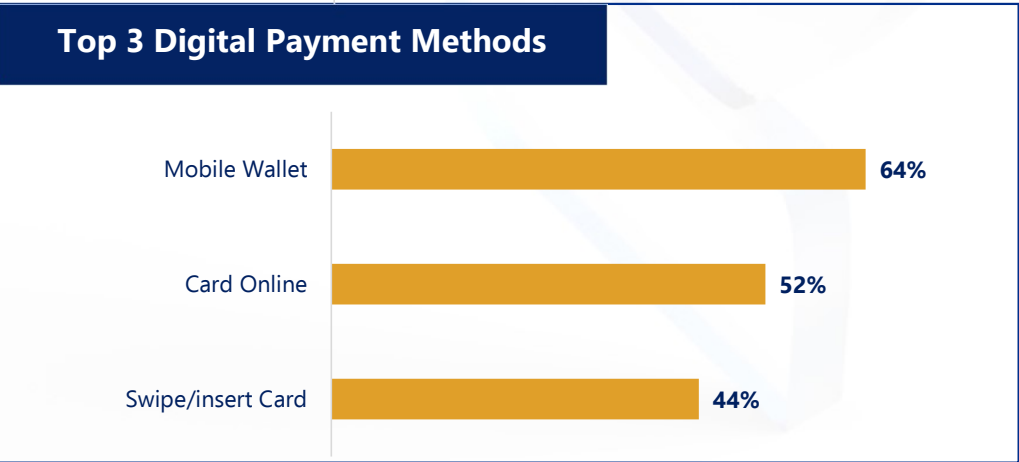
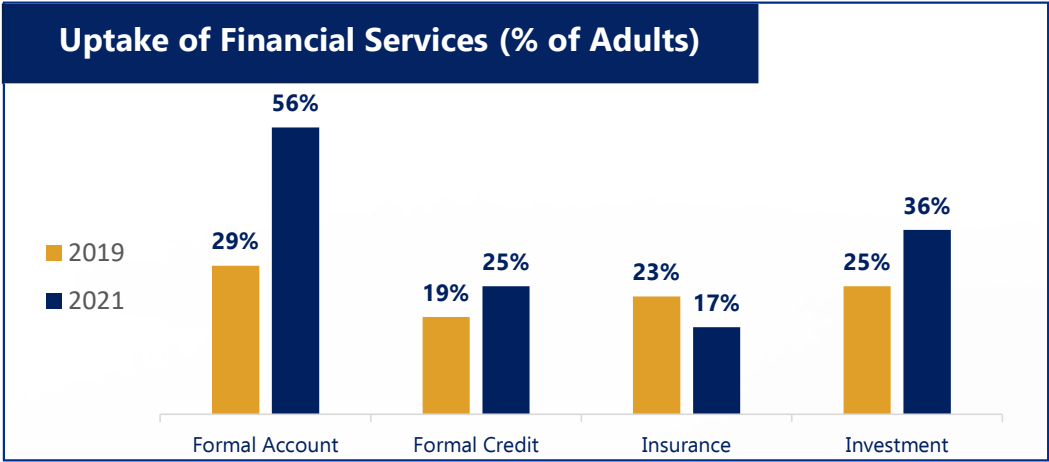
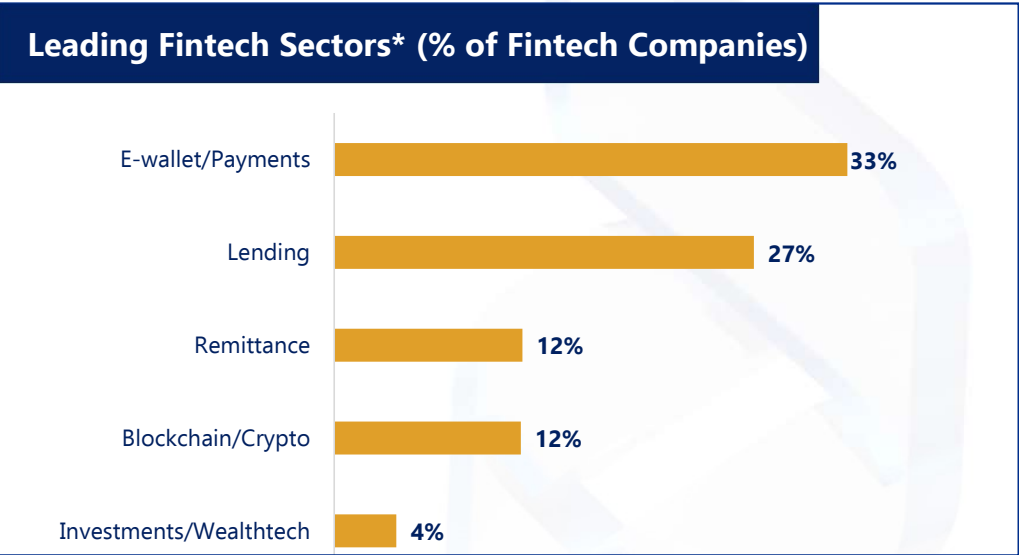
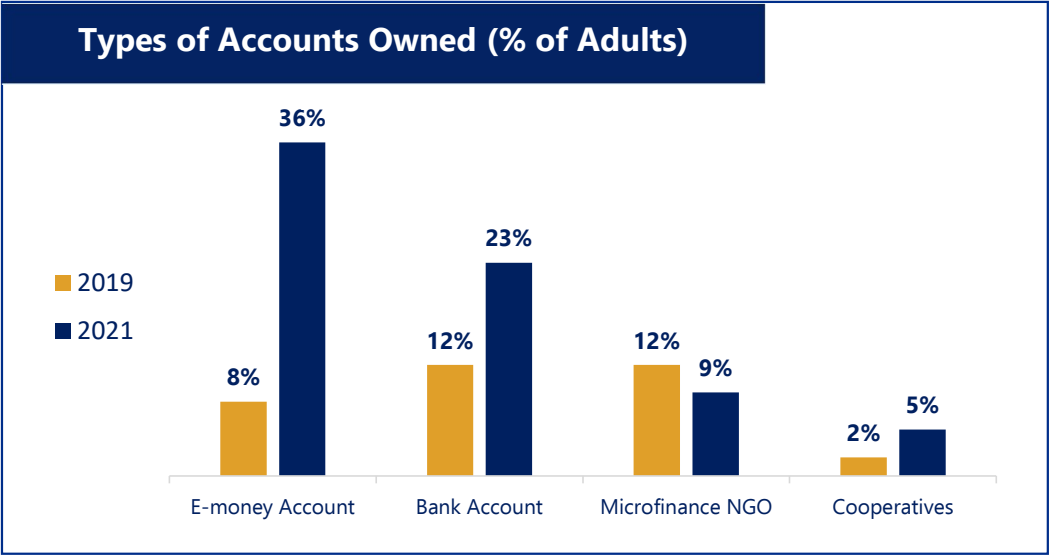
Ramon S. Monzon

