



Securities and
Exchange
Commission
PHILIPPINES

PRESS RELEASE

FOR IMMEDIATE RELEASE

Date: 10 January 2023

For further information, contact:

Tel. Nos. 8811-1277 locals 3025/3026

FSCC HIGHLIGHTS STRENGTHS OF PH'S FINANCIAL MARKETS, IDENTIFIES AREAS FOR ENHANCEMENT MOVING FORWARD

The Principals of the Financial Stability Coordination Council (FSCC) held a roundtable discussion that focused on enhancing the resilience of the Philippine financial system.

FSCC Chairman and Bangko Sentral ng Pilipinas (BSP) Governor Felipe M. Medalla, Securities and Exchange Commission (SEC) Chairman Emilio B. Aquino, Philippine Deposit Insurance Corporation (PDIC) President Roberto B. Tan, and Insurance Commission (IC) Commissioner Dennis B. Funa joined the discussion.

"We have achieved considerable momentum in economic growth and the banking industry continues to be a pillar of strength. But financial stability involves the entire financial system and we have to pay attention to the underlying linkages among banks, between banks and non-bank financial institutions as well financial institutions with the rest of the economy," said FSCC Chairman Medalla.

For his part, SEC Chairman Aquino noted that different parts of the financial system may react differently to the same market conditions. "We saw the capital market expand just as the loan market tightened as the pandemic unfolded. This made sure that funding remained available to corporations just when they needed it most," observed the SEC Chair.

The critical role of financial literacy, an advocacy of the PDIC, was raised by PDIC President Tan. He pointed out that "Economic growth improves welfare but there is still much to be done in developing a culture of saving in the Philippines. What we would like to see is for savers and depositors to become investors but doing so means that they must also manage risks. This is why financial literacy is not just about individuals, but it is also about managing system-level risks," PDIC President Tan explained.

IC Commissioner Funa commented that the issue of financial literacy and interlinkages within and across markets must be taken together.

"For the financial market to be really stable and serve the needs of the public, it must provide different options to different stakeholders. This means that shocks in one area may be opportunities elsewhere. Rising interest rates, for example, increased the cost of financing but for long-term markets like the insurance sector, this also is an opportunity to improve our yields versus actuarial estimate. Understanding all of these opportunities requires financial literacy and the ability to manage risks," emphasized Commissioner Funa.

In closing the discussion, the FSCC Principals were asked what their vision would be for the Council's systemic risk work moving forward. PDIC President Tan

talked about taking a holistic view of risk behaviors, aligning not just regulations but also incentives and safety nets. IC Commissioner Funa highlighted the need to develop a long-term funding market to avoid recurring short-term volatilities. This was followed up by SEC Chair Aquino who suggested that a developed capital market is not only about long-term funding but also about mitigating risks.

In his final thoughts, FSCC Chair and BSP Governor Medalla noted that “There is a need to continuously invest in the analytics for systemic risk management. Data requirements are formidable, but the work remains critical to ensure financial stability. The strength of our market should not be a reason to be complacent because it is in periods of stability that instabilities develop.”

###