THE FINANCIAL STABILITY COORDINATION COUNCIL

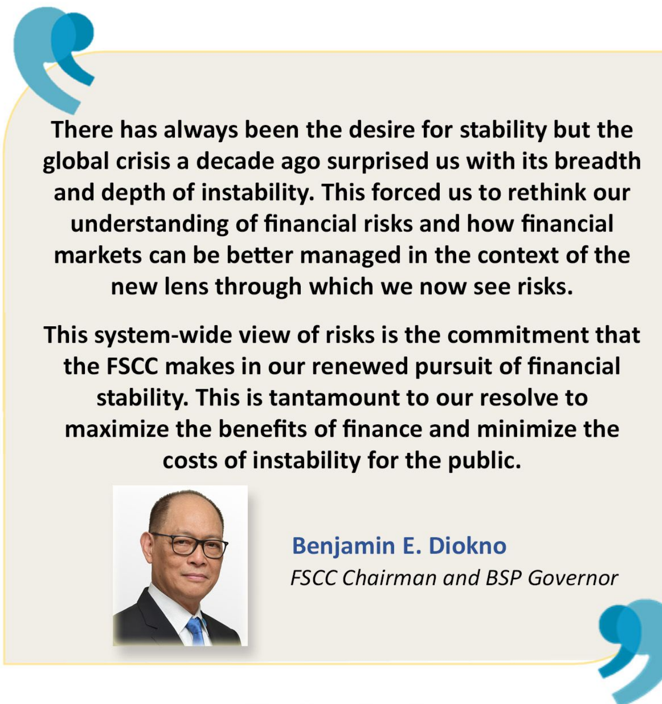
Markets, institutions, products, infrastructures, and agents are bound through a complex web of interlinked transactions. Managing the broader system then requires a structured framework where system-level vulnerabilities are addressed on a cross-sectoral basis.

This structured framework is the purview of the FSCC which recognizes financial stability as a collaborative effort among stakeholders. At the FSCC, financial authorities identify, monitor, manage, and mitigate the build up of systemic risks.

The FSCC was first convened on 4 October 2011 and then formalized on 29 January 2014 through the signing of a Memorandum of Agreement. It is a voluntary inter-agency council with the Bangko Sentral ng Pilipinas, the Department of Finance (DOF), the Insurance Commission, the Philippine Deposit Insurance Corporation, and the Securities and Exchange Commission as member institutions. The Bureau of the Treasury, an agency under the DOF, actively participates in the FSCC meetings.

The pursuit of financial stability covers a lot of issues which affect various stakeholders in different ways. The FSCC remains committed to enhancing awareness, promoting understanding, developing proficiency, and carrying out actions that support financial stability so that stakeholders can make well-informed choices.

"The FSCC promotes the financial and economic well-being of Filipinos by fostering financial stability."



There has always been the desire for stability but the global crisis a decade ago surprised us with its breadth and depth of instability. This forced us to rethink our understanding of financial risks and how financial markets can be better managed in the context of the new lens through which we now see risks.

This system-wide view of risks is the commitment that the FSCC makes in our renewed pursuit of financial stability. This is tantamount to our resolve to maximize the benefits of finance and minimize the costs of instability for the public.

Benjamin E. Diokno
FSCC Chairman and BSP Governor

For inquiries, please contact us:

OFFICE OF SYSTEMIC RISK MANAGEMENT
Technical Secretariat of the FSCC
Bangko Sentral ng Pilipinas
5th Floor Multi-storey Building, BSP Complex,
A. Mabini Street, Malate, 1004 Manila, Philippines

Telephone No.: (+632) 53062938
Fax No.: (+632) 53062448
E-mail: fscc@bsp.gov.ph
Facebook: www.facebook.com/FSCCph
#FinancialStabilityPH
#FSCCph

UNDERSTANDING FINANCIAL STABILITY IN THE PHILIPPINES

FINANCIAL STABILITY COORDINATION COUNCIL

GLOBAL FINANCIAL CRISIS

The 2007-2009 global financial crisis (GFC) was a period of great difficulty. While funding in the financial market dried up, major corporations declared bankruptcy. With financial markets in a tailspin, many people lost their jobs while the financial investments of investors lost considerable value.

The GFC started from the problems in the United States mortgage market and then quickly spread to other economies, causing many advanced economies to contract.

WHAT FINANCIAL STABILITY IS ALL ABOUT

With the devastation from the GFC, authorities are committed to avoid its recurrence. One of the important insights coming out of the GFC is the policy objective of "financial stability." Different countries define the concept in slightly different terms, but financial stability is ultimately about the health of the financial system and the need to manage systemic risks that result from the unique nature of financial markets as networks. This is separate and distinct from the intention to ensure the health of each financial institution.

In executing this policy objective of financial stability, the task is to manage underlying weaknesses (or vulnerabilities) that come from external shocks and the way institutions transact with each other. This includes identifying institutions whose weaknesses cascade to the rest of the financial system. These different vulnerabilities are the main sources of "systemic risk."

MANAGING SYSTEMIC RISK

Systemic risk is a risk of disruption to financial services arising from interlinkages in the financial system and has the potential to have serious negative consequences to the economy. Managing systemic risks has become a main goal of policymakers, enhancing the resilience of the system against disruptions that can eventually prevent the benefits of a well-functioning financial market to accrue to its stakeholders.

Stripped to its core, the policy objective of today's financial stability is to enhance the resilience of the financial system from disruptions that can prevent the orderly conduct of the market and its financial market infrastructures.

Financial stability is the state when prospective systemic risks are mitigated so as to allow financial consumers, both individuals and corporate entities, to pursue viable economic goals while avoiding disruptions to the smooth functioning of the financial system that can negatively affect the rest of the economy.

-- BSP and FSCC Definition

The Philippine financial market withstood the debilitating issues that arose throughout the GFC and remains today in a position of strength. The Financial Stability Coordination Council (FSCC) is cognizant that such strength needs to be always nurtured and does not make the country immune from systemic risk. Regulatory authorities remain vigilant against brewing risks that may undermine the stability of the Philippine financial system.

FINANCIAL STABILITY MATTERS TO EVERYONE

People mistakenly think that the pursuit of financial stability is only about avoiding the next crisis. While this is true, financial stability must also be about making sure that the benefits of a well-functioning financial market accrue to the public through the availability and effective delivery of financial products and services. These gains should be evident ultimately in the real economy and in the enhanced well-being of Filipinos.

For individuals...

A well-functioning financial market facilitates bills payment, money transfer, settlement of obligations, and is a venue for our future via investments or savings.

For corporates...

Corporates need to raise capital for their business initiatives while relying on financial markets for day-to-day services.

For financial regulators...

Attaining financial stability mitigates the risks that can disrupt the orderly flow of products and services to the general public.

For the Philippines...

Financial stability ensures that the economy is healthy and its growth is sustainable.