President & CEO

February 2023 | Asian Capital Markets Roundtable



Growing Popularity of Fintech in the Philippines



Sources: Fintech News Network Country Fintech Reports, BSP, VISA

*as of December 2021

Regulatory Landscape

Regulations supporting financial innovation in the Philippines



Guidelines on the Establishment of Digital Banks

To distinguish digital banks as a distinct classification and to provide a framework for its operation and establishment



Regulations on E-Money and E-Money Issuers

To foster the development of efficient and convenient retail payment and fund transfer mechanisms in the Philippines



Guidelines for Virtual Service Providers (VASPs)

To encourage financial innovation while safeguarding the integrity and stability of the VASP financial system



Adoption of Digital Payments for Government Disbursements and Collections

To facilitate transactions by promoting the use of digital payments for government disbursements and collections



Act on Recognizing Digital Assets (Under review)

To clarify and institutionalize the rules regarding digital assets, with the central bank as lead agency for E-Money and SEC as lead agency for virtual assets

Virtual Asset Service Providers (VASPs)

Bangko Sentral ng Pilipinas Regulation



VASPs refers to any entity that offers services or engages in activities that provides a facility for the transfer or exchange of Virtual Assets (Virtual Currencies and Virtual Tokens), which involve the conduct of one or more of the following activities:

1. Exchange between VAs and fiat currencies
2. Exchange between one or more forms of Vas
3. Transfer of Vas; and
4. Safekeeping and/or administration of VAs or instruments enabling control over VAs

Opportunities for the PSE:



Provides an avenue for collaboration with VASPs, and explore ideas on developing a digital assets platform

Fintech Institutions in the Philippines

As of December 31, 2022



Number of BSP-registered Institutions	
Number of EMIs	71
Number of VASPs	19
Number of Digital Banks	6

		
Number of users	71M	55M
Number of savings accounts	5.3M	1.4M
Number of investment accounts	3.4M	

Source: BSP, Philippine News Agency, Globe, Maya, various news articles



Enabling Stock Trading through e-Payment Platforms

GCash and Maya



Collaboration between:

