



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 753
Series of 2012

Subject : Unification of the Statutory/Legal and Liquidity Reserve Requirement, Non-Remuneration of the Unified Reserve Requirement, Exclusion of Vault Cash and Demand Deposits as Eligible Forms of Reserve Requirement Compliance, and Reduction in the Unified Reserve Requirement Ratios

The Monetary Board, in its Resolution Nos. 1924 dated 27 December 2011, 164 dated 2 February 2012, and 475 dated 22 March 2012, approved the following guidelines on the statutory/legal and liquidity reserve requirements of universal/commercial banks (UBs/KBs), thrift banks (TBs), rural banks (RBs), cooperative banks (Coop Banks), and non-bank financial institutions with quasi-banking functions (NBQBs).

Section 1. The provisions of the Manual of Regulations for Banks (MORB) on reserves against deposit and deposit substitute liabilities are hereby amended to read, as follows:

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"Subsection X253.1 Required reserves against deposit and deposit substitute liabilities. The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks shall be as follows:

Account	UBs/KBs	TBs	RBs/Coop Banks
a. Demand Deposits	18	6	4
b. "NOW" Accounts	18	6	4
c. Savings Deposits	18	6	2
d. Time Deposits, Negotiable CTDs, Long-Term Non-Negotiable Tax Exempt CTDs	18	6	2
e. Long-term Negotiable Certificate of Time Deposits (LTNCTDs)	3	3	3
f. Deposit substitutes (DS)	18	6	n.a.
g. DS evidenced by repo agreements	2	2	n.a.
h. IBCL (Sec. X343)	0	0	0
i. Bonds	4	4	n.a.
j. Mortgage/CHM Certificates	n.a.	4	n.a.
k. Peso deposits lodged under Due to foreign banks	18	n.a.	n.a.
l. Peso deposits lodged under Due to Head Office/Branches/Agencies Abroad (Philippine branch of a foreign bank)	18	n.a.	n.a.

"Item "g" refers to deposit substitutes evidenced by repo agreements covering government securities up to the amount equivalent to the adjusted Tier 1 capital of the bank: *Provided*, That such rate shall apply only to repo agreements, the documentation of which conforms with, and were delivered to a BSP-accredited third-party custodian as required under existing BSP regulations.

"Items "k" and "l" refer to peso deposits, except those utilized as capital, of foreign banks (including Head Office/Branches/Agencies abroad of local branches of foreign banks) booked under the "Due to Foreign Banks" and "Due to Head Office/Branches/Agencies Abroad" accounts as provided under Circular No. 231 dated 21 March 2000. (*Annex A*) (*As amended by Circular Nos. 732 dated 3 August 2011, 726 dated 27 June 2011, 632 dated 19 November 2008, 551 dated 17 November 2006 and 539 dated 09 August 2006*)."

" Subsection X253.2 (Reserved)

"Section X254 Composition of Reserves

"a. Composition of Required Reserves. The required reserves shall be kept in the form of deposits placed in banks' Demand Deposit Accounts (DDAs) with the BSP.

"b. Transitory Provisions. Banks may continue to utilize the following as eligible forms of compliance with the reserve requirement in accordance with the following guidelines:

"i. Government securities. Government securities which are used as compliance with the regular and/or liquidity reserve requirement as of the effectivity of [this Circular], shall continue to be eligible as compliance with the reserve requirement until they mature.

"For purposes of this Section, *government securities which may form part of the reserves against deposits/deposit substitute liabilities of banks* shall refer to bonds or other evidences of indebtedness representing direct obligations of the Government of the Republic of the Philippines: *Provided*, That such securities shall have the following minimum features/conditions:

"(1) The securities must bear an interest rate of not more than four percent (4%) per annum, must be non-negotiable and shall carry BSP support;

"(2) The amount, maturity date and rate of interest must be definite and stated in the certificate itself; and

"(3) The government securities may not be hypothecated or encumbered in any way or earmarked for any other purpose.

