



The Bangko Sentral ng Pilipinas (BSP) and Its Role

Economic and Financial Learning Program (EFLP)
Session for the Workforce

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Outline

What we'll learn today

01 | The BSP's mandate

Sec. 3, R.A. No. 7653 (New Central Bank Act), as amended by R.A. No. 11211

02 | The Core functions of the BSP

Price Stability, Financial Stability, and Efficient Payments & Settlements System

03 | Other functions of the BSP

Issuer of money, Manager of official reserves, Bank of banks, Official depository and advisor of national government, and determination of the foreign exchange policy



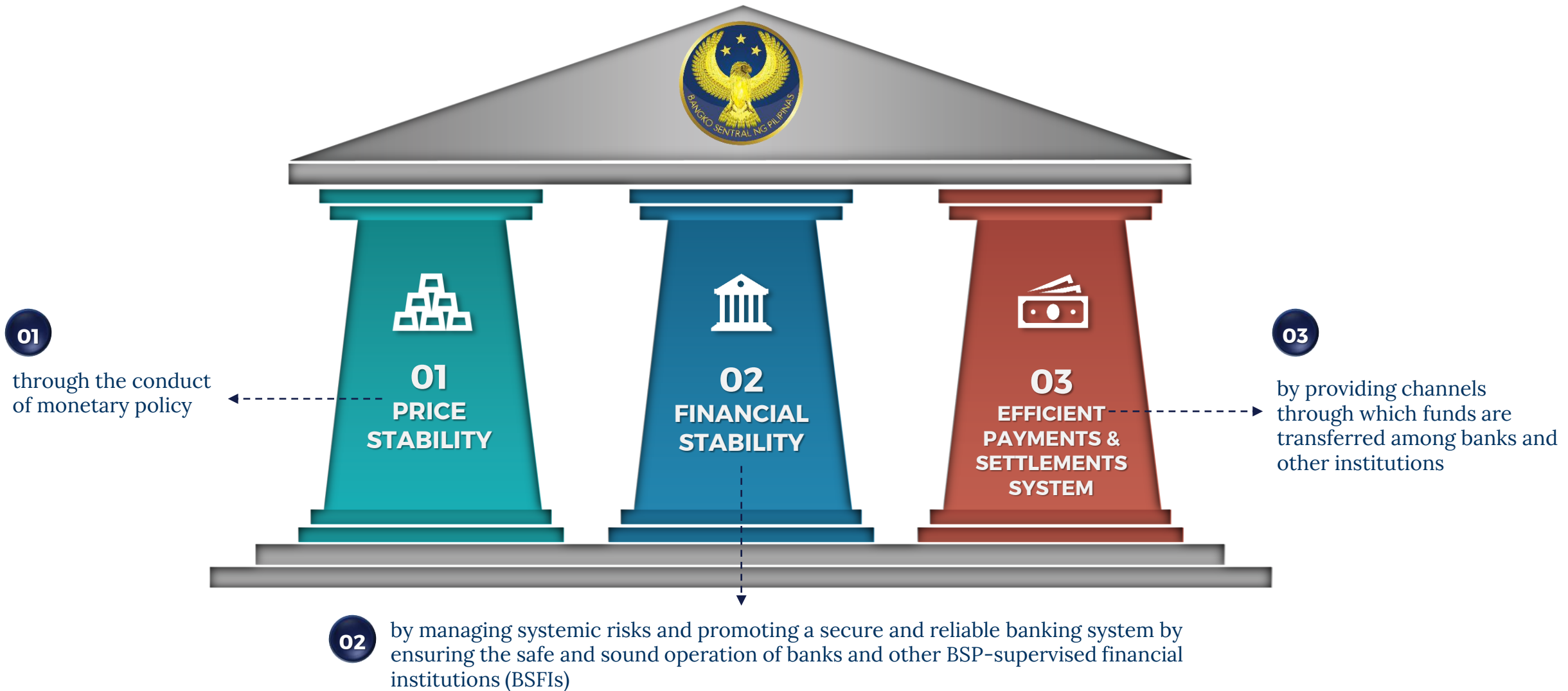
01 | The BSP's Mandate

Sec. 1, R.A. No. 7653 (New Central Bank Act), as amended by R.A. No. 11211

“The State shall maintain a **CENTRAL MONETARY AUTHORITY** that shall function and operate as an **INDEPENDENT AND ACCOUNTABLE BODY** corporate in the discharge of its mandated responsibilities concerning money, banking and credit. In line with this policy, and **CONSIDERING ITS UNIQUE FUNCTIONS AND