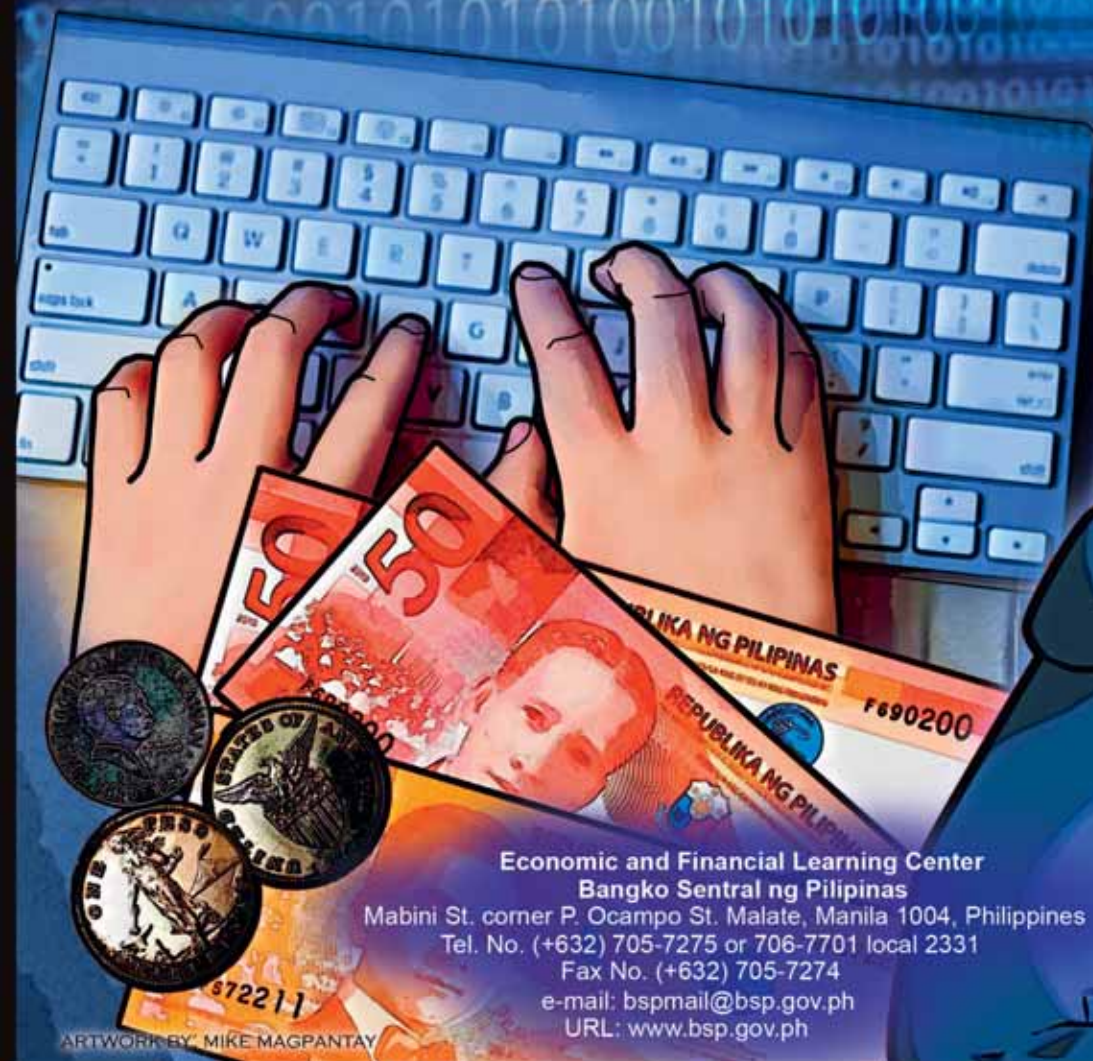


CRACKING THE CENTRAL BANK CODE



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Bangko Sentral ng Pilipinas

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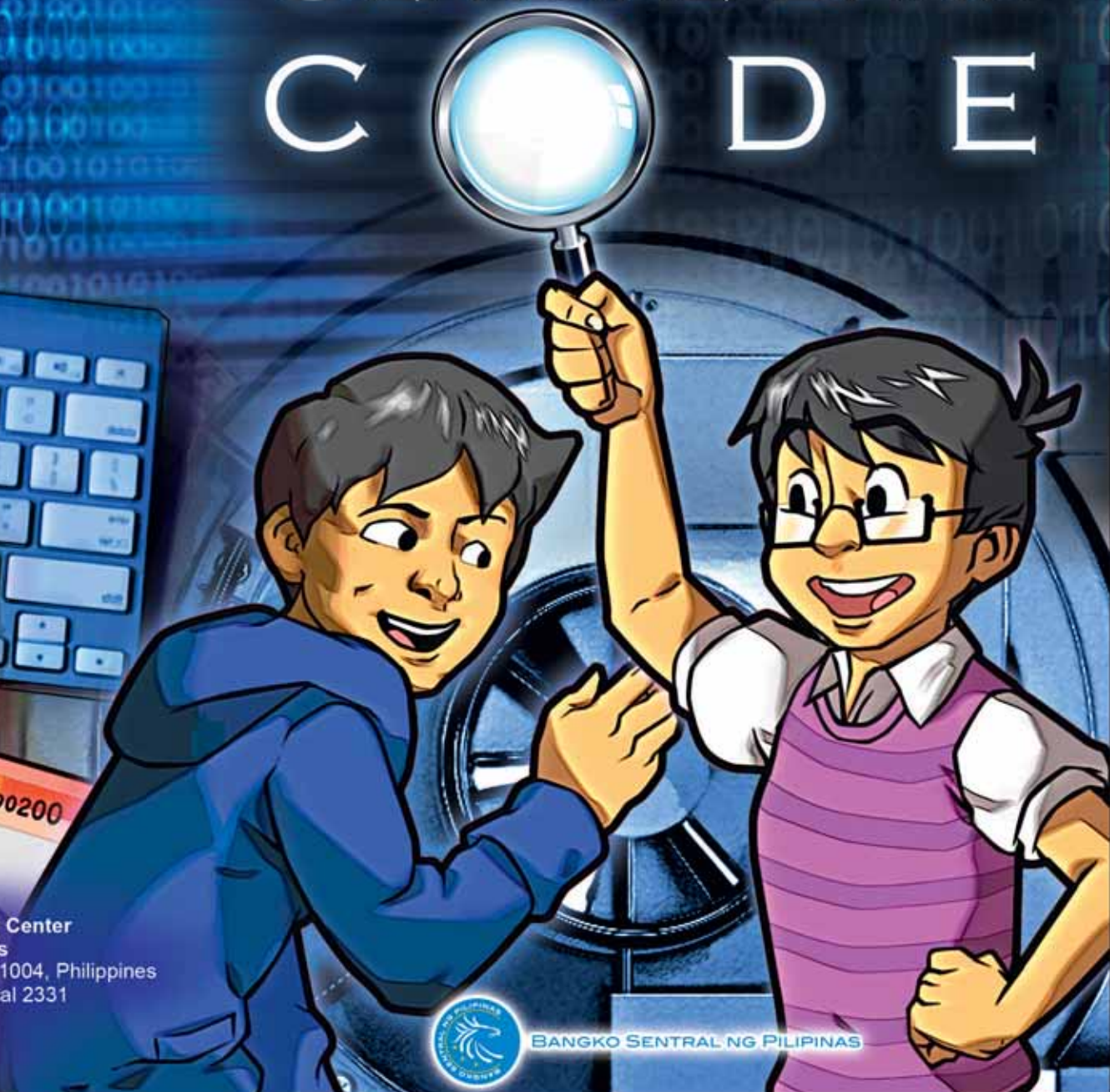
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ARTWORK BY MIKE MAGPANTAY



BANGKO SENTRAL NG PILIPINAS

CRACKING THE CENTRAL BANK CODE



EARLIER THAT DAY...

AND SO I TOLD HIM THAT THERE WAS A MAJOR PLOT HOLE IN HIS FAVORITE FILM, YOU KNOW THE ONE WITH THE ZOMBIES AND ALIENS? HE GOT SO MAD BECAUSE I HAD APPARENTLY RUINED HIS WHOLE CHILDHOOD FOR HIM...



MILO? MILO, ARE YOU EVEN LISTENING TO ME?



OH I'M SORRY DAVID, I HEARD WHAT YOU SAID ABOUT ZOMBIES AND CHICKENS. BUT I'M STILL ANXIOUS THAT I MAY HAVE FAILED MY ECONOMICS EXAMS.

THIS REPORT CARD MAY BE THE KEY TO MY FREEDOM, OR THE CAUSE OF MY DOOM.



AND I THOUGHT I WAS THE MELODRAMATIC ONE.



ALIENS, NOT CHICKENS, MILO. SO WHAT ARE YOU DOING NOW? ARE YOU TRYING TO FIND OUT WHAT YOUR GRADES ARE? WHY DON'T YOU JUST OPEN THAT ENVELOPE THEN?

NO! I MAY NOT BE ABLE TO BEAR THE SHOCK! WHAT IF I GOT A FAILING GRADE? I MIGHT FAINT HERE ON THE SIDEWALK AND FORCE YOU TO CARRY ME HOME. WHAT WILL MY MOTHER SAY?