Philippine Stock Exchange

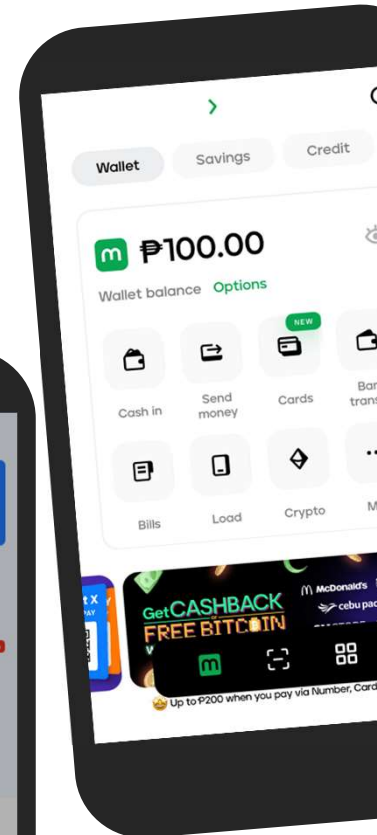
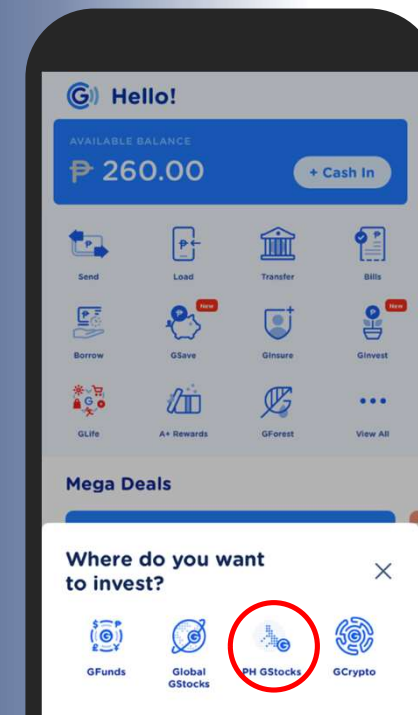
Stock Brokerage Firms

E-Payment Platforms

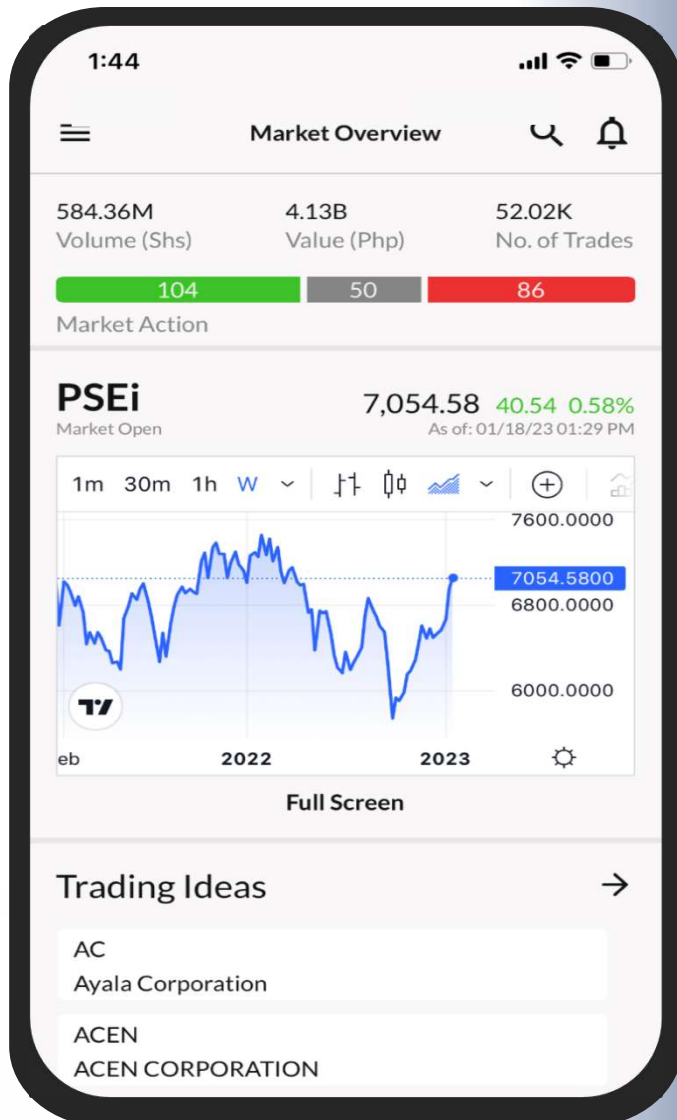
This initiative aims to activate the untapped potential of the Philippine equities market by launching an in-app stock trading platform, with the PSE as a technology provider.

GCash and Maya are micropayment service channels that transforms the mobile phone into a virtual wallet for secure, fast, and convenient money transfer.

