

## **Amando M Tetangco, Jr: Empowering the banking industry through continuing education, innovation and research**

Speech by Mr Amando M Tetangco, Jr, Governor of the Bangko Sentral ng Pilipinas, at the Bankers Institute of the Philippines' (BAIPhil's) induction of officers, directors and committee chairpersons and in celebration of its 70th founding anniversary, Makati City, 20 July 2010.

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The officers and members of the Bankers Institute of the Philippines, past and present; fellow bankers; colleagues from the BSP; special guests: good afternoon and a happy 70th anniversary to BAIPhil!

Today is truly a memorable day not only for BAIPhil but also for the banking industry. If we stop and think about we ultimately reach the conclusion that BAIPhil is one of the rare professional organizations that has remained consistently relevant and in step with the times, growing and evolving with the Philippine banking industry as operations shifted gears from manual to automated to electronic.

Indeed, through seven decades of growth and change, BAIPhil has remained faithful to its avowed mission of enhancing productivity, good governance, and developing expertise among Philippine banks through research, information exchange and education.

Ladies and gentlemen, let us celebrate BAIPhil's seven decades of accomplishments with a well-deserved round of applause!

We at the Bangko Sentral ng Pilipinas have long recognized BAIPhil as one of our steadfast partners in moving the banking industry forward. By professionalizing industry standards and practices underpinned by the good governance values of fairness, accountability and transparency, BAIPhil helps anchor positive change within the industry. Such is BAIPhil's unique legacy as an organization.

BAIPhil can rightfully claim therefore that it is one of the reasons why the Philippine banking system remains sound and stable at a time of global financial crisis.

### **Assessment of the Philippine banking system**

To put things in perspective, I will share the latest consolidated industry information that tells us where our banking system stands today.

- First, total resources of the Philippine banking sector continues to expand. In fact, a double-digit asset growth was registered in April 2010; this raised the value of consolidated assets to P6.2 trillion. This was made possible by sustained growth in deposits which expanded by 10.4 percent to P4.6 trillion.
- Second, asset quality has significantly improved with universal/commercial banks' average NPL ratio at a low single-digit level of 3.37 percent and NPA at 3.82 percent. At the same time, loan loss provisions have been built up to adequate levels.
- Third, bank lending remains on the uptrend: it reached P2.7 trillion as of April this year, a growth of 6.1 percent from the same period last year.
- Fourth, the capitalization of the Philippine banking sector remains comfortably above the global standard of 8% and BSP's minimum requirement of 10%: on a solo basis, Philippine banks' capital adequacy ratio is 14.85%. On a consolidated basis it is even higher at 15.78%.

- Fifth, banks sustained profitable operations. For the period ending March this year, net income was up by an estimated 34 percent, while return on equity was at 11.4 percent.

In other words, ladies and gentlemen, our banking system is resilient, sound and stable. The key challenge for our banks is to preserve this growth momentum. In this, there should be no room for complacency.

### **BSP's policy reform thrusts**

More than ever, it is critical to sustain the path to reforms. We have seen how our banks passed the ultimate stress test by standing firm amidst the global financial turmoil. This did not happen overnight.

With the Bangko Sentral setting the pace, Philippine banks implemented reforms that included the clean up of their balance sheets, the strengthening of bank capitalization through Basel II, and further improvements in governance structures.

Moving forward, risk-based supervision will remain central to our reform agenda. We will continue to focus on enhancing our macro-surveillance capabilities and on improving further our supervisory oversight of risk management.

Last year, the Bangko Sentral issued the guidelines for Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review Process (SRP). This is to make sure that banks have a better appreciation of their business risks and are more diligent in terms of disclosure and transparency to their stakeholders.

Building the resilience of the banking system goes hand in hand with creating a stable macro environment. This includes fostering stable interest rates and exchange rates that encourage long-term business planning and lending by banks.

Ladies and gentlemen. I have said this before and I will say it again: 2010 is not only about challenges and changes; it is also about the chances and opportunities that lie ahead. In the midst of the ongoing process of recovery in the global economy, domestic banks should be able to discern and seize opportunities that will help them grow stronger and support the turnaround in economic activity.

I also believe there is room for financial innovation, as long as this is coupled with appropriate prudential regulations as well as appropriate disclosure and transparency standards. Our objective is to ensure that all stakeholders are fully aware of the risks that they are taking on.

Ideally, we should not swing to the extreme of over regulation; rather, banks should move toward greater accountability for their actions.

Together, let us work out a dynamic, but always well-calibrated balance between regulation and innovation to move our economy and our country forward.

One way for banks to keep pace with the intense demands of an increasingly global and complex financial environment is to acquire as much relevant knowledge and technical expertise in a timely and comprehensive manner.

In this connection, BAIPhil's role as the education and research arm of the banking industry is even more relevant in today's rapidly evolving financial landscape. With learning or enlightenment comes real empowerment.

I am very pleased to know therefore that based on this belief, BAIPhil is setting its sights beyond banks; it is gearing up to include the education and empowerment of present and future Filipino bank customers.

I have been informed that tomorrow afternoon, BAIPhil's audience will not be bankers, but teachers and parents in San Joaquin Elementary School in Pasig City. They will be taught personal financial planning, values formation and wealth creation. I am happy to learn that no less than BAIPhil's new president Emmanuel Barcena will lead the BAIPhil team that includes three former BAIPHIL presidents – Susan Uranza, Artecer Quebal and Rebecca Torres – and Marilen Ruiz who chairs BAIPhil's special projects committee.

Clearly, financial education of Filipinos, including the underbanked and the unbanked, is being given special attention by BAIPhil. Palakpakan po natin ang BAIPhil for this initiative!

I understand similar lectures will be conducted in the Bangko Sentral's Gawad Kalinga Village in Quezon City and in Paranaque City.

Ladies and gentlemen of BAIPhil. You have our full support in this project. In fact, we invite BAIPhil to join the Bangko Sentral in implementing an inclusive national economic and financial education program that aims to reach out to the broader public such as our youth, overseas workers and their dependents as well as the entrepreneurially-inclined in the marginalized sectors.

Having BAIPhil's first lecture in financial education in a public school makes perfect sense: our public elementary school system has about 12 million children or 92% of Filipino elementary pupils; it employs roughly 400,000 teachers and school staffs; and it is a convenient venue where we can engage millions of parents.

The BSP looks forward therefore to forging a broader partnership with BAIPhil. This should result not only in better efficiencies and greater expertise for Filipino bankers but also lead to a more financially informed and empowered public. Together, we can expand the client base of banks, fortify the foundations of our banking system further, and bring about balanced and sustainable growth in our country.

Eventually, what is initially looked upon as a corporate social responsibility program could be the key that will unlock the full potential of our banking industry, our people, and our economy.

Ladies and gentlemen. To reach our shared goal, let us journey together in our quest for excellence to have a stronger, more resilient, more proactive, more responsive, and more inclusive banking system.

On behalf of the Bangko Sentral ng Pilipinas, I congratulate BAIPhil on its 70th year and for a job well done.

It is truly my privilege to be here with you today. Mabuhay ang BAIPhil! Mabuhay ang Pilipinas! Maraming salamat sa inyong lahat!