

Financial Sector Forum

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INSURANCE FORUM

The Financial Sector Forum (FSF) was established through a Master Memorandum of Agreement (MOA) signed on July 5, 2004 by the heads of four financial regulators: Governor Rafael B. Buenaventura of the Bangko Sentral ng Pilipinas (BSP); Chairperson Lilia T. Bautista of the Securities and Exchange Commission (SEC); Commissioner Eduardo T. Malinis of the Insurance Commission; and President Ricardo M. Tan of the Philippine Deposit Insurance Corporation (PDIC). The chair of the FSF is the Governor of the BSP. Unlike in other jurisdictions where a single entity regulates the entire financial system such as the Monetary Authority of Singapore (MAS), regulation in the Philippines and regulatory legislation are fragmented. Thus, it can be said that the FSF is a system-wide attempt at a consolidated approach to supervision.

The FSF is a voluntary endeavor of the four agencies “to provide an institutionalized framework for coordinating the supervision and regulation of the financial system while preserving each agency’s mandate” and to provide a “venue for the agencies to update each other on the latest developments in their respective industries and any concerns that may have systemic repercussions”.

Having been established through a mere MOA, it does not have any powers nor is it a “regulatory superbody.” It does not have any legal mandate. Moreover, existing MOAs between any of the four agencies would still continue. It is a consultative and coordinating body.

The FSF is focused on three specific broad areas. First, the harmonization and coordination of supervisory and regulatory methods and policies. This vital where there are overlapping functions or where there are issues that cross over to differing financial sectors. An example where regulation can cross-over is in the field of bancassurance or cross-selling, both regulated by the Insurance Commission and the BSP. Another example is in the regulation of hybrid products issued by insurance companies specifically insurance products with investment components, also known as variable life or unit-linked products (VULs), both regulated by the Insurance Commission and the SEC. Indeed, there are instances when lines delineating financial regulations have become blurred. It is also vital in addressing “regulatory grey areas”.

Second, the reporting and information exchange and dissemination. Third, undertake initiatives on consumer protection and education. In all of these, the four agencies continue to be guided by relevant international standard organizations such as the Basel Committee for banks, the International Organization of Securities Organizations

(IOSCO) for securities, and the International Association of Insurance Supervisors (IAIS) for insurance companies. With the four agencies working hand in hand, a more robust and stable financial system can be expected.

In April 2006, the FSF members signed a MOA on information exchange, laying own the procedures for sharing relevant information among the four members. It has also issued, for example, public advisories on pyramiding financial investments as part of its campaign to educate consumers.

The FSF meets on a bi-monthly basis with top management of the four agencies as core participants.

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