

Continuing the Legacy: Key BSP Reforms for Sustained and More Inclusive Growth

Governor Benjamin E. Diokno
Bangko Sentral ng Pilipinas

General Membership Meeting of FINEX and MAP
29 April 2019, 12:00pm
Dusit Thani Manila, Makati City



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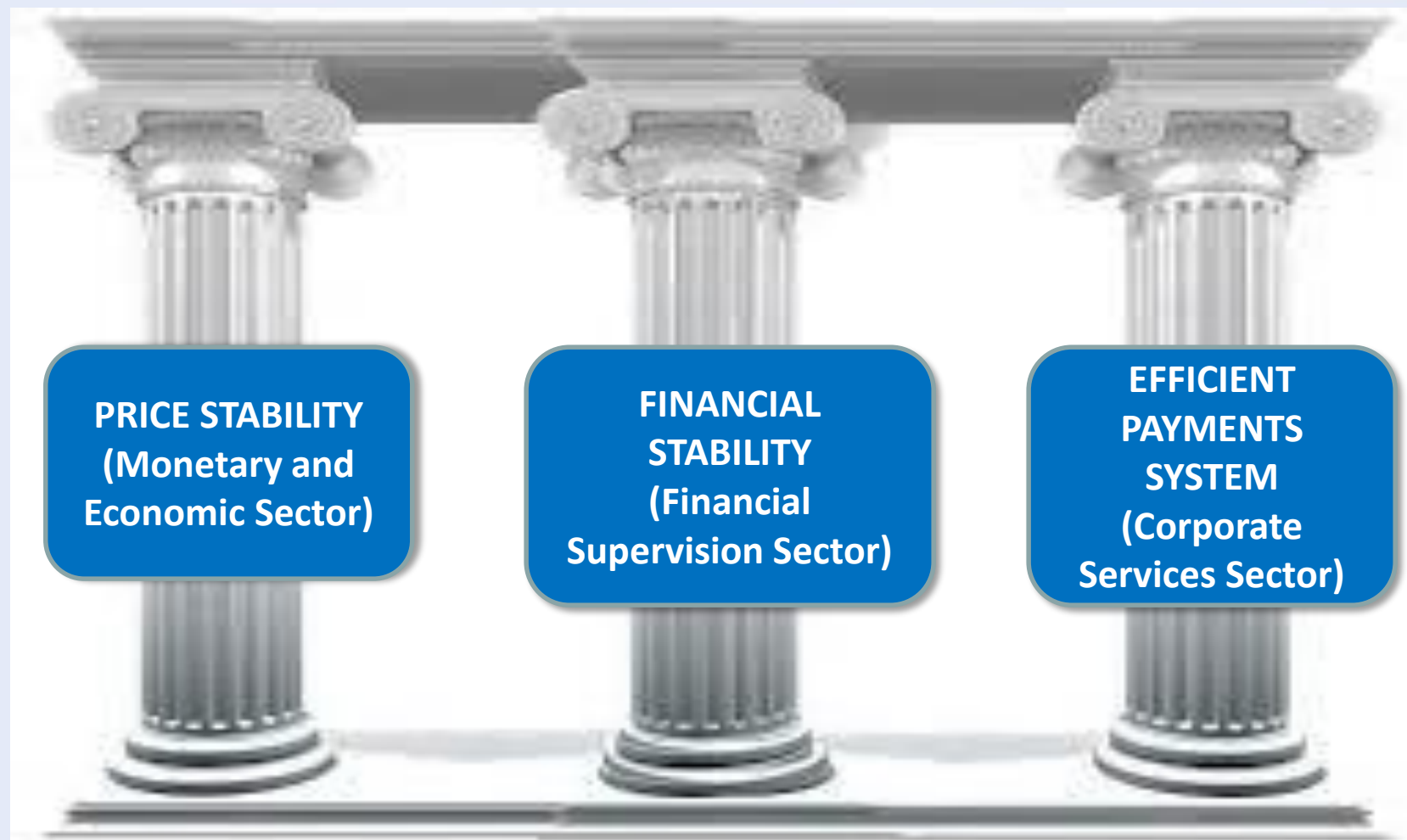
THIS PRESENTATION

- 1 BSP's Strengthened Mandate**
- 2 Overview of Macroeconomic Developments**
- 3 Condition and Performance of the Philippine Banking System**
- 4 Evolving Banking System Landscape and Reform Agenda**
- 5 Key Takeaways**



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1 BSP's Strengthened Mandate



