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FSCC TAKES ACTION TO SUPPORT PH ECONOMIC RECOVERY

The Financial Stability Coordination Council (FSCC) is taking steps to further enhance the strength of the financial system, to address the financial needs of the public, and to serve as an anchor for economic recovery.

“The mandate of the FSCC is to make sure that the financial system is functioning properly,” FSCC Chairman Benjamin E. Diokno said.

He added, however, that the Council “also understands that the ultimate goal is not just a strong financial system, but a financial system that supports a thriving economy. This is why mitigating systemic risk is all about public welfare.”

Multilateral agencies such as the Financial Stability Board, the Bank for International Settlements, and the International Monetary Fund have defined “systemic risks” as disruptions to the financial system which can negatively affect the rest of the economy.

The FSCC Chairman noted that “the systemicness of risks is not defined by the initial shock but rather the pervasiveness of its full effects.” He stressed that the FSCC is concerned of small shocks that can escalate to bigger and more extensive risks to the system. He then compared this with the spread of the 2019 corona virus disease (COVID-19), which he says epitomizes systemic risks.

The FSCC highlighted that it views the financial system as a network that links various stakeholders, their transactions, and their views on risks. The Council then assesses both strengths and vulnerabilities in the context of such network.

The FSCC Chairman went on to assure the public that the health of the financial system is a continuous concern at the highest level of policy.

The Council took the opportunity to launch the April 2020 release of the Financial Stability Report (FSR). The FSR will now be released on a semestral basis with the FSCC noting that the shift from an annual to a semestral release reflects its commitment to being responsive to the times.

The FSCC Chairman also made mention of two other initiatives of the Council. These include the forthcoming release of the Macroprudential Policy Strategy Framework. Macroprudential policies refer to the intervention of authorities for managing systemic risks.

He also announced that the work on a Systemic Risk Crisis Management Framework is already underway. He was quick to clarify however, that having a crisis management framework does not suggest any imminent vulnerability but rather a preemptive move.

“We fully understand that the best use of crisis management framework is when it is not in use, but we will be fully prepared when the times call for it,” Diokno concluded.

The FSCC is an inter-agency council 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. It is the venue for financial market authorities to identify, monitor, manage, and mitigate the build up of systemic risks in the Philippine financial system.

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