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SEC EXPECTS STRONG RECOVERY FOR CAPITAL MARKET

The Securities and Exchange Commission (SEC) is optimistic about the prospects for recovery of the Philippine capital market, as companies continue to receive strong support from the investing public amid and despite the new coronavirus pandemic.

The recent decline and the lingering uncertainty brought about by the COVID-19 pandemic in the stock market under The Philippine Stock Exchange, Inc. (PSE) and the bond market under the Philippine Dealing & Exchange Corp. (PDEX) have failed to keep companies from tapping the capital market.

Aboitiz Power Corporation, for one, intends to proceed with the issuance of the fourth tranche of its P30 billion worth of fixed-rate bonds under shelf registration with the SEC. The power generation and distribution company looks to issue P9.55 billion worth of fixed-rate retail bonds within the quarter or the next.

Other companies have recently completed their public offerings, as the country entered a state of public health emergency – and eventually a national emergency – with the confirmation of the first local transmission of COVID-19 on March 7.

Bank of the Philippine Islands on March 27 announced the issuance of P33.9 billion worth of bonds, with a tenor of 1.5 years and an interest rate of 4.05% per annum. Strong investor demand allowed the bank to upsize its P5-billion base offer more than six times and end the offer period 11 days ahead of the March 17 schedule.

SM Prime Holdings, Inc. also issued bonds worth P15 billion on March 25. The public offering, which ran from March 2 to 13, comprised five- and seven-year bonds paying 4.8643% and 5.0583% in annual interest, respectively.

Meanwhile, a bond offering by Rizal Commercial Banking Corp. was oversubscribed twice after running for only three days and closing ahead of its March 27 schedule. The bank raised P7.05 billion from the issuance and listing of two-year bonds carrying a coupon of 4.848% per annum last April 7. The bonds form part of the bank's P100-billion bond and commercial paper program.

"We are optimistic that the Philippine capital market will make a strong recovery from the impact of the COVID-19 pandemic," SEC Chairperson Emilio B. Aquino said.

"We take the success of recent fundraising activities as one indication of the investing public's continued confidence in the strength and resilience of our corporate sector, capital market and economy as a whole, especially with the reinforcements coming from the government."



Market decline

At one point, the COVID-19 pandemic has wiped more than a trillion of pesos in market value at the PSE alone, where the circuit breaker has been triggered three times since the confirmation of the first local transmission of COVID-19.

Trading at the equities bourse was first halted on March 12, when the PSE index breached the 10% threshold. The circuit breaker was again triggered on March 13, as the bellwether fell by 10.43% upon opening.

The latest market halt was implemented on March 19, just when trading resumed from a two-day suspension prompted by the imposition of enhanced community quarantine over Luzon. The PSEi continued to decline by 24.30% to a level last seen during the global financial crisis in 2008.

The PSE was not alone in the red, as the COVID-19 pandemic pulled almost all stock markets across the globe. The fixed-income and foreign exchange markets were likewise affected although their losses were not as deep.

“COVID-19 has killed thousands, disrupted businesses and livelihoods, and slowed down economies,” Mr. Aquino noted. “In these trying times, ensuring that the capital market continues to operate efficiently and reliably becomes as crucial as ever.”

SEC initiatives

The SEC has adopted and supported measures aimed at keeping the Philippine capital market from a free fall and steering it toward recovery.

For one, the Commission pushed for the continued operation of the stock and fixed-income markets during the enhanced community quarantine to ensure both the government and business sector, particularly small and medium enterprises, have continued access to capital or financing.

On March 17, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases allowed the PSE and the Philippine Dealing System (PDS) Group, including the PDEX, to resume their operations. The PDS Group would reopen on March 18, while trading at the stock market would resume on March 19.

To support the reopening of the stock market, the SEC on March 18 promptly approved the offsite trading protocols that the PSE would adopt while Luzon remains under enhanced community quarantine.

The Commission also approved on March 20 the implementation of a revised static threshold for all securities. Effective March 24, trading in a security shall be suspended



when its price falls 30% below its previous closing price. The 50% ceiling will remain to allow stock prices to recover to their optimal level.

In addition, the SEC adopted measures to ensure transparency in the market by adjusting certain disclosure requirements and procedures.

Among others, the Commission required publicly listed companies to apprise the investing public of the impact of the new coronavirus disease outbreak on their business operations and the risk mitigation actions they have taken.

Trading participants, meanwhile, were asked to submit reports on their compliance with the Risk-Based Capital Adequacy requirements on any trading day that the PSEi falls below 10% from the previous day's closing.

The SEC also gave affected companies more time to submit their annual and quarterly reports, allowed for email submissions, issued guidelines on the participation of directors, stockholders and officers in meetings through remote communication, and suspended the requirement of broker dealers to provide their customers a confirmation of purchases and sales in paper format.

"The SEC will continue monitoring developments in the capital market and remain proactive in supporting trading participants, issuers and investors in seeing through the uncertainties brought about by the COVID-19 pandemic," Mr. Aquino said.

"We are hopeful that the Philippine capital market will come out stronger and even more resilient in the end. As such, it can better contribute to the promotion of financial inclusion and wealth democratization toward the fulfillment of our shared aspiration for a secure, comfortable life for Filipinos."

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