YES, YES, I UNDERSTAND. I DON'T WANT TO BE THE ONE TO BREAK THE NEWS OF YOUR FAILING GRADE ANYWAY. HMMM, WHAT IF WE TRY TO DECIPHER YOUR EXAM RESULTS THROUGH...

...NUMISMATOMANCY!

NUMISMA-WHAT?

NUMISMATOMANCY IS A WAY OF PREDICTING THE FUTURE USING COINS.

I DON'T KNOW, DAVID. THAT DOESN'T SOUND SO SCIENTIFIC.

WELL, METHODS OF PREDICTING THE FUTURE SUCH AS NUMISMATOMANCY HAVE BEEN PRACTISED ALL OVER THE WORLD SINCE THE BEGINNING OF TIME.

COIN TOSSING IS ONE FAMILIAR EXAMPLE OF THIS. BESIDES, IT WOULDN'T HURT TO TRY.



SO WE'RE LOOKING AT OUR NATIONAL HERO ON THE FRONT FACE OF THE COIN. BY THE WAY, MILO, I WAS TOLD THIS IS A SPECIAL COIN. IT WAS MINTED IN 2011 TO COMMEMORATE DR. JOSE RIZAL'S 150TH BIRTH ANNIVERSARY.





OH, IT'S JUST LOLA JUANA! WHEN DID YOU GET BACK FROM THE PROVINCE?

JUST THIS MORNING WHEN YOU WERE AT SCHOOL. BY THE WAY, WHAT CODE WERE YOU TALKING ABOUT?

OH THAT, LOLA. NOTHING IMPORTANT REALLY-

ACTUALLY, LOLA JUANA, DAVID WAS TRYING TO GUESS MY GRADE IN ECONOMICS BY EXAMINING THIS COIN FOR CLUES. HE'S THINKING THAT THE LOGO AT THE BACK IS A CODE FOR SOMETHING.



THAT'S VERY INTERESTING, DAVID.

GEE, THANKS, MILO.

