



Capital Market Development Council



Member Institutions



DOF



FINEX



PSE



BSP



BAP



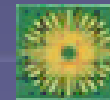
IHAP



SEC



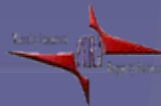
PLIA



Pre-Need



OIC



PIRA

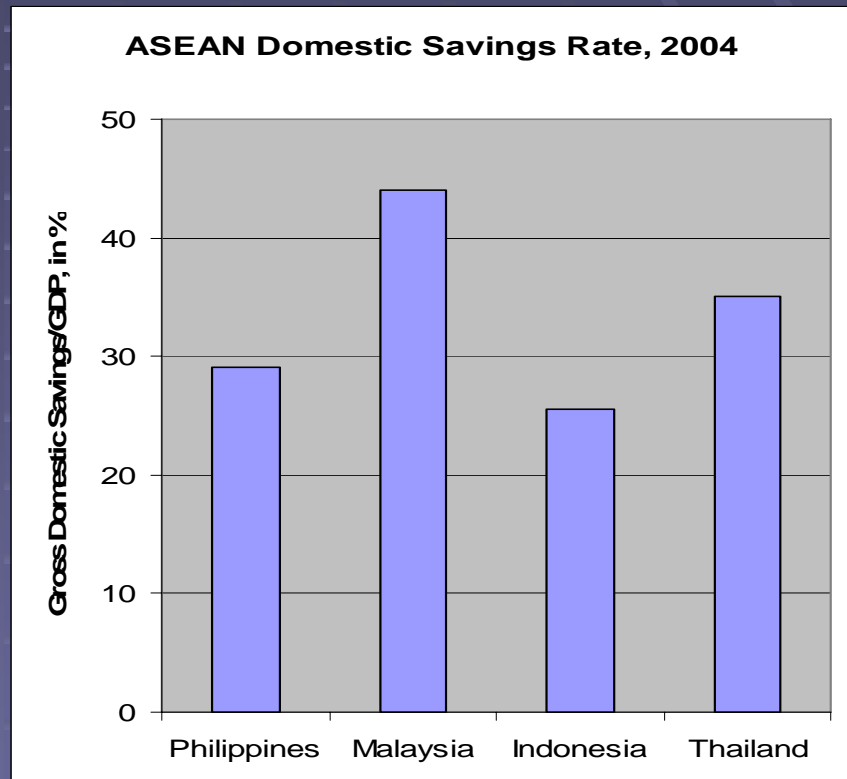


PDS

Need to Improve RP's Low Domestic Savings Rate



- Philippines 2005 Domestic Savings/GDP = 29%
- Indonesia 2004 Domestic Savings Rate/GDP = 25.3%
- Thailand 2004 Domestic Savings/GDP = 33.4%
- Malaysia 2004 Domestic Savings/GDP = 43.8%