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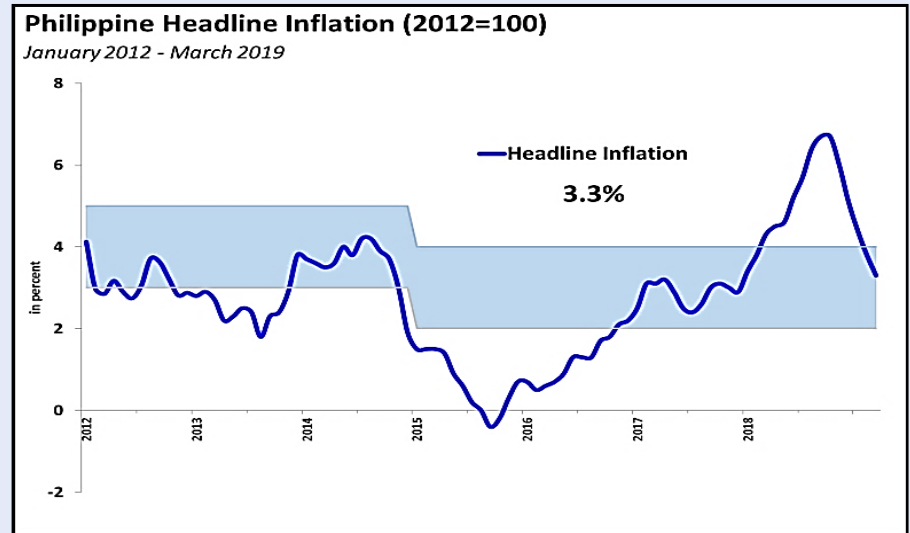
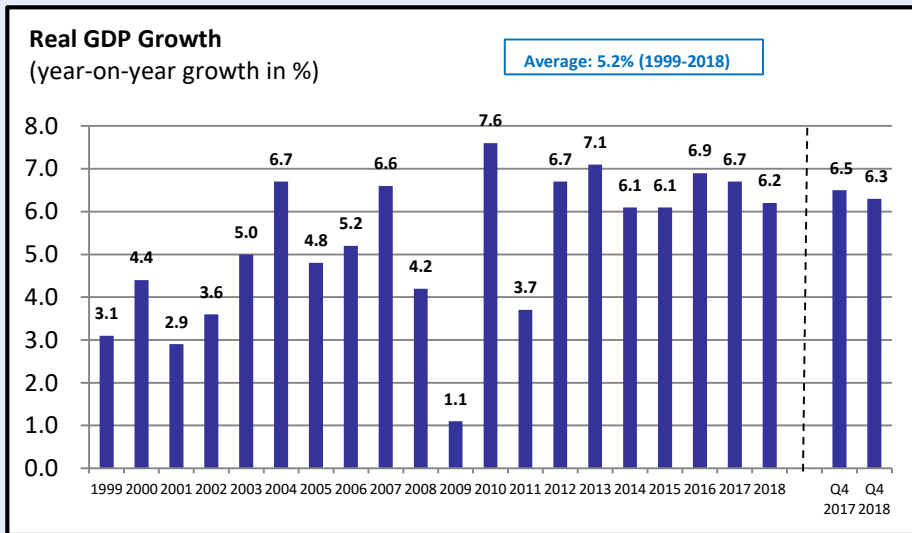
Future-proofing PH's Growth Through Structural Reforms

25 years of policy reforms promote high, inclusive and sustainable growth

Selected Structural/Policy Reforms in the Philippine Economy (1993-present)

1993	Creation of the Bangko Sentral ng Pilipinas
1994 - 2001	Harmonization of the BSP's Business Expectations Survey (BES) with International Practices; Liberalization of foreign bank entry and the telecommunications industry; Privatization of water services (MWSS); Deregulation of the oil industry; Passage of the Philippine E-Commerce Act; Liberalization of the power sector; Introduction of Tariff Reform Program (TRP) III; Accession to the World Trade Organization (WTO)
2002	Adoption by BSP of Inflation Targeting Framework
2003-2009	Launch of the BSP's Consumer Expectations Survey (CES); Passage of the Securitization Act; Adoption of Basel II; Passage of E-VAT; Establishment of the Wholesale Electricity Spot Market (WESM); Full implementation of risk-based bank supervision; Privatization of the National Transmission Corp. and National Power Corporation
2011-2015	Adoption of phased-in migration to Basel III; Liberalization of entry of foreign banks in the Philippines; Implementation of macroprudential measures on real estate exposure; Passage of the Philippine Competition Act
2016-2017	Adoption by BSP of Interest Rate Corridor (IRC) Framework; Credit Card Industry Regulation Law; Amendment to Foreign Investment Restrictions; Economic and Financial Literacy Act; Freedom of Information; Further Liberalization of FX regulations; Implementation of Interest Rate Corridor; Financial Inclusion Steering Committee; Implementing Rules and Regulations of the Philippine Competition Act; Designated Casinos as Covered Persons under the Anti-Money Laundering Act
2018	Tax Reform for Acceleration and Inclusion (TRAIN) Law Package 1; Ease of Doing Business Act, National ID System; Amendment to the Foreign Investment Negative List (FINL); Personal Property Security Act; National Payment Systems Act
2019	Amendments to the Bangko Sentral ng Pilipinas Charter Replacing Quantitative Restrictions (QR) on Rice with Tariffs
Other Structural Reforms in the Pipeline for 2019-onwards	Corporate Income Tax and Incentives Reform Act (TRAIN Package 2) Amendments to Bank Secrecy Laws Exemption of Small Scale Miners from Payment of Income and Excise Tax on Sale of Gold to BSP