RESPONSIBILITIES**, the central monetary authority established under this Act, while being a government-owned corporation, **SHALL ENJOY FISCAL AND ADMINISTRATIVE AUTONOMY.**”



02 | Core Functions of the BSP



02 | Core Functions of the BSP: Price Stability



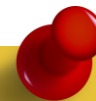
02 | Core Functions of the BSP: Price Stability



What is Price Stability and why is it important?

PRICE STABILITY

- ✓ There is low and stable **inflation**.
- ✓ On average, prices neither go up or down markedly.
- ✓ Prices are negligible over time.



Stable prices preserve purchasing power and allow consumers and businesses to make sound economic and financial decisions.

02 | Core Functions of the BSP: Price Stability

Inflation

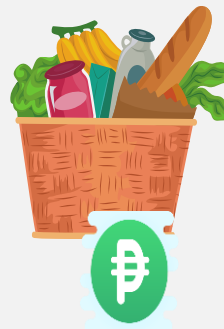


PRICES

individual prices of different goods and services



the general price level or the representative price in the economy



FOOD

WATER AND ELECTRICITY

TRANSPORTATION

EDUCATION

HEALTHCARE

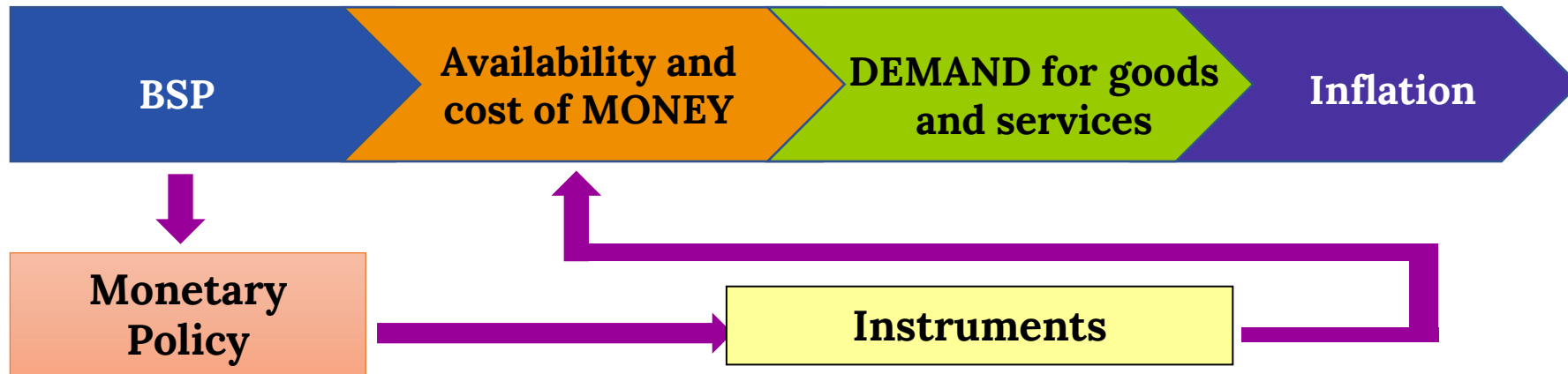
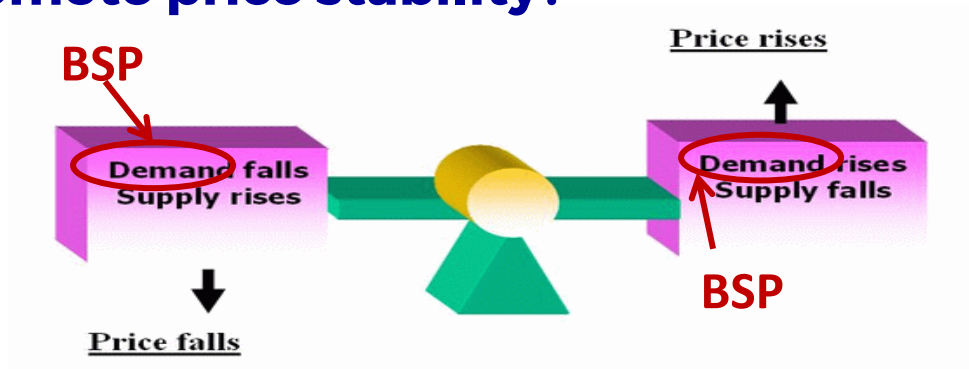
CLOTHING

