



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 946
Series of 2017

Subject : Amendments to Liquidity Floor and Foreign Currency Deposit Unit (FCDU) Regulations

The Monetary Board, in its Resolution No. 202 dated 2 February 2017, approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations on Foreign Exchange Transactions (FX Manual). The amendments cover the relaxation of certain liquidity metrics in view of the improvements in banks' risk management systems, including the adoption of the Liquidity Coverage Ratio for universal and commercial banks, which provides for a more calibrated approach in ensuring adequacy of a bank's liquidity position.

Section 1. The liquidity floor reserve requirement for government funds held by authorized government depository banks under the MORB is hereby amended as follows:

"Subsection X240.6 Liquidity floor. Unless otherwise prescribed by the Monetary Board, authorized government depository banks other than the Bangko Sentral, and authorized private banks shall, inclusive of the required reserves against deposits and/or deposit substitutes, maintain a fifty percent (50%) liquidity floor with respect to deposits of, borrowings from, and all other liabilities to, the Government and government entities, until 31 December 2017, in the form of transferable government securities which represent direct obligations of the National Government. Effective 01 January 2018, liquidity floor reserve requirement shall be as follows:

	Required liquidity floor	
UBs/KBs	0%.	Government deposits and government deposit substitutes shall continue to be subject to the reserve requirements provided under Section X253.
TBs/RBs and Coop Banks	50%.	Inclusive of the required reserves against deposits and/or deposit substitutes.

"Eligible securities being used as such reserve shall not in any way be encumbered or be subject to any transaction without prior approval of the Bangko Sentral.

"Also eligible for liquidity floor are the following:

"a. The free portion of the "Due from Bangko Sentral – Local Currency" after satisfying the legal and other reserve requirements; and

"b. Placement of banks in the Term Deposit Facility (TDF) and the Overnight Deposit Facility (ODF) of the Bangko Sentral.

"For purposes of computing the fifty percent (50%) liquidity floor requirement on all government funds, covered banks shall adopt a one (1)-week lag system, effective 04 May 2001.

"Banks authorized to accept government deposits shall specify in the prescribed reports submitted to the Supervisory Data Center of the Bangko Sentral the balance of government deposits subject to liquidity floor requirement and, if any, the corresponding GS earmarked for subject purpose."

Section 2. The foreign currency cover requirement for foreign currency liabilities in the FCDU/EFCDU and other regulations under Section 73 of the FX Manual is hereby amended as follows:

"Section 73. Foreign Currency Cover Requirements. Depository banks under the foreign currency deposit and expanded foreign currency deposit systems shall maintain at all times a 100% cover for their foreign currency liabilities, except for USD-denominated repurchase agreements (R/P) with the BSP. *Provided,* That violation of the terms and conditions of the USD-denominated R/P facility shall subject the borrowings of the bank under the R/P facility to the FCDU/EFCDU asset and liquid asset cover requirements. For purposes of complying with this requirement, the principal offices in the Philippines of the authorized banks and all their branches located therein shall be considered as a single unit. The foreign currency cover shall consist of the net carrying amount of the following:

"1. For banks authorized to operate an FCDU:

"a. xxx

"b. xxx

"c. xxx

"d. xxx

"e. xxx

"f. xxx

"g. xxx

"h. xxx

"i. xxx

"j. xxx

"k. Loans to RBU (net of transactions outstanding for more than one (1) year): Provided, That the conditions under Subsection X501.3(c) of the MORB are complied with;

"l. Due From Head Office/Branches/Agencies Abroad – FCDU up to the extent of the Due To Head Office/Branches/Agencies Abroad – FCDU. Any resulting balance of *Net Due From Head Office/Branches/Agencies Abroad – FCDU* shall not be eligible for 100% asset cover; and

"m. Such other assets as may be determined by the Monetary Board as eligible asset cover.

"2. xxx

"3. Further, at least thirty percent (30%) of the cover requirement for foreign currency liabilities in the FCDU/EFCDU shall be in the form of liquid assets until 31 December 2017. Effective 01 January 2018, the liquid asset cover requirement for FCDU/EFCDU liabilities shall be as follows:

	Liquid asset cover
UBs/KBs	0%
TBs and RBs/Coop Banks	30%

Assets eligible as liquid asset cover for FCDU/EFCDU liabilities shall be as follows:

"a. Foreign currency cash on hand;

"b. xxx

"c. xxx

"d. xxx

"e. xxx

"f. xxx

"g. Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse and securities lending and borrowing transactions, maturing within one (1) year;

"h. Accounts receivable arising from sale of financial assets under the trade date accounting pending actual settlement/delivery of the underlying securities pertaining to readily marketable foreign currency denominated debt instruments; and

"i. Due From Head Office/Branches/Agencies Abroad – FCDU up to the extent of the Due To Head Office/Branches/Agencies Abroad – FCDU. Any resulting balance of *Net Due From Head Office/Branches/Agencies Abroad – FCDU* shall not be eligible for thirty percent (30%) liquid asset cover.

“The 100% asset cover and thirty percent (30%) to be held in the form of liquid assets enumerated above, shall be unencumbered, except as otherwise provided in second paragraph of Item f of Section 73.1.