2 Overview of Macroeconomic Developments

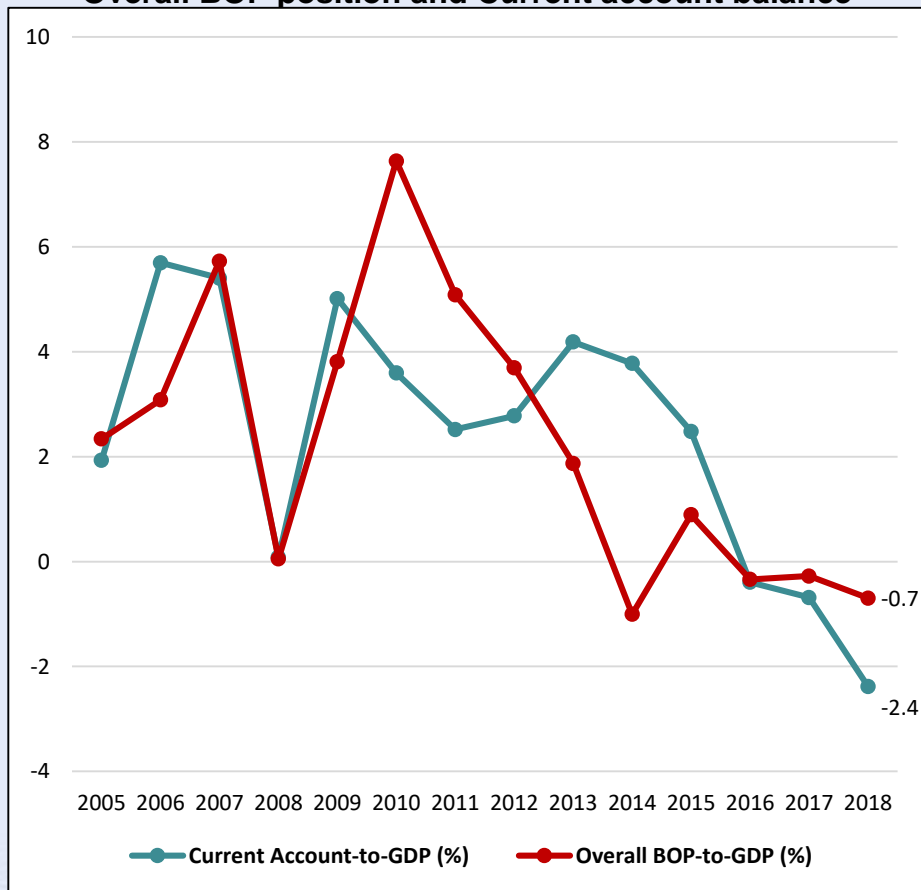


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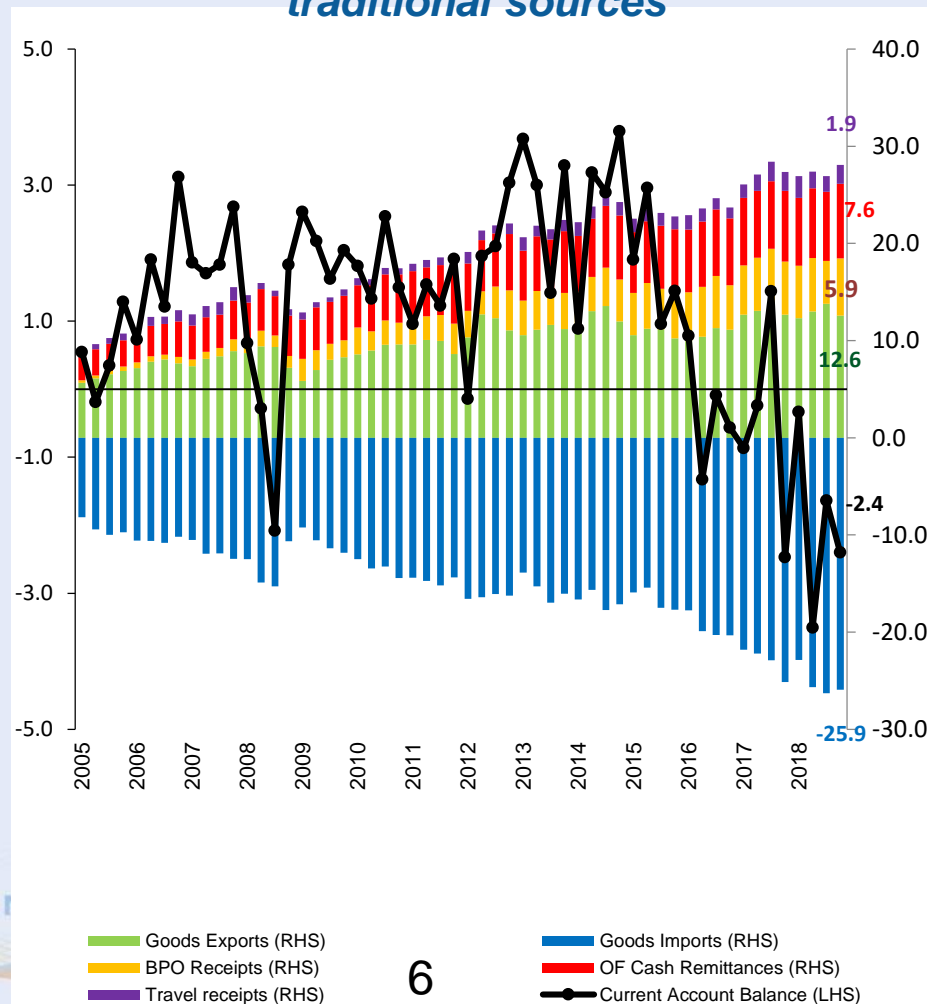
2 Overview of Macroeconomic Developments

Manageable overall BOP position; Current account supported by sustained receipts from traditional sources

Overall BOP position and Current account balance

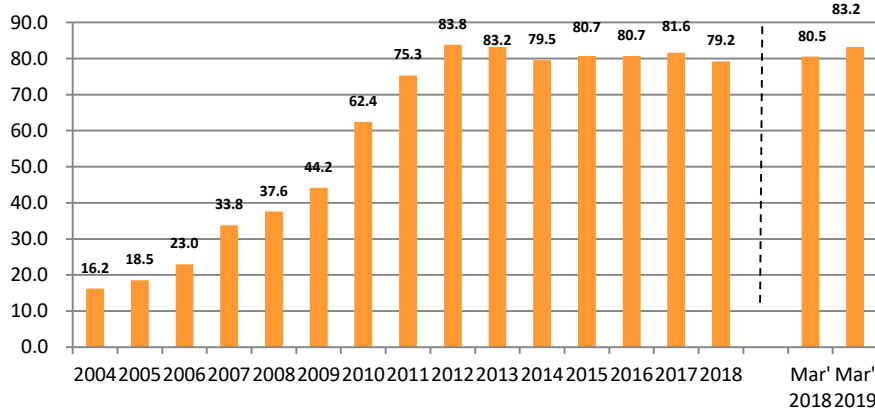


Strong growth in goods imports led to narrowing of current account; impact tempered by sustained receipts from traditional sources

