Philippines: Strengthening Treasury Operations and Capital Market Reform

Project Name: Strengthening Treasury Operations and Capital Market Reform
Project Number: 48140-001
Country: Philippines
Project Status: Closed
Project Type / Modality of Assistance: Technical Assistance

<table>
<thead>
<tr>
<th>Source Fund</th>
<th>Amount</th>
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<tr>
<td>Japan Fund for Poverty Reduction</td>
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Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

Drivers of Change
- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

Sector / Subsector
- Finance
  - Finance sector development - Money and capital markets

Gender Equity and Mainstreaming
No gender elements

Description
Project Rationale and Linkage to Country/Regional Strategy
Impact
More cost effective utilization of BTr's fiscal resources.

Project Outcome
Description of Outcome
Efficiency of the primary and secondary government debt markets enhanced.

Implementation Progress
Description of Project Outputs
BTr's debt and cash management functions enhanced.
Development of capital market enhanced.

Status of Implementation Progress
(Outputs, Activities, and Issues)
The TA was physically completed as planned in October 2017 and was financially closed on 2 February 2018. Total disbursed amount is $447,553.26 which is 89% of the $500,000 TA amount. 4 experts were engaged to support the delivery of the 3 outputs:
(i) The investment and debt management was engaged for a total of 145 WDs over a period of 1 year to improve the technical capacity of staff of the Bureau of the Treasury (BTr) across its various operations units including dealing, processing, and asset management. The expert worked with BTr’s government debt resident adviser and assisted BTr in implementing its updated organization structure as well as the launching of BTr’s newly developed investment, debt and risk management functions. Trainings were also conducted to Asset management personnel on the basics of risk management and the understanding of risk principles. The expert also supported the BTr in the implementation of the Treasury Management System.
(ii) the debt and risk management expert was engaged for 264 WDs over 22 months to develop and implement a fully functional risk management division and the underlying processes which will be used to identify, quantify, and manage all risk exposures attendant to the financial investment functions of the BTr. Trainings were also conducted to Asset management personnel on the basics of risk management and the understanding of risk principles. The expert also delivered the following: a) created an internal valuation methodology, b/ research and design of an appropriate liquidity policy, c) research and design of an appropriate asset and liability management policy.
(iii) An IT project manager was engaged for 416 WDs over 23 months to support the BTr in the modernization of its auction and registry systems for government securities now called the new registry of scriptless securities (NROSS).
(iv) A ROSS expert was engaged for 88 WDs over 4.5 months to support BTr in obtaining approvals and drafting of the NROSS rules, implementing guidelines, and operational procedures.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation
Business Opportunities

**Consulting Services**

**OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

1. National investment and debt management specialist (individual, intermittent, 5 person-months). The objective of the engagement is to improve the technical capacity of staff of the Bureau of the Treasury (BTr) across its various operations units including dealing, processing, and asset management. The expert will work with BTr’s government debt resident adviser and assist BTr in implementing its updated organization structure as well as launching BTr’s newly developed investment and risk management functions. The expert will likewise strengthen BTr’s dealers by increasing their technical capacity through on-the-job training. The expert will improve BTr’s trading room infrastructure by, among others, standardizing compensation and performance evaluation (CPE) practices and establishing guidelines. The expert will also provide BTr’s efforts to expand the investor base and number of dealing participants, and will establish a permanent market and stakeholder feedback mechanism to provide for constant enhancement.

2. The consultant will have at least 15 years of experience as a treasurer or asset manager with a national treasury or an international bank. The duration of this consultancy will be a total of 134 working days (five months) on an intermittent basis starting in November 2014 and finishing by November 2015. The expert will report to the national treasurer and other relevant officials as well as the Asian Development Bank (ADB) project officer.

3. National debt and risk management specialist (individual, intermittent, 9 person-months). The objective of this engagement is to strengthen BTr’s middle office risk management processes. Upon completion of the engagement, BTr’s staff will be able to identify, quantify, manage and control all risk exposures arising from the investment functions of the BTr.

4. The expert will work with BTr’s national and international resident advisers and assist BTr in institutionalizing its risk management policies and procedures to support the investment framework. Work will include the design and implementation of an organizational setup, policies and procedures, and the responsibilities of the risk management function within the asset management division. The expert will design the organization structure and formulate the statement of responsibilities and performance standards for the risk management unit. In addition, the expert will (i) develop an operational and investment risk profile; (ii) formulate a detailed risk management program covering all facets of risk exposures including, but not limited to market, liquidity, and operational risks; and (iii) develop models and standards for setting liquidity, market, counter-party, and dealing risk limits. The expert will also design a management information system to monitor, oversee, and report all risk issues up to the investment committee. Finally, the expert will provide a training program for asset management personnel to cover the basics of risk management and risk principles.

5. The consultant will have at least 15 years of experience as a treasurer or asset manager with an international bank or the local operations of an international bank. The duration of this consultancy will be a total of 198 working days (nine months) on an intermittent basis starting in November 2014 and finishing by November 2015. The expert will report to the national treasurer and other relevant officials as well as the ADB project officer.

