

Accounting as the Language of Business: *Some Perspectives from the Bangko Sentral*

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Governor
Bangko Sentral ng Pilipinas

**First National Summit of CPAs in Commerce and
Industry (NSCCI)**
30 January 2020
Century Park Sheraton, Manila



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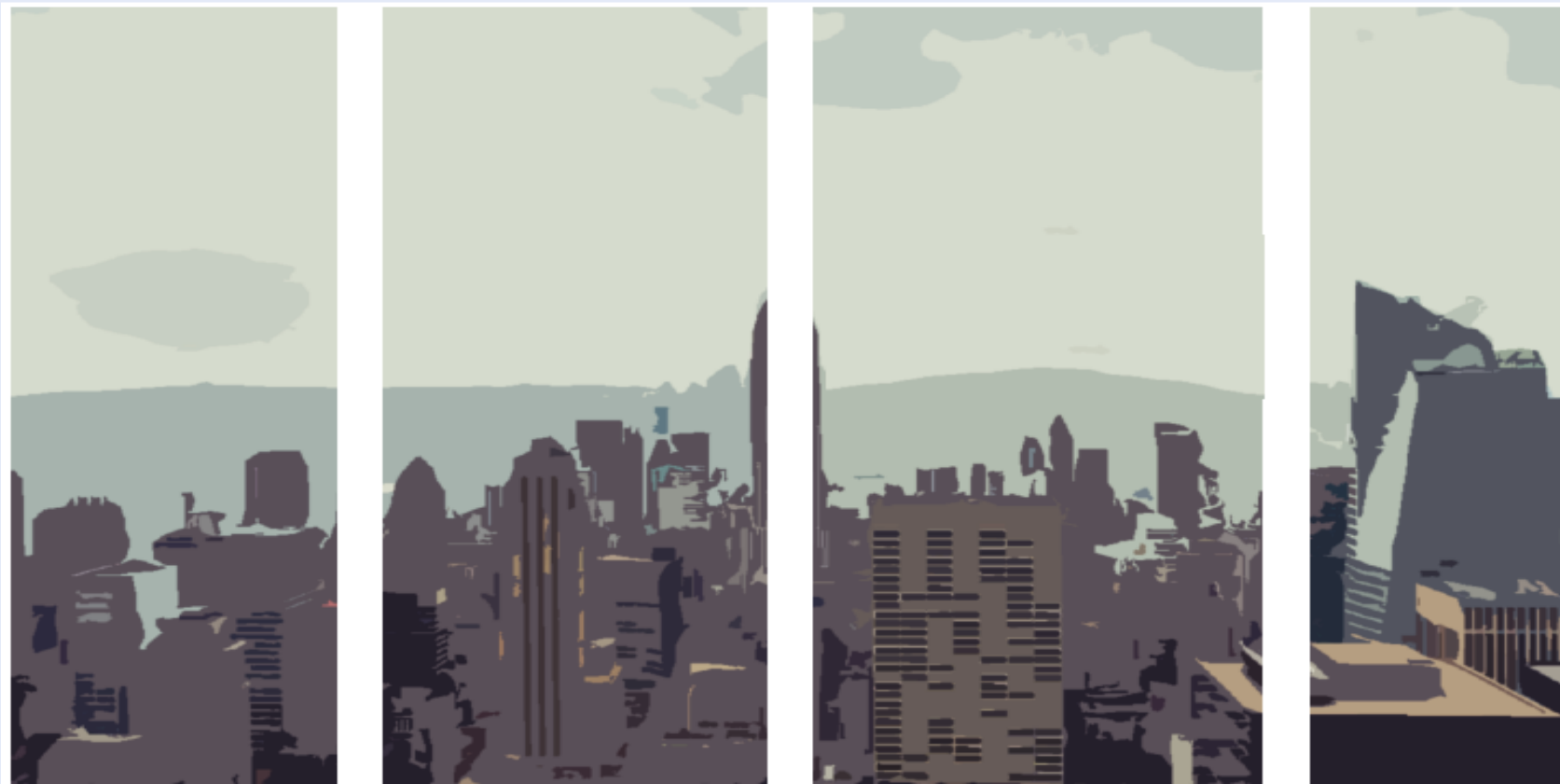
THIS PRESENTATION

- 1 Overview of Macro-Financial Developments**
- 2 Banking System Status and Outlook**
- 3 BSP Financial Sector Reform Agenda**
- 4 Policy Direction**
- 5 Concluding Thoughts**



