

Regulation in the Philippines: Prospects, challenges, and comparative perspectives



BANGKO SENTRAL NG PILIPINAS

Periods of Regulatory Reforms

1997

Asian Financial Crisis

2008

Global Financial Crisis

10 Years After

Regulatory Reforms

1997

Asian Financial Crisis

General Banking Law (GBL) of 2000

- Alignment of capital requirements with international standards
- Fit and proper requirements for the board of directors
- Rules on related party lending

Regulatory Reforms

2008 Global Financial Crisis *Basel III*



Regulatory Reforms

2008 Global Financial Crisis *Basel III*

Basel Reform/Standard	Regulatory Issuance/Status
<i>With regulatory issuance</i>	
Basel III Minimum Capital Requirements and Capital Conservation Buffer	<ul style="list-style-type: none"> • Circular No. 781 dated 15 January 2013 • Took effect on 01 January 2014
Domestic Systemically Important Banks	<ul style="list-style-type: none"> • Circular No. 856 dated 29 October 2014 • Monitoring period from 1 July 2016 to 31 December 2017 • Phased-in implementation starting 1 January 2017, with full compliance on 1 January 2019
Leverage Ratio Framework, including disclosure requirements	<ul style="list-style-type: none"> • Circular No. 881 dated 9 June 2015 and Circular No. 954 dated 26 January 2017 • Monitoring period extended until December 2017 • Effectivity of the regulation will be finalized when the revisions to the international Basel III Leverage Ratio framework is issued by the BCBS
Liquidity Coverage Ratio (LCR) Framework, including disclosure requirements	<ul style="list-style-type: none"> • Circular No. 905 dated 10 March 2016 • Monitoring period until 31 December 2017 • Phased in implementation starting 1 January 2018, with full compliance on 1 January 2019
<i>Complementary reform initiatives</i>	
Risk Disclosure Requirements on Loss Absorbency Features of Capital Instruments	<ul style="list-style-type: none"> • Circular No. 786 dated 15 February 2013 and Circular No. 826 dated 14 February 2014
Guidelines on Recovery Plan of a Domestic Systemically Important Bank (DSIB)	<ul style="list-style-type: none"> • Circular No. 904 dated 10 March 2016. • First recovery plan submitted on 30 June 2016 as a supplement to the 2016 ICAAP document which was submitted last 16 March 2016.

Regulatory Reforms

2008 Global Financial Crisis

Corporate Governance and Risk Management

Three-Phase

Corporate Governance Reforms

- **First:** Fit and Proper Requirements
- **Second:** Checks and Balances Systems
- **Third:** Management of Key Risk Areas
(Includes the Guidelines in Handling Related Party Transactions)

Regulatory Reforms

2008 Global Financial Crisis
Changes in Supervision Perspective

Macroprudential perspective

Focus on conduct concerns

Regulatory Reforms

2008 Global Financial Crisis
Changes in Supervision Perspective

Macroprudential perspective

- Macroprudential tools and assessment
- Inter-agency coordination

Regulatory Reforms

2008 Global Financial Crisis
Changes in Supervision Perspective

Focus on conduct concerns

- Inter-agency coordination
- Guidelines on treasury operations and sales practices
- Creation of Anti-Money Laundering specialist Group and Financial Consumer Protection Department

Factors that will Shape the Regulatory Framework

10 Years After the GFC

Conduct and culture issues

Digitization

Changing market behavior

Factors that will Shape the Regulatory Framework

10 Years After the GFC

Conduct and culture issues

- Changing business models
- Increasing competition
- Increasing cost of compliance

Factors that will Shape the Regulatory Framework

10 Years After the GFC

Digitization

- Providing alternative channels to reach the unserved and underserved market
- Promising efficiency at reduced costs
- Introducing new risks

Factors that will Shape the Regulatory Framework

10 Years After the GFC

Changing market behavior

- Reaction to changing business environment
- Search for higher yields
- Expectation of greater transparency