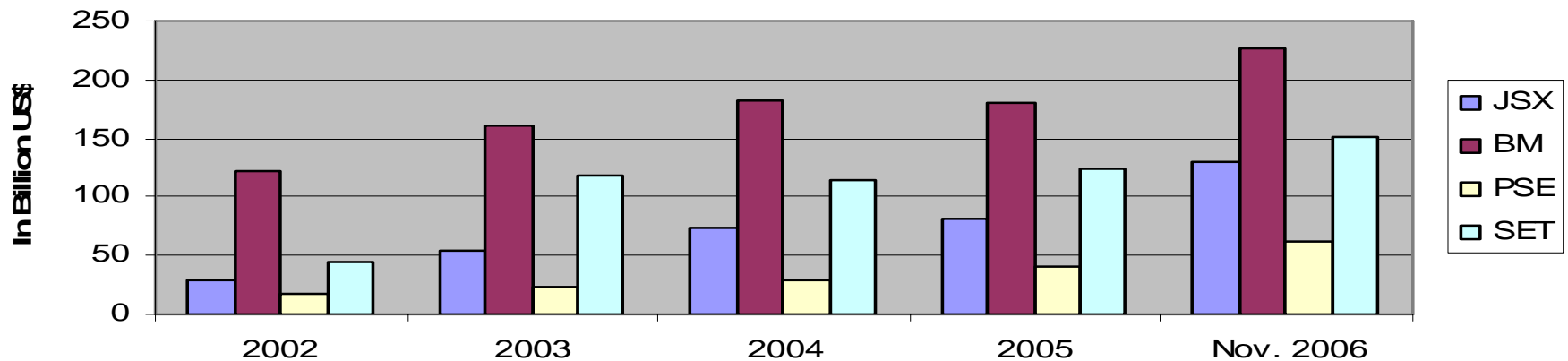




Market Capitalization

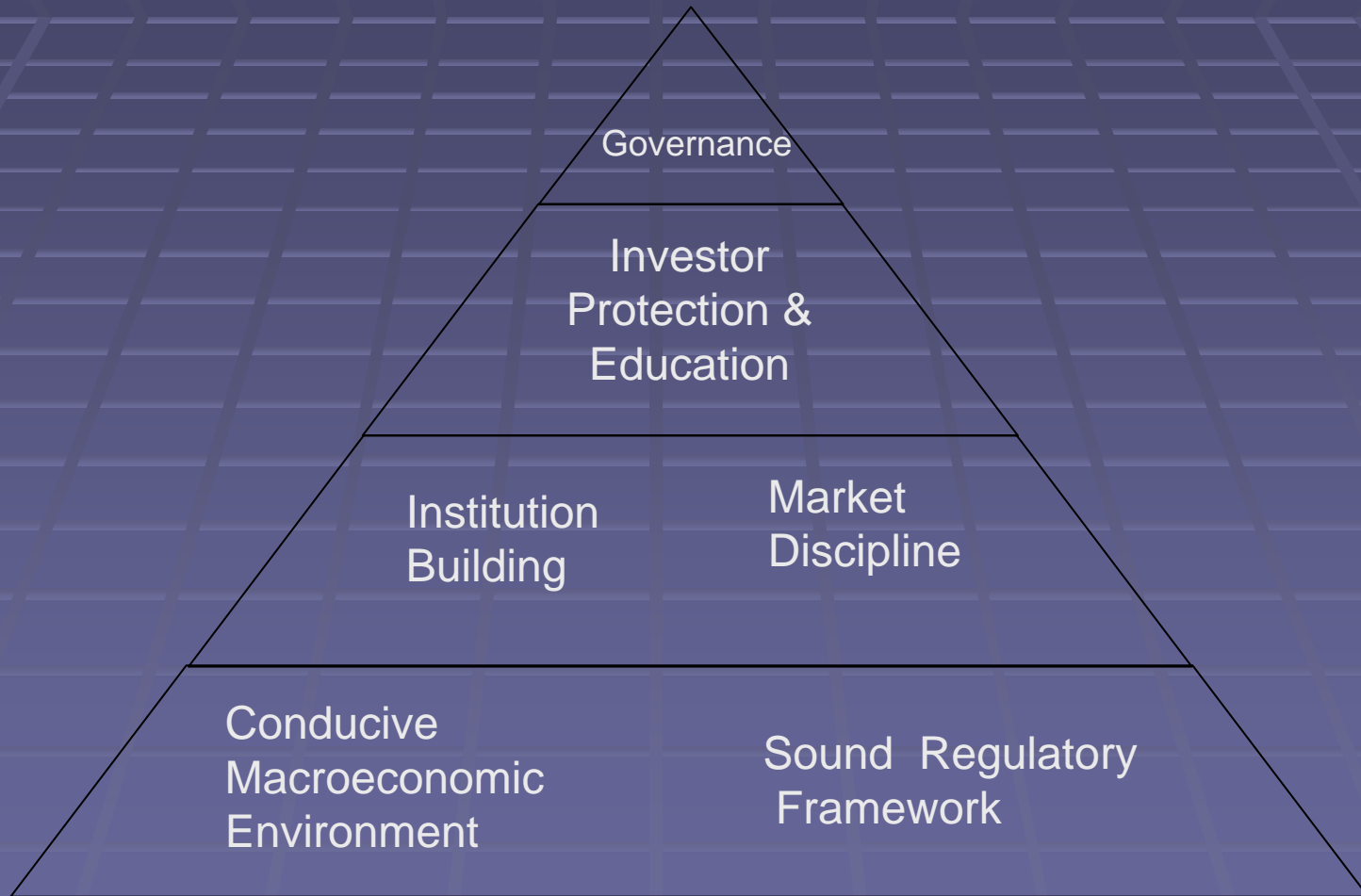
DOMESTIC MARKET CAPITALIZATION (in billion US\$)			2002	2003	2004	2005	Nov. 2006
Indonesia	Jakarta Stock Exchange	JSX	30	55	73	81	129
Malaysia	Bursa Malaysia	BM	123	161	182	181	227
Philippines	Philippine Stock Exchange	PSE	18	23	29	40	62
Thailand	Stock Exchange of Thailand	SET	45	119	115	124	152

