

Amando M Tetangco, Jr: Strengthening partnerships for a more resilient banking system

Remarks by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the Thanksgiving Dinner hosted by the AIG Philam Savings Bank, Inc., Makati City, 23 November 2006.

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Thank you Ched. Former Central Bank Governor and now Philamlife President and CEO Jose Cuisia, Jr., Mr. Ridha Wirakusumah of AIG Asia, other officers and staff of the Philamlife-AIG family, fellow bankers, special guests. Good evening!

I am glad I am here to witness what you call the gala premier to celebrate the merger of Philam Savings Bank and AIG Credit Card Company Philippines which gives birth to AIG Philam Savings Bank.

To us in the banking sector, this strategic move by the Philamlife Group and AIG to consolidate their consumer finance businesses will further strengthen the bank's financial position and boost its competitive edge. Ultimately, this should translate to a more efficient and reliable delivery of financial products and services to the public.

To central bankers like me who are responsible for keeping the banking sector sound, healthy, and responsive to the needs of the economy, this is welcome news indeed. My former boss, former Central Bank Governor Joey Cuisia, will attest to this.

In fact, it has been the policy of the Bangko Sentral ng Pilipinas to encourage mergers and consolidation....so that we will have stronger and more globally competitive banks.

Thus, those keeping track of developments in the banking community will realize that the AIG Philam Savings Bank is the latest outcome in a series of mergers that have been taking place as our banks gear up for increasing competition.

In this period of global convergence where competition is the norm and banks are measured against rigorous standards, one strategy that enhances the likelihood of survival and sustained viability is to go the way of mergers and consolidation.

In this regard, we foresee a scenario of fewer but more financially powerful universal and commercial banks that are better able to compete in a world of more open borders.

However, this is not to say that there will be no place in the evolving financial environment for smaller banks such as thrift and rural banks. In fact, smaller specialist banks cover important niche markets that have unique needs; for instance, consumer trade and microfinance come to mind. Under this scenario, the smaller banks complement the services of the bigger banks, thus ensuring the availability of financial services to the entire market spectrum.

In the case of thrift banks, their areas of specialization lean toward consumer lending, housing loans, small business loans, agri-business loans. This is a vital role that the thrift banking industry, AIG Philam Savings Bank included, should fully serve.

In particular, AIG Philam Savings Bank's considerable experience in consumer banking and its commitment to deliver quality service to a broader clientele will certainly add value to the development of local financial services. I am certainly looking forward to AIG Philam Savings Bank taking a more active role in financial literacy to fully realize the growth potential of your market. Indeed, providing consumers with adequate, timely and relevant information about financial products and services is a necessary prerequisite to ensuring the growth of your market.

Alongside our aim to promote a more efficient and competitive banking system is our initiative to implement major structural reforms for enhanced transparency and accountability, improved risk management, and stronger capital position of banks and other financial institutions.

I am happy to report to you that such reforms continue to take root within the banking industry.

Over the years, we have stepped up the reform process in the banking system to keep pace with market changes and international best practices in the areas of corporate governance, risk management and capital adequacy.

In the months ahead, we can look forward to even more challenging and exciting developments as we move closer to full compliance with Basel II, the global capital standards for banks. Preparation is crucial; by now, for instance, banks should have established a sound risk management system.

Given the financial strength and leadership of its parent companies, I am positive AIG Philam Savings Bank will be up to the challenge and emerge as a major thrift bank player whose brand of service will raise the bar for bank customers.

On this optimistic note, I thank the Philamlife Group and AIG for its abiding faith in the future of our economy in particular and our country in general, and for joining the Bangko Sentral ng Pilipinas in its drive to strengthen the banking system.

Finally, on behalf of the Bangko Sentral ng Pilipinas, I extend our best wishes to all the officers and staff of AIG Philam Savings Bank. May you serve your customers well, adhering at all times to the good governance tenets of transparency, fairness and accountability.

Good luck and congratulations! Mabuhay!