



# The Core Functions of the BSP

An introduction on the BSP's role in the economy

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What we'll learn today

## **01 | The BSP's mandate**

Sec. 3, RA 7653 (New Central Bank Act), as amended by RA 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





# Outline

What we'll learn today

**04 | Priority Messages**

**05 | Walk-through on the BSP's online learning resources**



# 01 | The BSP's mandate

Sec. 3, RA 7653 (New Central Bank Act), as amended by RA 11211

“...primary objective... is to **MAINTAIN PRICE STABILITY** conducive to a balanced and sustainable growth of the economy and employment.”

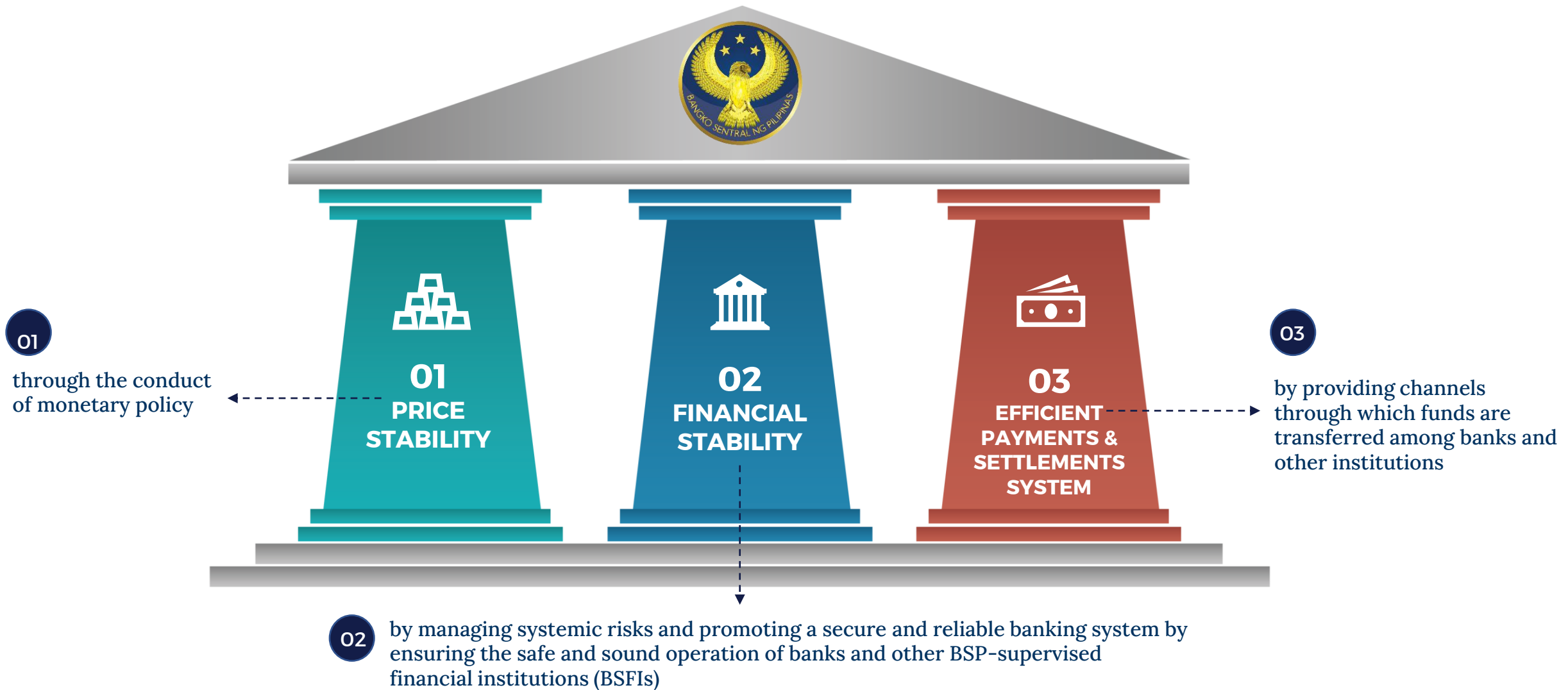
“...shall **PROMOTE FINANCIAL STABILITY...**”

“...shall **OVERSEE THE PAYMENT & SETTLEMENT SYSTEMS** in the Philippines... in order to promote sound and prudent practices consistent with the maintenance of financial stability.”

