

Republic of the Philippines Launches Domestic Debt Consolidation Program

The Secretary of Finance Cesar V. Purisima, announced that the Republic of the Philippines (Republic) through the Department of Finance (DOF) and the Bureau of the Treasury (BTr) will be conducting a domestic liability management exercise that will include a Bond exchange, subscription to a new 25-year bond issue and a cash tender. The offer period is from December 2 to 10.

According to the Treasurer of the Philippines, Roberto B. Tan, the Republic is inviting holders of certain government securities maturing in 2011 to 2019 to submit offers to exchange these bonds for New Benchmark Bonds due 2020 or 2035 and holders of certain government securities maturing in 2020 to 2034 to submit offers to exchange these bonds for New Benchmark Bonds due 2035 (the "Exchange Offers"). The Republic is likewise inviting holders of certain government securities maturing in 2011 to 2034 to tender these bonds for cash (the "Cash Tender") and inviting new investors to submit offers to subscribe to the New Benchmark Bonds due 2035 (the "Subscription Offer"). The proceeds from the Subscription Offer, if accepted, will fund the Tender Offers from those who wish to sell their bonds back to the Republic. Hence, no new money will be raised by the Republic.

Deputy Treasurer Eduardo S. Mendiola further added that this liability management exercise aims to establish a benchmark for long-term financing to support government initiatives promoting public-private partnership for infrastructure and economic development. It also seeks to extend the duration of the existing domestic debt with the exchange of existing government securities for longer-dated securities as part of its proactive liability management program.

The Republic is targeting a minimum issue size of P30 billion for the New Benchmark Bonds due 2020 and P30 billion for the New Benchmark Bonds due 2035.

Government Securities Eligible Dealers (GSEDs), insurance companies, pension funds, GOCCs, GFIs, and all other holders of eligible bonds are invited to participate in this program.

The Republic has tapped BPI Capital Corporation, First Metro Investment Corporation, The Hongkong and Shanghai Banking Corporation Limited, and Land Bank of the Philippines as Joint Deal Managers and Joint Arrangers for the transaction.