



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1083

Series of 2020

Subject: Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)

The Monetary Board in its Resolution No. 515.B dated 16 April 2020, approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to recognize loans granted to micro-, small- and medium enterprises (MSMEs) after 15 March 2020 as alternative compliance with the reserve requirements.

Section 1. Section 252 of the Manual of Regulations for Banks (MORB) is hereby amended to read, as follows:

252 COMPOSITION OF RESERVES

Composition of required reserves. The required reserves shall be kept in the form of deposits maintained by banks in the demand deposit account (DDA) with the Bangko Sentral.

xxx

Book entry method for reserve securities. xxx

xxx

Allowable alternative compliance. Loans that are granted to micro-, small- and medium-enterprises (MSMEs), as defined under Sec. 332 (*Definition of Terms*), shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions:

- a. That the MSME loan was granted after 15 March 2020; and
- b. That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the Bangko Sentral or earmarked for any other purpose.

Qualified MSME loans shall be valued at amortized cost, gross of allowance for credit losses.

The reporting of MSME loans that are utilized as alternative compliance shall be subject to the provisions of Sec. 171. The willful making of a false or misleading statement shall subject the bank and the directors/officers responsible for the violation to the sanctions prescribed under Sections 35 and 37 of Republic Act (R.A.) No. 7653 (The New Central Bank Act), as amended by R.A. No. 11211.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks from 24 April 2020 to 30 December 2021.

Section 2. Section 212-Q of the MORNBFI is hereby amended to read, as follows:

212-Q COMPOSITION OF RESERVES

Composition of required reserves. The required reserves shall be kept in the form of deposits maintained by NBQBs in the DDA with the Bangko Sentral.

xxx

Book entry method for reserve securities. xxx

xxx

Allowable alternative compliance. Loans that are granted to micro-, small- and medium enterprises (MSMEs), as defined under Sec. 332 (*Definition of Terms*) of the MORB, shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions:

- a. That the MSME loan was granted after 15 March 2020; and
- b. That the MSME loan is not hypothecated or encumbered in any way or earmarked for any other purpose.

Qualified MSME loans shall be valued at amortized cost, gross of allowance for credit losses.

The reporting of MSME loans that are utilized as alternative compliance shall be subject to the provisions of Sec. 172-Q. The willful making of a false or misleading statement shall subject the NBQB and the directors/officers responsible for the violation to the sanctions prescribed under Sections 35 and 37 of R.A. No. 7653 (The New Central Bank Act), as amended by R.A. No. 11211.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to NBQBs from 24 April 2020 to 30 December 2021.

Section 3. This Circular shall take effect on 24 April 2020 after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

22 April 2020