Market Capitalization



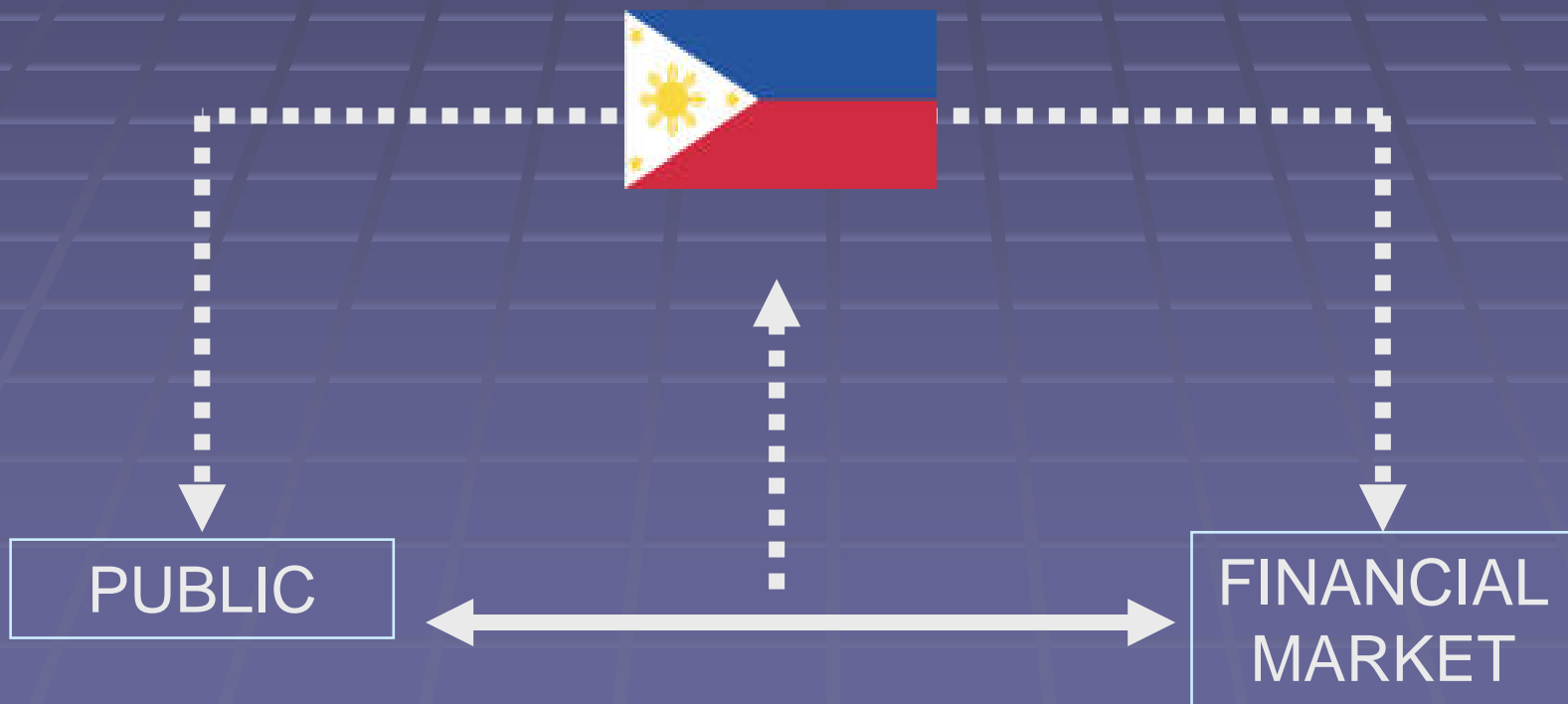


Policy Advocacies



Balance of Incentives

Taxation creates a friction cost but provides a social net



Timing of Capital Market Reforms



- On the road to fiscal consolidation – tax effort ratio approaching pre-crisis level.
- More leeway to address long-term structural issues.
- Regulators have adopted venue to harmonize regulations via FSF – will encourage parity treatment of bank/non-bank products.

Timing of Capital Market Reforms



- OFW remittances at record high; is a sustainable source of surplus capital.
- Market looking for products aside from traditional bank deposits in the face of low interest rate scenario.
- Pave the way to reduce reliance on banking sector given vulnerability to contagion & systemic concerns.

Our Working Agenda



MARKET: Attaining “*competitive parity*”

DIVERSITY: Expanding *financial choices*
available to the consumer

EFFICIENCY: Improving the *delivery* of
financial products and services

STAKEHOLDER’S CONSULTATIONS:

Agreements to pursue reform paths

Initiatives: Tax Reforms for Capital Market Development – Competitive Parity



- Tax Reform Over-all objective: recommend tax-neutral financial market
- Scope of Financial Sector Taxation Reform (USAID)
 - review all major tax-related issues in the bank and non-bank sectors
 - identify products, transactions or undertakings where tax arbitrage may exist
 - recommend possible changes that could improve tax neutrality
 - fiscal policy implications and reform paths