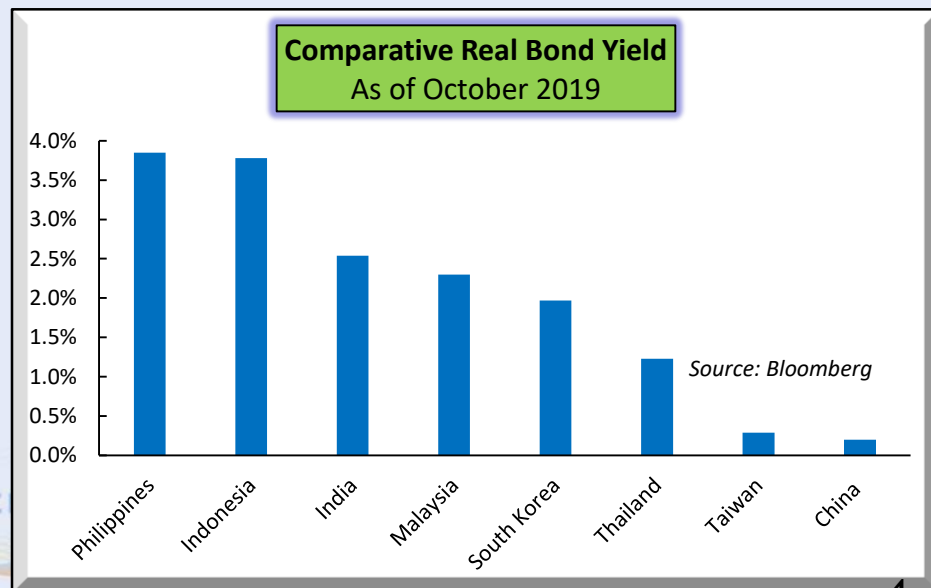
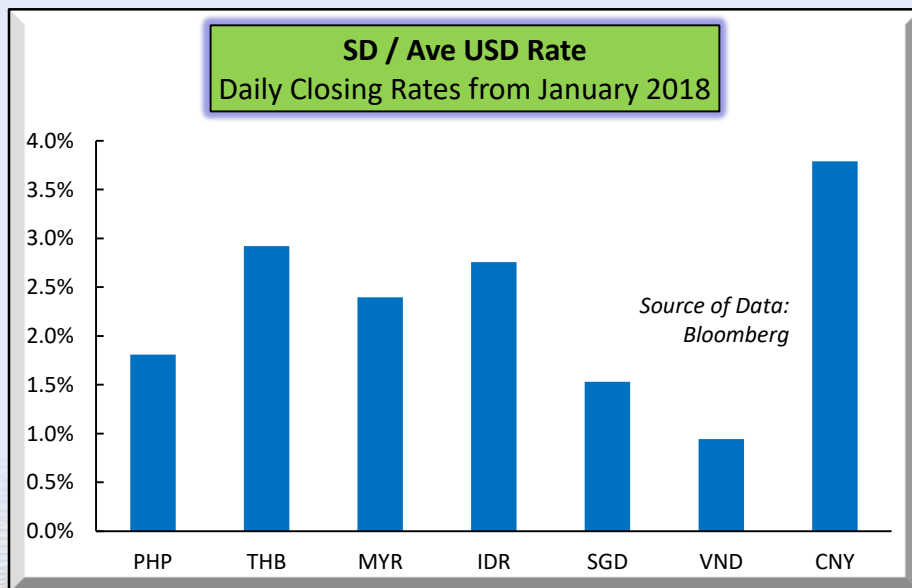
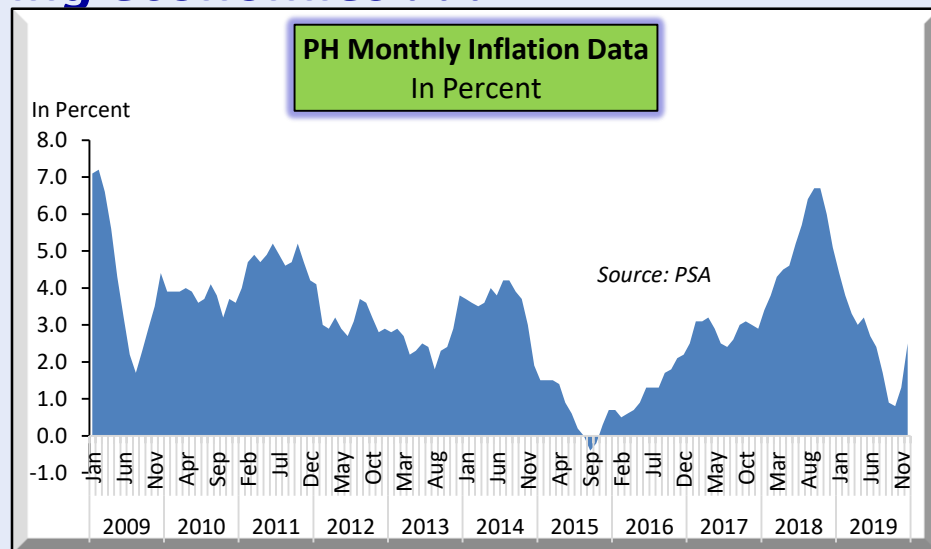
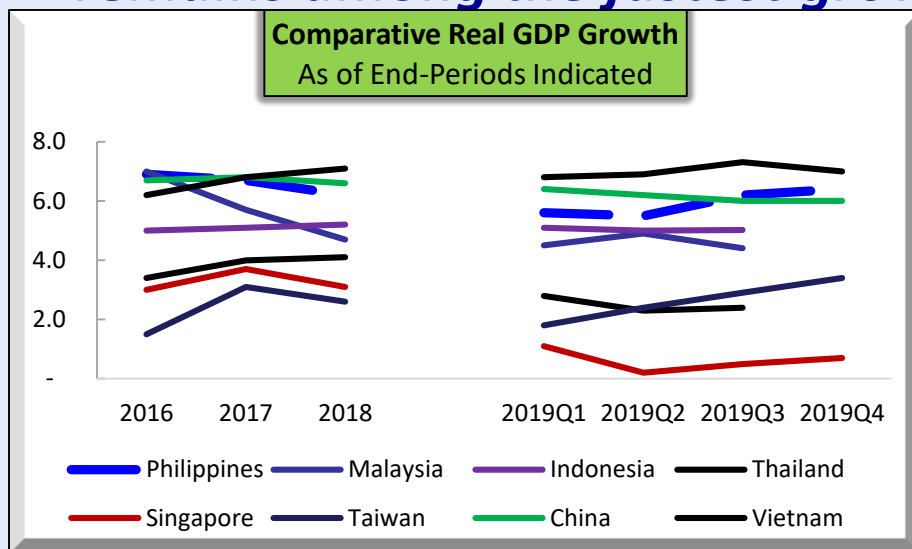
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1. Overview of Macro-Financial Developments