“...shall **PROMOTE BROAD & CONVENIENT ACCESS TO HIGH QUALITY FINANCIAL SERVICES** & consider the interest of the general public.”



## 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 & Why is it important?

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#### PRICE STABILITY

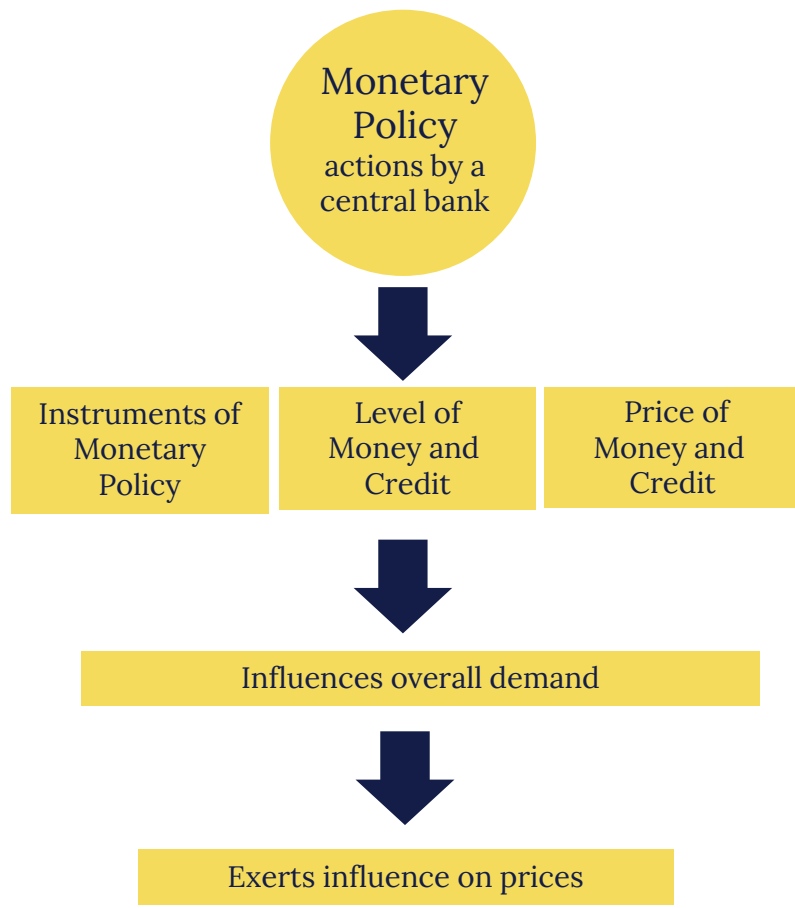
- ✓ There is low and stable **inflation** (rate of change in the average prices of goods and services).
- ✓ The average prices of goods and services do not change substantially over time.



