



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1034

Series of 2019

**Subject: Amendments to the Basel III Framework on Liquidity Standards –
Net Stable Funding Ratio**

The Monetary Board, in its Resolution No. 300 dated 21 February 2019, approved the extension of the observation period for the Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks (QBs) of universal and commercial banks (UBs/KBs).

Section 1. Subsections X176.5/4176Q.5 of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended as follows:

“Subsection X176.5/4176Q.5 Net Stable Funding Ratio (NSFR). xxx

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b. Reporting and monitoring requirements. xxx

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The NSFR reports shall be accompanied by a certification under oath to the effect that a covered bank/QB has fully complied with the NSFR requirement on all calendar days of the reference period in the form provided under Appendix 74f/Q-44f. This requirement shall take effect on 01 January 2019 for UBs/KBs and on 01 January 2020 for subsidiary banks/QBs. The solo and consolidated NSFR reports, together with the Sworn Certification, shall be classified as *Category A-1* reports.

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c. Implementation. The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of UBs/KBs shall be subject to an NSFR floor of seventy percent (70%) during the observation period. The timelines are set out in the table below:

	Observation Period	Minimum NSFR
UBs/KBs	01 July 2018 – 31 December 2018	Starting 01 January 2019 – 100%
Subsidiary banks/ QBs of UBs/KBs	01 July 2018 – 31 December 2019	Starting 01 January 2020 – 100%
	Floor of 70% to be applied in 2019	

Requirements during the observation period. xxx

xxx

During the observation period, the Bangko Sentral is not precluded from assessing the covered bank's/QB's compliance with the NSFR requirement. The covered banks/QBs with NSFRs that are already at or near the prescribed minimum should not view the transition period as an opportunity to reduce their stable funding profile. Where a covered bank/QB is unable to meet the minimum NSFR in single currency on either solo or consolidated basis, as applicable, for two consecutive weeks during the observation period, the covered bank/QB shall adopt a board-approved stable funding build-up plan within thirty (30) calendar days from the end of the two-week period. The plan should clearly articulate the covered bank's/QB's defined strategies and timelines for meeting the required NSFR, taking into account compliance with other prescribed liquidity metrics. The plan should also include quarterly estimates of the NSFR prior to the effectivity date and shall be submitted to the appropriate supervising department of the Bangko Sentral, within ten (10) banking/business days from the date of board approval. The supervising department concerned will evaluate and monitor the continuing compliance of the bank/QB with the said plan.

In light of the extended observation period, subsidiary banks/QBs concerned that have submitted a stable funding plan in 2018 may revise the same, if they deem necessary: *Provided, That*, the revised stable funding build-up plan shall be adopted by the concerned bank's/QB's Board not later than thirty (30) calendar days from the effectivity of this Circular.

In case of non-submission of, or non-compliance with, the said build-up plan, the Bangko Sentral may require the covered bank/QB to undertake a set of actions. The Bangko Sentral may likewise impose enforcement actions as provided under Subsection X176.20/4176Q.20 of the MORB/MORNBFI."

Section 2. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

15 March 2019