“The report on compliance with FCDU/EFCDU cover requirements shall no longer be submitted separately by banks. The bank shall continue to submit to the BSP-Supervisory Data Center (SDC) a certification under oath and signed by the bank’s President or Country Manager, in the case of local branch of foreign banks, Compliance Officer and Head of Treasury, to the effect that the bank has fully complied with the FCDU/EFCDU cover requirements on all banking days of the reference quarter.

“The applicable template on certification of compliance with the FCDU/EFCDU cover requirements shall be as follows:

- Appendix 15.1, which shall be in effect until 31 December 2017;
- Appendix 15a for UBs/KBs starting 01 January 2018; and
- Appendix 15b for TBs, RBs and Coop Banks starting 01 January 2018.

“Sanctions: xxx

“4. The Due From Other Banks – xxx.”

Section 3. The report on compliance with FCDU/EFCDU cover requirements (Appendix 15 of the FX Manual) shall no longer be submitted separately by banks. The Sworn Certification of Compliance with The FCDU/EFCDU Cover Requirements (currently Appendix 15.1 of the FX Manual, Annex A) shall be replaced by Appendix 15a (for UBs/KBs, Annex B) and Appendix 15b (for TBs, RBs and Coop Banks, Annex C) effective 01 January 2018 to align template of certification with the removal of the liquid asset cover requirement for UBs/KBs as of same date.

Section 4. The seventy percent (70%) currency cover requirement for foreign currency liabilities in the FCDU/EFCDU of UBs/KBs under the FX Manual is hereby amended as follows:


“Section 75. Currency Composition of the Cover. FCDUs of TBs and RBs/Coop Banks shall maintain the foreign currency cover in the same currency as that of the corresponding foreign currency deposit liability.

“FCDUs/EFCDUs of UBs/KBs shall maintain not less than seventy percent (70%) of the foreign currency cover in the same currency as that of the liability and thirty percent (30%) or less, at the option of the FCDU/EFCDU, may be denominated in other acceptable foreign currencies until 31 December 2017. Starting 01 January 2018, UBs/KBs may maintain

the foreign currency cover in any foreign currency acceptable with the BSP.”

Section 5. Effectivity. The Circular shall take effect fifteen (15) calendar days after publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



DIWA C. GUINIGUNDO
Officer-In-Charge

17 February 2017

**SWORN CERTIFICATION OF COMPLIANCE WITH
THE FCDU/EFCDU COVER REQUIREMENTS**

<Name of Bank>

CERTIFICATION

Pursuant to Section 73 of the Manual of Regulations on Foreign Exchange Transactions, as amended, we hereby certify that we have fully complied with the FCDU cover requirements (both 100% Foreign Currency Cover and 30% Liquid Asset Cover) on all banking days of the quarter ended _____ <Year>.

We further certify to the best of our knowledge that above statement is true and correct.

President or Country
Head
(for Foreign Banks)

Compliance Officer

Head of Treasury
Department

TIN:

TIN:

TIN:

SUBSCRIBED AND SWORN TO before me this _____ day of _____
20____, at _____, Philippines affiant/s exhibiting their government-issued
identification cards as follows:

NAME	GOVERNMENT- ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE

Witness my hand and notarial seal on the date and place above-written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20____.

**SWORN CERTIFICATION OF COMPLIANCE WITH
THE FCDU/EFCDU COVER REQUIREMENT**

<Name of Universal/Commercial Bank>

CERTIFICATION

Pursuant to Section 73 of the Manual of Regulations on Foreign Exchange Transactions, as amended, we hereby certify that we have fully complied with the 100% Asset Cover Requirement for FCDU/EFCDU Liabilities on all banking days of the quarter ended _____ <Year>.

We further certify to the best of our knowledge that above statement is true and correct.

President or Country
Head
(for Foreign Banks)
TIN:

Compliance Officer
TIN:

Head of Treasury
Department
TIN:

SUBSCRIBED AND SWORN TO before me this ____ day of _____
20__, at _____, Philippines affiant/s exhibiting their government-issued
identification cards as follows:

NAME	GOVERNMENT- ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE

Witness my hand and notarial seal on the date and place above-written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20__.

**SWORN CERTIFICATION OF COMPLIANCE WITH
THE FCDU COVER REQUIREMENTS**

<Name of Thrift/Rural/Cooperative Rural Bank>

CERTIFICATION

Pursuant to Section 73 of the Manual of Regulations on Foreign Exchange Transactions, as amended, we hereby certify that we have fully complied with the FCDU cover requirements (both 100% Foreign Currency Cover and 30% Liquid Asset Cover) on all banking days of the quarter ended _____ <Year>.

We further certify to the best of our knowledge that above statement is true and correct.

President or Country Head (for Foreign Banks) TIN:	Compliance Officer TIN:	Head of Treasury Department TIN:
---	--------------------------------	--

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 20__, at _____, Philippines affiant/s exhibiting their government-issued identification cards as follows:

NAME	GOVERNMENT- ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE

Witness my hand and notarial seal on the date and place above-written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 20__.