

The BSP and Inclusive Central Banking

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PIDS-UNESCAP Webinar 14July 2022



UNESCAP calls for a new lens on the role of central banks



Central banks should and can promote inclusive development

Monetary **Policy** Conduct

Official Reserve Management Currency Issuance Financial Regulation



The BSP's primary mandate is price stability

"The primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy and employment"

"In the attainment of its objectives, the Bangko Sentral shall promote broad and convenient access to high quality financial services and consider the interest of the general public."

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-third day of July, two thousand eighteen.

REPUBLIC ACT NO. 11211

OTHERWISE KNOWN AS "THE NEW CENTRAL BANK ACT", AND FOR OTHER PURPOSES

Section 3. R.A. No. 7653 (New Central Bank Act), as amended by R.A. No. 11211



The BSP adopts a holistic approach in reserve management

- The BSP integrates sustainability and ESG considerations implicitly, through investments in green bonds
- Sustainability and ESG considerations are being implemented in BSP's non-core reserves.
- The BSP is looking into aligning its reserve management framework to the UN Principles for Responsible Investment



The BSP recognizes the need to understand CBDCs

Half of Asia-Pacific central banks are at various stages of exploring CBDC

RESEARCH

- Australia (Australia CBDC)
- Bhutan
- China (China CBDC)
- Georgia
- Hong Kong, China (Hong Kong CBDC)
- India
- Indonesia
- Japan (Stella)
- Lao People's Democratic Republic
- Macao, China
- New Zealand
- Pakistan
- Philippines
- Singapore (Project Orchid)
- Taiwan Province of China
- Viet Nam

PROOF OF CONCEPT

- Australia (Project Atom)
- Hong Kong, China and Thailand (Itanon-LionRock)
- Islamic Republic of Iran
- Japan (Digital yen)
- Kazakhstan
- Malaysia
- Russian Federation
- Thailand (Thailand CBDC)
- Turkey

PILOT

- China (e-CNY)
- France and Singapore (France & Singapore CBDC)
- Republic of Korea

Source: ESCAP, based on the CBDC Tracker (www.cbdctracker.org), as of February 2022.

Note: For countries or areas that are exploring more than one CBDC, the names of CBDC are indicated within the parentheses.



The BSP is at the forefront of promoting sustainability principles in the financial sector

Sustainable Central Banking Program

BSP integrates Environmental, Social, and Governance (ESG) related principles in its strategic objectives, corporate governance and risk management and operations

Sustainable Finance Framework

Mainstreams sustainability principles in the governance framework, risk management system, strategies, and operations of banks

Environmental and Social Risk Management (ESRM) Framework

Embedding the ESRM in banks' existing risk management frameworks and scenario analysis or stress testing exercises



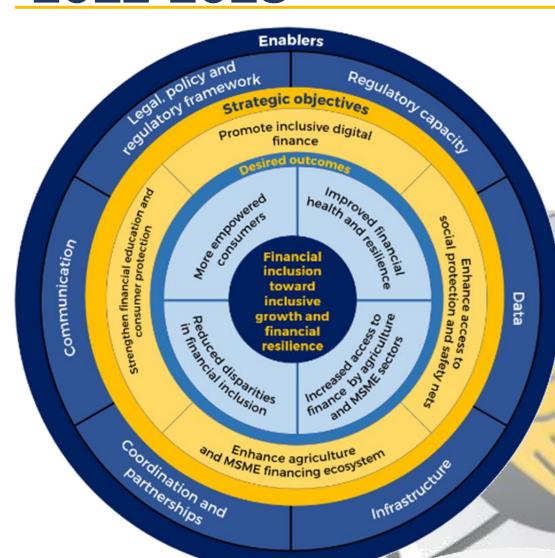


Financial inclusion is a strategic advocacy of the BSP

- Microfinance as flagship program for poverty alleviation in the early 2000s
- BSP became the first central bank in the world to have an office dedicated to inclusive finance in 2007
- BSP chairs the interagency Financial Inclusion **Steering Committee**



National Strategy for Financial Inclusion 2022-2028



Key Outcomes:

- Reduced disparities in financial inclusion
- 2. Improved financial health and resilience
- 3. More financially capable and empowered consumers
- 4. Increased access to finance for MSMEs, including start-ups, and the agriculture sector

Digital Payments Transformation Roadmap 2020-2023



Digital Payment Streams

Payments merchants,
suppliers,
utilities,
savings and
investments



Digital Infrastructure

Philippine Identification System, Credit Risk Database



Digital Governance

Payment
System
Oversight
Framework,
Cybersecurity
policies,
Open
Banking



Objectives by 2023

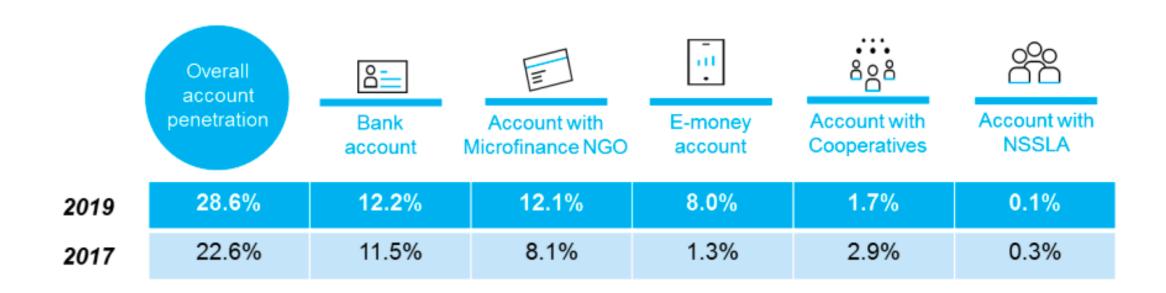
50% of financial transactions done digitally 70% of Filipino adults to have transaction accounts



Financial Consumer Protection Act

Seeks to strengthen protection for financial consumers against increasing cybercrimes

The BSP's financial inclusion agenda has produced results





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