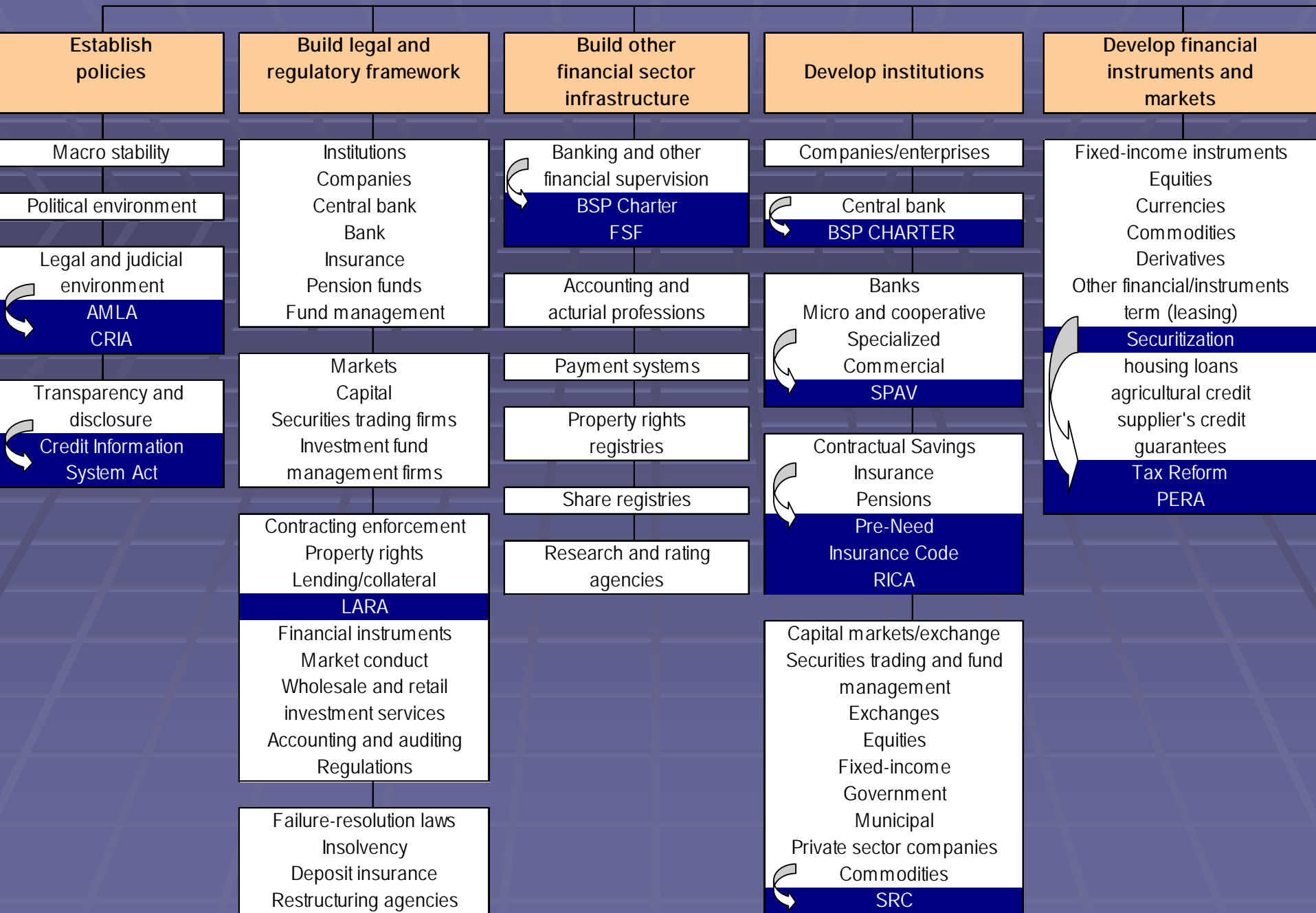
Initiatives

- Pension system reform – PERA as practice set to equalize tax treatment & regulation of like products (neutrality). Partly addresses pension concerns (SSS, GSIS, RSBS). Not guaranteed by government.



Initiatives

- Set up Credit Bureau.
- Unfinished business: Corporate Recovery & Insolvency Act, Pre-Need Code, RICA, etc.
- Investor education & financial literacy campaign.





Why Capital Market Reforms Complement a Stable Fiscal Position

- Channels funds to investments & provides diversified & higher returns for domestic savings.
 - OFWs who are not taxable, can then invest in capital market instruments used to raise capital for local companies.
- Provides access to local currency funding for private sector projects; thus, may not require gov't. guarantees.

Why Capital Market Reforms Complement a Stable Fiscal Position



- Ability of the market to price risks will be enhanced; less reliance on bank loans.
- Attracts different types of investors.

Why Capital Market Reforms Complement a Stable Fiscal Position



- Capital market reforms forces better financial reporting in **both** the financial and real sectors of the economy. (Higher tax revenues)



Work in Progress.....

- Fixed Income Exchange
- Philippine Stock Exchange
- Financial Sector Tax Reform
- New Accounting Standards
- Corporate Governance
- Transparency and Disclosure Practices
- Investor Education and Protection



CMDC Remains Committed

- To be a pro-active public-private sector partnership that is the very core of CMDC
- To pursue its vision of market development premised on the Filipino consumer
- To be an active participant in the legislative process as an integral aspect of market development



Thank you