

## **Amando M Tetangco, Jr: The Central Bank of the Philippines' e-Rediscounting System**

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the Launching Program for the BSP e-Rediscounting System (ERS), La Union, 14 June 2007.

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Members of the Monetary Board, distinguished officers of the various associations of rural banks, other bankers, staff of the participating banks coming from La Union and other parts of Regions I, II, III and the Cordillera Administrative Region (CAR), colleagues at the BSP, distinguished guests, friends from media, ladies and gentlemen, good morning.

It is indeed a great pleasure for all of us from the BSP to be here in La Union today. The members of the Monetary Board are here to witness the launch of the e-Rediscounting System and allow me to acknowledge them (again): MBM Vicente Valdepeñas, Jr., MBM Raul Boncan, MBM Juanita Amatong (who was introduced earlier), MBM Nelly Villafuerte and MBM Alfredo Antonio, Alternate Member Marge Songco. Aside from this launching of the e-Rediscounting System, the Monetary Board will also be holding its regular meeting here this afternoon. We likewise have our senior management with us: DG Diwa Guinigundo (who was introduced earlier), DG Armando Suratos, DG Nestor Espenilla, Jr. and Gen. Counsel/Asst. Gov. Juan de Zuniga, Jr. Our presence here shows the importance that we attach to understanding and getting better appreciation of local conditions so that we can respond more appropriately and effectively to the needs and requirements of the community. So let's all take advantage of this opportunity, we'd appreciate any suggestion or feedback that you might wish to give us, perhaps over lunch.

Since the unveiling of the BSP's e-Rediscounting System in Manila in December 2006, then in Cebu City in March 2007, the banking industry and the business community have responded positively to this online, internet-based system. Indicative of their strong interest to participate, a total of 112 banks consisting of 21 commercial banks, 9 thrift banks and 82 rural banks have already qualified and participated in the e-Rediscounting System in just about five (5) months since the initial unveiling in Manila. We expect to expand the number of participating banking institutions by 7 more banks today here in La Union and by an additional 11 banks in Davao when we launch this system next month. These should bring the overall number of participating entities to 130 banks. In terms of volume of e-rediscounting loans (as of 31 May 2007), we are pleased to report that loans released by the BSP Head Office in Manila already amounted to P10.6 billion. In addition, the BSP Regional Offices had released some P700.5 million e-rediscounting loans during the period.

Today's launch of the BSP's e-Rediscounting System here at the La Union Convention Center is expected to break new ground in BSP lending. The introduction of a real-time loan refinancing facility to help banks in La Union and in the neighboring areas of Regions I, II, III and the CAR is expected to scale up their lending capability and help pump-prime the local economy. In the process, this innovation in refinancing technology is expected to significantly improve the credit access for exporters and small, medium, and micro-enterprises in this part of the country.

These liberalized rediscounting guidelines, together with the requirement under the Electronic Commerce Act of 2000 for government offices to integrate electronic data documents and processes in their transactions, provided the basis for the development of the e-Rediscounting System. The preparatory work for the paperless rediscounting scheme began in March 2006, with the issuance of BSP Circular No. 515. Aligned with the objective of maintaining price stability, new policy guidelines were established under the circular towards a more consistent, transparent, and efficient BSP rediscounting facility.

The main objective of the e-Rediscounting System is the simplification, standardization, and automation of loan processes and payment procedures. The front-end system of e-Rediscounting allows qualified banks to conduct their rediscounting transactions with the BSP through the Internet. The back-end system automates the processing of loan applications, crediting of loan proceeds, debiting of the demand deposit accounts of banks with BSP for loan payments and generating account entries— all in less than 10 minutes. This paperless rediscounting facility allows banks to file or send loan applications and payments with the BSP on a real-time basis, and is a landmark improvement

from the manual system which takes at least three days to process before the loan proceeds are released to borrower-banks.

At this point, let me take this opportunity to thank the officers of the pilot and participating banks. They have made their resources available in the conduct of the test runs of the system and have provided us important information in the process. Equally essential in the smooth operations of the e-Rediscounting System is the participation of the officials and staff from the BSP, particularly from the Department of Loans and Credit and the Information Technology Sub-sector. Ultimately, our shared vision is to deliver fast, adequate, and affordable credit to the public, particularly to our small- and medium-sized borrowers from the countryside. I am confident that this vision is now more attainable with the help of the business and banking sectors as collegial partners of the BSP. Working together towards the realization of this vision, we become more mindful of our common goal, which is to promote the sustained and robust growth of the economy. This we endeavor to attain by empowering each and every Filipino as enterprising and dynamic agents of overall economic growth.

Thank you and good day.