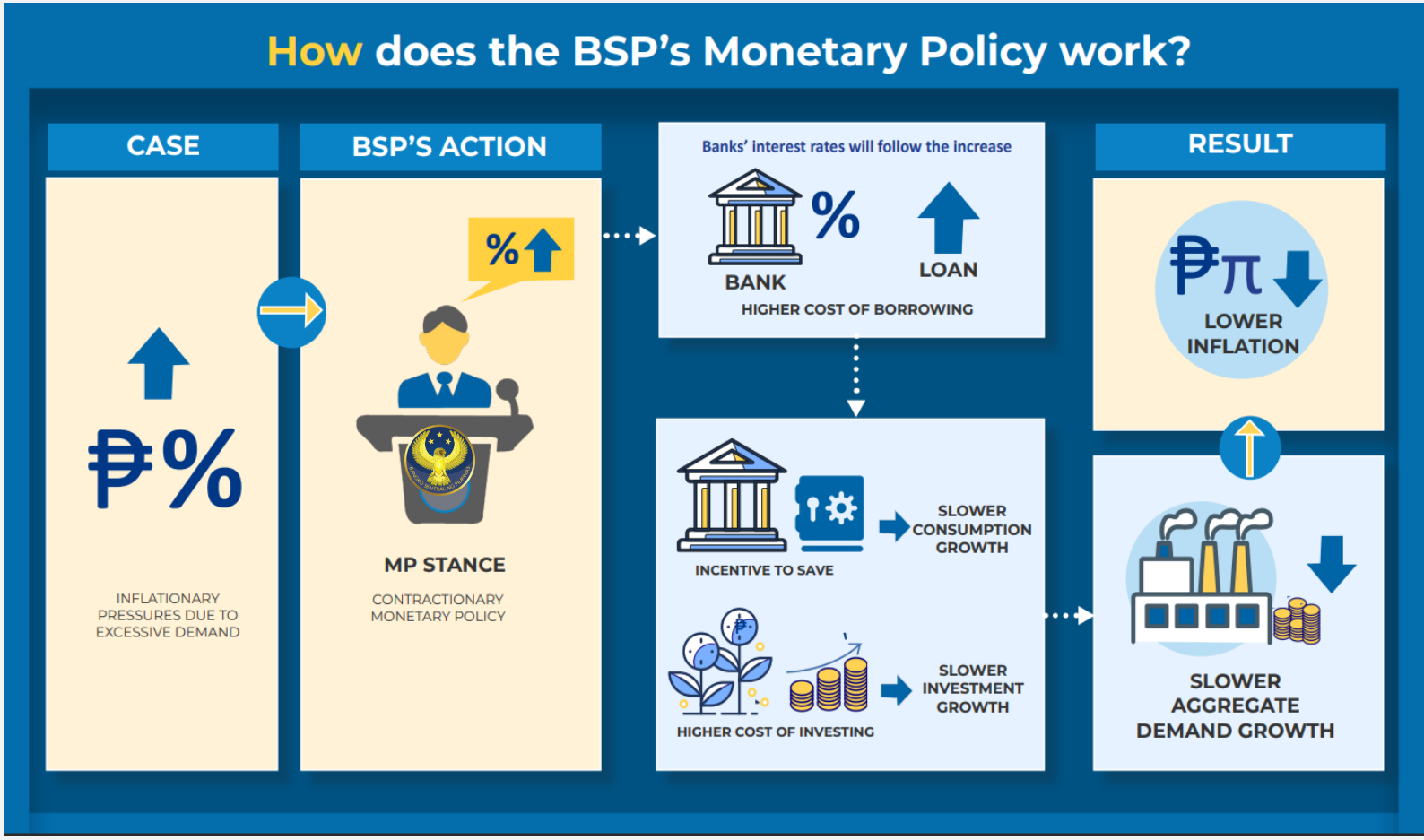
Stable prices preserve purchasing power and allow consumers and businesses to make sound economic and financial decisions.

## 02 | Core Functions of the BSP: Price Stability

How does the BSP promote Price Stability?



