

**FREQUENTLY ASKED QUESTIONS ON THE ISSUANCE OF BSP  
SECURITIES**  
(Version as of 7 July 2022)

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**1. What are the key features of BSP Securities?**

The table below summarizes the key features of BSP Securities. These features are discussed in further details in the succeeding questions.

<b>KEY FEATURES OF BSP SECURITIES</b>	
<b>Type of Securities</b>	BSP Bills and BSP Bonds
<b>Tenors</b>	28-day bills No limit on tenor; conditional on market preference and liquidity conditions
<b>Auction Size</b>	Determined based on liquidity forecasts
<b>Frequency of Auction</b>	Weekly, or as necessary depending on market demand and conditions, as well as latest liquidity forecasts
<b>Day of the Auction</b>	Friday
<b>Settlement/Issuance</b>	T + 2 business days for primary issuance; T + 1 business day for secondary market transactions
<b>Eligible Counterparties and Eligible Funds for placement</b>	Only banks (U/KBs, TBs, & NBQBs) can participate in the auction, while banks and trust entities can participate in the secondary market trading <sup>1</sup>
	Sell-down to banks' retail and institutional clients is not allowed
	Funds from non-resident sources are not allowed to be placed in BSP Securities
<b>Auction Format</b>	Multiple price (English) for BSP Bills; Uniform price (Dutch) for BSP Bonds (original issuance)
<b>Discretion on Allocation</b>	Yes, i.e., with bid acceptance and bid rejection regions
<b>Anti-cornering Rules</b>	Yes, each bidder can only bid up to 20% of total offer size
<b>Buy-back Operations</b>	Yes, BSP may call for early redemption of issued securities and this will be done via auction
<b>Eligibility as Collateral</b>	Not acceptable as collateral in the BSP's Overnight Lending Facility (OLF) and other BSP liquidity facilities
<b>Eligibility for regulatory compliance</b>	BSP Securities are considered high-quality liquid assets (HQLA) for the computation of liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and minimum liquidity ratio (MLR)

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<sup>1</sup> Effective on 10 December 2021, the BSP approved the inclusion of digital banks as eligible counterparties in its monetary operations, as well as trust entities as eligible participants of BSP Securities in the secondary market.

## **2. What types of securities are being issued by BSP?**

The BSP offers both BSP Bills and BSP Bonds. Initially, the BSP is offering BSP Bills in view of the prevailing market preference for shorter tenors.

## **3. What are the tenors of the BSP Securities?**

BSP Bills with tenor of 28 days is offered for the initial issuance. Central bank (CB) securities usually cover the shorter segment of the yield curve. However, CB bonds with longer maturities are offered when there is persistent structural excess liquidity.

In general, the offered tenors for BSP Securities are conditional on market preferences and liquidity conditions. At the same time, the BSP closely coordinates with the BTr so that the tenors of BSP Securities do not overlap with the tenors of BTr-issued government securities.

## **4. How does the BSP determine the amount of BSP Securities to auction?**

Consistent with the current practice for determining the offer size for the weekly TDF auctions, the amount offered in the auction of BSP Securities is based on the BSP's forecasts of the total amount of system liquidity to be absorbed.

## **5. How often is the BSP going to issue BSP Securities?**

The BSP conducts auction of BSP Securities on a weekly basis, or as necessary depending on market appetite and prevailing liquidity conditions, as well as latest liquidity forecasts.

## **6. Is there a fixed schedule for the auction of BSP Securities and how does the BSP announce the auction of BSP Securities?**

The BSP publishes an indicative quarterly auction schedule for BSP Securities that is posted in advance on the BSP website. The actual offer volumes and maturities is posted closer to the auction date to ensure that NG borrowing requirements as well as latest market and liquidity conditions are taken into consideration in deciding on the offer volumes and maturities. The BSP adopts a two-day lead time for the announcement of auction details for the BSP Securities auction.

## **7. How does the BSP issue the BSP Securities?**

The BSP Securities is offered via auction wherein eligible counterparties have to submit their bids (volume and interest rate) on the securities being offered. A

multiple-price auction format (English) is used for BSP Bills and a uniform price (Dutch) format is adopted for the original issuance of BSP Bonds.

The auction of BSP securities is conducted via the BSP's *Monetary Operations System (MOS)* through which market participants submit their bids within a given time window. The BSP's OMO Auction Sub-Committee (ASC) determines the allocation and is being done via the MOS. The *National Registry of Scripless Securities (NROSS)* of the Bureau of the Treasury (BTr) serves as the registry of successfully awarded BSP Securities. The NROSS ensures delivery-versus-payment, both in the primary issuance and secondary market, by triggering the settlement of the peso leg in *PhilPaSS* after it receives the instruction to deliver the BSP Securities to banks' NROSS accounts. Meanwhile, the secondary market trading of BSP securities is being done on the designated trading platform of the Philippine Dealing and Exchange Corp (PDEX).

#### **8. Who can participate in the auction of BSP Securities?**

Participation in the auction of BSP Securities is currently limited to the existing BSP counterparties in the TDF (i.e., U/KBs, TBs, & NBQBs). The further expansion of BSP counterparties may be considered at a later phase.

#### **9. Are BSP Securities available for trading in the secondary market and how is it done?**

BSP Securities are available for trading in the secondary market. Eligible market participants shall be able to buy/sell BSP Securities using the trading platform of PDEX, subject to PDEX and Securities and Exchange Commission (SEC) rules on secondary market trading of securities. The trading and settlement window/timeline for secondary market transactions follow the Self-Regulatory Organization (SRO) Rules, Guidelines and Conventions. In case of extensions or amendments related to trading and settlement hours, these shall be made in close coordination with SEC, PDEX and related parties in the secondary market.

#### **10. Who can participate in the secondary market trading of BSP Securities?**

Secondary market trading of BSP Securities is open to the same institutions that are allowed to participate in the BSP Securities auction (i.e., banks) and to trust entities. At the same time, sell-down of BSP Securities to retail and institutional clients is not allowed. The expansion of access to BSP Securities to include other market participants will be studied further and may be considered in the later phase.

#### **11. What is the BSP's policy on non-resident funds (NRFs) with respect to BSP Securities?**

The existing prohibition of funds from non-resident sources from being placed in the TDF and overnight deposit facility (ODF) is extended to BSP Securities (both primary and secondary market).

**12. Are BSP Securities eligible as collateral for BSP's liquidity-providing facilities?**

No. In view of the provision in the amended BSP Charter which indicates that BSP cannot hold its own securities, BSP Securities are currently not allowed as collateral for the OLF and other liquidity facilities of the BSP (e.g., Rediscounting).

**13. Are BSP Securities considered high-quality liquid assets (HQLA) for the calculation of liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and minimum liquidity ratio (MLR)? Can BSP Securities be used as alternative compliance to mandatory agriculture and agrarian (Agri-Agra) reform credit?**

BSP Securities are considered HQLA for the computation of LCR, NSFR, and MLR. However, BSP Securities are not allowed to be used as alternative compliance to mandatory agri-agra reform credit.