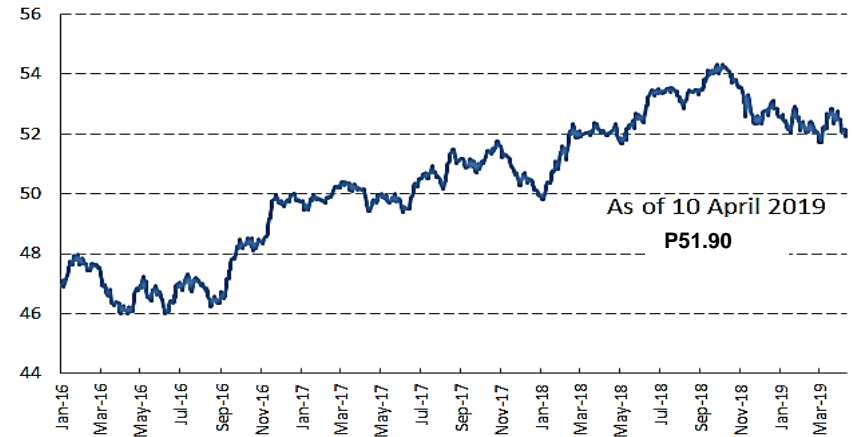


2 Overview of Macroeconomic Developments

Gross International Reserves
(Levels in million US\$)

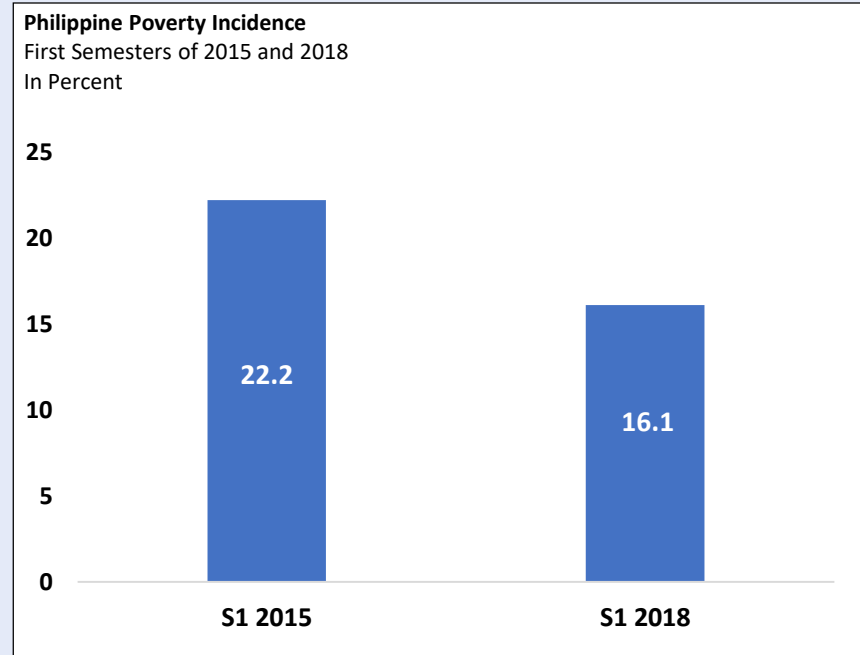
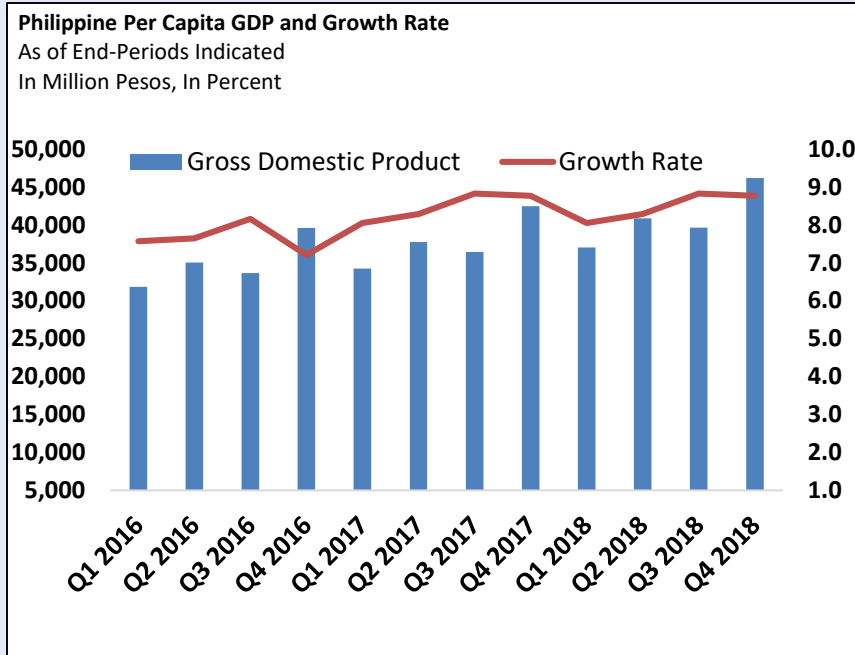


Peso per US dollar Exchange Rate



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2 Overview of Macroeconomic Developments



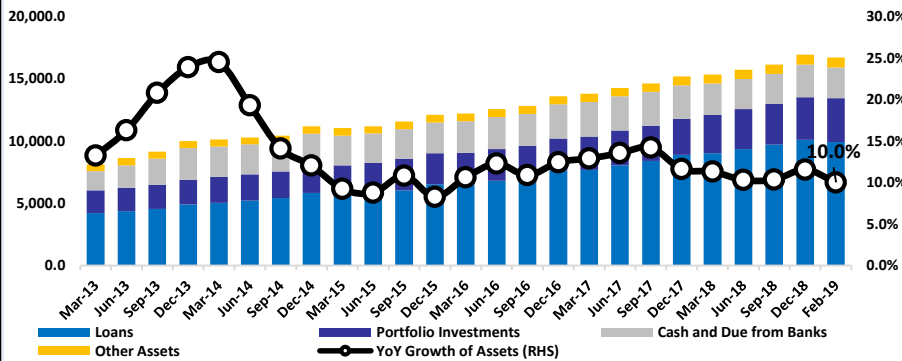
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3 Condition and Performance of the Philippine Banking System

Key performance indicators show further strengthening of banks' balance sheets with positive growth in assets, loans, deposits and capital.

