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Financial Services Agency

# Strengthening the Asian Financial Sector toward Sustainable and Inclusive Growth

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Supervision and Examination Sector

***Disclaimer: Opinions/views expressed are those of the presenter and do not necessarily reflect those of the Bangko Sentral ng Pilipinas***



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# Presentation Outline

- Commentary on Post-Crisis Regulation of Financial Institutions in Japan (Mr. Toshihide Endo)
- Financial Regulatory Developments and Challenges: The Philippines Case



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# Commentary on Post-Crisis Regulation of Financial Institutions in Japan

- Role of the economic and fiscal sectors in financial stability
- Banking sector policy reforms
  - Risk management and capital
  - Market conduct



# Commentary on Post-Crisis Regulation of Financial Institutions in Japan

- Resolution through enforced cooperation, mergers, takeovers, and nationalization
- Mitigating moral hazard and promotion of good corporate governance
  - Deposit Insurance Coverage: Sufficient to avoid bank runs but not as large as to erode discipline on risk-taking
- Arrangements for coordination and information sharing
  - Cross-border issues: Diversity in legal and resolution frameworks, reputational risks, transfer pricing, confidentiality and capital flows



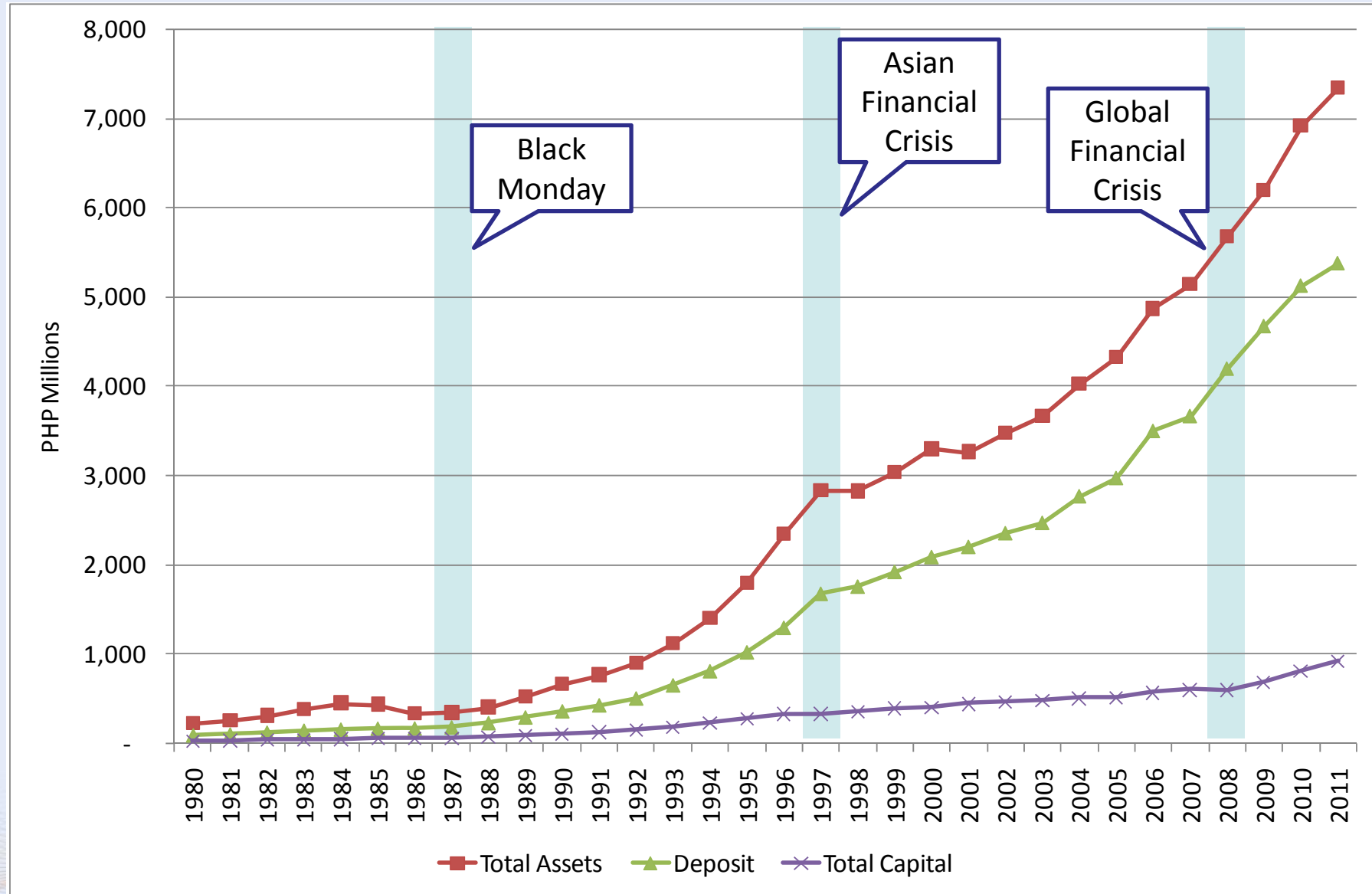
# FINANCIAL REGULATORY DEVELOPMENTS AND CHALLENGES

## The Philippines Case



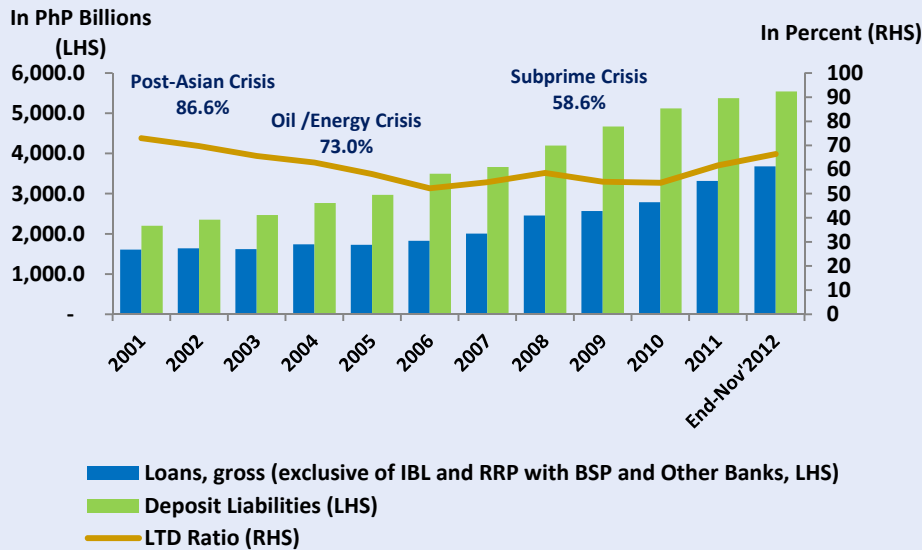
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# The Philippine Experience Thus Far



# The Philippine Experience Thus Far

**Philippine Banking System: LTD Ratio**  
For End-Years Indicated



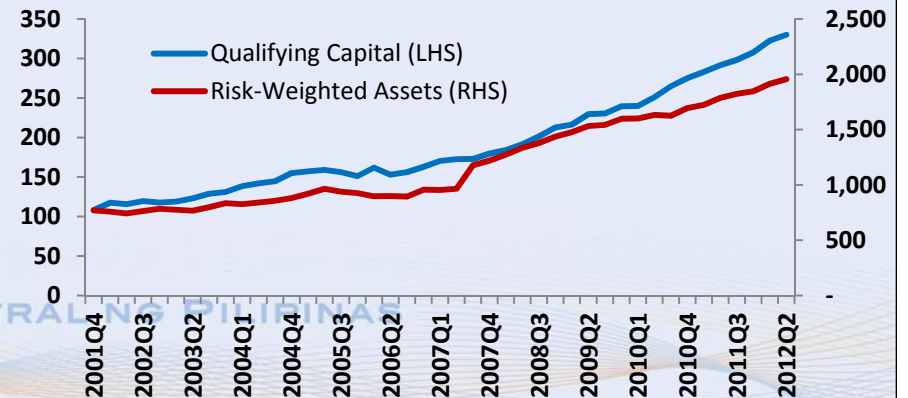
**Banking System: Loan Quality**  
For End-Periods Indicated



**Philippine Banking System: Capital Adequacy Ratio (CAR)**

As of End-Years Indicated and as of end-June 2012

2001Q2 = 100



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# Financial Sector Reforms

**2011-Present: Create Enabling Environment**

**2006-2010: Deepen Financial Infrastructure**

**2001-2005: Build Market Architecture**

**1996-2000: Strengthen Capabilities**

**1990-1995: Build Market Confidence**



# Financial Sector Reforms

## *Structural Reforms*

Year	Reforms
1992	Establishment of Philippine Stock Exchange Setting up of Capital Market Development Council
1993	The New Central Bank Act
1996	Set up of Securities Clearing Corp. of the Philippines Establishment of Phil. Central Depository
2002	Launch of Philpass
2004	Formation of Financial Sector Forum
2005	Launch of Fixed Income Exchange Set up of Capital Markets Institute of the Philippines
2008	Launch of Public Market Trading Platform
2011	Formation of Capital Market Integrity Corporation
2012	Creation of Financial Stability Coordination Council

