

Green-lane project pipeline hits P4.61 trillion

THE Board of Investments (BoI) said it has endorsed 167 projects valued at P4.614 trillion to the One-Stop Action Center for Strategic Investments for green-lane treatment as of Feb. 18.

Authorized by Executive Order No. 18 in February 2023, green lanes allow expedited processing of permits for investments deemed strategic.

Foreign-invested projects only accounted for P1.652 trillion, reflecting strong interest in strategic projects from domestic investors.

Renewable energy (RE) projects accounted for P4.211 trillion of the green lane-certified projects. These comprise 149 projects.

Investments in RE projects increased after the government allowed full foreign ownership in the industry, which was previously capped at 40%.

“As you can see, most of the green-lane projects we are facilitating are under the RE sector as we are pushing towards the goal of at least 50% in our energy mix that are coming from RE by 2040,” BoI Executive Director Bobby G. Fondevilla said at a British Chamber of Commerce Philippines event last week.

Six digital infrastructure projects worth P352.129 billion were also endorsed for green-lane treatment, while 23 projects related to food security worth P14.368 billion were also certified.

Meanwhile, four manufacturing projects worth P36.905 billion were deemed eligible for green-lane status.

“Most of these projects are still in their pre-development stages, and our team is working together with them in the facilitation of their permits and licenses so that they can achieve their target timelines,” Mr. Fondevilla said.

Meanwhile, the BoI is hoping to launch an investor guidebook by June with a focus on three industries. — **Justine Irish D. Tabile**

OPINION

Financial institutions: regulatory priorities in 2025

First of two parts
IN BRIEF:

- The past years highlighted several critical issues for financial institutions and regulators, ranging from geopolitical and macroeconomic issues to growing challenges in balancing support for technology innovation with protecting consumer and markets from the attendant risks.
- While international coordination among regulators will continue, the EY 2025 Global Financial Services Regulatory Outlook cites further fragmentation of regulatory regimes as policymakers are expected to prioritize country-specific approaches to issues such as financial stability, artificial intelligence (AI) and data governance.
- Operational and financial resilience will continue to be scrutinized, with regulators and supervisors focusing on contagion risks from dependencies on critical third parties, including technology providers, especially as AI adoption accelerates.

The financial landscape is constantly evolving, and 2025 is set to be a particularly challenging year for banks and financial services firms. The past years highlighted several critical issues for financial institutions and regulators, ranging from geopolitical and macroeconomic issues to growing challenges in balancing support for technology innovation with protecting consumer and markets from the attendant risks. Regulatory fragmentation is expected to continue as policymakers prioritize country-specific approaches to matters such as financial stability, financial inclusion, sustainability, artificial intelligence (AI), resilience, and governance.

The EY 2025 Global Financial Services Regulatory Outlook identifies four critical themes that will shape the regulatory landscape over the coming year: increased fragmentation, building resilience to external threats, delivering positive consumer outcomes, and managing risk in a changing environment.

The first half of this article explores the following key regulatory priorities

SUITS THE C-SUITE CHRISTIAN G. LAURON

By focusing on resilience, consumer outcomes, and timely remediation of weaknesses, financial firms can navigate the regulatory landscape effectively and build a foundation for long-term success.

for financial institutions in 2025 and offers strategies for navigating these challenges effectively: navigating the fragmented regulatory landscape driven by national interests and emphasizing operational and financial resilience.

FRAGMENTED REGULATORY LANDSCAPE

While international coordination among regulators will continue, the outlook cites further fragmentation of regulatory regimes as policymakers are expected to prioritize country-specific approaches to issues such as financial stability, artificial intelligence (AI) and data governance. Globally, the impact of Basel 3.1 banking and capital reforms is already clear, and rules are being drafted or implemented in varying degrees and pacing around the world, though certain jurisdictions may face increased pressure for deregulation amid concerns on international competitiveness.

On innovation and technology, countries are expected to adopt different standards, whether in relation to AI regulation or in digital policies. Financial institutions can benefit from continuing to develop and building operating models that would allow the addressing of local rules and risks when operating across borders, without significantly impacting cost.

There is currently no uniform global strategy for AI regulation, but regulatory efforts often take into account the specific context of AI usage and its possible effects. Lawmakers are adopting varying strategies regarding the extent to which regulations are enforced across the AI value chain. For example, in a

“risk-based” approach to AI regulation, the purpose for which AI is employed dictates the compliance standards that the technology must fulfill.

The EU AI Act is now in force, with other jurisdictions either proposing or undergoing consultation for similar laws. There are also guiding principles and ethical frameworks being implemented, with some jurisdictions like Hong Kong and Singapore providing financial sector-specific guidance and initiatives.