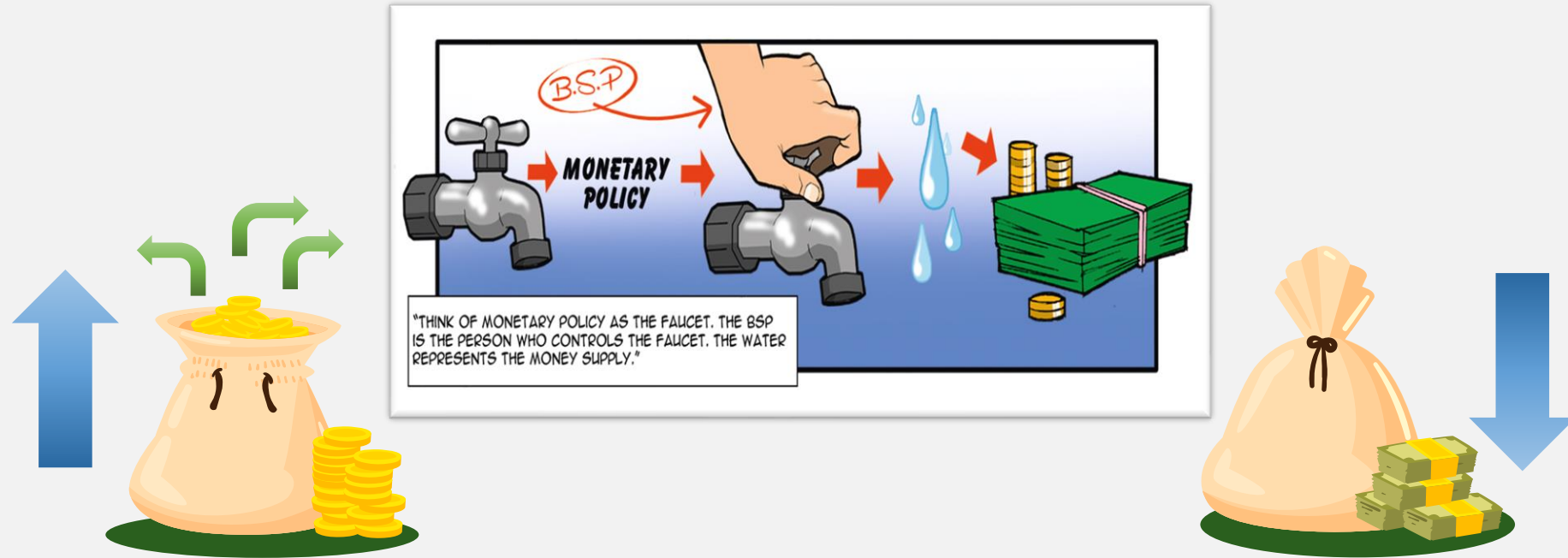
**Case:** Inflationary pressures due to excessive demand  
**Required action:** BSP to slow down inflation by implementing contractionary monetary policy by raising policy rate



Any change in the BSP's policy rate takes one to two years before it is fully felt across the economy. The BSP looks at inflation forecast for the next two years and takes action NOW, if needed, to achieve inflation target.



## 02 | Core Functions of the BSP: Price Stability



### EXPANSIONARY

- Central bank lowers policy rate
- Reduces cost of borrowing
- Increases money supply/liquidity
- Increases spending (demand) or investment to stimulate the economy (can increase inflation)

### CONTRACTIONARY

- Central bank raises policy rate
- Increases cost of borrowing
- Slows down money supply/liquidity
- Reduces spending (demand) or investment to slow inflation



# INFLATION TARGETING PROCESS



## 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 (BFSIs)

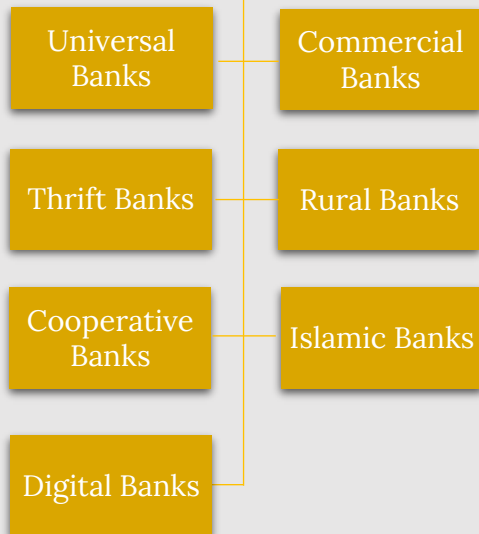
## 02 | Core Functions of the BSP: Financial Stability

