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FSCC ASSESSES GLOBAL RISKS; TAKES NEXT STEPS TO FUEL FURTHER RECOVERY

The Financial Stability Coordination Council (FSCC) crafted its 2022 work program designed to further the country's growth and make the financial system even more resilient, after reviewing the emerging global risks and assessing the local market impact.

Recent reports from multilateral agencies and standard-setting bodies have concluded that financial markets throughout the world have avoided the market collapse that was feared early into the pandemic.

While Covid-19 has had significant damage in lives and livelihood, the same reports point to positive developments over the past two years. In particular, the non-bank financial sector has seen a global boon, together with the increased use of digital facilities in finance.

The FSCC noted that the same positive developments have been evident in the Philippines.

BSP Governor Benjamin Diokno, chairperson of the FSCC, observed that issuance of private securities increased significantly since 2020 "as market players responded to the strategic intervention of the authorities to free up liquidity and reduce the cost of financing."

The FSCC also analyzed the impact of accommodative financial conditions that staved off a market collapse.

"We all can read of references to divergence, spillovers, and vulnerabilities. What these simply mean is that the authorities need to recognize how different stakeholders are situated differently, now and into the future, and would thus require differentiated interventions," Governor Diokno said.

Based on the FSCC work program, the framework for managing crises of systemic risk proportions as well as on pre-emptive macroprudential stress tests will be announced soon.

"From the perspective of the FSCC, we regularly assess the risks in the global markets but we are grounded by the risks that may materialize domestically. This is the nature of systemic risks, thinking globally but always acting locally," Governor Diokno added.

This year-end meeting of the FSCC also specifically focused on initiatives that will further strengthen the non-bank financial sector.

The FSCC is composed of the Bangko Sentral ng Pilipinas, the Department of Finance, the Insurance Commission, the Philippine Deposit Insurance Corporation, and the Securities and Exchange Commission. Recently, President Duterte signed Executive Order no. 144 institutionalizing the FSCC.

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