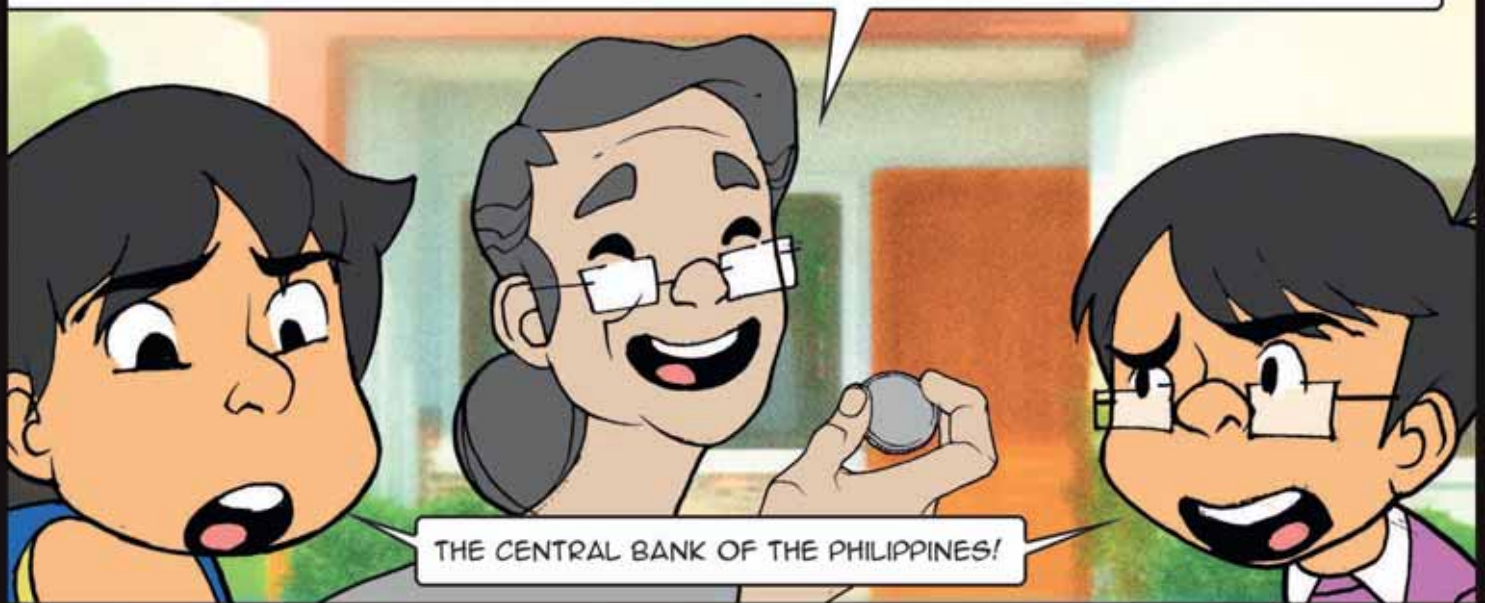


WHAT DID I SAY?!

NO, REALLY. WHAT YOU SAID ABOUT THE CODE WAS INTERESTING, DAVID. MAY I BORROW YOUR ₱1-COIN?

HERE IT IS, LOLA JUANA. I THOUGHT YOU WERE JOKING WHEN YOU SAID THAT MY ATTEMPT TO ENGAGE IN NUMISMATOMANCY WAS INTERESTING.

WE'LL TALK ABOUT YOUR INTEREST IN THE SUPERNATURAL LATER, APO. IN THE MEANTIME, LET ME EXPLAIN WHAT THIS "CODE" IS. IT'S ACTUALLY THE BANGKO SENTRAL NG PILIPINAS LOGO.

