

Amando M Tetangco, Jr: The BSP @ 17 – moving the economy forward

Speech by Mr Amando M Tetangco, Jr, Governor of the Bangko Sentral ng Pilipinas, on the occasion of the BSP's 17th anniversary celebration, Manila, 7 May 2010.

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Magandang umaga sa inyong lahat!

Maganda ba ang umaga? Tama!

Fellow central bankers, it is our 17th anniversary the dawn of a new chapter in our journey as the country's central monetary authority. BSPers, batiin po natin ng happy birthday ang mahal nating Bangko Sentral ng Pilipinas! Happy birthday BSP!

Ladies and gentlemen, I am very happy that one of the milestones we are celebrating today is the realization of a dream to unite all BSPers through the magic of technology. Under the leadership of Deputy Governor Andy Suratos, our IT sub-sector team headed by Managing Director Tess Bulseco has enhanced BSP's internal connectivity from one-way video streaming to a two-way communication network. In other words, nag level-up na tayo. to interactive video connectivity on a national scale! Palakpakan po natin ang milestone na ito.

Now, let us use our new system, starting with our Assembly Hall. I request everyone here, when I say "now" please wave your hands and greet our fellow BSPers all over the country with "happy anniversary". Sabay-sabay tayo NOW! Palakpakan po natin ang BSP head office!

And since we are serving as anchor to this event, I ask everyone here at the assembly hall to respond to incoming greetings with a wave and a happy anniversary.

This time, let us hear from BSPers in our Security Plant Complex in Quezon City!

From Mindanao! From the Visayas!

From North Luzon! From South Luzon!

May energy pa ba tayo? Meron pa? O sige. All together, across the Philippines let us celebrate BSP's 17th anniversary by waving and saying happy anniversary. What is my signal? Tama! Sabay-sabay tayo NOW!

Fellow central bankers. We have just participated in a major event in Bangko Sentral's history: we have taken part in putting one of our core values in action – solidarity.

But beyond connectivity through technology, what we need to do is to work more closely together. We need to ensure that within our offices and departments PARTICULARLY ACROSS SECTORS we are all working in solidarity to serve our people and our country as central bankers. That after thorough and healthy discussions of a broad range of ideas, all possible scenarios and options, we unite behind final decisions that are made, whatever position we hold.

We know that if we are divided and fragmented it will take more time to reach the goals we aspire for or worse, we may lose our way. Either way, we do a disservice to our country.

This is not to say that we are not united. However, in this imperfect world, there is always room for improvement. In words and in deeds, let us be one.

United, we are strong and can be the best we can be, at all times. Together, let us unleash the Power of One. Sa isip, sa salita, at sa gawa tayo ay HIGIT na magka-isa.

Team BSP. Tatanungin ko kayo ngayon. Tayo ba ay HIGIT na magkaka-isa? Salamat naman! Ako at ang mga members ng Monetary Board natin ay a-asahan yan.

It is also quite timely that we are renewing our vow of solidarity just days after the assumption into office of President Benigno C. Aquino III who received his mandate from our people with a landslide win!

As patriotic Filipinos, let us also unite behind President Aquino as he leads our people and our country to a better future.

Fellow central bankers, let us celebrate our solidarity as BSPers and as Filipinos with a long round of applause!

As we start a new chapter in the history of our country and the Bangko Sentral, it would be useful to assess where we are, where we are going, and how we plan to get there.

For this, let us use our mission statement as our guide. First, we declared that “the BSP is committed to promote and maintain price stability”. Do you believe we have accomplished this? Yes, of course!

Seventeen years ago, the Bangko Sentral ng Pilipinas was established as an independent central monetary authority with the mandated primary duty under its charter to maintain price stability. This came at a time when a global consensus was emerging that price stability should indeed be the overriding goal of monetary policy. Since then, extensive studies have shown that the overall declines in the level and volatility of inflation can be associated with better monetary policy. Price stability therefore has been the hallmark of modern central banking.

