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FINANCIAL AUTHORITIES RELEASE
STRATEGY FRAMEWORK FOR 'SYSTEM HEALTH'

The Financial Stability Coordination Council (FSCC) released its framework on how it has been using so-called macroprudential policies to manage systemic risks in the financial system.

In a virtual press event on 14 July, the principals from the FSCC member agencies came together to make available its document "*Macroprudential Policy Strategy Framework: The Case of the Philippines.*" This puts the Philippines among the jurisdictions which subscribe to the best practice of publishing their macroprudential policy frameworks.

In the aftermath of the 2007 global financial crisis, "financial stability" became an overarching policy consideration. Financial authorities learned from the crisis that systemic risks needed explicit oversight. The reforms of the global financial architecture that followed have been premised on making the financial system more resilient from shocks, both from external sources as well as those generated by the financial system itself.

Bangko Sentral ng Pilipinas (BSP) Governor and FSCC Chairman Benjamin E. Diokno said that the document reflects the country's journey in institutionalizing the pursuit of financial stability. "There is so much nuance in this policy area – of what it is and what it is not – that finalizing such a framework is a milestone in itself," he pointed out. He adds that "not only have we finalized the document, we also instill transparency by making it publicly available."

"We offer to the public that no less than the Secretary of Finance, the heads of the SEC, IC, PDIC as well as the BSP, regularly assess the changing jigsaw puzzle of risk behaviors. We are joined by the Bureau of the Treasury and we collaborate with many agencies and associations to come up with a holistic view of what's happening and then decide – using this framework that we make available – on what else can be done," said Governor Diokno.

Systemic risks are disruptions in the financial system which can have negative consequences in the broader economy, while *macroprudential policies* are the interventions used by the authorities to manage these risks.

The FSCC Chairman clarified that macroprudential policy does not take away from any existing policy objectives. "Macroprudential policy has a defined scope and perimeter and works alongside all the other policy objectives of financial authorities," Governor Diokno pointed out.

On the same day, the Council also held its quarterly meeting. The centerpiece of the discussion continues to be the path towards the New Economy.

Based on its models that reflect the interlinkages – financial as well as socio-economic considerations – within the economy, the Council confirmed the interventions that it agreed upon at the last meeting. It likewise affirmed its intention to broaden its collaboration with various public-private sector stakeholders, specifically to reboot the economy under broad guidelines of the New Economy landscape. Acting Socioeconomic Planning Secretary Karl Kendrick T. Chua joined the meeting.

The FSCC is an inter-agency council composed of the BSP, DOF, IC, PDIC, and SEC. It is the venue for financial market authorities to identify, monitor, manage, and mitigate the build up of systemic risks in the Philippine financial system.

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