

Amando M Tetangco, Jr: Breakthroughs and break through

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the "Bank Marketing Summit" & Induction of BMAP of Officers, Manila, 29 January 2008.

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The officers and members of the Bank Marketing Association of the Philippines (BMAP), colleagues in the banking industry, special guests. Good morning!

I am pleased that BMAP has chosen a challenging and exciting theme for this year's Bank Marketing Summit: Breakthroughs & Break Through.

To me, this signifies a strong commitment to raise the bar of service to bank clients; to set the pace for responsive and responsible marketing; to be more innovative and efficient in the way you communicate and LISTEN to your clients; and to incorporate social responsibility objectives in your marketing programs.

You must realize that I have high expectations insofar as the BMAP is concerned. I will explain why.

Ladies and gentlemen of the BMAP. 2007 represents a significant turning point for our economy, with our economic fundamentals described as the best in two decades. In fact, our economy as measured by GDP is the best we had in three decades! Inflation has been maintained at a low level; so have interest rates. At the same time, the banking sector had one of its best years in 2007. That we achieved this in the face of many challenges... including record high oil prices makes this economic breakthrough truly exceptional.

Of course this did not happen overnight. I will not go into details because as responsible bankers I am sure you keep abreast of economic developments. I will therefore focus on the breakthroughs we have achieved in the banking sector.

The Bangko Sentral in close coordination with banks and other institutions continued to work on key reforms to ensure adherence to the tenets of good governance for fairness, accountability and transparency; we continued to align our practices with global standards, including international accounting and financial reporting; we started implementing Basel II prescriptions for risk-based capitalization; and we continued to expand the reach of our banking system to make it accessible and meaningful to the unbanked.

The Bangko Sentral has also relaxed the rules governing derivatives activities of banks. The aim is to provide a framework where banks and trust entities could expand opportunities for financial risk management and investment diversification through prudent use of derivatives. This is consistent with the BSP's continuing thrust to give banks greater flexibility to respond to changing market opportunities and allow them to take risks so long as they demonstrate the ability to manage and price for those risks.

As members of a key organization in the banking community, your work as marketing professionals as front liners is vital to the continuity of our financial reform agenda. It is important to remember this.

For even as we achieved a significant breakthrough in our economy, with Moody's validating this with an upgrade in our outlook from stable to positive, there will always be challenges we have to deal with. The global economy for instance continues to be adversely affected by the lingering effects of the sub-prime mortgage crisis and an economic slowdown in the US, the world's biggest economy.

This year, therefore, we expect BMAP to be more deeply involved in building on these reforms to further enhance the risk management process, corporate governance, disclosure standards, and capital adequacy.

One of our continuing priorities is to broaden access of SMEs and the microfinance sector to credit. BSP's recent reform initiatives toward this end include liberalized branching; expansion of FCDU and trust license to include qualified rural banks; and the re-opening of quasi-banking license.

We also continue to work on a sound market infrastructure to ensure secure and timely completion of transactions, thereby minimizing systemic risk and enhancing the integrity of financial transactions. This is being implemented through the promotion of progressive policies on e-commerce and payments system innovation.

You can expect that our policy thrusts will remain geared toward acceptable risk management practices that enable financial industry participants to better assess and manage risks without unduly hampering the ability to innovate.

The BSP will also continue to take a proactive role in accelerating development of the domestic capital market. While we have made significant strides in speeding up the reform process, there is still a lot of work to do. The biggest challenge right now is to make the domestic capital market a truly potent alternative source of funding and outlet for investments for corporates and other entities. The synergy between the banking system and a vibrant capital market should create much more opportunities for service and product innovation.

Another crucial challenge that we face, and for which I earnestly request your support, is to help ensure that we improve our economy by actually promoting and extending credit!

This is the way, I believe, that the PROBLEM of PLENTY – strong dollar inflows, for instance – which you have time and again heard me say would no longer be a problem of plenty, but be a POT of PLENTY for the MANY.

In other words, ladies and gentlemen of the BMAP, there is so much going on in the banking sector and you are in a position to help your respective banks and our economy benefit from it.

Nevertheless, I must remind you that even as you get involved in the sometimes complex details of these reforms you must not forget your customers. I mean, the basic requirements of your customers.

I remember that I have asked BMAP before to take the lead in informing their ATM customers of their service fees. Sure, there has been compliance, but I wish there would be more active and visible compliance.

My other request is for BMAP to initiate the posting of the contact details of their high level officers who can receive customer feedback that are often overlooked at the branch level. I hope to see more bank premises with this simple guide. As it is, the Bangko Sentral continues to receive complaints about bank services. This tells us that some of your customers are not getting the attention they need and they do not know the bank officers they can call or e-mail.

Again, this is a challenge that I am sure BMAP can manage quite effectively.

Finally, I invite all of you to participate actively in our financial education program. Our financial education program targets our key stakeholders, including overseas Filipinos and their dependents, students, and the general public.

I know that BMAP officers have been meeting with our Corporate Affairs Office on how they can support this important advocacy. In particular, a joint program of the Bangko Sentral and the Department of Education calls for the incorporation of lessons in saving and money management for all elementary students – from Grade I to Grade VI – starting this June, for school year 2008-2009. I call on all of you, therefore, to help make this a success.

You can do this by helping print the materials we have developed to ensure its widespread dissemination. You can also help by developing parallel campaigns that will develop the habit of saving and investing.

For your information, we have about 14 million students in the elementary levels, 12.8 million of whom are in public schools. This is a big and solid critical mass! This also represents a big base of potential customers for your banks.

Equally important, if we are successful, we shall be on the right path to nurturing a new generation of Filipinos who are adept in managing their own resources and in strengthening the country's financial system. Let us cooperate therefore in implementing this breakthrough program.

Indeed, it should be another busy year for all of us. I therefore call on the officers and members of BMAP to assist the Bangko Sentral in ensuring the successful implementation of these reforms and advocacies. We will again count on your support and commitment to these programs.

Together, let us forge an even stronger partnership as we continue to foster stability in the financial system and secure more sustainable and higher growth path for our economy.

Finally, I thank your outgoing officers – led by Bobby Banaag – for a job well done and congratulate the new set of BMAP officers – headed by Mike Villareal – on the successive breakthroughs they will set during their term.

Mabuhay ang BMAP! Mabuhay ang Pilipinas!

Maraming salamat sa inyong lahat!