

Amando M Tetangco, Jr: Sustaining growth through insolvency reforms

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the 9th Forum on Asian Insolvency Reform, Manila, 3 December 2013.

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Distinguished resource persons and participants to this 9th Forum on Asian Insolvency Reform, special guests from the government and the private sectors, our co-organizers from the World Bank, the United Nations Commission on International Trade Law (UNCITRAL), and the International Association of Restructuring, Insolvency & Bankruptcy Professionals (INSOL) good morning and welcome to the Philippine International Convention Center.

And to all our Forum participants from overseas, I welcome all of you to our country on behalf of the Bangko Sentral ng Pilipinas and other Philippine institutions represented here today. Ladies and the gentlemen, this is the first time the Philippines is hosting this Forum on Asian Insolvency Reform, and we are privileged to do so.

We thank all of you for joining this important event where experienced policy makers, legal luminaries, thought leaders from the academe and experts from the government and private sectors come together to address the need to strengthen our insolvency systems as a means to foster and sustain growth and development in our constituencies.

Indeed, weak insolvency systems have been identified as one of the key shortcomings of the Asian markets. The Asian financial crisis of 1997–1998 focused a glaring spotlight on this weakness. Unprecedented expansion fuelled speculation that eventually led to a collapse of institutions, compelling governments to step in and putting a drag on economies that took years to shake off.

In its aftermath, many Asian jurisdictions carried out reforms to improve their insolvency mechanisms. However, most of the initiatives eventually ended up promoting the pace of restructuring rather than the quality of restructuring.

This had unintended consequences. Primarily, the widespread financial restructuring that followed resulted in masking underlying long-term weaknesses that were not immediately given the attention these deserved.

A decade later, what initially started as a home mortgage crisis that adversely affected or displaced homeowners in the US eventually developed into a global financial crisis.

The lesson is clear: efficient and effective insolvency systems are necessary in ALL constituencies, no matter their level of economic development.

Having a well-developed insolvency law is important for the development of an effective insolvency system. But this is not enough, as we have seen in countries that have modernized their laws. We need to ensure its proper, effective and timely implementation.

It is equally important therefore to focus on developing strong institutions that would interpret and implement the laws. Combined, a well-developed insolvency law and strong institutional capabilities provide a good foundation for a smoothly functioning insolvency system.

Among others, we need appropriate accounting and auditing standards; transparent and accountable court systems and better insolvency administrators; enhanced corporate governance in corporations and financial institutions; and effective regulatory oversight.

In this connection ladies and gentlemen, we will highlight in this Forum the key stakeholder roles in insolvency reforms as part of the development of a strong institutional insolvency infrastructure. It is structured around two basic themes which are critical goals of modern and efficient insolvency systems: these are financial stability and responsible access to finance.

In this Forum, therefore, discussions will cover the following:

- the design of an optimum financial institutions resolution regime;
- the development of modern insolvency systems for natural persons;
- the determination of whether special treatment in insolvency for state-owned enterprises is warranted;
- the on-going international dialogue concerning recovery and resolution framework for non-bank financial institutions;
- loan reclassification and restructuring practices in various jurisdictions;
- market conduct regulation;
- consumer protection measures to mitigate the risks of consumer over-indebtedness and consumer insolvency;
- treatment of SMEs in distress;
- resolution proceedings for financial institutions;
- the role of the court in insolvency proceedings; and
- national updates on insolvency systems.

Ladies and gentlemen. We have a full and rich agenda for this gathering. And with everyone here actively participating in the discussions, I am confident that this 9th Forum on Asian Insolvency Reform will be successful in helping us move toward a strong insolvency regime that promotes sustainable growth and development, financial stability and investor confidence.

Finally, in the spirit of ensuring a healthy balance in everything that we do, I also invite our foreign delegates to take the time to get to know our people, our culture and our country better after our Forum. I hope you will have fond memories of your stay here.

Thank you all and Mabuhay!