"The government securities held as reserves under item "b.1" above shall be valued at cost of acquisition and the bank may freely alter its composition: *Provided*, That any substitution or acquisition satisfies the eligibility requirements prescribed above: *Provided, further*, That the bank notifies the BSP of any such change in the prescribed forms not later than the reporting day following the change.

"Only the buying/lending bank in a resale agreement covering eligible government securities may use such securities as reserves against deposits/deposit substitutes. Conversely, the selling/borrowing bank in a repo agreement covering eligible government securities may not use such securities as reserves against deposits/deposit substitutes.

"The reserve eligibility of government securities used as collateral in the reverse repo operations of the BSP shall be suspended during the term of the reverse repo agreement.

"The phrase *non-reserve eligible* shall be stamped on the face of the custodian receipt being issued by the BSP to buyer FIs.

"II. Reserve Deposit Account. Deposit placements that are maintained by banks in the Reserve Deposit Account (RDA) with the BSP, which are used as compliance with the liquidity reserve requirement as of the effectivity of [this Circular], shall continue to be eligible as compliance with the reserve requirement until they mature.

"The RDA facility shall be discontinued and the BSP shall no longer accept new RDA placements from banks upon the effectivity of [this Circular].

"Outstanding placements in the RDA facility on the effective date of [this Circular] shall be paid interest at maturity based on existing regulations.

"III. Cash in vault (CIV). Banks' existing CIV shall be eligible as compliance with the reserve requirement until the effectivity of [this Circular]. Henceforth, such mode of compliance shall no longer be allowed.

"The CIV component of available reserves shall be based on the actual CIV balance outstanding with a one (1)-banking-day lag, for purposes of computing the reserve position of the current day. (As amended by Circular Nos. 551 dated 17 November 2006 and 539 dated 09 August 2006)"

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"Subsection X254.3 Interest income on reserve deposits. Deposits maintained by banks with the BSP in compliance with the reserve requirement shall no longer be paid interest upon the effectivity of [this Circular].

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" Subsection X405.5 Reserves against peso-denominated common trust funds and trust and other fiduciary accounts – others

"a. Reserves against peso-denominated CTFs. xxx

The required reserves against peso-denominated CTFs and such other managed peso funds which partake of the nature of a collective investment of peso-denominated CTFs shall be as follows:

"UBs/KBs – 18%

" TBs – 7%

"RBs – 3%"

"b. Reserves against TOFA - Others. xxx

"The required reserves against TOFA - Others shall be as follows:

" UBs/KBs – 15%

" TBs – 7%

" RBs – 3%"

(As amended by Circular Nos. 551 dated 17 November 2006 and 539 dated 09 August 2006)

"Subsection X405.6 Composition of reserves

"The provisions of Sec. X254 shall govern the composition of reserves against peso-denominated CTFs and such other managed peso funds, as well as reserves against TOFA- Others, of banks authorized to engage in trust and other fiduciary business.

" For purposes of this Subsection, a separate deposit account shall be maintained by banks with the BSP exclusively for trust reserves. Deposits maintained by banks authorized to engage in trust and other fiduciary business with the BSP in compliance with the reserve requirement shall no longer be paid interest upon the effectivity of [this Circular]."

Section 2. The following appendices of the MORB are hereby deleted.

Appendix No.	Title
15	List of Reserve-Eligible and Non-Eligible Securities
54	Details on the Computation of Quarterly Interest Payments Credited to the Demand Deposit Accounts of Banks' Legal Reserve Deposits with BSP
71	Guidelines for the Change in the Mode of Compliance with the Liquidity Reserve Requirement

Section 3. The provisions of the Manual of Regulations for Non-Bank Financial Institutions (MORNBI) on reserves are hereby amended to read, as follows:

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"Sec. 4253Q (2008 - 4246Q) Reserves Against Deposit Substitutes. NBQBs shall maintain required reserves equivalent to 18% of deposit substitute liabilities as defined in Section 95 of R.A. No. 7653, regardless of maturities except: (a) borrowings from the BSP through the sale of government securities under repo agreements made in connection with the provisions of Sec. 4601Q; (b) deposit substitutes arising from special financing programs of the Government and/or international FIs; (c) interbank call loan transactions under Sec. 4343Q; and (d) bonds under Sec. 4239Q for which the reserve requirement shall be four percent (4%).