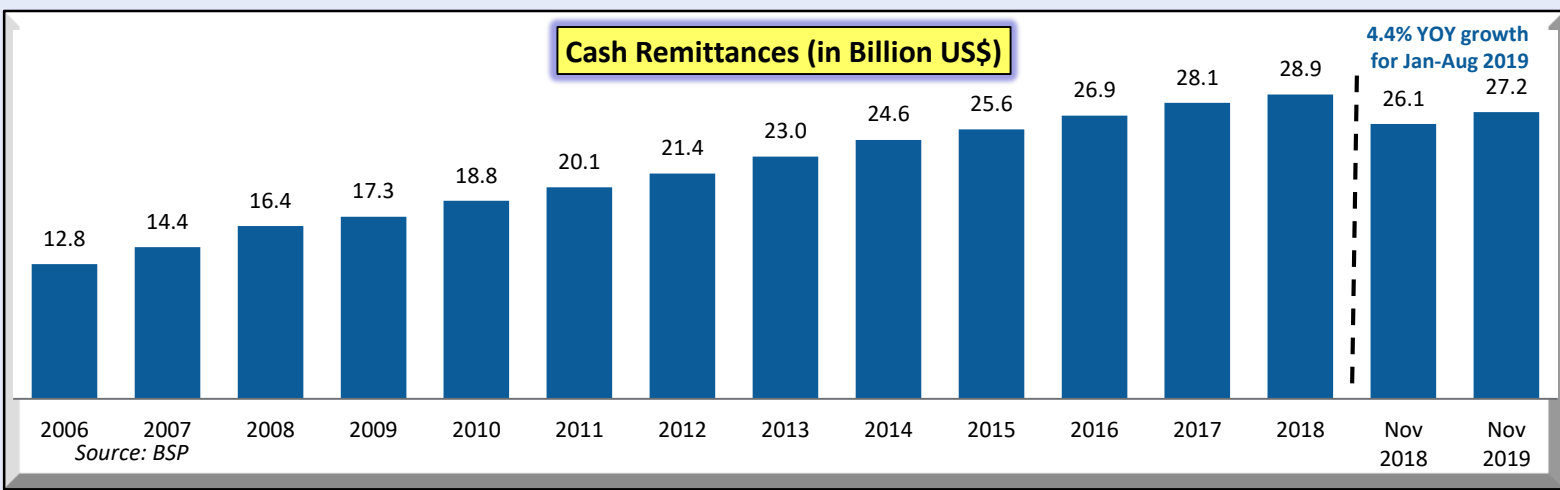
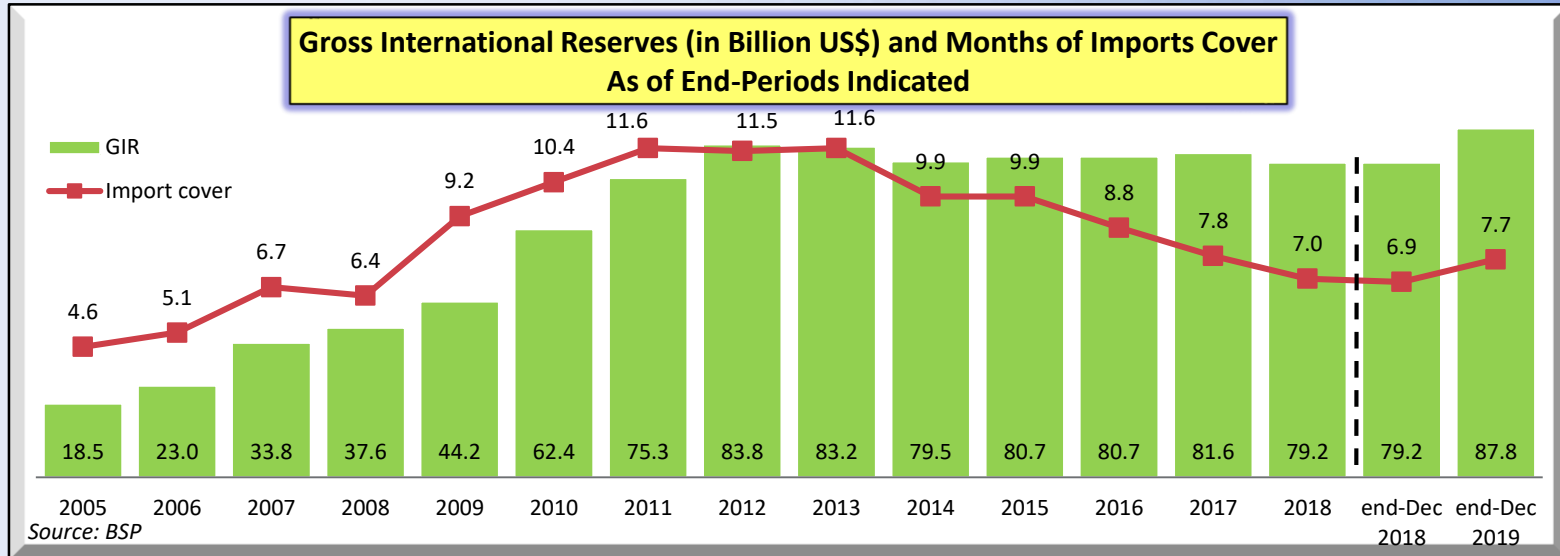