Market Size: Banking assets rising along with expanding economy

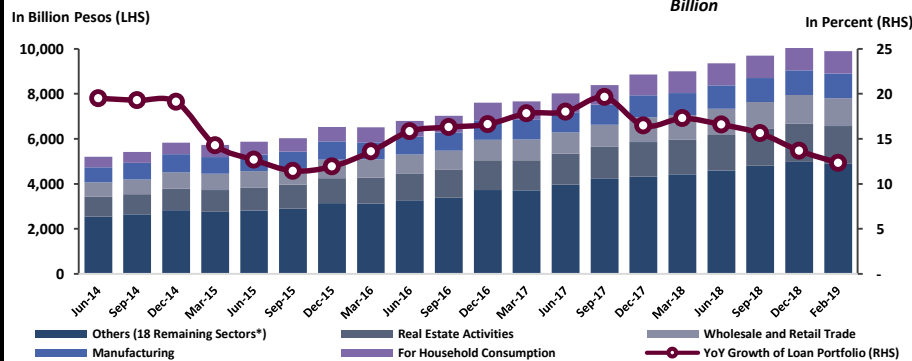
Philippine Banking System (PBS) Total Assets
Levels in Billion Pesos, Growth Rate in Percent



Loan Growth: Loan expansion remain broad-based.

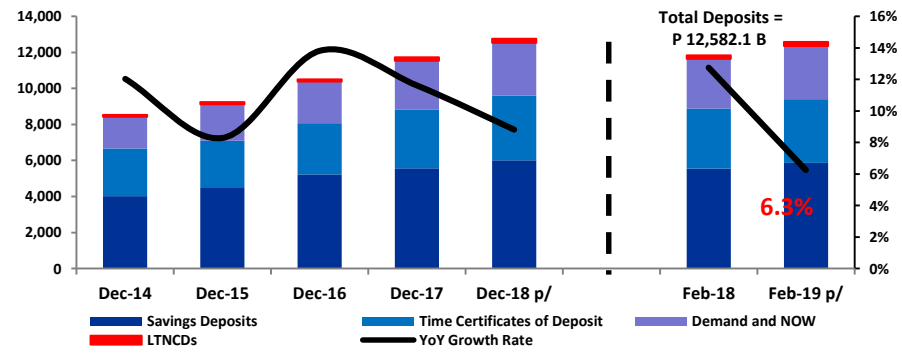
PBS Gross TLP by Economic Activity
As of End-Periods Indicated

Gross TLP as of end-February 2019 = P9,904.9 Billion



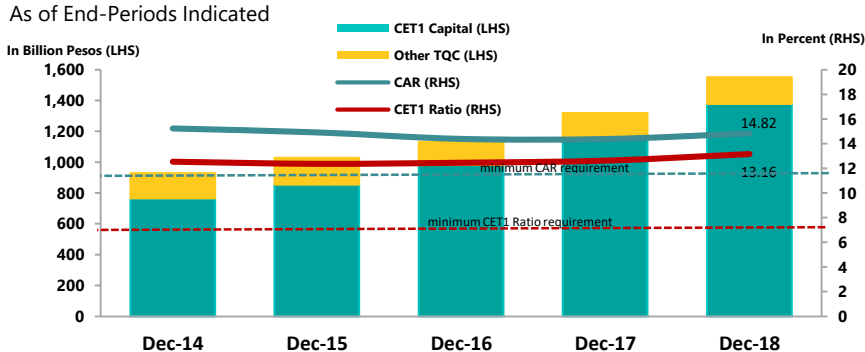
Deposit Growth: Deposits post steady growth.

PBS Deposit Liabilities by Type
As of End-Periods Indicated, In Billion Pesos, Growth Rate in Percent



Capitalization: Strong risk management system

Universal and Commercial Banks (U/KBs)
CARs and Composition of Total Qualifying Capital (Solo Basis)

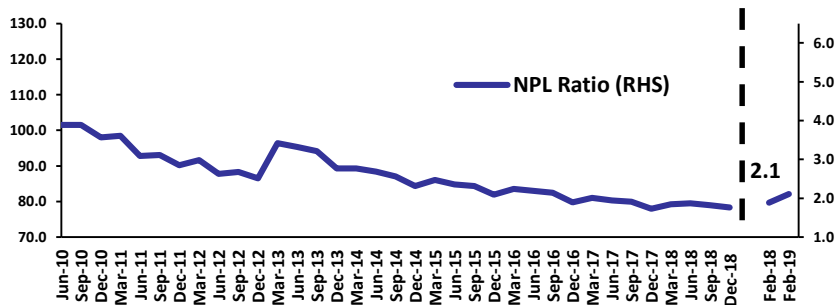


3 Condition and Performance of the Philippine Banking System

Asset Quality: Overall quality of the bank loan portfolio remains satisfactory

PBS NPL Ratio

As of End-Periods Indicated, In Percent

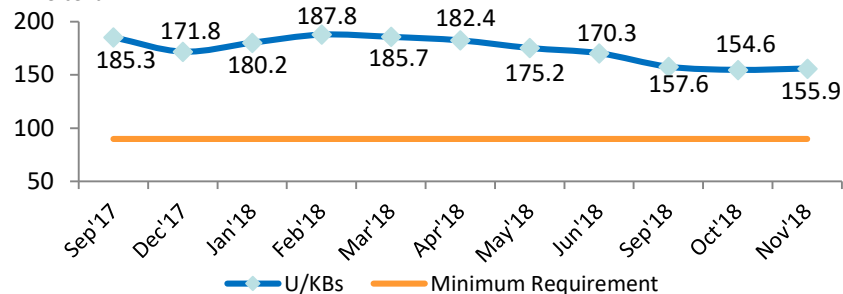


Liquidity: Compliant minimum liquidity coverage ratio

U/KBs LCR Compliance

As of End-Periods Indicated

In Percent



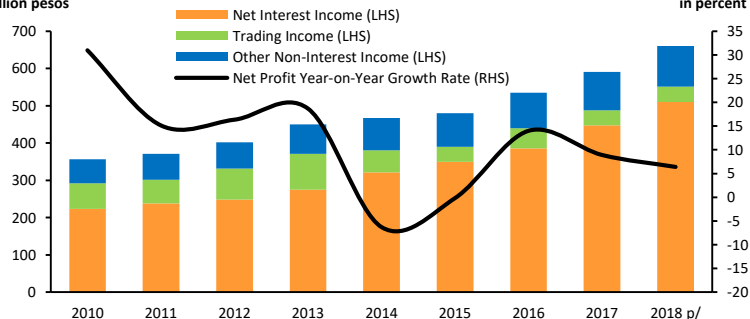
Profitability: Profits sustained by strong core earnings