"Provided, That deposit substitutes evidenced by repo agreements covering government securities up to the amount equivalent to the adjusted Tier 1 capital of the NBQB shall be subject to the reserve requirement of two percent (2%): **Provided, further,** That such rate shall apply only to repo agreements, the documentation of which conforms with, and were delivered to a BSP accredited third party custodian as required under existing BSP regulations. *(As amended by Circular Nos.732 dated 3 August 2011, 726 dated 27 June 2011 and 632 dated 19 November 2008)"*

"Section 4254Q (2008-4246Q.1) Composition of Reserves.

"a. Composition of Required Reserves. The required reserves shall be kept in the form of deposits placed in NBQBs' Demand Deposit Accounts (DDAs) with the BSP.

"b. Transitory Provisions. NBQBs may continue to utilize the following as eligible forms of compliance with the reserve requirement in accordance with the following guidelines:

"i. Government securities. Government securities which are used as compliance with the regular and/or liquidity reserve requirement as of the effectivity of [this Circular], shall continue to be eligible as compliance with the reserve requirement until they mature.

" For purposes of this Section, government securities which may form part of the reserves against deposit substitute liabilities of NBQBs shall refer to bonds or other evidences of indebtedness representing direct obligations of the Government of the Republic of the Philippines having the following minimum features/conditions:

"(1) The securities must bear an interest rate of not more than four percent (4%) per annum, must be non-negotiable and shall carry BSP support;

"(2) The instrument must expressly state on its face the amount, maturity date and interest rate of the obligation; and

"(3) The government securities may not be hypothecated or encumbered in any way or earmarked for any other purpose.

"The government securities held as reserves under Item "b.i" above shall be valued at cost of acquisition and the NBQB may freely alter its composition: *Provided*, That any substitution or acquisition satisfies the eligibility requirements prescribed above: *Provided, further*, That the NBQB notifies the BSP of any such change not later than the reporting day following the change.

"Only the buying/lending NBQB in a resale agreement covering eligible government securities may use such securities as reserves against deposit substitute liabilities. Conversely, the selling/borrowing NBQB in a repo agreement covering eligible government securities may not use such securities as reserves against deposit substitutes.

" The reserve eligibility of government securities used as collateral in the reverse repo operations of the BSP shall be suspended during the term of the reverse repo agreement.

"The phrase *non-reserve eligible* shall be stamped on the face of the custodian receipt being issued by the BSP to buyer FIs.

"ii. Reserve Deposit Account. Deposit placements that are maintained by NBQBs in the Reserve Deposit Account (RDA) with the BSP, which are used as compliance with the liquidity reserve requirement as of the effectivity of [this Circular], shall continue to be eligible as compliance with the reserve requirement until they mature. Deposit placements of NBQBs in the RDA shall no longer be paid interest upon the effectivity of [this Circular].

"The RDA facility shall be discontinued and the BSP shall no longer accept new RDA placements from NBQBs upon the effectivity of [this Circular].

"Outstanding placements in the RDA facility on the effective date of [this Circular] shall be paid interest at maturity based on existing regulations.

"iii. Demand deposits maintained with banks. Demand deposits maintained with banks which are not restricted as to withdrawal or use for current operations but not with banks which have been closed and are under receivership or liquidation shall be eligible as compliance with the reserve requirement until the effectivity of [this Circular]. Henceforth, such mode of compliance shall no longer be allowed. (As amended by Circular Nos. 551 dated 17 November 2006 and 539 dated 09 August 2006)"

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"Subsection 4254Q.3 (2008-4246Q.7) Interest on reserve deposits with Bangko Sentral. Deposits maintained by NBQBs with the BSP in compliance with the reserve shall no longer be paid interest upon the effectivity of [this Circular]."

