

Amando M Tetangco, Jr: Launch of the Strengthening Program for Rural Banks (SPRB)

Keynote message by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), to the Philippine Deposit Insurance Corporation (PDIC), Makati City, 8 August 2010.

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PDIC President Jose Nograles, Members of the PDIC Board, Ms. Cora Miller and other officers of the Rural Bankers Association of the Philippines (RBAP), fellow workers in government, distinguished guests, friends from media, ladies and gentlemen, good morning to all of you.

First, let me thank you for inviting me to deliver a message in this milestone event – the launching of the Strengthening Program for Rural Banks (SPRB). It is indeed a pleasure for me to affirm today the BSP's commitment, support and partnership with the PDIC and the rural banking industry in this important undertaking.

Rural banks are, what I often refer to as, the “natural frontliners” in our national program to broaden and deepen the reach of responsible... and empowering... financial services to local communities. It is therefore incumbent upon the regulators to ensure that the strength and viability of this critical segment of our banking system is sustained, particularly during these challenging times that we face.

The SPRB is specifically expected to achieve this goal of creating a stronger rural banking system as it promotes mergers and consolidations between or among rural banks and eligible strategic third party investors (STPIs) under a specific set of guidelines.

There are two prongs to the SPRB – one, the capital augmentation component, and two, the regulatory relief package.

The capital augmentation and direct loan component is to be made available through financial assistance from the PDIC.

To flesh out the regulatory relief package, the Monetary Board approved a set of incentives that include the conversion and opening/relocation of head offices, branches and extension offices, the waiver of penalties and other incentives pertaining to rediscounting and emergency loans. In addition to the financial strengthening of the resulting entities, the grant of these incentives is expected to allow such entities to achieve economies of scale, attract more skills, and better manage their liabilities.

Furthermore, through mergers and consolidations, the resulting banks will achieve higher capitalization, which would then enable them to diversify their portfolios to reduce risk, fund growth and innovation and expand their presence and their reach throughout the country. As you can tell, this is consistent with our objective of strengthening the rural banking system so it can more effectively serve the countryside and better contribute in promoting balanced and sustainable growth for our nation. In this regard, the RBAP plays an important role in ensuring the success of this program, jointly with the PDIC and the BSP.

Beyond the SPRB, however, the BSP shall continue to ensure that a sound regulatory framework is in place that would enable Philippine banks, including RBs, to cope with both domestic and global challenges. The BSP will also continue to pursue reforms to further strengthen the capitalization of banks and improve the supervisory oversight of risk management of banks. In addition, we will also continue to implement reforms geared towards improving the corporate governance structures of banks, including RBs.

Sustaining and ensuring the strength of the rural banking sector is not, however, just the role of the regulators. It is a partnership with the regulated. As in the past, we therefore look to

the solid support of the rural banks, through the RBAP, in effecting important reforms and initiatives that would improve the resilience of our banks, including the RBs, and our financial system as a whole so they will continue to withstand the impact of domestic and global crises and remain important channels for investment, credit and overall economic development.

On this note, I wish to congratulate all those who have been instrumental in putting together this program. The BSP looks forward to the success of this program in close partnership with PDIC and RBAP.

Thank you and good day!