

Regulatory Updates

65th RBAP Annual National Convention
21 May 2018 Davao City



BANGKO SENTRAL NG PILIPINAS

Presentation Outline

- **FSS Strategic Initiatives**
- **Liquidity Risk Management Reforms**
- **Establishment of Branch-lite Units**



FSS Strategic Initiatives



Strengthening Risk Governance

Leveraging in Technology and Use of Artificial Intelligence

Achieving Greater Access to Financial Services

Upholding the Integrity of the Financial System

Strengthening Collaboration with Stakeholders



FSS Strategic Initiatives

Strengthening Risk Governance



Overview of Liquidity RM Reforms

**UKBs and subsidiary
banks/QBs**

**Stand-alone TBs, RBs, CBs
and QBs**

**Intraday Liquidity
Reporting**

**Net Stable Funding Ratio
(NSFR)**

**Liquidity Coverage Ratio
(LCR)**

**Minimum Liquidity Ratio
(MLR)**

Enhanced Liquidity Risk Management Guidelines



Liquidity Risk Management Guidelines

Covered FIs

- Banks and quasi-banks

Rationale

- To enhance the adequacy and effectiveness of a bank's/QB's liquidity risk management process

Implementation

- 1 September 2018

Transitory Provision

- Completion of gap analysis between the requirements of the Circular and existing liquidity risk management system by 31 March 2018



Key Features of Minimum Liquidity Ratio (MLR)

Rationale

To promote short-term resilience to liquidity shocks

Key Provisions

MLR of 20 percent – expressed as a percentage of eligible liquid assets to total qualifying liabilities

- ❑ *Eligible liquid assets* include cash on hand, BSP reserves, **deposits in other banks** and eligible debt securities (government securities)
- ❑ *Qualifying liabilities* include total liabilities and irrevocable obligations under off-balance sheet

MLR disclosures in Annual Report

Implementation

1 January 2019

Lifting of Existing Liquidity Requirements

- ✓ 50% liquidity floor requirement on government deposits
- ✓ 30% liquidity asset cover for foreign currency liabilities in their respective FCDU/EFCDU
- ✓ Foreign currency cover in the same currency as that of the corresponding foreign currency deposit liabilities

* effective 1 January 2019

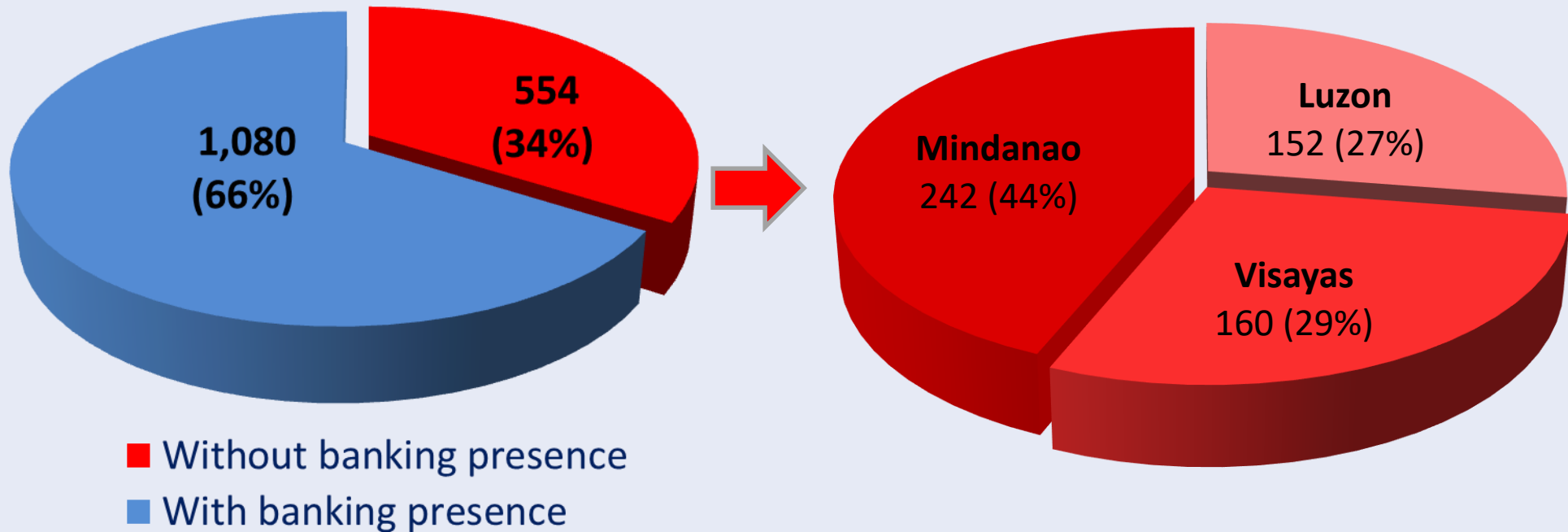
Rationalization of Prudential Requirements on Banking Offices