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" Subsection 4405Q.5 Reserves against peso-denominated common trust funds and trust and other fiduciary accounts (TOFA) – Others

" a. Reserves against peso-denominated CTFs. xxx

" The reserves to be maintained shall be 18%.

"b. Reserves against TOFA - Others. xxx

" The reserves to be maintained shall be 15%."

(As amended by Circular Nos. 551 dated 17 November 2006 and 539 dated 09 August 2006)

"Subsection 4405Q.6 Composition of reserves

"The provisions of Sec. 4254Q shall govern the composition of reserves against peso-denominated CTFs and such other managed peso funds, as well as reserves against TOFA-Others of institutions authorized to engage in trust and other fiduciary business.

" For purposes of this Subsection, a separate deposit account shall be maintained by the institutions with the BSP exclusively for trust reserves which deposits in compliance with the reserve requirement shall no longer be paid interest upon the effectivity of [this Circular]."

Section 4. The following appendices of the MORNBFi are hereby deleted.

Appendix No.	Title
Q-9	List of Reserve-Eligible and Non-Eligible Securities
Q-27	Details on the Computation of Quarterly Interest Payments Credited to the Demand Deposit Accounts of Quasi-Banks' Legal Reserve Deposits with BSP
Q-41	Guidelines for the Change in the Mode of Compliance with the Liquidity Reserve Requirement

Section 5. Repealing Clause. The provisions of all other circulars, rules and regulations contrary to or inconsistent with the provisions of this Circular are hereby repealed, amended and/or modified accordingly.

This Circular shall take effect on the reserve week starting on 6 April 2012.

FOR THE MONETARY BOARD:


NESTOR A. ESPENILLA, JR.
Officer-In-Charge

29 March 2012

ACCOUNT DESCRIPTION	PESO ACCOUNTS	FOREIGN EXCHANGE ACCOUNTS						TOTAL AMOUNT
		REGULAR		FCDU		FOREIGN OFFICES		
		IN US\$	Peso Equiv.	IN US\$	Peso Equiv.	IN US\$	Peso Equiv.	
A. DUE FROM HEAD/OFFICE/BRANCHES/AGENCIES ABROAD - PHILIPPINE BRANCH OF FOREIGN BANKS								
1. Demand Deposits and Working Balances maintained by Philippine Branch of Foreign Bank with its Head Office/Branches/Agencies abroad								
2. Investments/Loans/Placements								
3. Losses in Operation of Philippine Branch of Foreign Bank								
4. Others (indicate nature)								
a.								
b.								
c.								
B. DUE TO HEAD OFFICE/BRANCHES/AGENCIES ABROAD - PHILIPPINE BRANCH OF FOREIGN BANKS								
Demand Deposits and Working Balances maintained by Head Office/Branches/Agencies Abroad with Philippine Branch of Foreign Bank								
1. Branch of Foreign Bank								
2. Placements/Time Deposits/Borrowings								
Peso Deposits maintained by Head Office/Branches/Agencies with the Philippine Branch of Foreign Bank								
3.								
4. Unremitted Profits not yet approved by BSP								
5. Others (indicate nature)								
a.								
b.								
c.								
C. NET DUE TO HEAD OFFICE/BRANCHES/AGENCIES ABROAD (PHILIPPINE BRANCH OF A FOREIGN BANK)								
D. ALLOWABLE DEDUCTIONS:								
1. Net Due to Utilized as Capital								
2. Unremitted Profits not yet approved by BSP								
E. Maximum Amount of Peso Deposits maintained by Head Office/Branches/Agencies Abroad with Philippine Branch of Foreign Banks which are subject to reserve requirement (Item C less Item D)								
Peso Deposits maintained by Head Office/Branches/Agencies abroad with the Philippine Branch of Foreign Banks								
F.								
G. Peso Deposit subject to reserve requirement (Lower of Item E or Item F)								
H. Due to Foreign Banks subject to reserve requirement under Circular No. 231 dated 21 March 2000								
Total Peso Deposits subject to reserve requirement (Item G plus Item H)								