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Despite global uncertainties, the Philippines, backed by solid macroeconomic fundamentals and prudent policy reforms, remains among the fastest growing economies . . .



... with adequate buffer against and global volatilities.



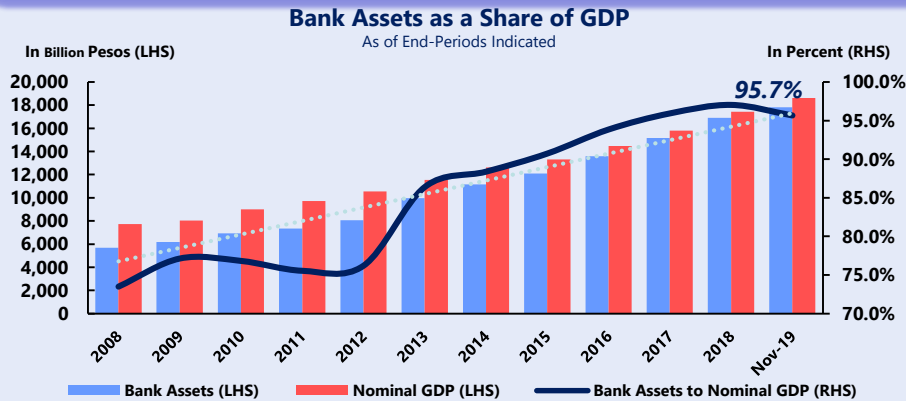
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2. Banking System Status and Outlook

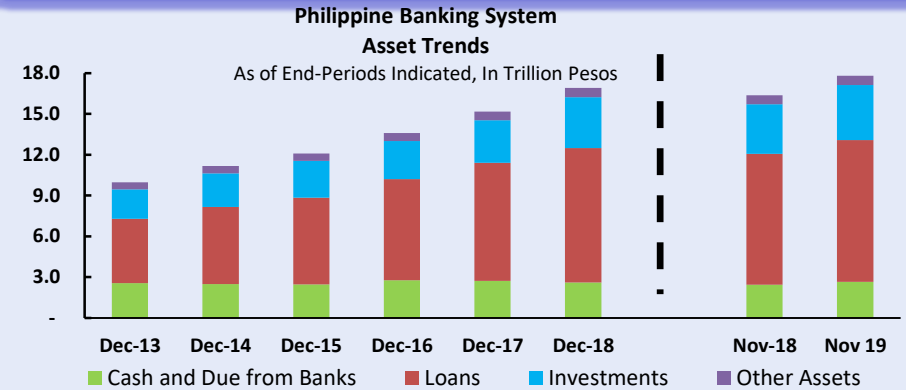


Banking system sustains robust performance as key performance indicators show further strengthening of banks' balance sheets . . .

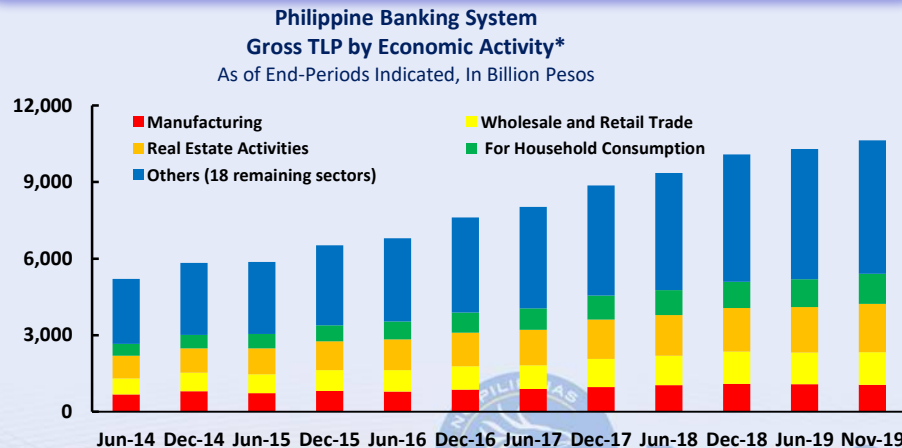
Banking assets rising along with expanding economy