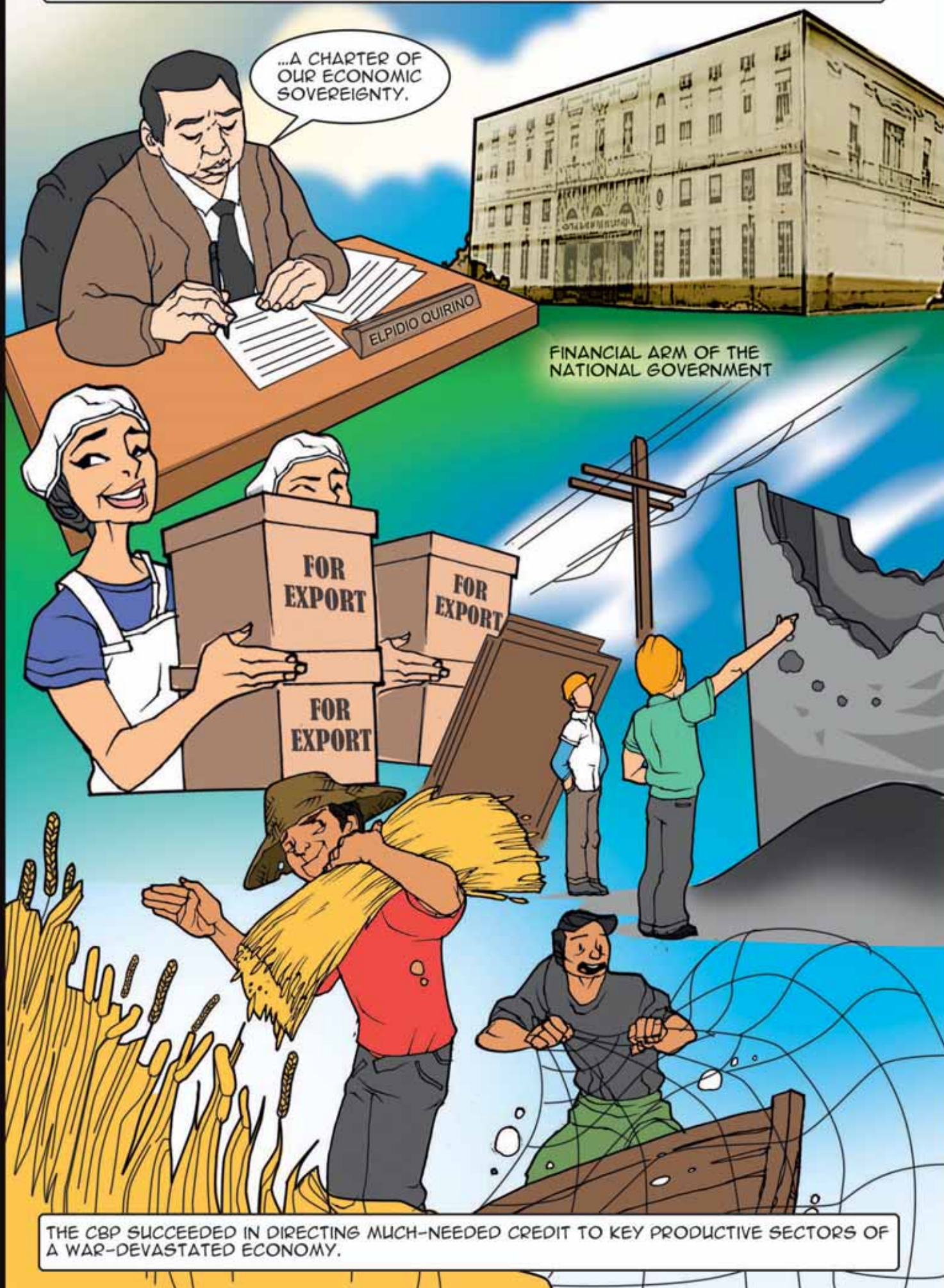


WELL, YES AND NO. THE CENTRAL BANK OF THE PHILIPPINES, OR THE CBP, ACTUALLY CEASED OPERATIONS IN 1993. THAT SAME YEAR, THE BANGKO SENTRAL NG PILIPINAS-THE BSP-WAS ESTABLISHED BY THE PHILIPPINE CONGRESS. LET ME EXPLAIN.



FROM THE RUINS OF THE SECOND WORLD WAR, THE GOVERNMENT ESTABLISHED THE CBP TO SUPERVISE AND NURTURE THE COUNTRY'S MONETARY AND BANKING SYSTEM.

THE CBP SOUGHT TO STRENGTHEN PHILIPPINE INDEPENDENCE BY PLACING CONTROL OF THE COUNTRY'S MONEY SUPPLY IN THE HANDS OF FILIPINOS AND MANAGING IT IN ACCORDANCE WITH THE NEEDS OF THE PHILIPPINE ECONOMY.



THE CBP SUCCEEDED IN DIRECTING MUCH-NEEDED CREDIT TO KEY PRODUCTIVE SECTORS OF A WAR-DEVASTATED ECONOMY.



- CONCERNED WITH THE DEVELOPMENT AND REBUILDING OF THE ECONOMY
- ENCOURAGED BANKS TO PARTICIPATE ACTIVELY IN THE FINANCING OF PRIORITY INDUSTRIES SUCH AS EXPORTS AND FOOD PRODUCTION