- ☒ Buy Prepaid Load
- ☒ Pay Bills
- ☒ Send Money
- ☒ Shop Online
- ☒ Get a Loan



Data Analytics Platform



The PSE Equities Information Platform (PSE EQUIP) is a data analytics platform developed specifically for retail investors to enable them to access comprehensive and reliable information on the Philippine stock market (i.e., democratize access to market data).

Target Launch: April 2023

Features:

- ✓ Real-time Market Data and News
- ✓ In-Depth Stock Analysis
- ✓ Stock Screener
- ✓ Stock Reports
- ✓ Personalized Portfolio

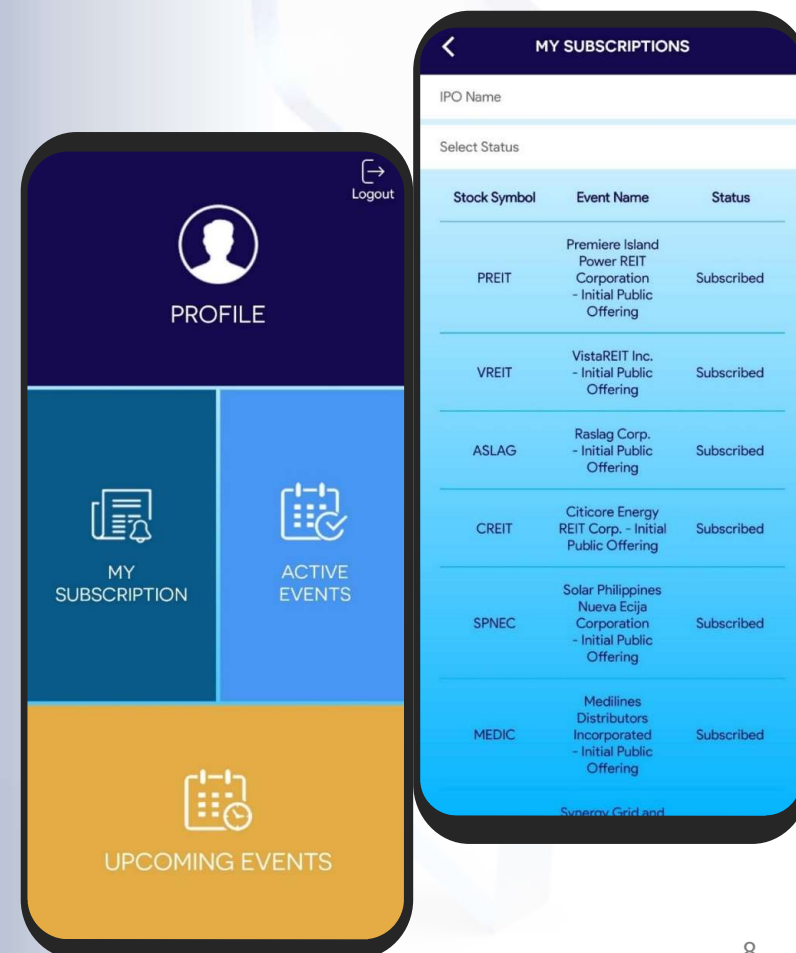
IPO Subscription Application



Companies doing an Initial Public Offering (IPO) at the PSE are required to offer 10% of their IPO shares to Local Small Investors (LSI). To facilitate and widen the access to IPOs by LSIs, PSE digitalized the LSI subscription process with the launch of PSE EASy (Electronic Allocation System) in 2019. This has resulted in more than a six-fold increase in the participation of LSIs in IPOs, from less than 1% of the 10% allocation to more than 6%.

An upgrade to the PSE EASy platform is scheduled to be launched during the first half of this year which will enable LSIs to invest in other security offerings (e.g., follow-on-offerings, stock rights offerings, and even retail treasury bonds) and incorporate a payment platform within PSE EASy for the convenience of LSIs.

IPOs in the PSE are required to offer 10 percent of their offering to LSIs, which are retail investors intending to subscribe to a minimum board lot.



Digitalization Initiatives in the Fixed Income Market

Electronic Securities Issue Portal (e-SIP)

E-SIP, which was launched in April 2021, streamlines and digitalizes the reservation process for bond issuances in the country's capital markets. The platform enables issuers to expand their reach by selling them online.

Digital Bonds issued through Digital Registry and Depository

The digital bonds were issued as Philippine Depository & Trust Corporation's proof of concept which utilized a blockchain-powered digital registry and digital depository.

The first digital bond was issued by Union Bank of the Philippines in June 2022.

Government Securities (GS) Digitalization Roadmap

A four-phase Bureau of Treasury initiative to enhance retail investor access to government bonds and reduce friction costs.

Allows for purchase of GS in the primary market via a blockchain-based mobile app.

Thank You.

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