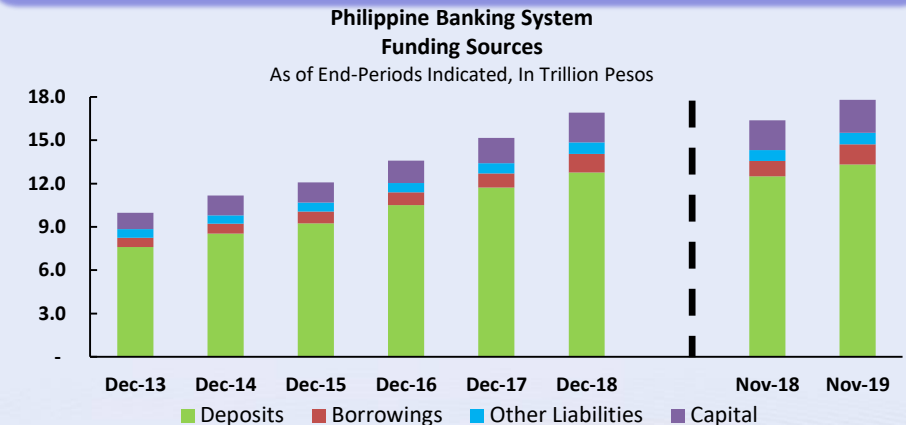
Loans continued to drive expansion in banks' asset base



Loan expansion remain broad-based



Strong funding base for credit expansion



Source of data: BSP

* Refers to economic sectors under the 2009 PSIC.

p/ Preliminary data

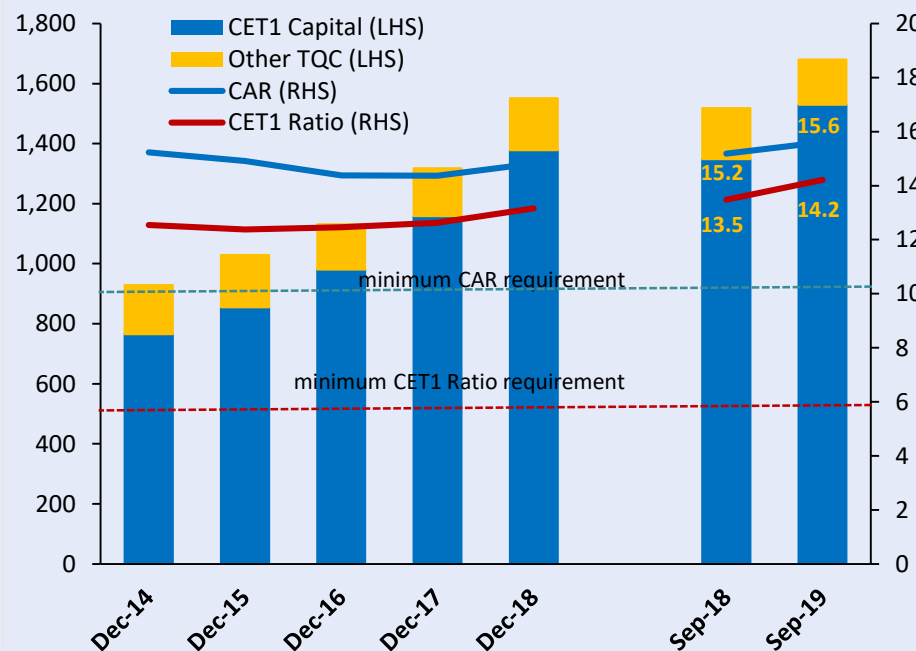
... while risk management remains relatively strong.

