

## **Amando M Tetangco, Jr: Collaborative undertaking in pursuit of financial stability**

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Signing of the Memorandum of Agreement among BSP, DOF, IC, PDIC, SEC, and HLURB, Manila, 30 September 2016.

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I am very pleased to see the joint efforts of the FSCC and the HLURB come to fruition with the signing today of this Memorandum of Agreement. This document facilitates the sharing of information but its ultimate impact goes beyond that.

### **The agenda of financial stability**

To properly situate the efforts we formalize today, we need to appreciate them in the context of our continuing pursuit of Financial Stability.

Financial Stability pre-supposes a financial system that functions smoothly. This type of financial system is “responsive” because it can adapt to the diverse and evolving needs of financial consumers. It collectively behaves in a “risk-responsible” manner by addressing the needs of borrowers and savers while protecting their interests as well. In this context, financial stability nurtures “resilience” by effectively managing risks to the benefit of all stakeholders.

On the other hand, housing is a fundamental aspiration. Often, we measure our progress in life not by our rank or title, but rather by our capacity to provide for ourselves and for our loved ones, a place we can call “home”. In an economy that is an archipelago, the Filipino is necessarily mobile and we must match that mobility with a suitable living environment, wherever we decide to take our work skills. Add to that a Filipino who is naturally young both at heart and in years – and one gets the enormous potential that housing presents.

But the market’s dynamism does not solely revolve around residential property. The 70 consecutive quarters of positive economic growth in our country provide a backdrop for how much business has expanded. This continuing growth invariably nurtures the demand for commercial space and a “going concern” perspective can only suggest there is more demand that lies ahead. This is not just measured in square meters of space but also in the diverse needs of users, from a tech-savvy office environment, to locations that need to be always visible to clients, to warehousing and production spaces.

On the whole then, if we are indeed progressing as an economy, then there must be a continuing demand for residential and commercial space, moving both families and businesses into new categories while making room for individuals and start-ups to venture on their own.

This cannot be accomplished exclusive of financial markets, since what binds demand and supply in the real estate market is the availability of financing alternatives.

This MoA therefore takes us further down the path of aligning our norm of Financial Stability with the dynamism that real estate provides. We do so by getting a better view of how the supply and demand sides of the real estate market interact thru financing alternatives. This is consistent with the dialogues we have had with real estate developers thru the years, listening intently to their suggestions and concerns while benefitting from their on-the-ground perspective of how their market moves. The information we hope to generate thru this MoA should help us gain a balanced perspective. That, in turn, could feed into policies to nurture the current market momentum, without allowing so called “animal spirits” to get the better of us.

## **Our collective commitment**

We know the tasks surrounding our financial stability objective are not easy. But, as Theodore Roosevelt, the 26th President of the United States, once said, “nothing in the world is worth having or worth doing unless it means effort, pain, and difficulty”.

To manage the enormity of these tasks, collaboration among the stakeholders is therefore key. This is why the FSCC considers this MoA as a milestone - It not only formalizes an agreement but it also opens a partnership portal that gives us strength to take the next steps forward.

Progress, as they say, has many authors, and today’s MoA has been made possible precisely because of these committed movers.

For our colleagues at the FSCC, I thank you for your patience to move this collective agenda forward. The leadership of our real estate workstream heads have been instrumental in taking early ideas into the shared agreement we formalize today. Allow me to specifically mention that the initial FSCC work was led by Mel Singzon, currently it is led by Sandra Diaz, while for FSComm of BSP, the foundation for all these was due to the early efforts of Judith Sung sai and her team. Let me specifically thank the leadership of HLURB, its commissioners and particularly its CEO Antonio Bernardo, for taking a proactive step. It is not just raw numbers that we all seek but the organized perspective behind those numbers. I am then quite positive that in due course this partnership between the HLURB and the FSCC will benefit Filipino financial consumers and businessmen who look upon real estate as a necessary element of their lives.

## **Moving forward**

Ladies and gentlemen, the Philippines already has the distinction of 70 consecutive quarters of growth and we look to sustain this drive. We can only do so with a healthy financial system as a necessary pre-condition in the pursuit of financial stability. The BTr, DoF, IC, PDIC, SEC and BSP have come together under the aegis of the FSCC to focus on macroprudential issues that may not be so evident today but may surface ahead of us. On this agenda, we welcome this partnership with HLURB to ensure that real estate remains a positive influence on growth. Collectively, we all want to cultivate a real estate industry where the supply, demand and financing aspects are aligned to benefit both consumers and producers as well. With better information, we can better align the market dynamics in real estate with financial market issues so that we can avoid distortive consequences which could lay to waste our hard-earned gains.

In behalf of the BSP and the FSCC, let me again thank the many individuals whose commitment allowed us to mount this MoA signing today. This information sharing initiative allows us to learn more and by learning more, we can do more, and by doing more, we can do better. That is the essence of financial stability.

Thank you and good afternoon to all.