PBS Sources of Revenue

For the Periods Ended, In Billion Pesos, Growth Rates in Percent

in billion pesos

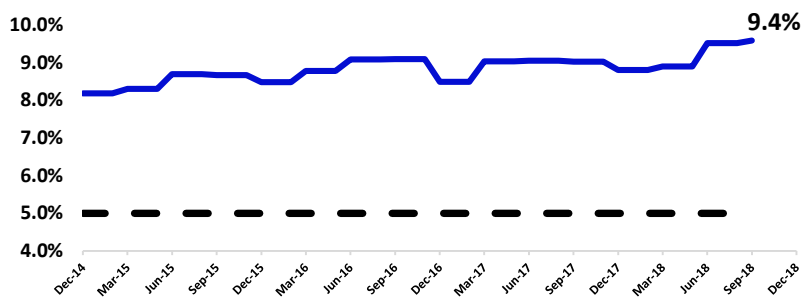
in percent



Leverage Ratio: Leverage Ratio well-above the earnings

U/KBs Leverage Ratio

In Percent

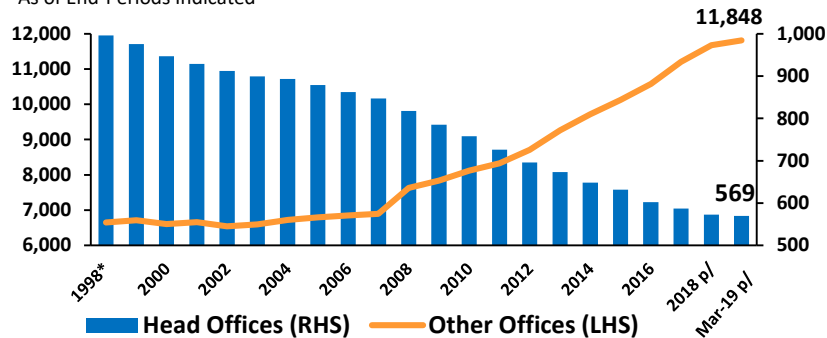


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4 Evolving Banking System Landscape and Reform Agenda

Operating Network: Streamlined banking landscape

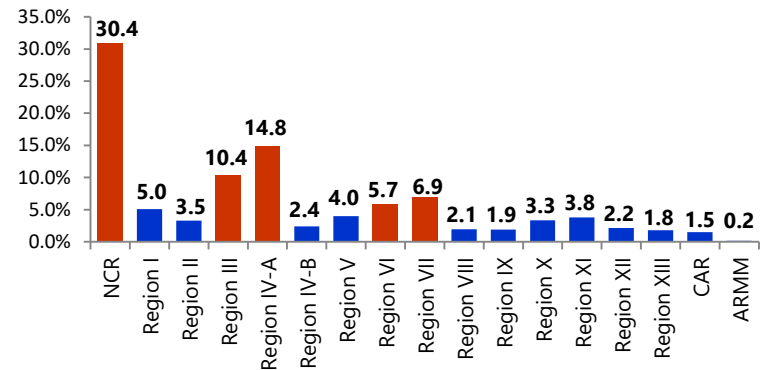
PH Banking System Total Banking Units
As of End-Periods Indicated



*BSP's merger and consolidation policy began in 1998 with the issuance of Circular No. 172 dated 03 September 1998.

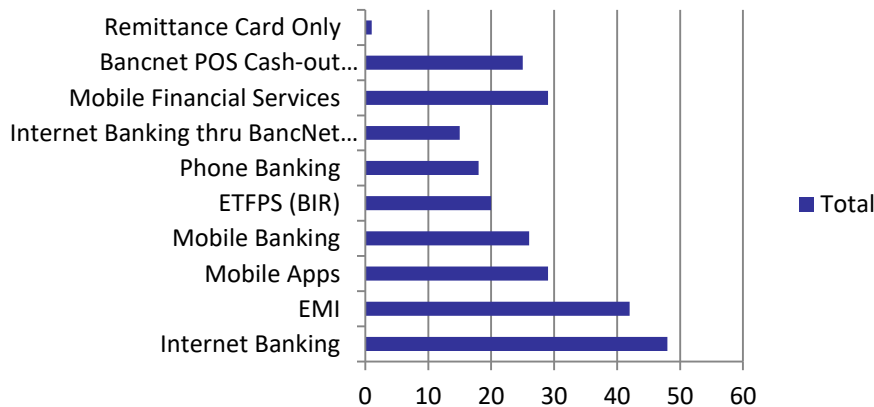
Regional Presence: Most banks can be located in the NCR

PH Banking System: Regional Distribution of Banking Offices
As of End-December 2018, In Percent



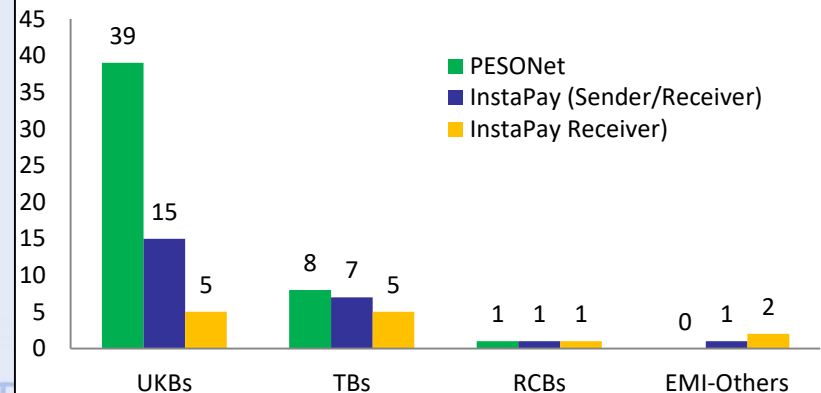
Approved E-Banking and E-Money Applications