### Overview of the Philippine Financial System

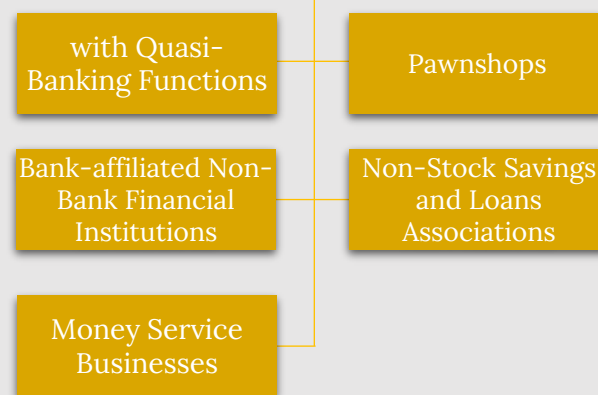


#### Supervised and Regulated by the BSP

##### Banking Institutions

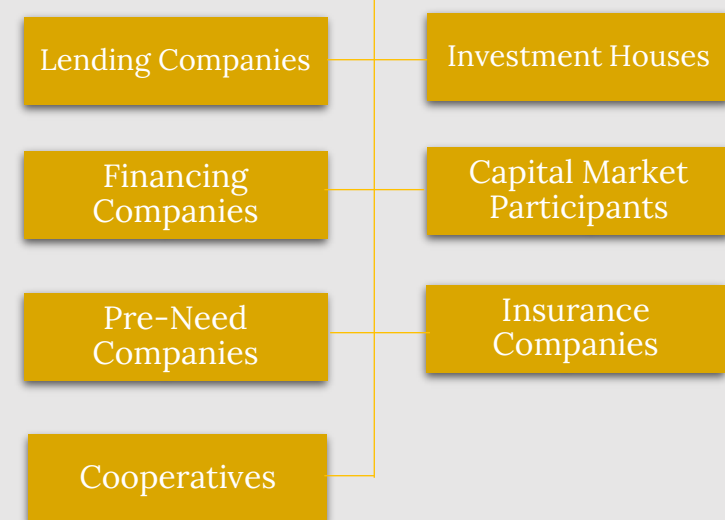


##### Other FIs

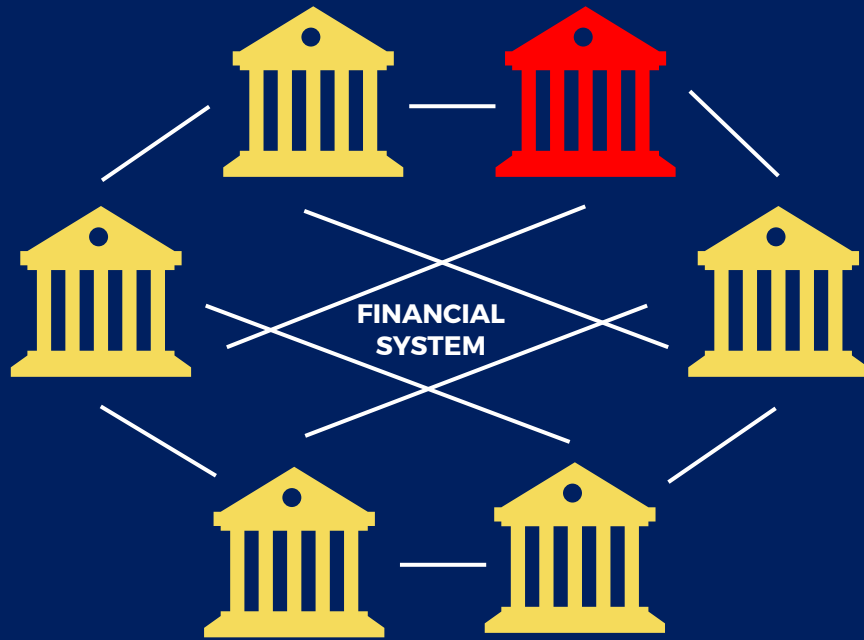


#### Regulated by SEC, IC, CDA

##### NBFIs without Quasi-Banking Functions



# Promoting Financial Stability



**Systemic risk management**  
is crucial to avoid the next crisis



- ✓ **Financial Stability (FS)** is about managing financial system risks so that these risks do not create negative consequences to the rest of the economy.
- ✓ FS is about managing risks that can disrupt the availability and effective delivery of financial products and services

## 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: Efficient Payments & Settlements System



# What is an efficient payments and settlements system?



**A safe, sound, & efficient payment system** is a critical market infrastructure of a **stable financial system**



- includes **institutional and infrastructure arrangements and processes** through which money is transferred from one party to another
- provides **channels through which funds are transferred** to discharge payment obligations arising from economic and financial transactions (includes digital transactions such as use of online facility and electronic wallet)