# Organizing Financial Stability in the Philippines

## Financial Stability Coordinating Council

### Financial Sector Forum



- The BSP deliberately takes a Financial Stability view
- This complements our prudential policy mandate for the financial sector
- And this is now extended to include the fiscal policy component of stability



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# Financial Sector Reforms

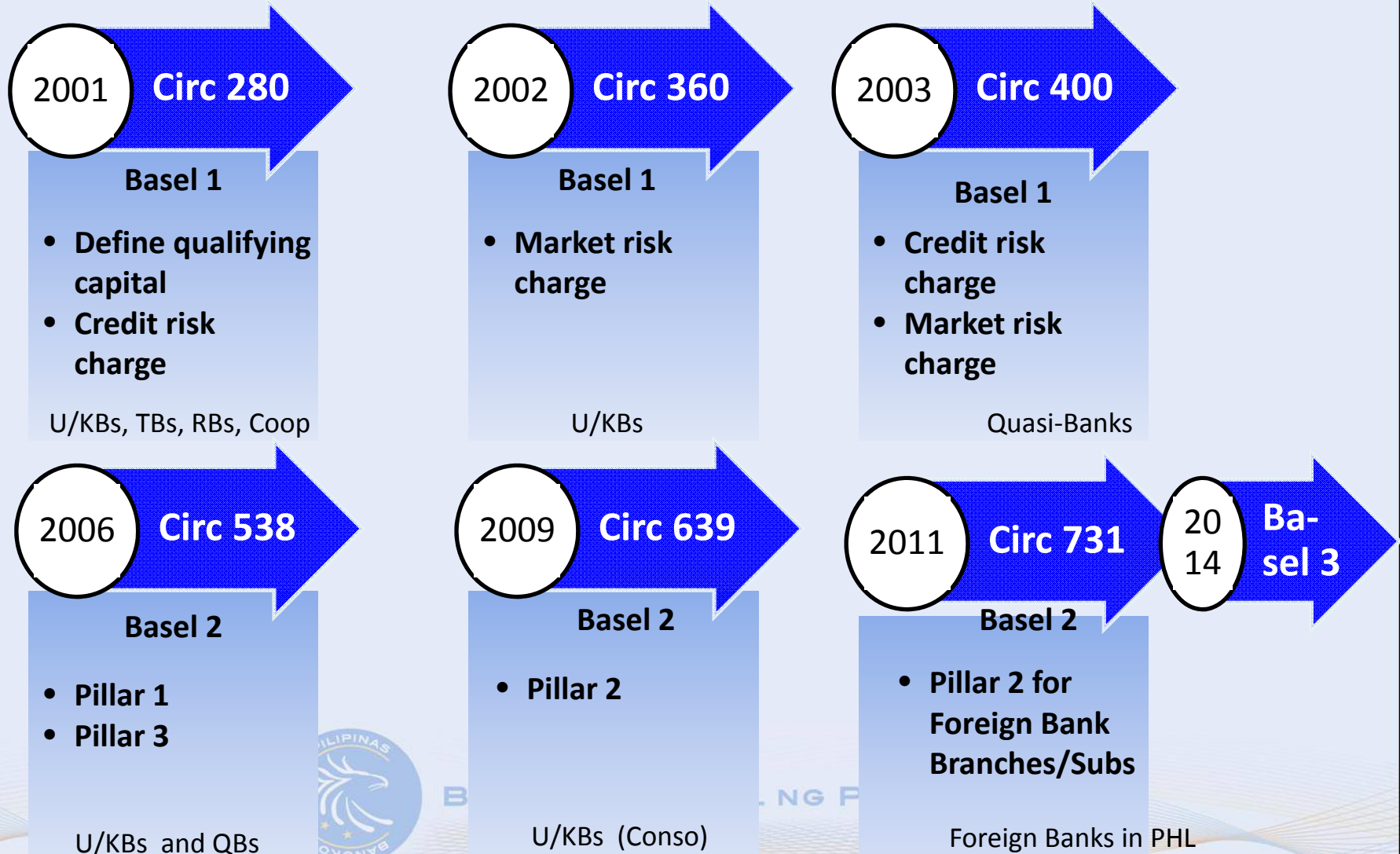
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## *Prudential Reforms*