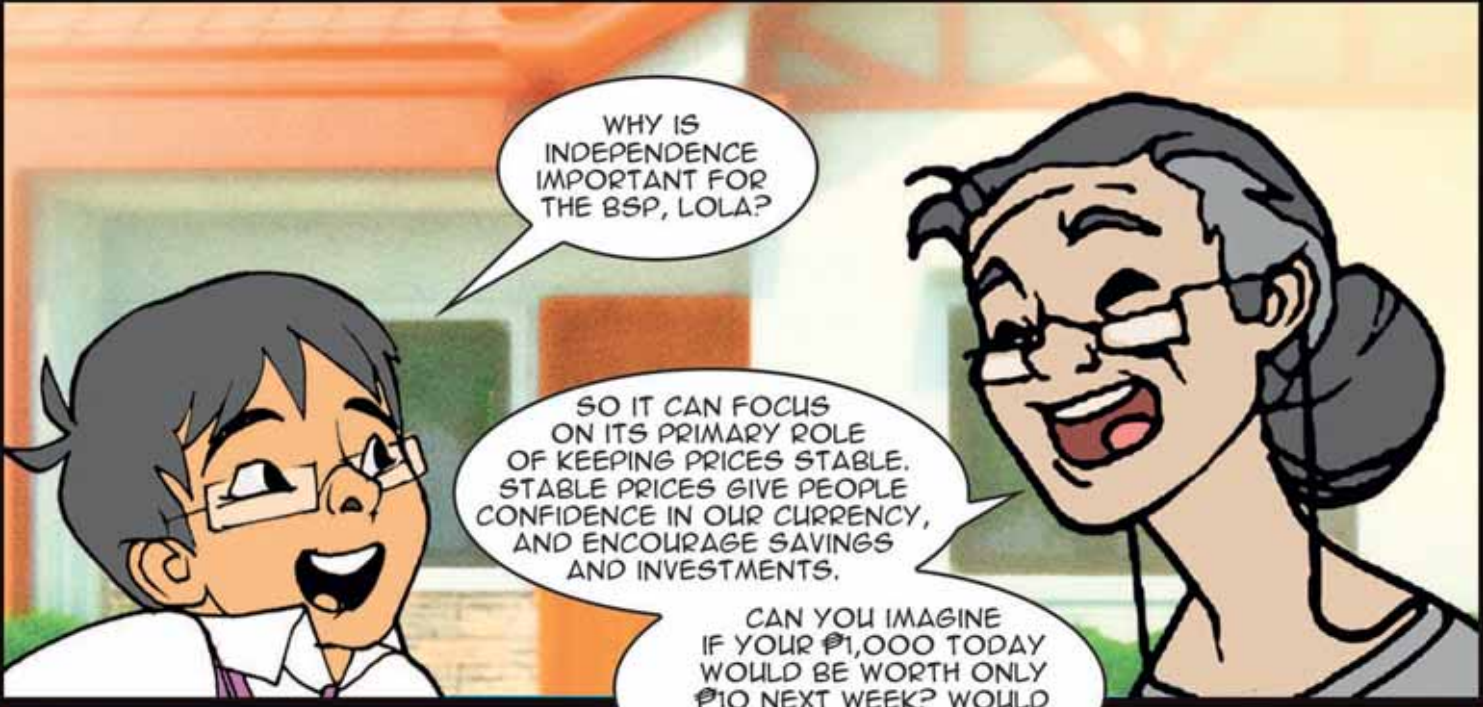


- SHIFTED TO PROMOTING THE STABILITY OF THE PHILIPPINE PESO RATHER THAN ON ITS DEVELOPMENTAL FUNCTIONS
- GIVEN A WIDER SCOPE OF AUTHORITY TO OVERSEE NOT ONLY THE MONETARY AND BANKING SYSTEM, BUT THE ENTIRE FINANCIAL SYSTEM AS WELL



- REPLACED THE CBP AS THE COUNTRY'S CENTRAL MONETARY AUTHORITY
- PRIMARY MANDATE: MAINTAIN PRICE STABILITY
- INDEPENDENT FROM POLITICS
- PROHIBITED FROM ENGAGING IN DEVELOPMENT FINANCING, WHICH INCLUDES LENDING TO SPECIFIC SECTORS TO HELP THEM, SO IT COULD FOCUS ON ITS CENTRAL BANKING FUNCTIONS

9



WHY IS INDEPENDENCE IMPORTANT FOR THE BSP, LOLA?

SO IT CAN FOCUS ON ITS PRIMARY ROLE OF KEEPING PRICES STABLE. STABLE PRICES GIVE PEOPLE CONFIDENCE IN OUR CURRENCY, AND ENCOURAGE SAVINGS AND INVESTMENTS.

CAN YOU IMAGINE IF YOUR ₱1,000 TODAY WOULD BE WORTH ONLY ₱10 NEXT WEEK? WOULD YOU STILL BE ENCOURAGED TO SAVE MONEY?

HOW DOES THE BSP PERFORM ITS FUNCTION? AND IS THAT ITS ONLY ROLE?

TO ANSWER YOUR QUESTION, LET US AGAIN LOOK AT THE BSP LOGO TO HELP ME EXPLAIN WHAT THE BSP DOES.



THE BSP'S PRESENT LOGO WAS ADOPTED IN 2010. IT FEATURES THE PHILIPPINE EAGLE—WHICH SYMBOLIZES THE BSP'S ASPIRATION TO SOAR TOWARD BECOMING A WORLD-CLASS MONETARY AUTHORITY.

IT HAS THREE STARS TO REPRESENT THE THREE PILLARS OF CENTRAL BANKING.