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

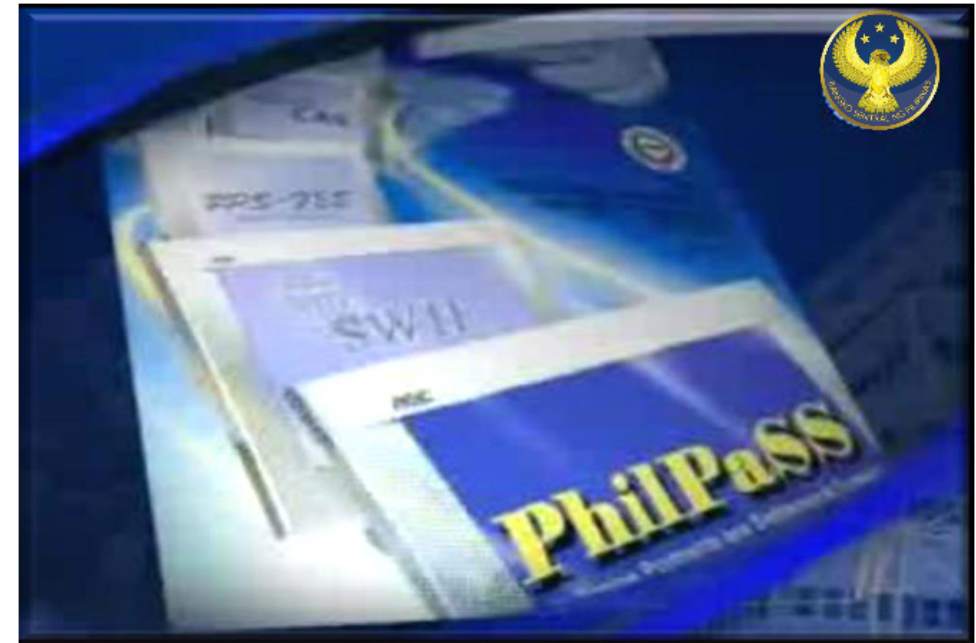
How does the BSP take the lead in promoting an efficient payments & settlements system?

### 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

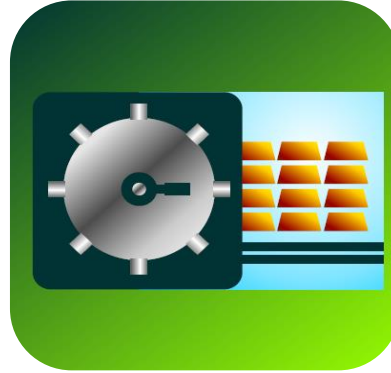
Provide the **necessary infrastructure** through the operations of the Philippine Payments and Settlements System or the “**PhilPaSS**.”

## 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



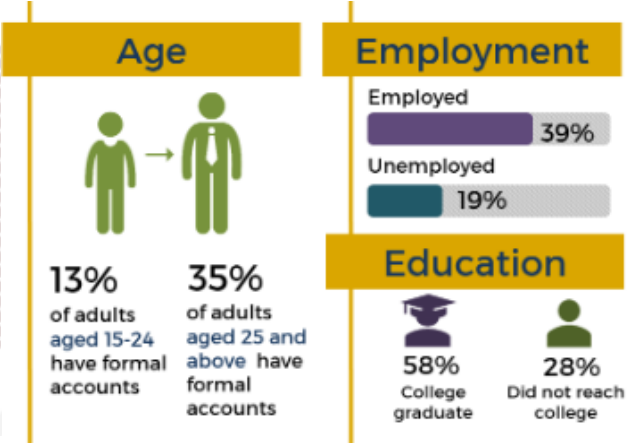
### **DETERMINATION OF THE EXCHANGE RATE POLICY**

BSP is in charge of the  
exchange rate policy



# Priority Messages | Financial Inclusion

Financial inclusion is a state in which everyone, especially the vulnerable sectors, has effective access to a wide range of financial services.



