

Amando M Tetangco, Jr: Transforming potential into reality

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), at the BAIPHIL's Induction of Officers and General Membership Meeting, Manila, 15 July 2009.

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Distinguished officers and members of the Bankers Institute of the Philippines led by Incoming President Susan Uranza and Outgoing President Lydia King, SEC Chairman Fe Barin, MBM Ignacio Bunye, PM Cesar Virata, fellow bankers, colleagues from the BSP, special guests, good afternoon!

On behalf of the Bangko Sentral ng Pilipinas, I congratulate BAIPHIL's new set of officers led by President Susan Uranza. Ladies and gentlemen, let us wish them well and cheer them on with a long round of applause!

To the Bangko Sentral ng Pilipinas, the BAIPHIL is a long-standing partner in strengthening the Philippine banking sector by enhancing productivity through research, information exchange and education. Indeed, through its continuous development and conduct of appropriate training programs, BAIPHIL has been upgrading the knowledge and expertise of banking professionals. In other words, BAIPHIL plays a major role in keeping Philippine bankers abreast of global bank standards and practices. This is a very important function.

The banking sector is the pillar of our financial system as it remains the primary source of funds for our business sector, drawing, in turn, from funds entrusted to it by investors, creditors, and depositors. It is essential therefore that our bankers are able to adapt and respond appropriately to a constantly changing and ever challenging environment.

This is particularly true today when the global financial landscape continues to be redefined by the ongoing financial crisis and the most severe global economic downturn in decades. New challenges have emerged, even as new opportunities surface. It is crucial, therefore, that bankers should be ready to take on these new challenges and opportunities.

For instance, it is important to note that while other countries struggle with tight credit, our banking sector remains liquid and able to sustain lending at double-digit growth rates.

As of May 2009, outstanding loans of commercial banks, including reverse repurchase agreements, reached P2.1 trillion, over 10% higher than the year-ago level. This is a positive trend that indicates continuing support from the banking sector for productive activities that sustain economic growth.

Having said this, banks must make sure that appropriate risk management systems are in place to guard against potential credit and liquidity risks, among others. There should be no room for complacency insofar as risk management is concerned. I believe BAIPHIL's training programs on risk management will go a long way in addressing this need.

Ensuring the quality of your training programs on good governance is also important, as this counts as compliance to the BSP's mandatory requirement for bank directors and key officers. As you are aware, weak governance and lack of transparency have been cited as among the causes of the continuing global financial crisis and economic downturn.

There are other programs that I know BAIPHIL can take on quite effectively, which are aligned with our special advocacies at the Bangko Sentral ng Pilipinas.

One of these is economic and financial education for Filipinos. So far, we have institutionalized the integration into the public elementary school curriculum lessons on saving and money management starting schoolyear 2008-2009. This joint program of the Bangko Sentral with the Department of Education targets 12 million students, from Grade I to Grade VI, or nearly 90% of Filipino children in the elementary schools. This number will

increase further as last month, the Coordinating Council of Private Educators Association or COCOPEA also expressed its intent to teach saving and money management lessons to elementary students in private schools estimated at over 1.5 million.

We are therefore planting the seeds for nurturing a new generation of Filipinos who save regularly and manage their finances properly. They are the future of our nation. They deserve our support.

The Bangko Sentral has also started financial education programs on saving, money management, and investment options for overseas Filipinos and their dependents. With BAIPHIL's support, we can cover more ground and extend our reach. This is one way we can express our appreciation to overseas Filipinos whose remittances have kept the Philippine economy resilient in the midst of the global recession. Their monthly remittances have remained above \$1 billion since 2006 and reached an unprecedented annual level of \$16.4 billion in 2008. In 2000, remittances for the whole year were just over \$6 billion. Latest data show that for May 2009, remittances coursed through the banking system reached a record high of \$1.48 billion or a YOY growth of 3.7 percent. Total or cumulative remittances for the first 5 months of 2009 amounted to \$6.98 billion, representing a YOY increase of 2.8 percent.

Together, let us help Overseas Filipinos and their families put their money to optimal use, so that they can allocate their cash flows not only for consumer goods and leisure but also for smart spending and savings such as education, housing and investments. Banks should also explore new products and services for overseas Filipinos as well as guide them on the type of savings pattern and investments that are suitable for them.

Finally, BAIPHIL can help develop teaching modules on saving, investment, and money management for adults and out-of-school youths in cooperation with the Bangko Sentral and the Department of Education's Bureau of Alternative Education.

I am very pleased therefore that BAIPHIL through President Susan Uranza, signed a Memorandum of Agreement with the Bangko Sentral last week to support our economic and financial education program including our savings promotion campaign which we call "Banking on Your Future." Other organizations that have signed up as our partners for this program are the Rural Bankers Association of the Philippines, the Chamber of Thrift Banks, the Bank Marketing Association of the Philippines and the Bankers Association of the Philippines.

The BSP has also set up Economic and Financial Learning Centers in our regional offices and branches where researchers can access economic and financial data generated and monitored by the Bangko Sentral.

Indeed, the BSP in coordination with the banking sector has taken a proactive stance to institutionalize an inclusive program for the economic and financial education of Filipinos anchored on the theme, "Financial Education: Building Blocks for a Stronger Economy".

Ladies and gentlemen. The BSP recognizes the need to continuously raise the bar of competency for banking professionals. At a macro level, the depth of skills of the entire banking sector workforce will be a crucial factor in building a stronger banking system. In this regard, I recognize that BAIPHIL has been and will continue to provide support in strengthening the human capital base of our banks.

The BSP, for its part, will remain committed and continue to craft appropriate monetary policies and banking reforms that will allow our economy to ride out the crisis. We will also move forward with reforms to protect consumers and investors. These initiatives, which we have vigorously pursued in recent years, are instrumental in instilling order and depth in the banking system, ahead of the onset of the global financial crisis.

Nevertheless, considering all that is happening in the global arena, we are in a relatively good place. Among others, our inflation rate in June is at its lowest in 22 years, we are

looking at a balance of payments surplus this year, and our gross international reserves are at its highest level ever.

This is not to say that we will have smooth sailing moving forward. In this imperfect world, we are bound to meet unexpected bumps along the way.

However, if BAIPHIL continues to be successful in fulfilling its mission to enhance productivity through research, information exchange and education, then the banking sector would be better equipped to hurdle the challenges that will come its way.

And given its commitment to participate actively in expanding the reach of our economic and financial education programs, BAIPHIL should also make a big impact in promoting wealth creation among Filipinos. Susan, your president at BAIPHIL, describes this process as teaching Filipinos proper lifestyle management. I agree with this practical approach.

We at the Bangko Sentral are therefore looking forward to a fruitful collaboration with BAIPHIL that will result in a continuously growing pool of trained bankers as well as financially literate Filipinos who will help build a better and stronger Philippines.

Again, my congratulations to the distinguished ladies and gentlemen of the BAIPHIL, your past set of officers led by Mrs. Lydia King and the freshly-inducted new officers under the leadership of President Susan Uranza.

Mabuhay ang BAIPHIL! Mabuhay ang Pilipinas!

Maraming salamat po sa inyong lahat.