

## **Amando M Tetangco, Jr: The pursuit of financial stability – a daunting but necessary prudential agenda**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Financial Stability Co-ordination Council (FSCC) MOA signing, Manila, 29 January 2014.

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Securities and Exchange Commission Chairperson Teresita Herbosa, Insurance Commissioner Emmanuel Dooc, Philippine Deposit Insurance Corporation President Valentin Araneta, National Treasurer Rosalia De Leon, representing DoF Secretary Cesar Purisima, members of the Monetary Board, our partners from the various government institutions, my colleagues from the Bangko Sentral ng Pilipinas, members of the media, ladies and gentlemen, good morning.

The BSP is honored to host this signing of the Memorandum of Agreement formalizing the creation of the Financial Stability Coordination Council.

Today, the five agencies represented here – the DoF, SEC, IC, PDIC, and the BSP – publicly affirm our collective resolve to pursue financial stability as the norm for prudential policy.

With that resolve comes the commitment to identify, monitor and mitigate the build-up of system-wide financial risks and deploy as necessary so-called macroprudential measures.

### **The bigger picture**

This is certainly not the first time that we have publicly mentioned financial stability and our desire to make it the pillar of financial market oversight.

However, financial stability is prone to being misunderstood, if not under-appreciated. Perhaps, it is the sheer enormity of the tasks ahead that creates confusion. Or perhaps, it is the absence of a holistic and formalized textbook framework that makes the journey to financial stability and maintaining it quite daunting.

The financial stability agenda talks of co-mingled risks, and systemic consequences. This is not the type of language or focus that we have been used to in organizing our prudential oversight of our respective segments of the financial market. Yet, the dislocation that comes with financial instability has been very evident for everyone to see and, unfortunately, for many jurisdictions to experience.

From the breakdown of Wall Street to the difficulties in the Eurozone and general weaknesses in consumer protection, we saw for ourselves how previously unmonitored and unrecognized risks could create system-wide consequences that are a burden borne ultimately by financial consumers.

The global reform agenda is thus designed precisely to prevent the recurrence of dislocations whose magnitudes are felt worldwide.

The Basel 3 Accord, Financial Market Infrastructures, systemically important financial institutions, corporate leverage, liquidity, shadow banking, large exposures, interconnectedness, managing capital flows, OTC derivatives, consumer protection.

These are but some of the components of the evolving global reform agenda. The change institutionalized by each one of these is structured precisely to better achieve financial stability.

### **The significance of the MoA**

This is why today's event is nothing short of a milestone.

The five institutions represented here publicly recognize that financial stability matters. We appreciate that the task is extensive and challenging but we are driven by our common commitment to nurturing the gains that we have already achieved by recognizing the intricate nature of financial risks.

This healthy respect for financial risks balances the rewards that we can reasonably expect from such exposures as against the need to remain prudent in taking on acceptable risks.

We likewise fully appreciate that each of the institutions will continue to oversee their respective markets and/or pursue their respective mandates. But the financial system is certainly much more than the collective sum of the parts. This synergy brings forth the risks and rewards that are at the heart of financial stability.

### **The progress thus far**

Ladies and gentlemen, we mark a historic day for the financial system by signing a document that binds five financial authorities towards pursuing the financial stability agenda.

The truth is that our work on financial stability does not only start today. The various committees have invested their time and effort for over a year now. They have been evaluating global, regional, local developments, with the end in view of pro-actively positioning our financial market for evolving challenges.

For the silent but diligent work that the five workstreams, our steering committee and the administrative team have put forward to-date, we in the Executive Committee sincerely thank you. We recognize the enormous challenge before you and as a small token of our appreciation of your efforts, may I call on everyone to give these men and women a hearty round of applause.

With a collective commitment and a shared responsibility to implement the financial stability agenda, I am sure that we will be able to rise to this challenge.

Thank you very much and I wish you all a pleasant day.