Risk-Based Capital: Well beyond domestic and global norms

Liquidity: Ample level of liquidity with adequate HQLAs

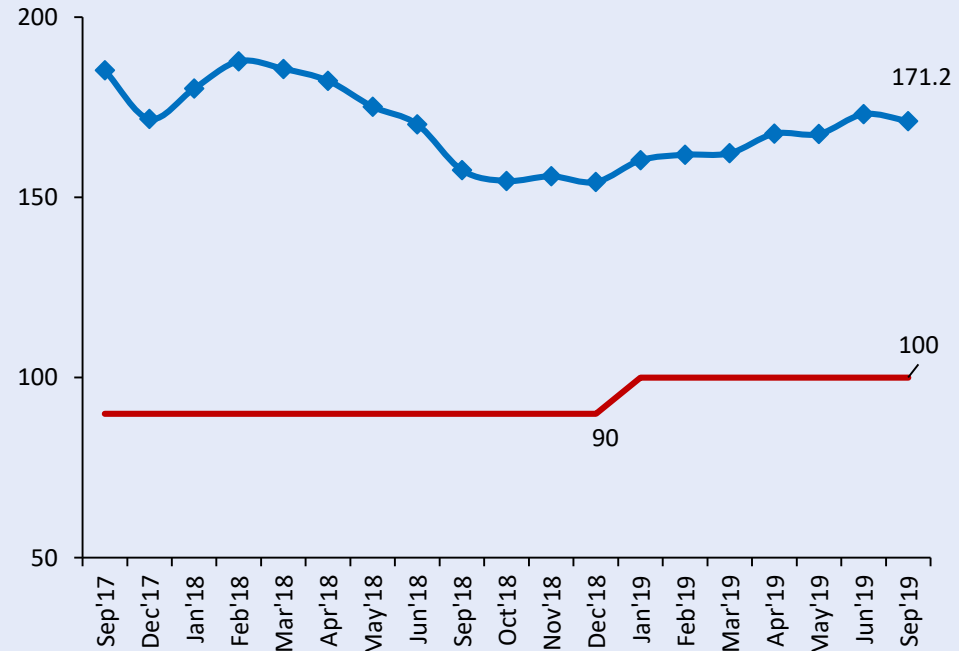
**Universal and Commercial Banks
Composition of Capital (Solo Basis)**

As of End-Periods Indicated, In Billion Pesos, Ratios in Percent



U/KBs LCR Compliance

As of End-Periods Indicated
In Percent



◆ U/KBs — Minimum Requirement



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Source of data: BSP

* These refer to economic sectors under the 2009 PSIC.

p/ Preliminary data

For the next two years, the banking system aims to . . .

Top 2 Strategic Priorities

1

Grow the business

Expand client base, invest in technology, and develop new products



2

Optimize technology

Digitize operations and customer service, leverage on technology for strategic efficiency



Plans to achieve growth

Develop new capabilities

Expand market reach

Leverage on client relationships



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3. BSP Financial Sector Reform Agenda



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The BSP's Strategic Financial Sector Reform Agenda

Strengthening risk governance

Leveraging on technology in finance and the use of artificial intelligence

Achieving greater and broader access to financial services

Upholding the integrity of the financial system and safeguarding the interest of the public

Accelerating capital market reforms, including foreign exchange liberalization



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The BSP Charter Amendment

H. No. 7742
S. No. 1297

Republic of the Philippines
Congress of the Philippines
Metro Manila
Seventeenth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-first day of July, two thousand eighteen.

[REPUBLIC ACT NO. 11211]

