

**OFFICE OF THE GOVERNOR****CIRCULAR NO. 983**

Series of 2017

**Subject: Reduction of Reserve Requirement on Repurchase Transactions**

In its Resolution No. 1935 dated 23 November 2017, the Monetary Board approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBI):

**Section 1.** Subsection X253.1 of the MORB shall be amended to reflect the reduction in the reserve requirement rate on repurchase (repo) transactions, as well as set forth the features of the repo program that shall be eligible for the zero reserve rate requirement, as follows:

**"§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 starting reserve week 1 December 2017 shall be as follows:

	UBs/KBs	TBs	RBs/ Coop Banks
a. Demand Deposits	20%	8%	5%
b. NOW accounts	20%	8%	5%
c. Savings Deposits	20%	8%	3%
d. Time Deposits, Negotiable Certificates of Time Deposits (CTDs), Long-term Non-negotiable Tax Exempt CTDs	20%	8%	3%
e. Long-term negotiable certificates of time deposits	4%	4%	4%
1. LTNCTDs under Circular No. 304	7%	7%	7%
2. LTNCTDs under Circular No. 842			
f. Deposit Substitutes (DS)	20%	8%	NA
g. DS evidenced by repo agreement	0%	0%	NA
h. IBCL (Sec. X343)	0%	0%	0%
i. Bonds	6%	6%	NA
j. Mortgage/CHM cert.	NA	6%	NA
k. Peso deposits lodged under Due to foreign banks	20%	NA	NA
l. Peso deposits lodged under Due to Head Office/Branches/Agencies Abroad (Philippine branch of a foreign bank)	20%	NA	NA

Item "g" refers to deposit substitutes evidenced by repo agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program.

xxx"

**Section 2.** Section 4253Q of the MORNBFBI shall be amended to reflect the reduction in the reserve requirement rate on repo transactions, as well as set forth the features of the repo program that shall be eligible for the zero reserve rate requirement as follows:

**"Sec. 4253Q (2008 - 4246Q) Reserves Against Deposit Substitutes.** NBQBs shall maintain required reserves equivalent to twenty percent (20%) of deposit substitute liabilities as defined in Section 95 of R.A. No. 7653, regardless of maturities except:

(a) xxx

xxx

(d) xxx

*Provided,* That deposit substitutes evidenced by repo agreements covering government securities that are transacted in an organized market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) starting reserve week 1 December 2017."

**Section 3.** Subsections X256.5 of the MORB and 4256Q.5 of the MORNBFBI shall be deleted.

**Section 4.** This Circular shall take effect on 27 November 2017.

FOR THE MONETARY BOARD:

  
NESTOR A. ESPENILLA, JR.  
Governor

23 November 2017