CPI

the average price of the standard basket of goods and services consumed by a typical Filipino family for a given period

How does the BSP promote price stability?

Prices are determined
By the interaction of
supply and demand



Actions taken to **manage** the **availability** and **cost** of **money** and **credit** to attain stable prices

- **Reverse repurchase transactions**
- BSP Securities Issuance
- Outright Purchase/Sale of Government Securities
- Foreign Exchange Swap
- Term deposit facility
- Standing overnight liquidity facilities
- Rediscounting facility
- Reserve requirements

What is the Monetary Policy Framework of the BSP?



Inflation targeting (IT)

- Focuses on achieving price stability as the ultimate objective of monetary policy
- Entails the central bank publicly announcing an explicit inflation target that it promises to achieve over a certain period
- The inflation target is set by the Development Budget Coordination Committee (DBCC)



TARGET ANNUAL HEADLINE INFLATION 2023-2028
3.0 percent ± 1.0 percentage point



02 | Core Functions of the BSP: Financial Stability



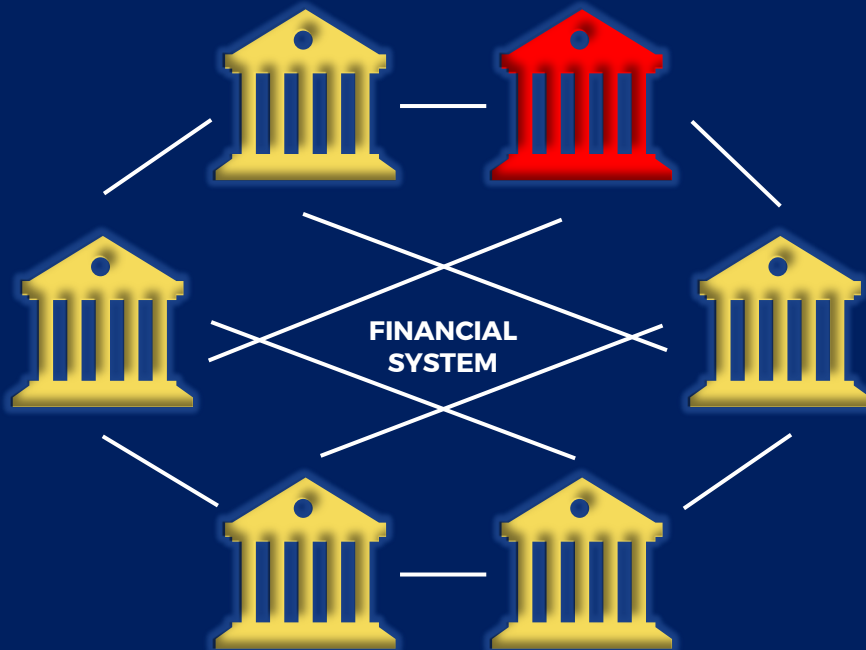
Managing systemic risks and promoting a secure and reliable banking system by ensuring the safe and sound operation of banks and other BSP Supervised Financial Institutions (BSFIs)

02 | Core Functions of the BSP: Financial Stability

Systemic Risks



Promoting Financial Stability



Systemic risk management
is crucial to avoid the next crisis

Macroprudential Policy



- ✓ Focuses on the overall health of the financial system
 - ❖ Purposely knowing where the risks are coming from
 - ❖ Ensuring that regulatory standards are in place

02 | Core Functions of the BSP: Financial Stability

How does the BSP conduct financial supervision and regulation?