AN ACT AMENDING REPUBLIC ACT NUMBER 7653, OTHERWISE KNOWN AS "THE NEW CENTRAL BANK ACT", AND FOR OTHER PURPOSES



**Price
Stability**



**Financial
Stability**



**Safe and
Reliable
Payments
System**

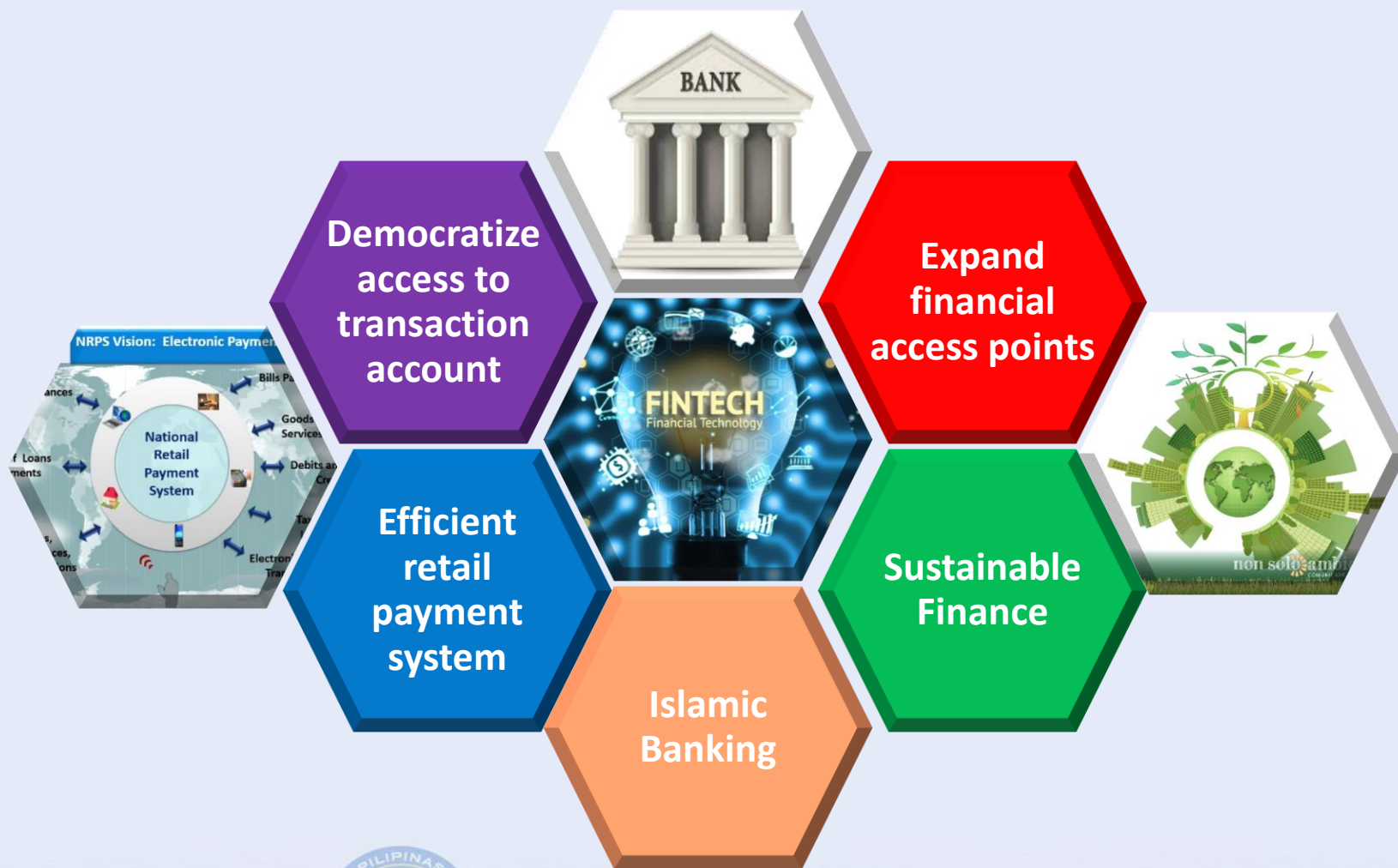


STRENGTHENS BSP'S PRICE AND FINANCIAL STABILITY FUNCTIONS



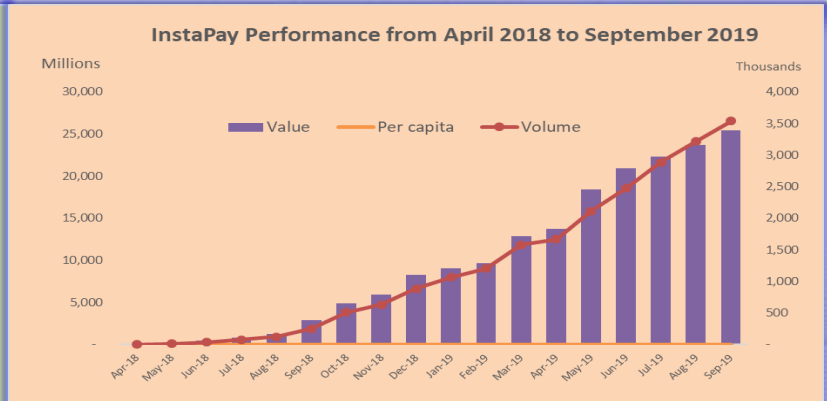
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The BSP Financial Inclusion Agenda – Inclusive, Digital Financial Ecosystem



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The National Retail Payment System