Today, we can say that appropriate and timely monetary policies have kept inflation and the Bangko Sentral’s policy rates at low single-digit levels. In fact, even through periods marked with record high prices of basic commodities such as oil and rice, we protected the purchasing power of Filipinos in the best way we can and kept the cost of money for business and consumers at relatively low levels.

Our mission statement also declares that the BSP is committed to “provide proactive leadership in bringing about a strong financial system conducive to a balanced and sustainable growth of the economy”. Do you believe we have accomplished this? Yes, of course!

In fact, we can say that the Philippine banking system passed the ultimate stress test by remaining sound and stable, even when major international institutions buckled under the most debilitating global financial crisis in decades. I should also mention that while there was a global financial credit squeeze, Philippine banks kept credit flowing to our economy, on the back of ample liquidity in the financial system. Confidence in our banking system was manifested by a double-digit growth rate in aggregate bank deposits to nearly P4.7 trillion in 2009.

Indeed, sustained pursuit of critical reforms to improve governance, strengthen bank capitalization, clean up banks’ balance sheets, and enhance risk management helped create sound underpinnings for a healthier banking system.

The last part of our mission statement further says “towards this end, it shall conduct sound monetary policy and effective supervision over financial institutions under its jurisdiction”. Did we accomplish these? Yes, of course!

I believe that appropriate monetary and banking policies of the Bangko Sentral have been contributing factors to sustaining growth in our country and in particular in keeping the Philippine economy resilient and on dry ground amidst the turbulence of the global financial and economic crises.

Indeed, we can take quiet pride that the BSP has built a reputation as a credible inflation fighter. I can say that our transparency and accountability practices helped anchor the public’s inflation expectations and created a more predictable environment for business planning and consumer decisions. In fact, except during periods of significant supply-side

shocks, inflation under our inflation targeting framework has been generally lower than target.

We also engaged other regulators within the financial sector to work more closely with the Bangko Sentral to harmonize standards and procedures, to align our policies with global best practices, and to have a coordinated program for a financial sector that is more responsive to the needs of our economy.

Equally important, the BSP's real-time gross settlement system or PhilPaSS continues to inspire confidence and development in the financial system. Able to process large value payments that reached P188 trillion in 2009, PhilPaSS is gearing up to further use its capacity to benefit overseas workers by processing remittance flows to facilitate service delivery and lower remittance fees.

These are gains we have made insofar as the three pillars of central banking are concerned.

In addition, we also have a healthy external liquidity position with a balance of payments (BOP) surplus, record high gross international reserves and remittances from overseas Filipinos, as well as a stable and competitive peso.

All these will help provide our economy with appropriate cushions against possible external shocks, going forward.

Our Security Plant Complex, on the other hand, continues to meet most of our currency requirements through banknote printing and coin minting. And through SPC, we helped the Department of Foreign Affairs produce machine-readable and electronic passports, thereby allowing Filipinos to have globally-compliant travel documents. When it completes the upgrading and expansion of its facilities, SPC shall be able to meet the steady rise in demand by our expanding economy and growing population; it shall also print our new generation banknote designs with upgraded security features.

Let me also mention the advancement of key programs of the BSP during the past few years. In support of the global fight against money laundering, we continue to fine tune our regulations and expand our reach which now include our supervision of foreign exchange dealers and remittance agents.

We are also proud of our accomplishments in microfinance across the Philippines which has liberated thousands of our entrepreneurial poor from poverty. This is based on hard data and the many inspiring success stories it has spawned. Our success in microfinance has been validated by a global survey which ranked the Philippines as number one in terms of providing a regulatory framework conducive to the development and growth of microfinance.

Today, more than 200 banks are engaged in microfinance with aggregate loans of about P12 billion granted to roughly 900,000 microentrepreneurs. And you will be happy to know that about 600,000 of them now have bank accounts and their total deposits have reached one billion pesos!

In addition, our inclusive economic and financial education programs that target Filipinos from different sectors across our country help empower millions of Filipinos: from students in the elementary and college levels, to overseas Filipinos and their dependents, to salaried employees, the public in general, as well as exporters, microentrepreneurs, and SME investors. In particular, we have enhanced access to bank credit in the countryside through the Credit Surety Fund (CSF) Program.

