

REDUCING THE RESERVE REQUIREMENT ON ALL TYPES OF PESO DEPOSITS AND DEPOSIT SUBSTITUTE LIABILITIES OF EXPANDED COMMERCIAL BANKS, COMMERCIAL BANKS AND NON-BANKS WITH QUASI-BANKING...

BSP CIRCULAR NO. 166, May 28, 1998

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Pursuant to Monetary Board Resolution No. 749 dated 20 May 1998, reducing the reserve requirement on all types of peso deposits and deposit substitute liabilities of expanded commercial banks, commercial banks and non-banks with quasi-banking (NBQBs) functions and certain types of deposit and deposit substitute liabilities of thrift banks and rural banks, Books, I, II, III and IV of the Manual of Regulations are hereby amended as follows:

Book I - Expanded Commercial Banks and Commercial Banks

SECTION 1. Sections 1203, 1214, 1225, 1232, 1236 and 1253 of Book I of the Manual of Regulations are hereby amended by reducing the required reserves against demand and savings deposits, NOW accounts, time deposits and negotiable certificate of time deposits regardless of maturity of banks with expanded commercial banking authority, commercial banks, the Land Bank of the Philippines, the Development Bank of the Philippines and the Al-Amanah Islamic Investment Bank of the Philippines from ten percent (10%) to eight percent (8%).

SECTION 2. Section 1283 of Book I of the Manual of Regulations is hereby amended by reducing the required reserves against deposit substitute liabilities regardless of maturity from ten percent (10%) to eight percent (8%).

Book II - Thrift Banks

SECTION 3. Section 2203, Section 2225 and Section 2253 of Book II of the Manual of Regulations are hereby amended by reducing the required reserves against demand deposits and NOW accounts from ten percent (10%) to eight percent (8%).

SECTION 4. Section 2283 of Book II of the Manual of Regulations is hereby amended by reducing the required reserves against deposit substitute liabilities regardless of maturity from ten percent (10%) to eight percent (8%).

SECTION 5. Sections 2232, 2236, and 2253 of Book II of the Manual of Regulations are hereby amended by reducing the required reserves against time deposits and negotiable certificates of time deposits regardless of maturity from eight percent (8%) to six percent (6%).

SECTION 6. Sections 2214 and 2253 of Book II of the Manual of Regulations are hereby amended by reducing the required reserves against savings deposits from eight percent (8%) to six percent (6%).

Book III - Rural Banks

SECTION 7. Sections 3203 and 3253 of Book III of the Manual of Regulations are hereby amended by reducing the required reserves against demand deposits from ten percent (10%) to eight percent (8%).

SECTION 8. Sections 3225, 3236, and 3253 of Book III of the Manual of Regulations are hereby amended by

reducing the required reserves against NOW accounts from ten percent (10%) to eight percent (8%).

SECTION 9. Sections 3214 and 3232 of Book III of the Manual of Regulations are hereby amended by reducing the required reserves against savings and time deposits regardless of maturity from five percent (5%) to three percent (3%).

Book IV - Non-Bank Financial Intermediaries

SECTION 10. The first paragraph of Section 4283Q of Book IV of the Manual of Regulations is hereby amended by reducing the required reserves against deposit substitute liabilities, regardless of maturity, from ten percent (10%) to eight percent (8%).

BOOKS I, II, III AND IV

Liquidity Reserves for All Financial Intermediaries

SECTION 11. On top of the regular reserve requirements, liquidity reserve ratios against peso demand, savings, time deposit and deposit substitute liabilities shall be maintained, as follows:

- a. For expanded commercial banks, commercial banks, and non-bank financial intermediaries with quasi-banking functions (NBQBs), seven percent (7%)
- b. For thrift banks, six percent (6%)
- c. For rural banks,
 - against their demand deposit liabilities, and three percent (3%)
 - against savings/time deposits zero (0%)

The required liquidity reserve may be maintained in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department, pursuant to Circular No. 10 dated 29 December 1993.

Form and Composition of Regular Reserves for all Financial Intermediaries

SECTION 12. Regular reserves shall be maintained in the same form and composition as provided in Sections 1254, 2254, 3254, 1283, 2283.1, 3283, and 4283Q of Books I, II, III, and IV, respectively, of the Manual of Regulations for Banks and Other Financial Intermediaries.

Interest Income on Reserve Deposits

SECTION 13. Subsecs. 1254.3, 2254.3, and 3254.2 of Books I, II and III of the Manual of Regulations are amended to read as follows:

"Deposits maintained by banks with the BSP up to forty percent (40%) of the reserve requirement (excluding the liquidity reserve mentioned in Section 11 of this Circular, against the combined deposit and deposit substitute liabilities of banks allowed to be maintained in the form of short-term market yielding government securities purchased directly from the BSP-Treasury Department) shall be paid interest at four percent (4%) per annum based on the average daily balance of said deposits to be credited quarterly."

SECTION 14. The 2nd to the last paragraph of Subsec. 4283Q.1 of Book IV of the Manual of Regulations is hereby amended to read as follows:

"Deposits maintained by non-bank financial intermediaries with quasi-banking functions (NBQBs) with the BSP up to forty percent (40%) of the reserve requirement (excluding the liquidity reserve mentioned in Section 11 of this Circular, against the deposit substitute liabilities of NBQBs allowed to be maintained in the form of

short-term market yielding government securities purchased directly from the BSP-Treasury Department) shall be paid interest at four percent (4%) per annum based on the average daily balance of said deposits to be credited quarterly."

This Circular shall take effect on 29 May 1998.

Adopted: 28 May 1998

(SGD.) GABRIEL C. SINGSON
Governor

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