	15-19	20-29	30-39
With Account	6.9	29.0	31.3
Bank	2.3	15.8	14.5
E-money	4.6	8.5	7.5
NSSLA	0.0	0.0	0.0
Cooperative	0.0	2.1	1.6
Microfinance NGO	0.0	9.4	12.8

Source: 2019 FIS Topline Report


## National Strategy for Financial Inclusion (NSFI) 2022-2028

The new NSFI will serve as a six-year blueprint to achieve the vision of driving financial inclusion toward broad-based growth and financial resilience.



"The NSFI 2022-2028 signifies our greater collective commitment and aspiration for a more financially included and empowered citizenry."

—Governor Benjamin Diokno  
Chairman of the Financial Inclusion Steering Committee



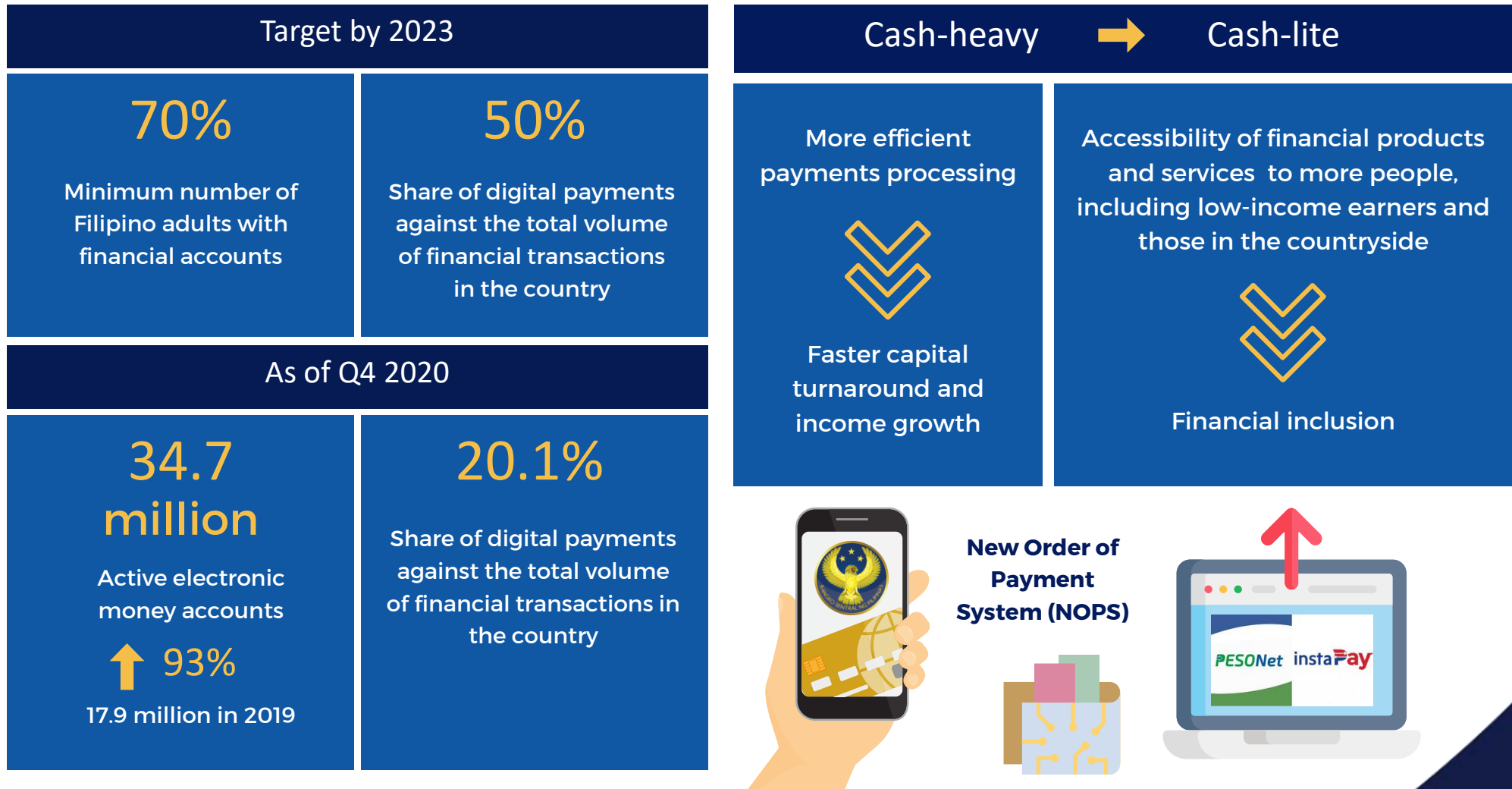
The NSFI launch highlights the importance of a financial system that is pro-growth and pro-poor to reduce income inequalities.