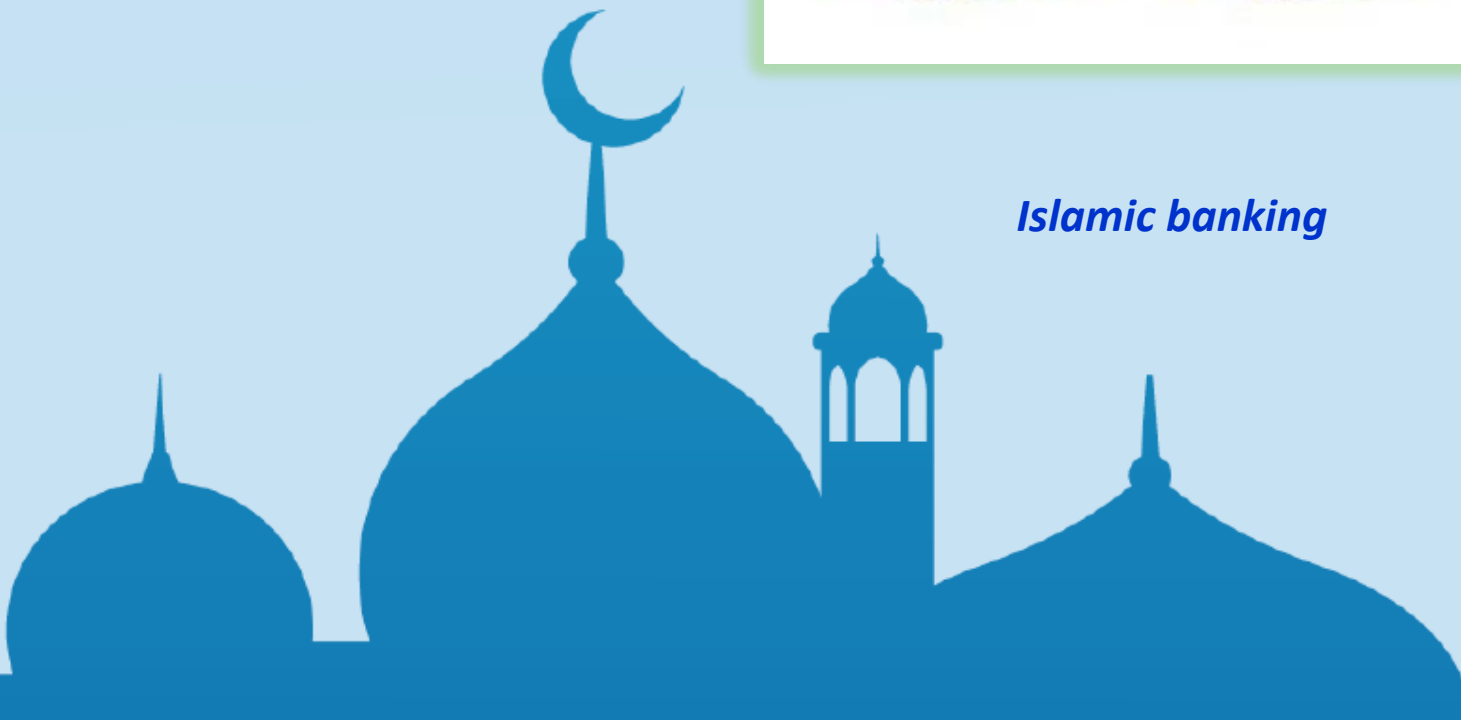


Frontier credit markets

Sustainable finance

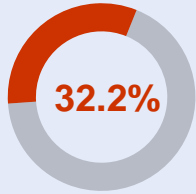


Islamic banking

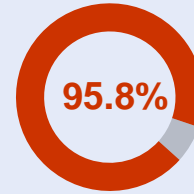


Fintech is a great enabler towards a more inclusive financial system

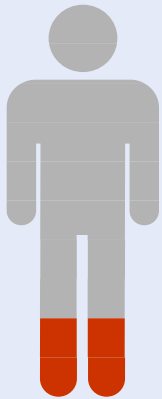
Overall Access Situation



526 out of 1,634 cities and municipalities have no banking office as of end-June 2019

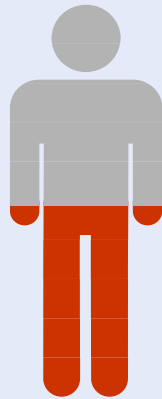


1,566 out of 1,634 cities and municipalities have at least one access point as of end-June 2019



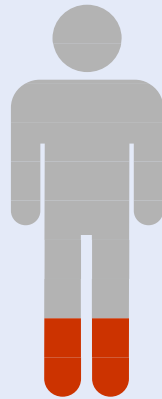
Account Ownership*

22.6% of total Filipino adult population have a formal account, a modest improvement from the 2015 estimate of 22%



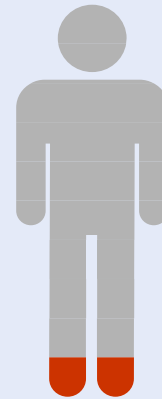
Formal Savings*

48.0% of total adult population had savings in 2017, a notable increase from the 43% recorded in 2015



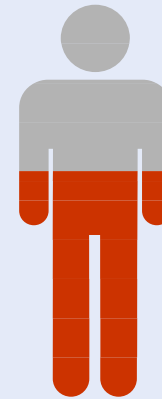
Loan Incidence*

22.3% of Filipino adults reported having an outstanding loans in 2017, a substantial decline from the 47.1% in 2015



Payments*

18.0% only of Filipino adults with an account use it for payments (or 4% of the total adult population)



Access Points*

64.0% or two-thirds of adults who did not use their accounts for payments still prefer cash payment while **20%** are not aware of electronic payment using their account

Bank Branches (**70%**), ATMs (**61%**) & pawnshops (**52%**) remain the most popular financial access touch points in terms of awareness, accessibility, & usage



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The BSP's Fintech Roadmap

Collaborative Engagements

Commensurate Regulations

Capacity Building



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4. Future Policy Direction

Banking System

Other Financial Sector Reforms



- ✓ Sustainable Finance Framework
- ✓ Bill on Financial Consumer Protection
- ✓ Comprehensive Amendments to Agri-Agra Law (RA 10000)

- ✓ FX Market Governance Framework
- ✓ Corporate Governance
- ✓ Supervision of conduct and culture
- ✓ Supervisory Approach Framework Review (SAFR)

- ✓ Basel III Reforms – standardized approach to credit and operational risks, etc
- ✓ Revised Pillar 3 Disclosures
- ✓ Basel standards on large exposure

- ✓ Risk-Based Pricing
- ✓ Model Risk Mngt
- ✓ Reputational Risk Mngt
- ✓ Intraday liquidity reporting

- ✓ NRPS expansion
- ✓ Large value transfers
- ✓ Regtech and Suptech
- ✓ Enhanced Collaboration with other Agencies (FSF, Industry Associations)



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5. Our Key Takeaways



Strong macroeconomic fundamentals support Philippine economic growth.



The Philippine banking system grows alongside the economy to facilitate efficient financial intermediation.



Financial technology and digitization are shaping the future landscape of Philippine banking system.



BSP stands ready to provide enabling regulatory environment.



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