We have also set up 22 economic and financial learning centers all over the country to make useful economic information accessible not only to students but also to professionals and the business sector.

And beyond banking, the Philippine International Convention Center provide vital support to our country's efforts to be competitive in the global conference and exhibition sector. By the

way, we have members of the PICC board and their top management with us this morning. Palakpakan po natin sila.

We also constantly worked on improving the Bangko Sentral's capabilities as a public institution through competitive compensation and benefit package that attracts and retains the best and the brightest. Kayong lahat iyan. At the same time, our continuing wholistic training program equips our employees with the necessary skills and expertise to perform their duties more effectively. We also continue to provide local and foreign scholarships to our deserving employees so that they can capably respond to the challenges ahead and one day assume leadership roles in our institution. And of course, we make sure we provide a healthy and safe working environment conducive for a more productive and efficient workforce.

Moving forward, we will need to draw strength from the core values we have identified as imperatives for the Bangko Sentral to be successful in pursuing its mandate. We have discussed Solidarity earlier. Let me guide you in identifying the other four values of the BSP.

It starts with the letter P: you are correct, it is patriotism;

It starts with E: you are correct, it is excellence;

It starts with I: you are correct, it is integrity; and

It starts with D: yes, it is dynamism.

Finally, ladies and gentlemen of the Bangko Sentral. On behalf of the members of the Monetary Board, I thank all of you for a job well done and for your continuing fidelity to our core values in the workplace.

But you and I know, there is still a lot of room for improvement. We will work on these together, starting with the results of the workshop on Organizational Enhancements which we completed last Friday. Briefly, this will cover continuing improvements in our processes, an enterprise-wide communication policy and program, the continued development of a values-driven workforce, and reinforcing the ties that bind us through our heroes, legends and symbols.

Foremost of these symbols is our new logo that embodies BSP's continuing transformations to adapt to a changing environment and our now global approach to the three pillars of central banking, as represented by three gold stars. Our principal symbol of course is the Philippine Eagle, the world's largest, which is a symbol of strength, clear vision, and independence, the qualities we aspire for as a central bank.

Ladies and gentlemen. The Bangko Sentral ng Pilipinas has a solid track record that makes me confident we have what it takes to reach our goals faster and in a more efficient manner. Together, let us move the BSP and our economy forward to help ensure balanced and sustained growth across our country.

On a personal note, I want to say it is an honor and a privilege working with all of you at the Bangko Sentral. This year, I am commemorating my 36 years of service at the Bank. In the last five years, I have served as Chairman of the Monetary Board and Governor of the Bangko Sentral ng Pilipinas. Through all these years, you have supported me, in sickness and in health. For this, my family and I thank all of you. This includes my wife Elma, my daughters Eula and Mia as well as my son Patrick and his wife Miko, plus my granddaughter Zara.

Wait! I am not saying goodbye yet. I still have one year to complete my term. I just feel I cannot thank all of you enough.

I also extend my thanks and deep appreciation to three other Members of the Monetary Board who started out with me in this journey five years ago: Monetary Board Members Juanita Amatong, Nelly Villafuerte, and Freddie Antonio. I also thank past and present members of the Monetary Board in the last five years. It has been a pleasure and a privilege

working with them as well: Dr. Vicente Valdepenas, Atty. Raul Boncan, Atty. Ignacio Bunye, former NEDA head Augusto Santos and former DTI Secretary Peter Favila. Palakpakan po natin sila!

Let us also thank all those who worked together in our anniversary committee headed by the energetic and inspiring Director of the SES Gail Fule! Palakpakan po natin sila. They will continue working in the next few weeks to make our 17th anniversary celebration memorable and successful.

Fellow BSPers, as we celebrate our 17th anniversary as an independent central monetary authority, let us be grateful for the opportunity to serve our country and our people. And let us commit to work more closely together as we pursue our agenda to improve the quality of life of our people through responsive monetary and banking policies.

Mabuhay tayong lahat! Mabuhay ang Bangko Sentral ng Pilipinas!

Maraming salamat sa inyong lahat!