—President Rodrigo Roa Duterte



# Priority Messages | Digital Payments Transformation

## Digital Payments Transformation Roadmap (DPTR) 2020-2023





# Priority Messages | Sustainable Central Banking

## The BSP's Sustainable Central Banking Program

- one of BSP's 2020-2023 strategic priorities
- aims to integrate environmentally responsible and sustainable policies and work practices within the BSP
- encourage the financial industry to invest in activities that will promote climate-resilient, green, and sustainable growth



### Enable

The BSP promotes a policy environment that supports the adoption and growth of sustainable finance

### Mobilize

The BSP will lead and influence financial institutions to carry out environmentally and socially responsible business decisions and adopt green practices.

### Do

The BSP invested in the green bond fund of the Bank for International Settlements (BIS) in line with its sustainable investment strategy

It also formed a bank-wide technical working group (TWG) that would conduct vulnerability assessment to determine the impact of climate change to the BSP offices and branches.



# Priority Messages | Proper Handling of Banknotes and Coins

We can all help in preserving the integrity of our currency



Place banknotes inside proper wallets or containers.



Place coins inside proper coin purses or containers.



Exchange unused coins in banks.



Keep banknotes and coins clean.



Use banknotes and coins as payment for goods and services.



Clean Note and Coin Policy



Coin Recirculation Program



# Priority Messages | Cyber Hygiene in Digital Transactions

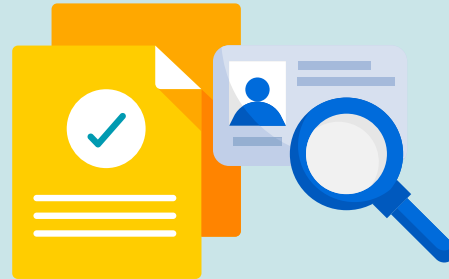
## Check Emails, Texts and Websites

- Phishing emails usually contain wrong spelling and grammar
- It also uses personal email addresses and unofficial URLs.
- Check if the website URL has an "S" to ensure that it is safe (<https://www.website.com>)



## Do Background Checks

- Verify the identity and legitimacy of individuals or institutions that request for personal and account information, donations, investments or payments.



## Use Strong Passwords

- Lengthen and use special characters in your password to make it harder to guess.
- Use different passwords for different accounts and change it frequently.



# Priority Messages | Cyber Hygiene in Digital Transactions

## Use Multi-Factor Authentication

- Make use of security questions, mobile pin (MPIN), one-time-pin (OTP), or texts and email notifications for all your accounts as an additional layer of security when logging-in or confirming financial transactions



## Maintain Information on Personal Accounts Private

- Do not divulge your account numbers, log-in credentials, MPIN, OTP, and CVV code to others



Legal financial institutions will NOT ask for personal and sensitive information

## Report Suspicious Communications, Personnel or Transactions to the Authorities

- Immediately ask your bank or financial institution for help.
- Report suspicious emails from fake websites, impostors or suspicious documents and transactions to regulatory authorities such as the BSP.





## KEY TAKE-AWAYS



To preserve purchasing power, the BSP's main objective is to **maintain price stability**. It uses **inflation targeting** as a framework for conducting **monetary policy**.



To help **promote financial stability and a secure and reliable banking system**, the BSP **manages systemic risks** and **ensures the safe and sound operation of banks and other BSFIs**.



To ensure **safe and efficient payments and settlements** of financial transactions, the BSP **provides the policy and regulatory framework and infrastructure** 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

# **Walk-through on the BSP's online learning resources**

**[www.bsp.gov.ph](http://www.bsp.gov.ph)**







**Thank you &  
Stay safe!**

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