

Amando M Tetangco, Jr: Moving forward with financial infrastructure integration through the BSP's Reverse Repurchase E-Trading System

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the signing ceremony of the BSP's Reverse Repurchase E-Trading System, Manila, 30 January 2015.

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I am pleased to see that the partnership between the Bangko Sentral ng Pilipinas and the banking industry continues to grow, strengthen and deepen. Today, the signing of a Memorandum of Understanding for the BSP's Reverse Repurchase Electronic Trading System marks yet another milestone in our efforts to promote financial market operations underpinned by strong and secure infrastructure and well-designed rules.

Over the years, the BSP has launched initiatives to address the growing needs of its stakeholders and to adapt to the changing times. These include the implementation of real-time gross settlement system which BSP operates today as the PhilPASS, the Intraday Liquidity Facility, the BSP e-Rediscounting System, and the REMIT System for OFW remittances, just to name a few.

Ladies and gentlemen. These initiatives form important building blocks towards a domestic financial market infrastructure that efficiently and effectively responds to the needs of the real sector.

With this goal in mind, our latest initiative is the RRP E-trading system, a web-based electronic platform... where overnight and term RRP agreements between financial institutions and the BSP's Treasury Department may be transacted and settled.

With built-in security access procedures, the new E system will replace the manual queuing of the RRP trade orders that are posted via a combination of telephone and stand-alone trading platforms, e.g., Reuters or Bloomberg. It will also eliminate the unintended consequence of manually collating transactions from different order sources.

Another benefit that users of the e-trading system will enjoy is straight through processing where reporting of interbank call loan transactions will be done electronically. In sum, therefore, the system should heighten the security of the full dealing, settlement and reporting cycle of RRP transactions.

But more than the benefits of automation, the creation of this system opens up for the BSP new horizons for enhancing the way it conducts open market operations or OMO. This electronic trading system provides the BSP the flexibility to use different methods to allocate RRPs to participating banks, including possibly an auction system. In turn, the option to auction RRPs will give the BSP the means to implement a full interest rate corridor for OMO in the future. Presently, our OMO is conducted with the RP as the ceiling and the SDA as the floor.

The electronic reporting of transactions will also expedite the calculations for another important initiative in progress – the OIS, which is a determinative component in completing the benchmark yield curve. We can see, therefore, some interesting times ahead.

We look forward to continue working closely with the leaders of our financial system in building financial market infrastructure and systems that are safe, secure and responsive to its stakeholders. Thank you for your continuing support.

Finally, let us congratulate the BSP's Treasury Department under the leadership of Assistant Governor Winnie Santiago who worked with the BSP's Payments System Office, Information Technology Sub-Sector, and Legal Office in setting up this trading platform.

We look forward to more joint undertakings that will continue to move us forward toward a better, bigger and stronger financial market that will keep our economy growing and increasingly inclusive.

Thank you all and Mabuhay!