Whether there are enabling laws or circulars, financial institutions are advised to consider actions such as: building and maintaining an inventory of AI systems and use cases, ensuring that their risk profiles are understood in the current legal and regulatory context; implementing governance and control frameworks based on standards such as the National Institute of Standards and Technology (NIST) AI Risk Management Framework; safeguarding the confidentiality of financial institution and client data against exposure through public AI solutions trained on sensitive queries and feedback; and focusing on a risk-based approach toward critical AI infrastructures and on the outcomes of AI applications.

To navigate this fragmented landscape, firms should invest in political and regulatory monitoring to anticipate changes and develop strategies to protect their businesses. Scenario planning can help explore the implications of different outcomes, allowing firms to prepare for various regulatory scenarios. Additionally, identifying local divergences in regulation and addressing the resulting risks, while combining insights at the global level, can provide a comprehensive view of the market and help firms manage the complexities of operating internationally.

RESILIENCE TO THIRD-PARTY, NON-BANK RISK EXPOSURE

Operational and financial resilience will continue to be scrutinized, with regulators and supervisors focusing on contagion risks from dependencies on critical third

parties, including technology providers, especially as AI adoption accelerates. Contagion risks from non-bank financial institutions will also remain a focus area.

Both regulators and the industry are concerned about the financial sector’s resilience against vulnerabilities and external threats, which are often linked to technology dependency that is in turn creating more potential points of failure given relationships with unregulated third parties. How financial institutions can withstand major disruptions — whether from IT outages, natural events, or conflicts — would require action such as revisiting business continuity arrangements to prepare for renewed supervisory focus and regulatory scrutiny, incorporating tech disruption scenarios in stress testing exercises, and identifying the risks in an institution’s end-to-end processes to deliver services, including exposures from third-party providers, and putting in place measures to mitigate the risk of disruption.

Organizations can expect heightened scrutiny of third-party and non-bank risks. The BSP has issued a circular on Operational Resilience that provides an integrative approach to emerging and existing nonfinancial risks and programs like recovery planning, cyber and digital resilience, financial crimes and sanctions, operational risk management, and business continuity management. Operational resilience will be much more than this, however — the manner by which Philippine financial institutions will be evaluated and informed by developments in other jurisdictions.

For instance, the Digital Operational Resilience Act (DORA) regulations put into much sharper focus the technology dependencies that many firms have on the same small group of providers. This adds weight to the Basel Committee’s call for a rigorous approach to “critical third parties,” with some regulators preparing to extend their oversight to technology providers and requiring tech disruption scenarios in stress testing exercises. This “regulatory perimeter”

principle is now observed locally as systemic risk management, with an expansive yet connected view that disruption could and would arise from a broader ecosystem and affect the financial system and the broader economy.

Firms should map their exposures to third-party technology providers and revisit risk mitigation measures to ensure they are adequately protected. Preparing for greater supervisory scrutiny of risk management and exposures to less transparent markets, such as private finance, is also crucial. This includes addressing counterparty, concentration, and liquidity risks. Furthermore, firms must ensure that financial crime initiatives have an appropriate level of oversight, with clearly defined roles and responsibilities to mitigate risks effectively.

THE EVOLVING REGULATORY LANDSCAPE

A convergence of risk factors, including geopolitical change, economic pressures, and technological advancements, is creating an uncertain outlook for financial institutions and regulators. Geopolitical change is leading to a fragmented regulatory landscape, increasing costs and complexity for international firms. In this regard, resilience and risk management have never been more vital.

The second half of this article will continue exploring the remaining key regulatory priorities from the EY Regulatory Outlook: focusing on securing positive outcomes for consumers and managing risk in an evolving environment.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.



The Networks Group of Manuel V. Pangilinan-led Manila Electric Company (Meralco) was awarded continued certification of ISO 9001:2015 Quality Management System (QMS) for passing the certification audits which measure the quality of planning, design, construction, operation and maintenance of the electric distribution system and the services it provides to its customers.

Meralco secures continued ISO 9001:2015 certification for quality management system

Present during the ceremonial awarding at the Meralco headquarters in Pasig City were (L-R) Meralco Senior Assistant Vice President and Head of Network Planning and Design Roberto D. Isip Jr., Meralco Vice President and Head of Revenue Assurance & Metering Services Marvin G. Gonsalves, Meralco Vice President and Head of Energy Management Sante C. Buella, Meralco Vice President and Head of Integrated Asset Management Joseph Allan C. Baltazar, First Vice President and Head of Networks Froilan J. Savet, TUV SUD Head of Academy, Business Assurance Department Maria Michelle Francesca Guanlao, TUV SUD Account Manager Chester Glenn Llanto, Meralco Vice President and Head of Networks Technology Management Jose S. Reyes Jr., Meralco Vice President and Head of Central Distribution Services Ariel G. Lucas, Meralco Senior Assistant Vice President and Head of North Distribution

Services Domingo L. Robles, and Meralco Vice President and Head of Sub-Transmission Services Alberto N. Castillo.