PRICE STABILITY

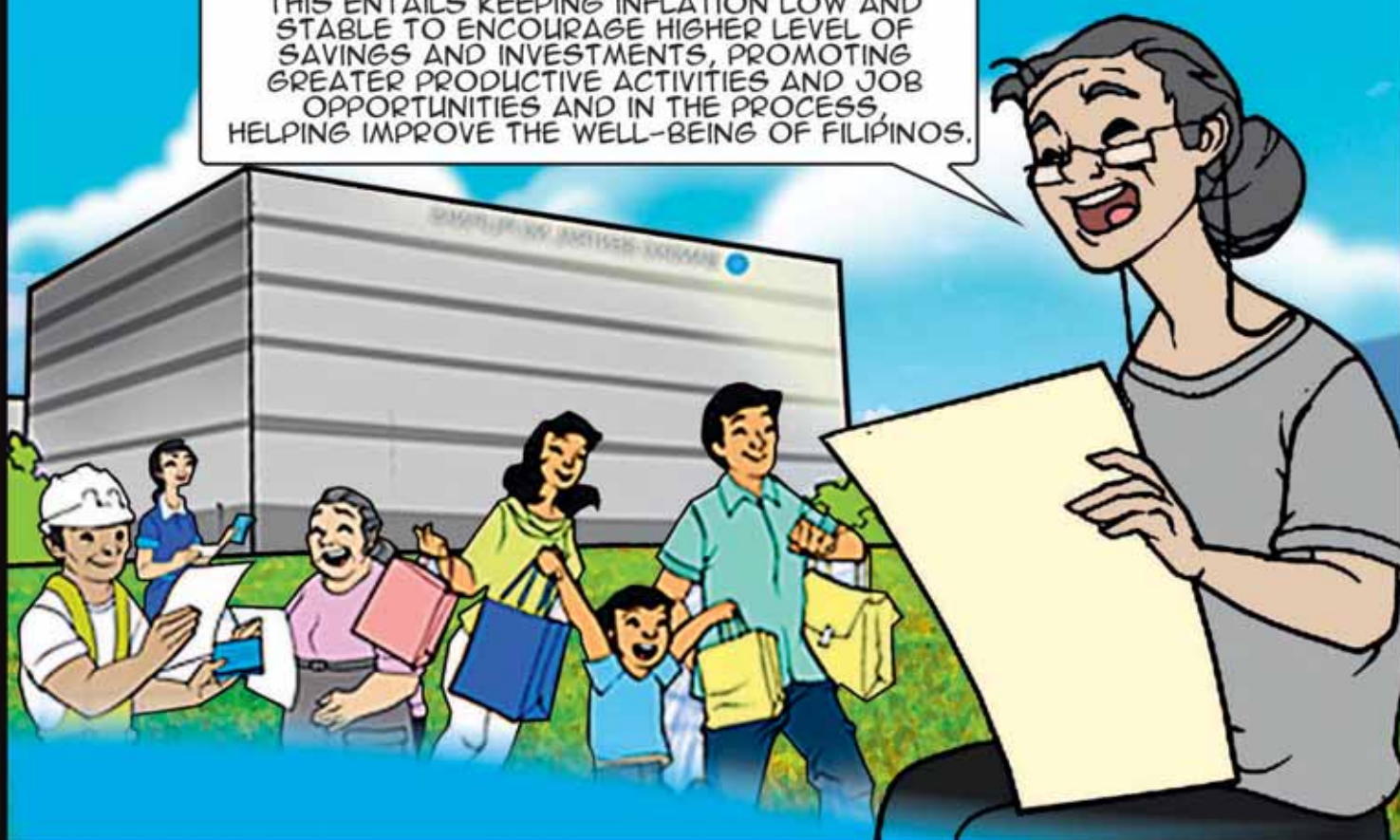
FINANCIAL STABILITY

EFFICIENT PAYMENTS
AND
SETTLEMENTS SYSTEM



THE FIRST PILLAR—AND THE PRIMARY MANDATE OF THE BSP—IS PRICE STABILITY.

THIS ENTAILS KEEPING INFLATION LOW AND STABLE TO ENCOURAGE HIGHER LEVEL OF SAVINGS AND INVESTMENTS, PROMOTING GREATER PRODUCTIVE ACTIVITIES AND JOB OPPORTUNITIES AND IN THE PROCESS, HELPING IMPROVE THE WELL-BEING OF FILIPINOS.





INFLATION! PRICE STABILITY! WE LEARNED ALL THESE IN OUR PREVIOUS ADVENTURE!*



