

Amando M Tetangco, Jr: The Central Bank of the Philippines @15

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the BSP 15th Anniversary Dinner, Manila, 3 July 2008.

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Senator Angara, Representative Jaime Lopez, fellow bankers, co-workers in government, members of the media, special guests, good evening.

On behalf of the Members of the Monetary Board, I welcome and thank all of you for joining us in celebrating this important milestone: the 15th anniversary of the Bangko Sentral ng Pilipinas.

As central banks go, you may say that at age 15, we belong to Generation Y. But youthful as we are as an organization, we are really standing on the shoulders of our richly experienced forerunner that is the Central Bank of the Philippines.

This enables us to leverage the freshness of our eyes with a vantage point progressively built from accumulated experience. In other words, we have the vitality of youth as well as the stability and resiliency that come with maturity.

This represents a remarkable combination of strengths we can draw from as we face the ever-changing and never-ending challenges that are the burdens of honor of a central bank.

As the central bank in a developing country where millions of people still live in poverty, the Bangko Sentral ng Pilipinas is fully cognizant of its crucial empowering role in improving lives of Filipinos through the formulation and implementation of responsive monetary and banking policies.

As we can all sense from the anxious urgency of today's headlines, we will need all that strength and agility as we once again gird for battle against an old adversary of central banks – INFLATION. As you are aware, its underpinnings are complex and the dimensions global.

This is not the occasion to discuss this looming challenge in depth, however. What is clear is that we can ill-afford the luxury of underestimating this problem. What I will say at this time is that we stand ready to engage it with quiet confidence.

We do have a track record of performance to back us up. Our first 15 years has given us the opportunity to help strengthen our economic foundation even as we build up institutional capacity, reputation, and credibility through sound policy-making and effective implementation. We will be the first to say ours is not a perfect 15 years; but we can tell you that the source of our collective confidence in our ability to face up to the challenges ahead.

First, we have financial strength. We hold international reserves of more than 36 billion dollars, a historic high. Our capital base is now over P150 billion versus the original P10 billion we started out with when the Bangko Sentral was created 15 years ago. Our balance sheet is strong with most of our foreign debts paid up.

We enjoy a successful track record of solid contributions to macroeconomic stability as evidenced by a lengthening record of relative monetary stability, balance of payments surplus, and meaningful economic growth.

We have nurtured the banking system back to health from the depths of the fallout from the Asian financial crisis in the late 1990's without the massive government bailouts that characterized other countries in our region. We did it by improving the quality of supervision and instituting far-reaching structural reforms in cooperation with the Legislative, represented here tonight by Sen. Angara and Cong. Lopez, and the Executive Branches of Government.

Today, bank profits are higher, capitalization deeper, and NPA and NPL ratios down to nearly pre-1997 crisis levels. Banks are consolidating into stronger institutions even as

branch networks and other delivery channels expand well-beyond urban centers and deep into the countryside and islands.

We have also witnessed the unveiling of new financial products to meet the growing need and sophistication of the public – from the wide array of credit cards, cash cards, to structured investment products, to unit investment trust funds, to tailor fitted loan products. Products that cater to the top end of the market and all the way down to microfinance customers.

We are especially proud of our advocacy in sustainable microfinance that has energized our smaller banks, particularly the rural banks, to bring more people within the reach of a banking system not just for a working capital loan, but also for deposits and remittances. And among central banks, we lead in microfinance advocacy and regulation. This has led to creative product innovation as well as international recognition.

We have also made much progress in broadening the array of alternatives available to overseas Filipinos in sending their remittances back home to their beneficiaries. Greater competition has led to lower remittance cost, broader access, quicker delivery, and generally better services. It has also facilitated the inflow of remittance into the economy that now amount to approximately \$16 billion per year and grows at double-digit growth rates.

Our desire to develop a more inclusive financial system that caters to all sectors of society has also led us to yet another major advocacy – that of promoting financial learning down to the grass roots level. If you recall, our Tulong Barya Para sa Eskuwela Program was successful because we had the banking sector with us as partners led by the Chamber of Thrift Banks, Rural Bankers Association of the Philippines, the Bankers Association of the Philippines, as well as the Philippine Retailers Association particularly SM and Robinsons, ABSP-CBN and GMA7 among others.

Many of you are here and we take this opportunity to thank you again. I also wish to invite you to support this program which is being launched in partnership with the Department of Education.

We also thank our partner-banks who share our goal of teaching our 12 million public elementary students regular lessons on saving and money management. Our screen is now flashing the banks who are now on board with us for the integration of financial lessons in the elementary curriculum. We are keeping the doors open for other banks and institutions to support this breakthrough project.

For your information, the Bangko Sentral has a comprehensive financial education program that covers schoolchildren to college students to adults, including overseas workers and their dependents.

We are also setting up economic & financial literacy centers in Bangko Sentral's regional offices and branches across the country because we believe that education is a powerful empowering means for developing responsible and productive citizens.

In this connection, we are also pleased to announce that the Bangko Sentral is expanding its scholarship program to include deserving students in urban centers and in the provinces for courses associated with economics and banking.

Ladies and gentlemen. The last 15 years has provided us the opportunity for introspection and to re-invent ourselves as well as our institution for the challenges that lie ahead.

You who are here tonight have been with us in our journey. We thank you for this. It is in this spirit that the Monetary Board approved the scrapping of certain fees of the Bangko Sentral's real time gross settlement system – the PhilPass. You may get more details about this from Deputy Governor Andy Suratos who is here with us.

I also take this opportunity to remind you that we at the Bangko Sentral stand ready to continue our dialogue with you so that we can identify more areas of concern, formulate solutions, and thereby move forward together.

Ladies and gentlemen. The Bangko Sentral is a work-in-progress. And, as always, much remains to be done. The journey ahead is bound to be challenging, and inspiring. As we gear up for this, let us continue to nurture the ties that bind us in our common search for a better future for our people, our economy, and our country.

Mabuhay ang Bangko Sentral ng Pilipinas! Mabuhay ang mahal nating bansang Pilipinas!

Thank you all for accepting our invitation. Enjoy the rest of the evening.