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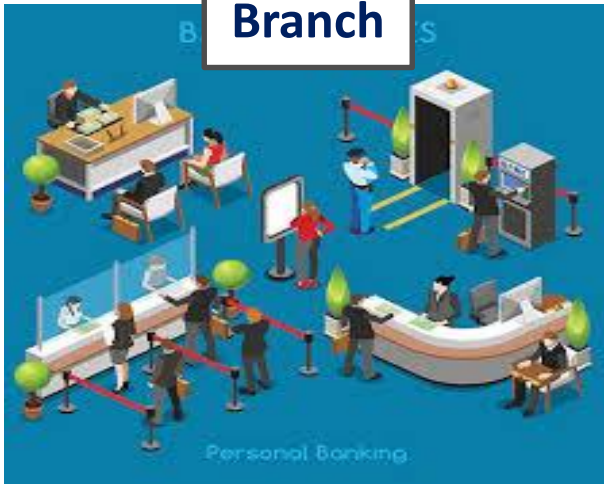
Overview of Banking Offices

Unbanked Cities and Municipalities in the Philippines As of 31 December 2017



Overview of Banking Offices

Branch



Full banking services/products

Extension Office



Accepts deposits/services withdrawal

Other Banking Office



Non-transactional activities

Micro Banking Office



Limited transactional activities



Overview of Banking Offices

Distribution of Banking Offices As of 31 December 2017

Office Type	Cities	1st Class Municipality	2nd Class Municipality	3rd Class Municipality	4th Class Municipality	5th Class Municipality	Total
Head Office	244	134	56	58	74	21	587
Regular Branch	7,295	1,541	282	207	166	39	9,530
EO	120	58	25	8	9	7	227
OBO	264	100	33	37	39	8	481
MBO	250	304	92	133	108	32	919
Total	8,173	2,137	488	443	396	107	11,744



Overview of Banking Offices



Branch

Branch-lite Units



Comparison of Branch & Branch-Lite Unit

Particulars	Branch	Branch-Lite Unit
Products/Services Offered	Full range of services consistent with the scope of authority and relevant licenses	Board-defined menu for specific market/sector, excludes products for sophisticated clients with high risk tolerance
Books of Accounts	With complete set of books	None, recorded in branch or HO books of accounts
Location	Anywhere in the Philippines	Same
Licensing: Prerequisites	Subject to the revised licensing framework	Same
Licensing: Processing fees	Tiered based on bank category and location Exempt for unbanked cities and municipalities	Lower amount, tiered based on location Same
Minimum Capitalization	Considered	Not considered/Excluded

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Processing and Licensing Fees

Processing Fees

Banking Unit and Bank Category	Metro Manila, cities of Cebu and Davao, All Other Cities, 1 st to 2 nd Class Municipalities	3 rd to 6 th Class Municipalities
a. Branch		
(1) UBs/KBs/Affiliated TBs	P200,000	P100,000
(2) Non-affiliated TBs	100,000	50,000
(3) RBs/Coop Banks	25,000	12,500
b. Branch-lite unit	10,000	5,000

Special Licensing Fees in MM cities*

Bank Category	Licensing Fee Per Branch	Proposed Licensing Fee Per Branch-lite Unit
UB/KB	P20 million	P5 million
TB	15 million	3 million
RB/Coop Bank	1.5 million	300 thousand

* Refer to the 8 cities previously considered as restricted areas