Issuance of rules of
conduct/standard
of operations



Conduct of
examination/regular
investigation

- ✓ safety & soundness of FIs
- ✓ smooth functioning of financial markets
- ✓ protection of interests of depositors & investors



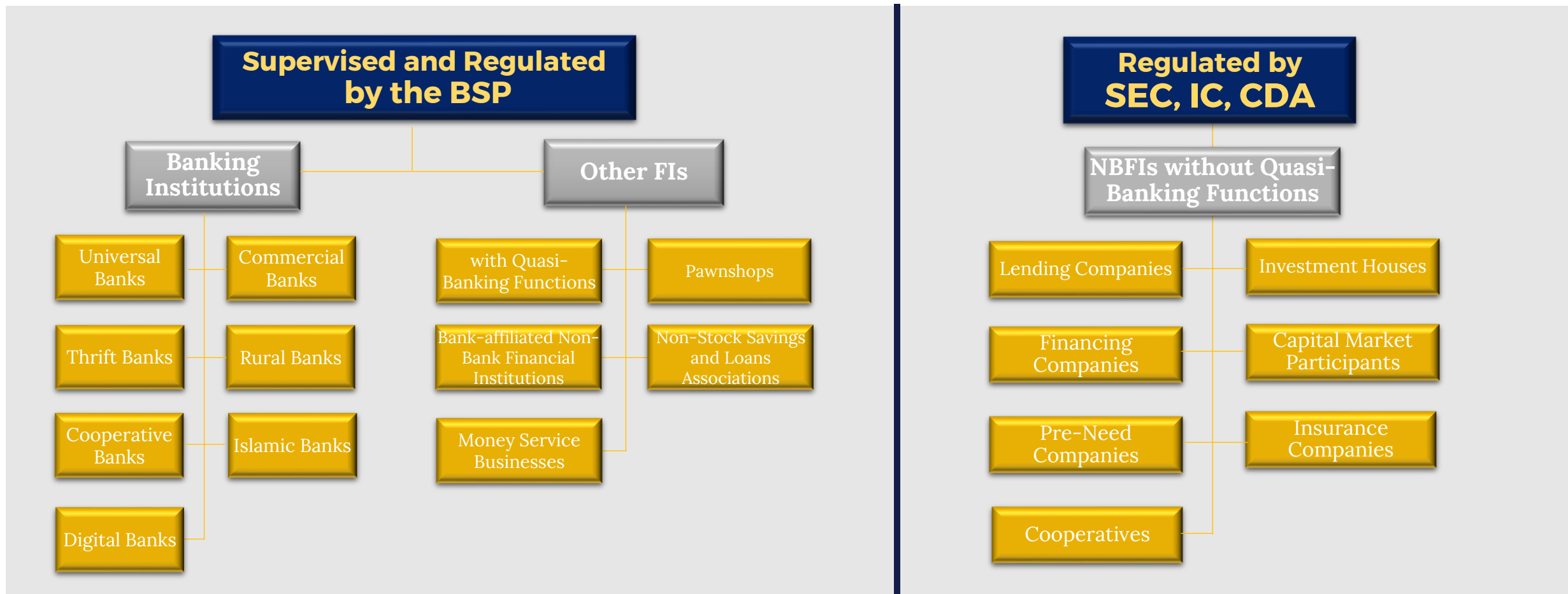
Inquiring into
solvency/liquidity



Risk profiling

02 | Core Functions of the BSP: Financial Stability