“This ISO certification for our Quality Management System reflects our profound commitment to excellence and continuous improvement. Beyond demonstrating our dedication to delivering the highest standards of quality, it also reinforces our focus on achieving customer satisfaction, operational efficiency, and long-term sustainability,” Savet said.

ISO 9001 is the internationally recognized standard on universal management principles which measures the ability of the company to continuously provide a high-quality outcome for its customers. The certification was issued by TUV SUD PSB Philippines Inc. under the recognition of Joint Accreditation System of Australia and New Zealand (JAS-ANZ) following a series of certification audits.

RRR, from SI/1

“This could spur borrowing by businesses for business expansion and capital expenditure — which would be positive for the economy’s growth prospects,” it added.

The total resources of the Philippine financial system rose by 7.8% to nearly P34 trillion in 2024, earlier central bank data showed.

Mr. Ricafort said banks have the option to increase their loans, investments in bonds, fixed-income securities, equities, forex, and other assets.

“Instead of being idle as required reserves, at least the P320 billion to P330 billion would be deployed to more productive investment outlets that generate earnings,” he added.

Mr. Neri said the cut will also “level the playing field” between local and foreign banks.

“Foreign banks, which primarily fund their Philippine operations through deposits sourced from their headquarters abroad, will now face a more equitable competitive environment.”

On the other hand, Mr. Dacanay said the impact of the cut will likely be marginal.

“Though this may marginally offer some support to the economy, we do not think this RRR cut will serve as a substantial short-term boost to growth. This is because the liquidity injected will likely be re-absorbed by the BSP’s monetary tools,” Mr. Dacanay added.

Mr. Ricafort said the RRR cut should be “policy neutral” as it is being phased out as the main liquidity management tool due to the shift towards term deposit facility (TDF) and BSP securities auctions instead.

“On the demand side, demand for credit may still be tepid as households wait for the easing cycle to end (i.e. for

policy rates to bottom) before taking out a loan,” Mr. Dacanay said, noting there was no change in the loan-to-deposit ratio after the October RRR cut.

INFLATIONARY IMPACT

Meanwhile, analysts said the reduction in banks’ reserve requirements is unlikely to result in significant inflationary pressures.

“This latest RRR cut is timely, as the BSP’s recent decision to keep its policy rate steady will likely mitigate any inflationary impact,” Mr. Neri said.

He said the country’s financial system is “well-positioned to absorb the additional liquidity in an orderly manner.”

“Banks have also gained valuable experience in managing liquidity from recent RRR reductions, ensuring a smooth implementation of this policy change,” he added.

Chinabank Research said it will not necessarily be inflationary, similar to the previous cut, amid the BSP’s toolkit for managing liquidity.

The central bank has said the risks to the inflation outlook have become “broadly balanced” for this year and the next.

The BSP expects inflation to average 3.5% this year and 3.7% in 2026, both still within the 2-4% target band.

“The timing of the cut is important. With inflation still being closely monitored, the move suggests the BSP is confident that liquidity management tools can offset any inflationary risks arising from increased money supply,” Mr. Rivera said.

With the cut, analysts said the RRR is at a manageable level.

“I think compared to our ASEAN (Association of Southeast Asian Na-

tions) neighbors, we are at a good place. The goal previously was to bring it down to single digit and now it’s at 5%. For now, I believe this is sufficient,” Mr. Asuncion said.

Mr. Ella said he believes the BSP is “done” with cuts in the RRR.

Mr. Rivera said the cut brings the Philippines closer to neighbors like Malaysia and Thailand where reserve requirements are lower.

“However, at 5% for big banks, it remains relatively high by regional standards. While further reductions may be warranted, these should be calibrated carefully to avoid excessive liquidity that could stoke inflationary pressures,” he said.

Meanwhile, Mr. Dacanay said that the lower RRR will likely “strengthen the transmission of monetary policy.”

“With the RRR lower, the BSP’s incoming easing cycle will likely be faster and more effective in boosting growth as there is more to lend at lower interest rates,” he said.

The BSP has been looking for ways to improve its transmission mechanism, which Mr. Remolona earlier said has “long lags.”

“With the RRR cut serving as an accommodative measure for the economy, the RRR cut could give room for the BSP to potentially delay further policy rate cuts,” Chinabank Research said.

“Unlike a reduction in the policy rate, an RRR cut would provide support for economic growth without risking a depreciation of the Philippine peso.”

Earlier this month, the BSP unexpectedly left rates steady at its policy review, leaving the benchmark unchanged at 5.75%. — **Luisa Maria Jacinta C. Jocson**