

Amando M Tetangco, Jr: Working on ASEAN governance standards

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the Financial Sector Forum on ASEAN Corporate Governance Scorecard, Manila, 24 September 2014.

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Good morning everyone and welcome to the Bangko Sentral ng Pilipinas. On behalf of the other members of the FSF – the heads of SEC, IC and PDIC – I also welcome everyone to this Forum on the ASEAN Corporate Governance Scorecard or what we call ACGS.

The Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Insurance Commission and the Philippine Deposit Insurance Corporation are pleased that representatives from various sectors have joined us this morning to know more about the ACGS. This tells us that you and the institutions you represent similarly value corporate governance. As you and I know, good corporate governance is key to ensuring sustainable long-term growth.

In this context, ACGS is important – it deserves our time and full attention.

A joint initiative of the ASEAN Capital Markets Forum and the Asian Development Bank, the ACGS evaluates the top publicly listed companies in five categories, based on the following weights: 10% for rights of the shareholders; 10% for role of stakeholders; 15% for equitable treatment of shareholders; 25% for disclosure and transparency; and 40% for responsibilities of the Board.

Benchmarked against international best practice, the ACGS provides a standard rigorous methodology that can generate comparable information crucial to investors, fund managers, the private sector, the regulators and governments.

At present, the ACGS counts six participating ASEAN countries: Indonesia, Malaysia, Singapore, Thailand, Vietnam and the Philippines. This program is being done in parallel with other efforts to promote ASEAN as a competitive growth region.

While the ACGS country reports and assessments for 2013–2014 said the performance of ASEAN publicly listed companies in applying recommended corporate governance principles is commendable, continuing improvements are called for.

We agree. And all of us should strive to do so in our respective institutions, industries and sectors. Good governance has to be a culture not only within institutions but across our country. At this point, I will share a number of our initiatives at the Bangko Sentral.

Over the years, we at the Bangko Sentral have been working on strengthening governance standards in banks. Among others, proposed directors of banks are subject to the confirmation requirements of the BSP. Our “fit and proper” standard covers not only competence, education and experience but makes specific reference to integrity, probity, as well as physical and mental fitness.

In addition, we have mandated the creation of Board-level committees that will oversee Risk, Audit and Governance. We have also institutionalized a compliance system that should have the authority and independence to address the bank’s business risks.

These are check-and-balance type structures which are integral to a bank’s governance, alongside its own culture on the management of articulated risks.

Equally important, disclosure and transparency requirements continue to be enhanced. Among others, disclosure requirements cover potential conflicts of interest, Basel 3-eligible capital instruments with loss-absorbency features and cross-selling.

In other words, ensuring good governance is never-ending; it is always a work in progress.

Ladies and gentlemen. The strategic nature of corporate governance has tactical elements which are inherently actionable. This is what we aspire for: on one hand, we want to institutionalize the public's awareness of the value of corporate governance; on the other, we want corporate entities to practice what is globally preached and to build a Philippine brand that can stand side by side with other corporates in the region. To do just that, we need to monitor the execution of these standards at the institutional level.

This is where we are today. I trust therefore that this forum can contribute towards greater understanding of the ACGS. We in the FSF also would like to see our corporates – banks and non-banks, listed and not listed – to be able to apply best practice standards and to hold themselves against the bar of providing a value proposition to the general public.

While the Philippines has made big strides to move our economy forward and achieve investment grade rating, certainly we should strive for high standards of governance to ensure sustained and inclusive growth for our people.

Ladies and gentlemen, having a successful and productive forum today on the ASEAN Corporate Governance Scorecard is one more step forward in our continuing efforts to make the Philippines fulfil its full potential in the midst of regional integration.

Thank you all for joining our forum.

Mabuhay po tayong lahat! Mabuhay ang ating mahal na bansang Pilipinas! Maraming salamat sa inyong lahat!