Overview of the Philippine Financial System



02 | Core Functions of the BSP: Efficient Payments & Settlements System

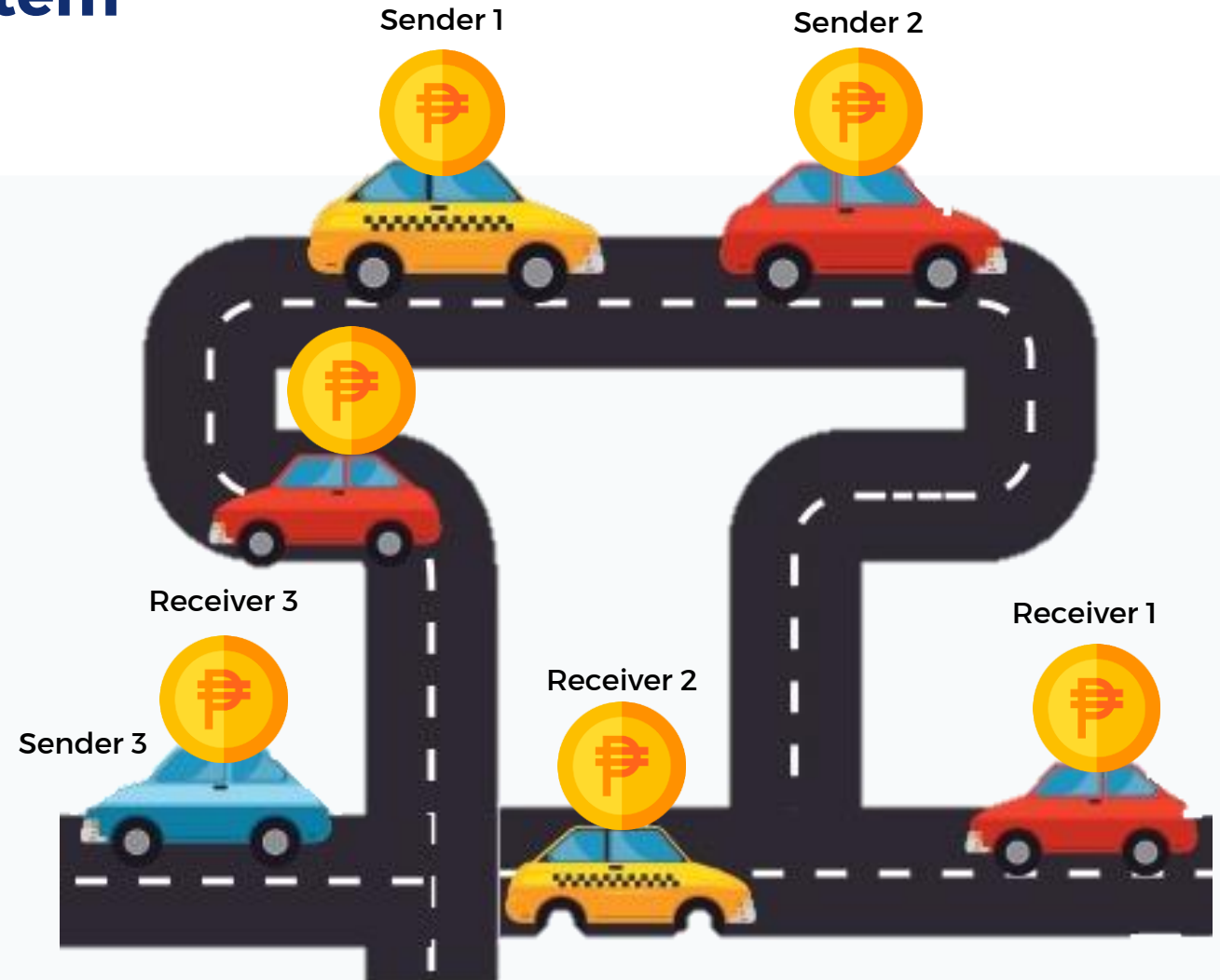


02 | Core Functions of the BSP: Efficient Payments & Settlements System

Payments and settlements system



BSP provides an environment to settle payments efficiently and effectively.