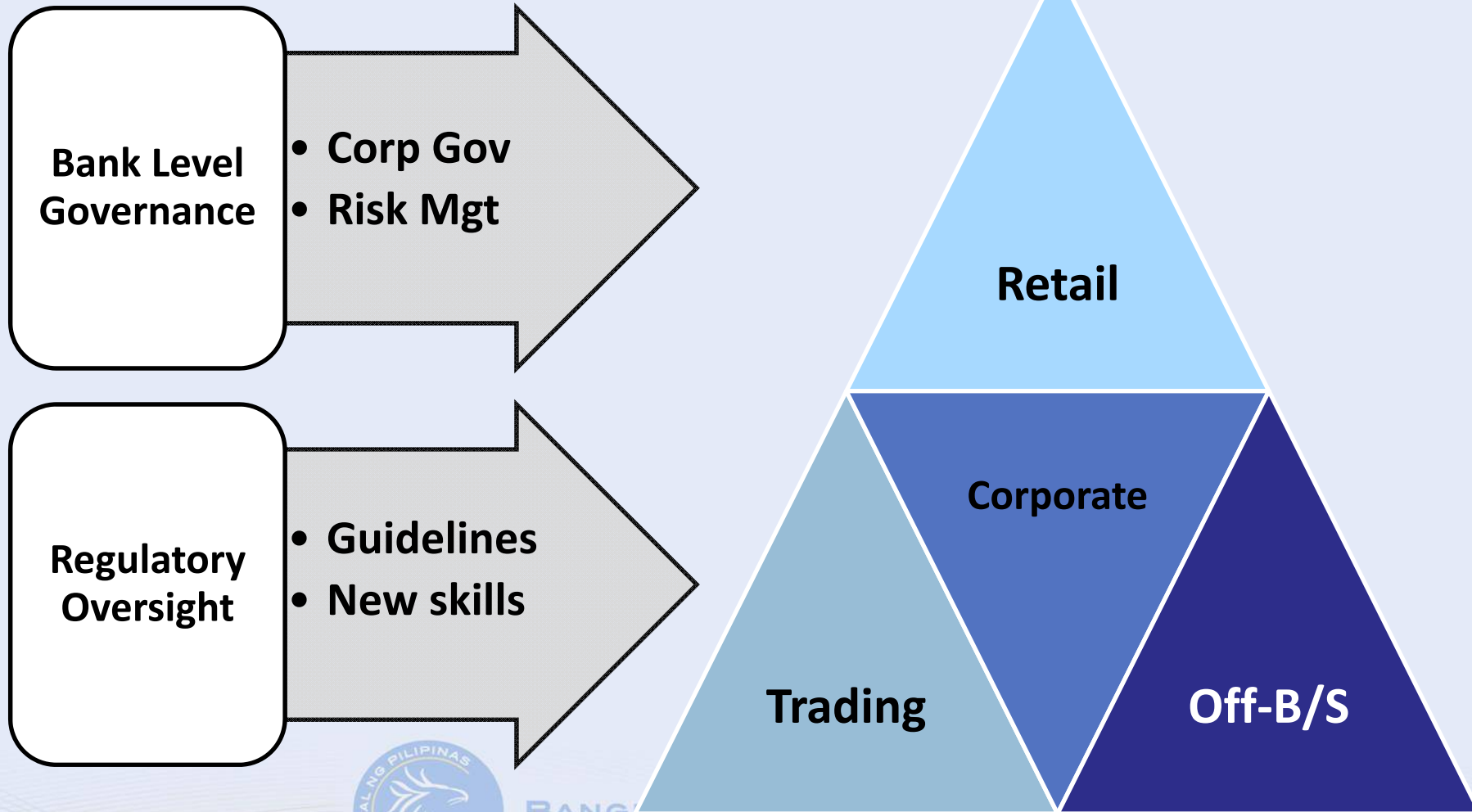
Year	Reforms
1995	Issuance of minimum standards for risk management of derivatives Passage of Investment House Law
1996	Adoption of comprehensive full disclosure rules
1997	Adoption of risk-based examination approach
1998	Consolidated supervision
2000	General Banking law of 2000 Securities Regulation Code
2005	Adoption of IAS
2009	Manual of Regulations for Foreign Exchange Transactions
2012	Governance