As of End December 2018

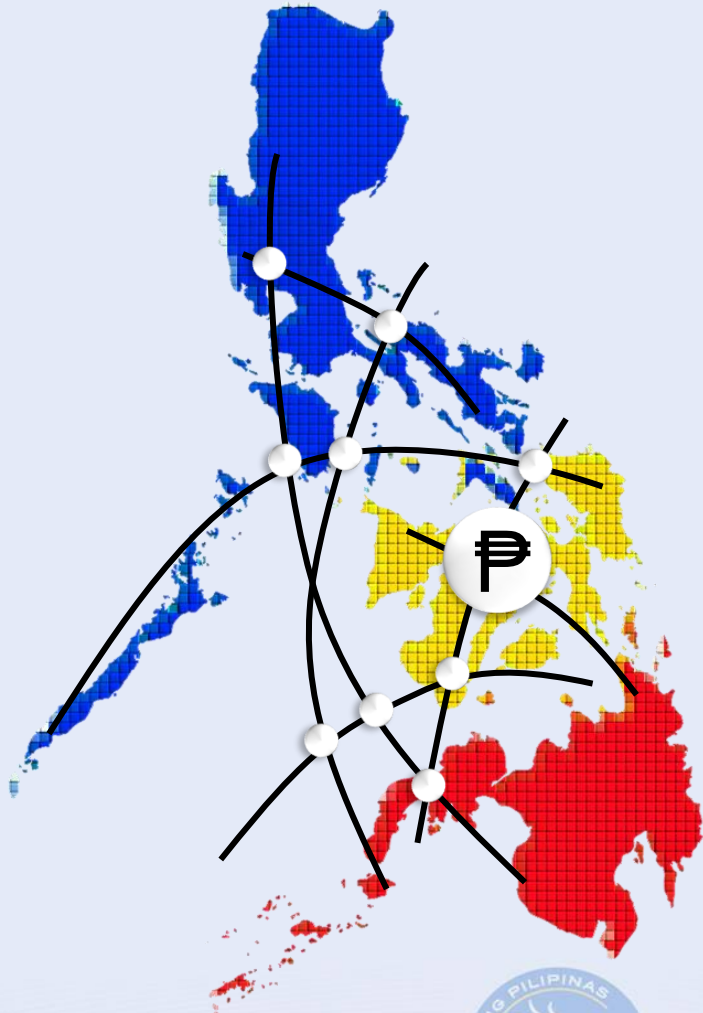


PESONet and InstaPay Participants

No. of Banks
As of March 2019



4 Evolving Banking System Landscape and Reform Agenda



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NRPS VISION:

20% ELECTRONIC PAYMENTS BY 2020

<input checked="" type="radio"/> Remittances	<input type="radio"/> Goods and Services
<input checked="" type="radio"/> Proceeds of Loans and Investments (interests)	<input type="radio"/> Electronic Fund Transfers
<input checked="" type="radio"/> Salaries, Allowances, Commissions	<input type="radio"/> Taxes and Licenses
<input checked="" type="radio"/> Bills Payments	<input type="radio"/> Debits and Other Credits