YES, DAVID! MR. JAIME LUCES OF THE BSP EXPLAINED IT ALL TO US!

INFLATION IS THE RATE OF INCREASE IN THE PRICES OF GOODS AND SERVICES.



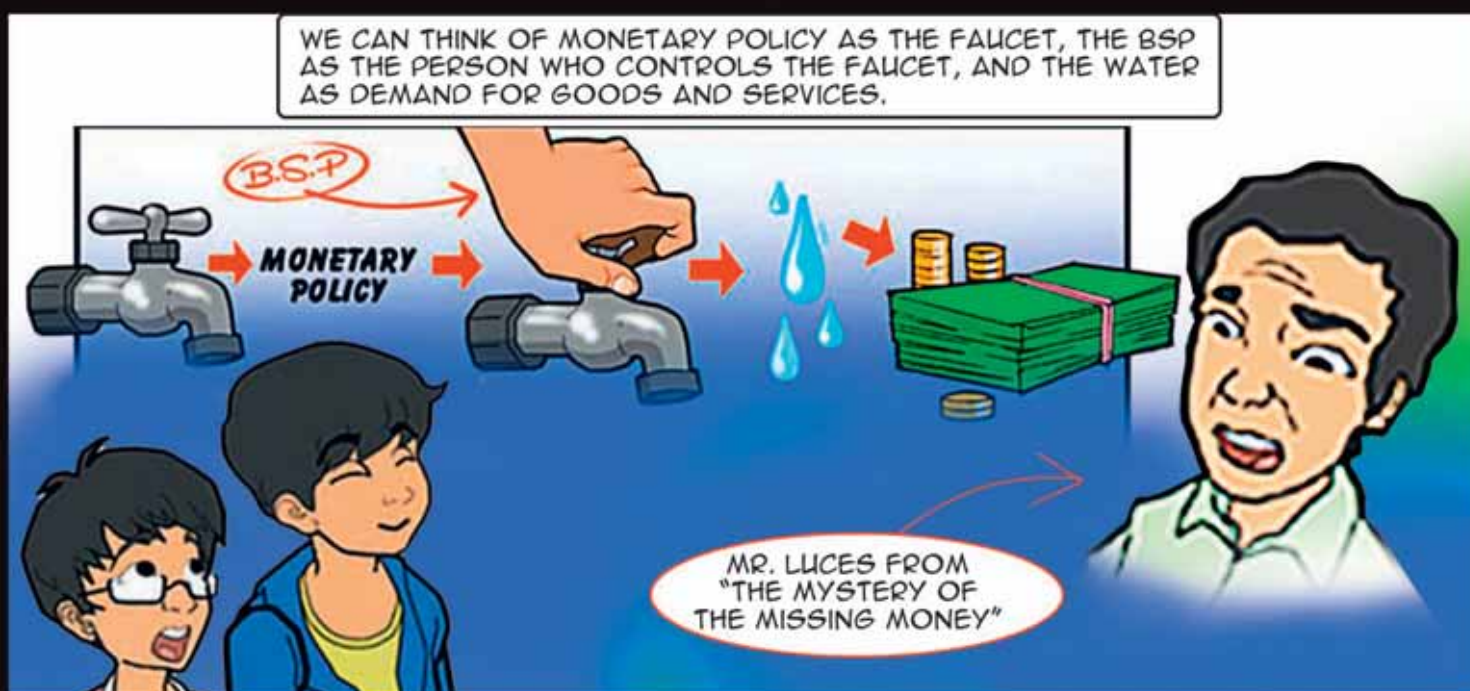
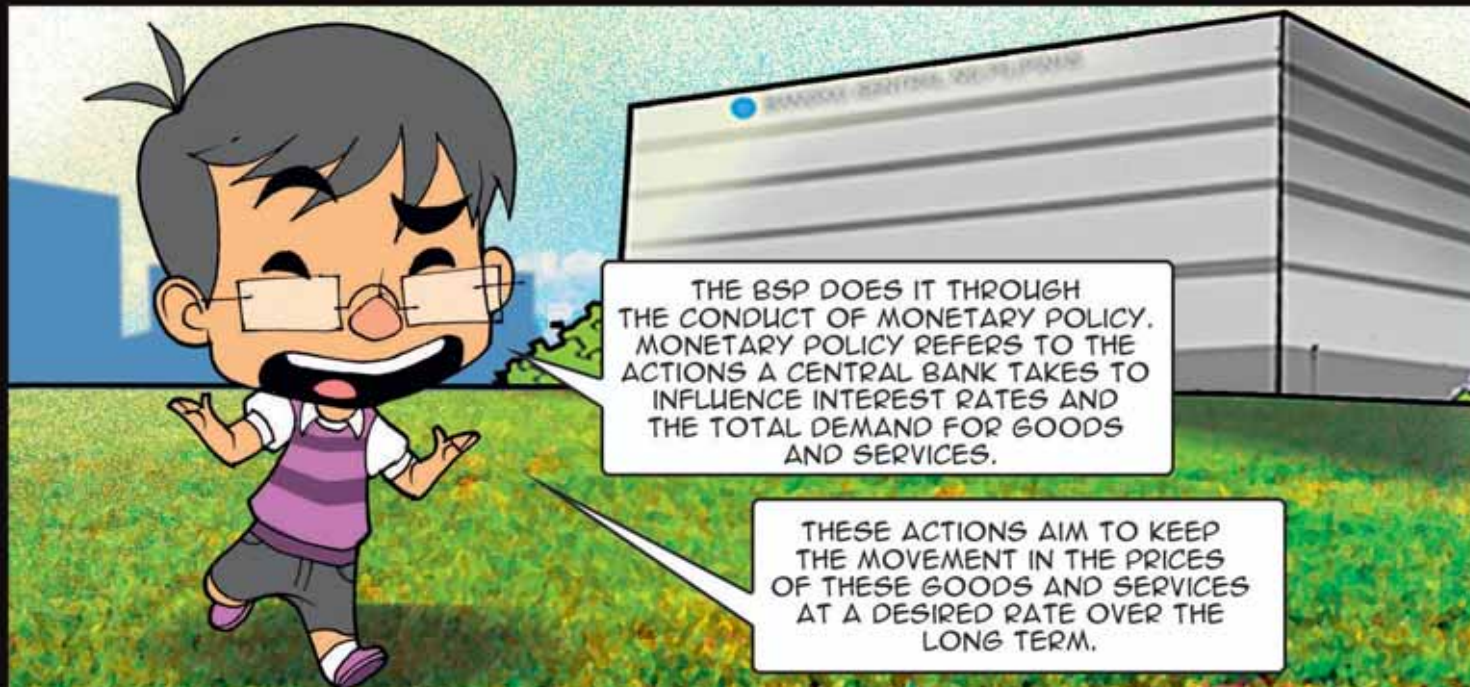
INFLATION REDUCES THE PURCHASING CAPACITY OF OUR INCOME BECAUSE WE CAN BUY LESS WITH THE SAME TAKE-HOME PAY. THIS MEANS THAT WE CAN BUY FEWER GOODS AND SERVICES WITH THE SAME INCOME, PARTICULARLY IF PRICES INCREASE AT A RAPID RATE.