# Financial Sector Reforms

## Prudential Reforms

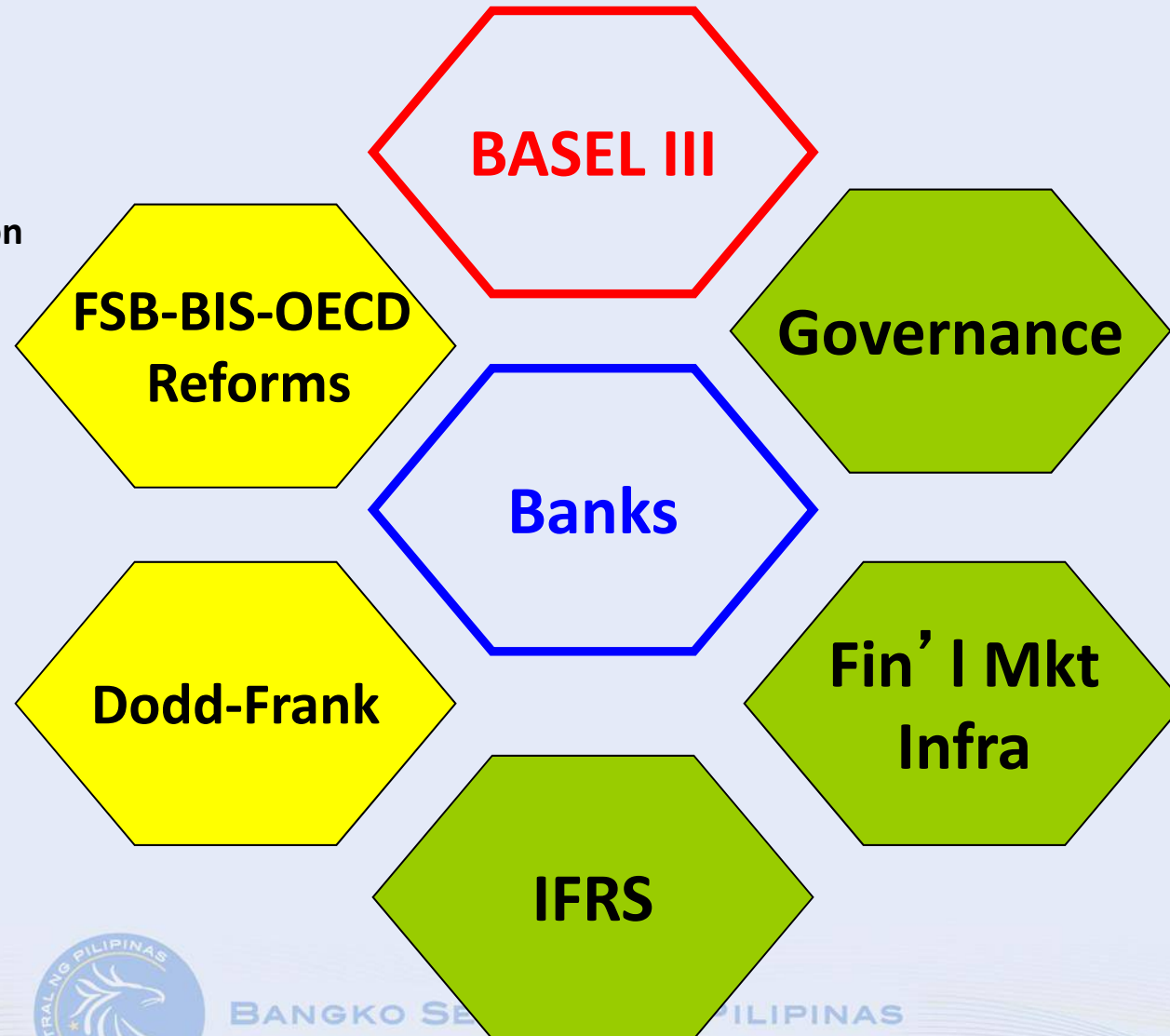


# Some Challenges of Implementation



# Sweeping Changes in Simultaneous Fronts

- Shadow banking
- Cons Protection and Fin'l Literacy
- Leverage
- Conglomerates
- Different versions for different jurisdictions
- Semblance of harmonization



# Overarching Policy Framework

## Key Foundations

## Overarching Policy

## Further Forward





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