AUTOMATED CLEARING HOUSES UNDER THE NRPS

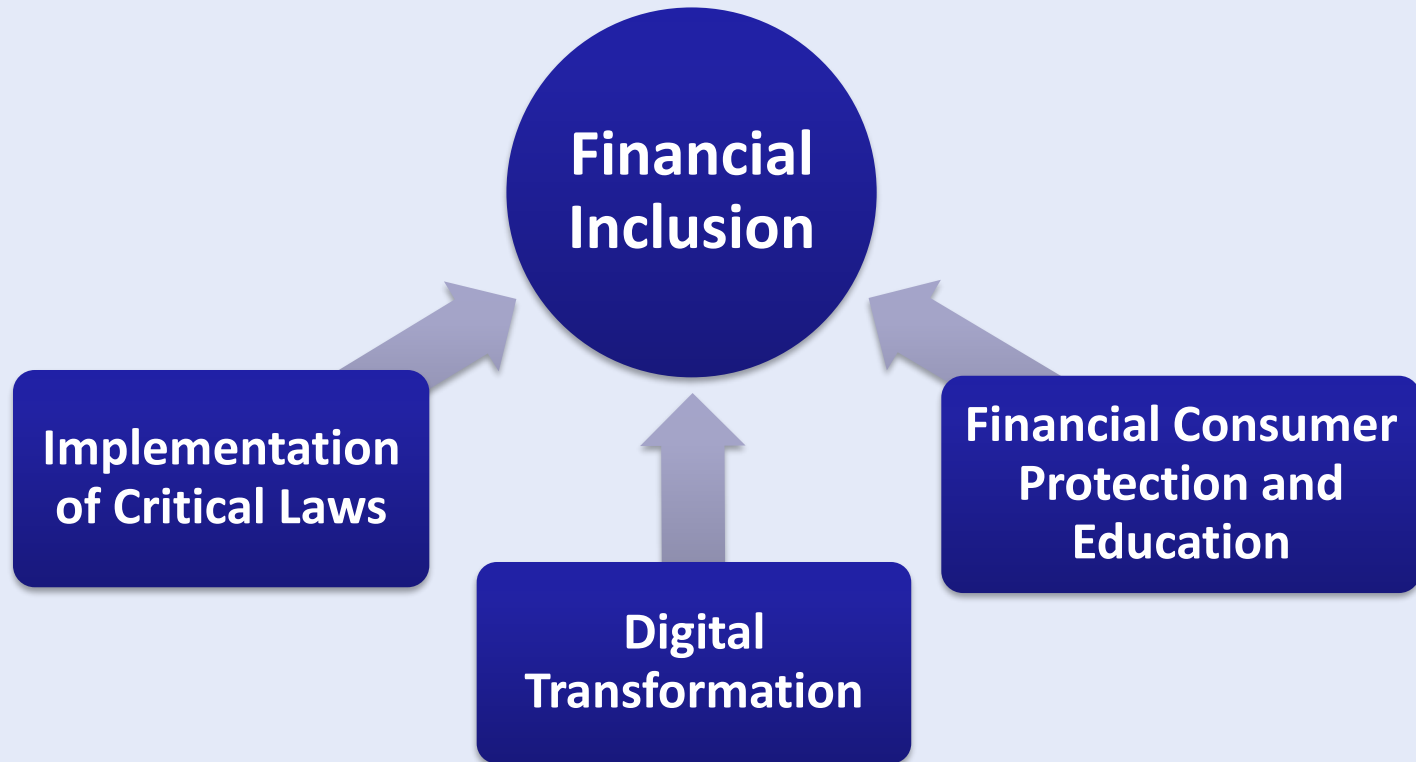


A batch electronic fund transfer (EFT) credit payment scheme, which can be considered an electronic alternative to the paper-based check system.



A real-time low-value EFT credit push payment scheme for transaction amounts up to P50,000.

4 Continuing the Legacy



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4 Implementation of Critical Laws



***“The Philippine
Identification
System”***
(R.A. No. 11055)



***“Personal Property
Security Act ”***
(R.A. No. 11057)

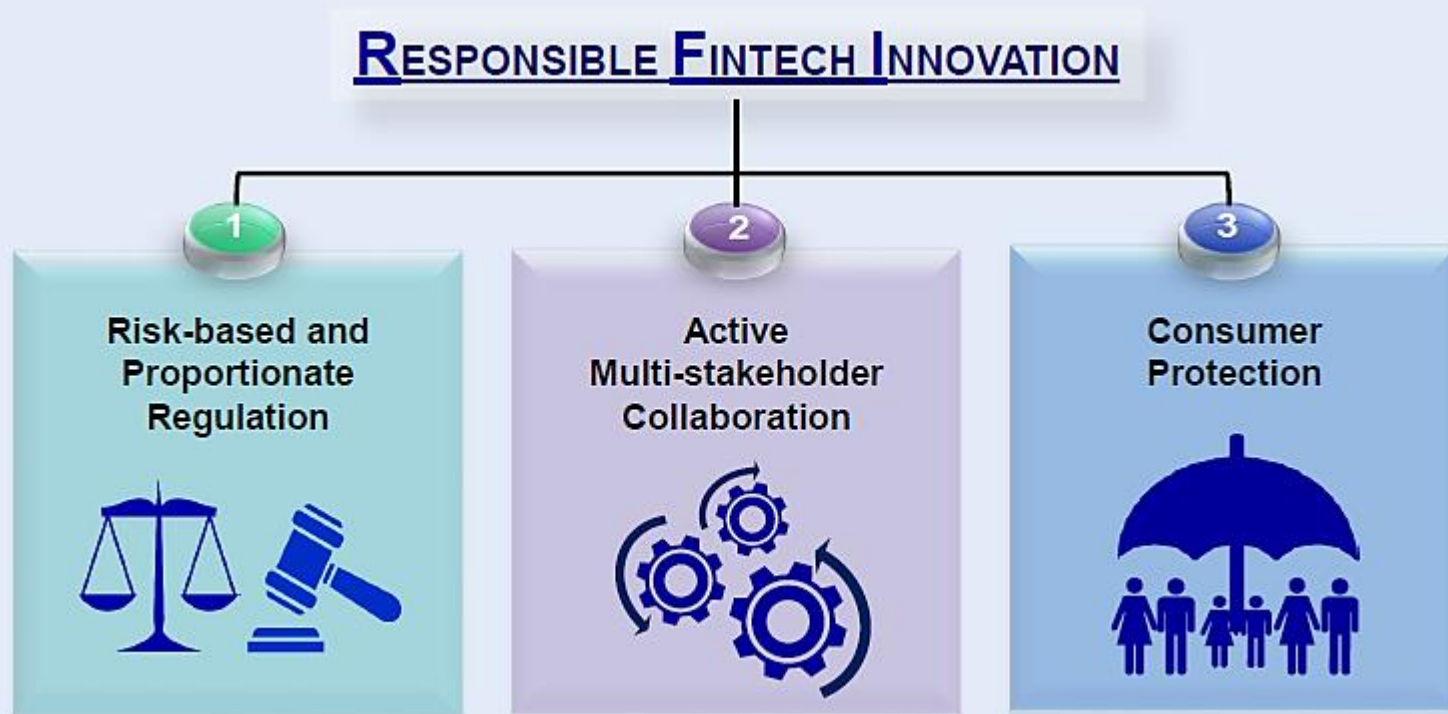


***“The National
Payments Systems
Act”***
(R.A. No. 11127)



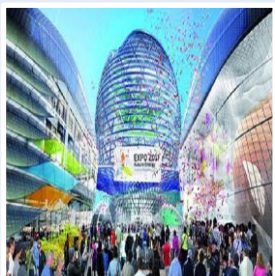
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4 BSP Approach to Financial Innovation



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4 BSP Financial Education Initiatives



**FinEd Stakeholders
EXPO**

FinEd Partnerships

**PISOLIT
on Facebook**



**Content
Development**

**Financial Learning
Seminars**



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5 KEY TAKEAWAYS



Leveraging on the implementation of new laws, the BSP is now in a stronger position to pursue its price and financial stability, and payments system efficiency mandates and its advocacy towards broad-based and inclusive growth.



Sound and resilient Philippine banking system supports domestic economic expansion.



Digitalization and financial technology are re-shaping the future landscape of the Philippine banking system.



The BSP stands ready to provide an enabling regulatory environment to keep pace with the evolving developments in the financial system.



Attainment of sustained and inclusive growth of the economy as well as the banking sector is a shared responsibility among various shareholders.



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