6. International government debt auction specialist (individual or a firm, 22 person-days continuous). Currently, BTr utilizes the Automated Debt Auction Processing System (ADAPS) to support its primary government debt auctions. BTr has requested a review of this system to ascertain its relevance and functionality as compared to international norms and standards. The expert will review the ADAPS system and provide a diagnostic regarding the ability of the system to meet BTr’s operating needs. If required, the consultant will provide recommendations for upgrades to or replacement of the system to ensure consistency with the overall upgrade of BTr’s operations.

7. The expert will have at least 15 years of experience in a senior position at a national treasury with a focus on primary issuance and treasury auction systems; and at least 5 years of relevant consulting experience, mostly in Southeast Asia. The duration of this consultancy will be a total of 22 working days on a continuous basis starting in January 2015. The expert will report to the national treasurer and other relevant officials as well as the ADB project officer.

8. International securities clearing, settlement, and custody expert (individual or a firm, 22 person-days continuous). BTr utilizes a Registry of Scriptless Securities (ROSS) and has requested a review of this system to ascertain its relevance and functionality as compared to international norms and standards. The expert will review the ROSS and provide a diagnostic regarding the suitability of the system, in terms of appropriateness and cost, to meet the needs of BTr operations. Consideration will be given to the proposed expanded role of primary dealers and their privileges and responsibilities, including the possible use of ROSS to support an inter-dealer repo market. If required, the consultant will provide recommendations for upgrades or replacement of the system to ensure consistency with BTr’s operations.

9. The expert will have at least 15 years of experience in a senior position at a national treasury with a focus on primary issuance and securities registries; and at least 5 years of relevant consulting experience, mostly gained in Southeast Asia. The duration of this consultancy will be a total of 22 working days on a continuous basis starting in January 2014. The expert will report to the national treasurer and other relevant officials as well as the ADB project officer.

10. International treasury information technology specialist (individual or a firm, 22 person-days continuous). The objective of this engagement is to improve BTr’s underlying management information systems. The expert will work with BTr’s national and international advisers to review and evaluate BTr’s current treasury information management systems and to perform a needs assessment. The expert will provide recommendations for improvement including, if necessary, the identification of a suitable vendor supplied treasury management system.

11. The expert will have at least 15 years of experience in a senior position at a national treasury; and at least 5 years of relevant consulting experience, mostly in Southeast Asia. The duration of this consultancy will be a total of 22 working days on a continuous basis starting in November 2015. The expert will report to the national treasurer and other relevant officials as well as the ADB project officer.

12. International capital markets specialist (up to four experts, individually or through a firm, 40 person-days intermittent). Currently, BTr utilizes an Automated Debt Auction Processing System (ADAPS) to support its primary government debt auctions. BTr has requested a review of this system to ascertain its relevance and functionality as compared to international norms and standards. The expert will provide recommendations for upgrades to or replacement of the system to ensure consistency with the overall upgrade of BTr’s operations.

13. The expert(s) will deliver knowledge products to the national treasurer as described above, along with a written knowledge dissemination plan and stakeholder outreach. The expert(s) will work with BTr’s middle office risk management staff to support the introduction of new treasury processes. The expert(s) will work with BTr’s national and international advisers to identify capacity development needs associated with BTr’s emerging reform agenda with a specific emphasis on understanding financial markets and financial capacities. This capacity development is expected to generate knowledge products that can be used to build stakeholder consensus for the proposed reforms. Initial discussions identified the following areas of interest: a contrast between multiple- and single-price auctions, development of benchmark securities and yield curves, conduct of switch auctions, repo markets, and primary dealer liquidity facilities.

14. The expert(s) will have at least 15 years of experience working with a bank as a debt market expert and/or practitioner with a specialty in the assigned topic. The duration of this consultancy will be a total of 40 working days on an intermittent or continuous basis starting in June 2014. The expert(s) will report to the national treasurer and other relevant officials, and the ADB project officer.

15. International or national legal expert for repurchase agreements (firm, output based contract). The BTr has initiated a program to improve its cash management systems, including the BTr’s Registry of Scriptless Securities (ROSS) and has requested a review of this system to ascertain its relevance and functionality as compared to international norms and standards. The objective of this engagement is to strengthen BTr’s middle office risk management processes. Upon completion of the engagement, BTr’s staff will be able to identify, quantify, manage and control all risk exposures arising from the investment functions of the BTr.

16. The objective of this technical assistance is to build on completed diagnostics and ongoing stakeholder consultations to introduce a domestic repurchase agreement that conforms to international conventions and standards. The expert will provide support to BTr’s efforts to introduce the global master repurchase agreement (GMRA) to the Philippine capital market by continuing stakeholder consultations and providing technical advice. The consultancy will be an output-based contract with the deliverables to be identified.
## TA 8718-PHI

### Milestones

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### Financing Plan/TA Utilization

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### Project Page

https://www.adb.org/projects/48140-001/main

### Request for Information

http://www.adb.org/forms/request-information-form?subject=48140-001

### Date Generated

17 October 2020

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