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FSCC TO PRIORITIZE STRENGTHENING OF THE CORPORATE BOND MARKET IN 2024

Strengthening the corporate bond market is high on the list of priorities of the Financial Stability Coordination Council (FSCC) in 2024.

In its last meeting for 2023, the Council noted that the Philippine financial market remains strong despite fresh rounds of global geo-political risks. Assessing various measures, the FSCC believes that current market behavior is aligned with a “risk on” stance which will nurture more economic activity.

In the Risk on - Risk Off (RORO) investment paradigm, the risk perception of financial market traders gets reflected in financial prices. A “risk on” phase reflects market optimism and a perception of low risks ahead.

FSCC Chairman and Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. expects an increase in the funding requirements of corporations during this “risk on” phase.

“The banking system has enough space to support the increased demand for funding. But this is also a great time for us to continue broadening the funding opportunities by having in place a viable and competitive corporate bond market,” the FSCC Chairman said.

Governor Remolona noted that “an active corporate bond market will benefit financial market stakeholders by widening access to funding for all credit categories of borrowers, expand opportunities for investors of different risk appetite, and better manage risks for all.”

The FSCC acknowledged that “deepening the bond market” has often been discussed on many occasions. Its work program for 2024, however, will be targeted, engaging the different constituents in the market. The Council’s long-term objective is for a much more diverse set of corporate borrowers to issue bonds, and for the risks to be actively priced while the bond remains outstanding. This supports the economy to move forward and better positions the country among investors.

“The FSCC is all about making the different components of the financial system work better with each other. We also need to communicate continuously with stakeholders, so that they can make informed decisions. All these are collective responsibilities, but the FSCC is more than happy to be at the forefront of all these in pursuit of its responsibility of managing systemic risks,” the FSCC Chairman concluded.