02 | Core Functions of the BSP: Efficient Payments & Settlements System

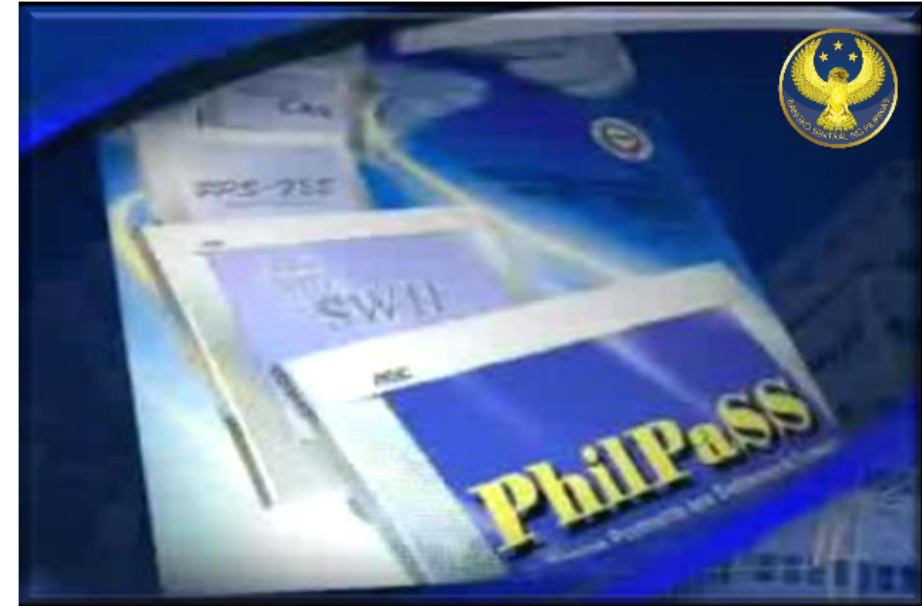
How does the BSP take the lead in promoting an efficient payments & settlements system?

RA No. 11127 or “The National Payment Systems Act” (NPSA)



OVERSEER, REGULATOR, & SUPERVISOR OF PAYMENT SYSTEMS

Provide a **policy and regulatory framework**, also known as the **National Retail Payment System** or **NRPS**, to establish safe, efficient, and reliable retail payment system in the country.



OWNER & OPERATOR OF REAL TIME GROSS SETTLEMENT SYSTEM

Provide the **necessary infrastructure** through the operations of the Philippine Payments and Settlements System or the “**PhilPaSS.**”

03 | Other Functions of the BSP



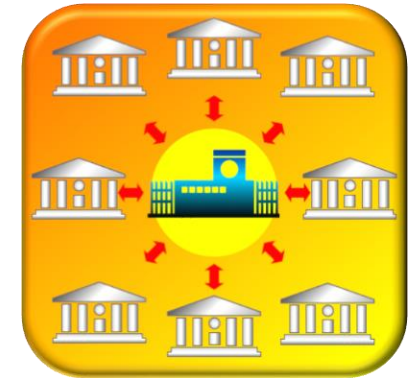
ISSUER OF MONEY

Only the BSP can issue legal tender



MANAGER OF OFFICIAL RESERVES

The BSP manages the country's GIR



BANK OF BANKS /LENDER OF LAST RESORT

The BSP transacts with banks only, and gives loans when warranted



OFFICIAL DEPOSITORY AND ADVISOR OF NATIONAL GOVERNMENT

The NG maintains deposits with the BSP, while the BSP advises the NG on borrowings



DETERMINATION OF THE EXCHANGE RATE POLICY

BSP is in charge of the exchange rate policy



KEY TAKE-AWAYS



The BSP crafts effective **monetary policy to promote price stability**. This leads to affordable prices of goods and services in the country



The BSP ensures **a secure, reliable, and healthy financial system** in the country.



The BSP provides **policies and infrastructure** to ensure **safe and efficient payments and settlements** of financial transactions, essential to the effective functioning of financial systems.

WHO BENEFITS

Consumers directly benefit.

Depositors, borrowers, and other financial system players directly benefit.

Transacting parties directly benefit.

THE ECONOMY AS A WHOLE BENEFITS



**Thank you and
stay safe!**

Website: <http://www.bsp.gov.ph>
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