UnionBank, Standard Chartered pioneer blockchain-enabled bond issuance in the Philippines

Union Bank of the Philippines (UnionBank), in partnership with Standard Chartered Bank (SCB), successfully completed a proof of concept for the issuance of a retail bond on a digital platform leveraging blockchain technology for bond tokenization.

The 3 and 5.25-year dual tranche issuance totalling PHP 9 billion by UnionBank was successfully mirrored on the platform co-created by UnionBank and SC Ventures, the innovation and ventures arm of Standard Chartered. Orders received were tokenized, and to stay within existing retail bond guidelines, tokens issued mirrored the traditional transaction but were not allocated directly to investors. SC Ventures built the bond tokenisation platform making the process simpler, faster and widely accessible.

“The marriage of a digital order taking platform and backend infrastructure driven by tokens is the future of retail bonds. We are keen to see the day when investors can buy and sell bonds, even on the secondary markets at a click of a button on their phones,” said UnionBank Executive Vice President and Chief Finance Officer Jose Emmanuel Hilado. “This proof of concept begins the journey of the democratization of bonds as an investment destination which supports the UN Sustainable Development Goals of the United Nations.”

“We co-created the solution with UnionBank with the aim of providing retail investors with a trusted and transparent platform to gain direct access to bonds. Today marks a milestone as we shape the retail bond infrastructure of tomorrow,” said Alex Manson of SC Ventures.

The success of this proof of concept will open up a host of possibilities around solving for liquidity and transparency in the retail bond markets.

“The bond infrastructure around the world has been designed primarily for institutional investors and involves a number of intermediaries to buy and subsequently trade bonds, making it less accessible to retail investors. To an average investor, providing direct access to issuers is critical in allowing them to reap the full benefits of their investment,” explained Aaron Gwak, SCB Head of Capital Markets, ASEAN.

The Online Bond Reservation portal of UnionBank where the bonds were made available is also the Philippines’ first digitally enabled platform allowing clients to view and place order reservations for corporate bond offerings conveniently anytime, anywhere - making a highly cumbersome and manual process simpler and more widely accessible.

Through the portal, UnionBank clients experience a fully digital end-to-end service, from account verification, client suitability assessment and the filling up of the application to purchase form, up to allocation to the investor. The portal also makes the purchase of bonds completely paperless and more efficient as it cuts the processing time for customers from a couple of days to mere minutes.

“We are pleased to see innovation in fintech being driven by incumbent players in the industry and look forward to seeing further enhancements in the region. This aligns well with the government’s advocacy to accelerate digital delivery and serve wide market segments,” said Commissioner Ephyro Luis Amatong, Securities and Exchange Commission. He added that the results of the parallel run could provide a measure of the efficiency and effectiveness of tokenization and use of distributed ledger technology (DLT), but he was quick to clarify that such a program would need approval by the Commission before full implementation.
The proof of concept with Standard Chartered follows UnionBank’s other recent initiatives on blockchain-enabled bonds issuances, particularly the launch of Bonds.PH, a platform for retail treasury bonds done in collaboration with the Philippine Bureau of the Treasury and Philippine Digital Asset Exchange (PDAX). Bonds.PH was launched earlier this year for the issuance of the Philippines’ RTB-24 or Progreso Bonds and is currently one of the channels to purchase the second offering of Premyo Bond (PB-2) until December 11.