THE BSP MANAGES INFLATION AND MAINTAINS STABLE PRICES BY INFLUENCING THE COST AND VOLUME OF MONEY CIRCULATING IN THE ECONOMY!



HOW DOES THE BSP HELP MAINTAIN STABLE PRICES, DAVID? I FORGOT.

*"THE MYSTERY OF THE MISSING MONEY" FROM THE BSP COMICS SERIES DISCUSSES IN DETAIL HOW THE BSP CONDUCTS MONETARY POLICY.



WHEN THERE IS EXCESS DEMAND IN THE SYSTEM, WHICH COULD INCREASE INFLATION, THE BSP "TIGHTENS" THE FAUCET TO DAMPEN DEMAND, WHICH WOULD MAKE PEOPLE BUY LESS GOODS AND SERVICES.

WHEN DEMAND IS LESS THAN THE SUPPLY OF GOODS AND SERVICES, THEN THE BSP "LOOSENS UP" THE FAUCET. IF DONE CAREFULLY, INCREASING DEMAND COULD STIMULATE A SAGGING ECONOMY.

TIGHTEN

LOOSEN



- HIGHER INTEREST RATES
- MORE SAVING
- LESS LENDING/LESS BORROWING
- LESS SPENDING



- LOWER INTEREST RATES
- LESS SAVING
- MORE LENDING/MORE BORROWING
- MORE SPENDING

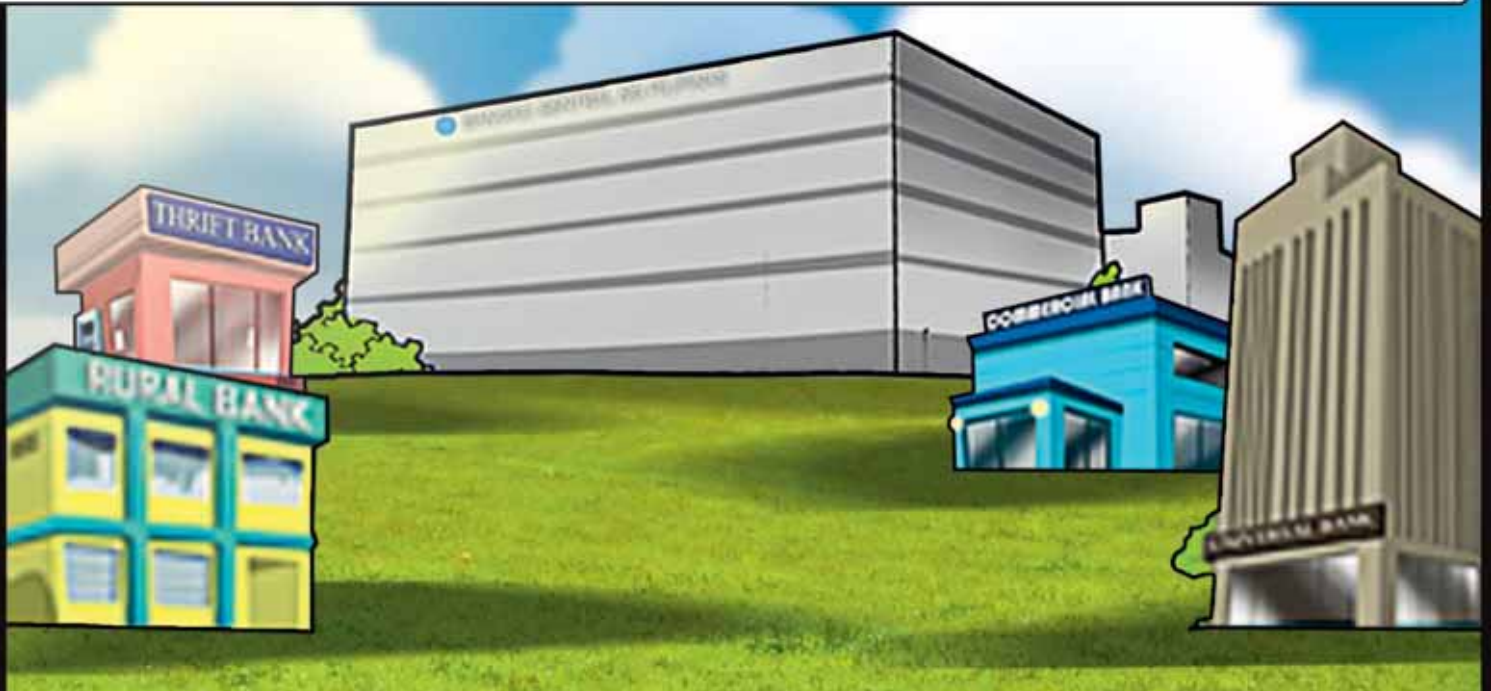
VERY GOOD, APO! SO YOU SEE, CONDUCTING MONETARY POLICY IS A BALANCING ACT.

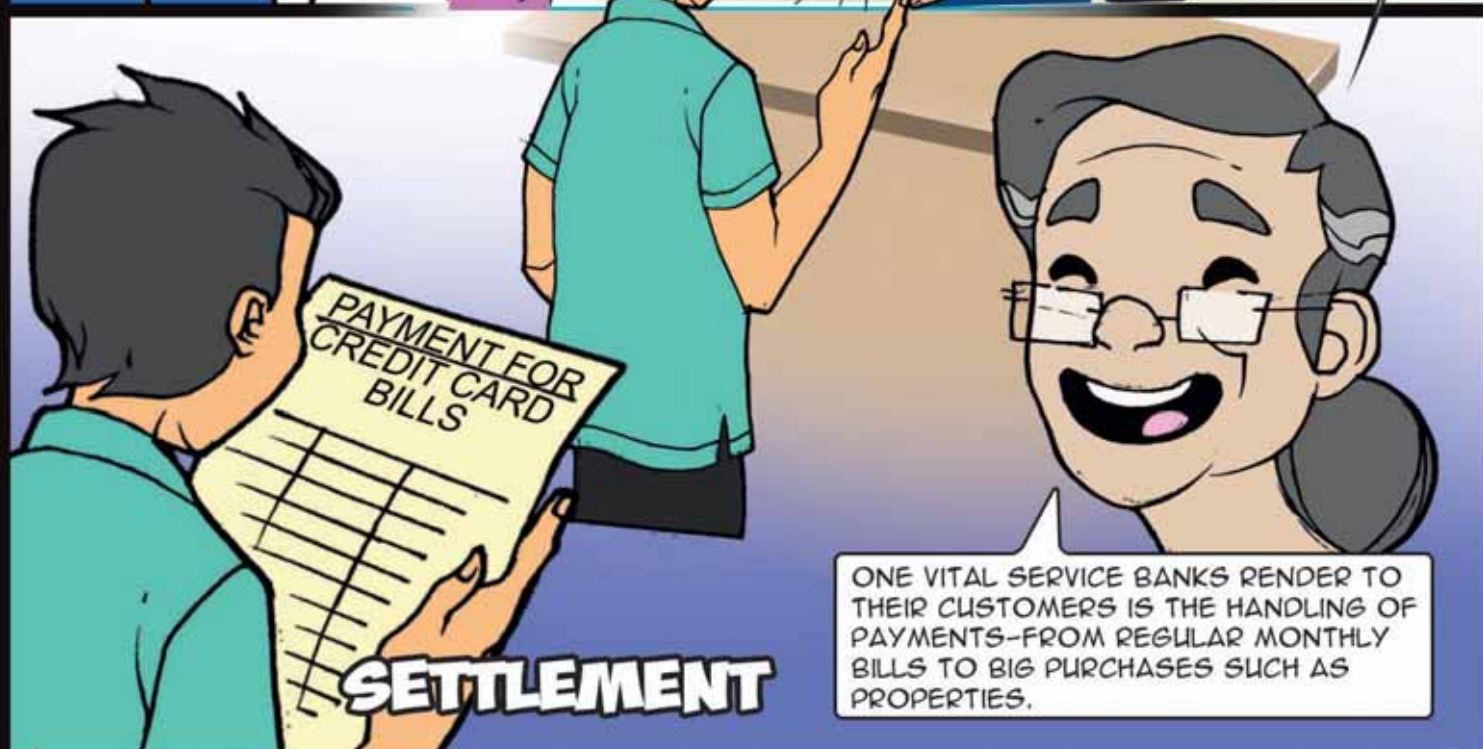
THANK YOU, LOLA! SO WHAT'S THE SECOND PILLAR, THEN?

THE SECOND PILLAR IS FINANCIAL STABILITY. THE BSP SEEKS TO MAINTAIN THE HEALTH OF THE BANKING SYSTEM SO IT CAN EFFECTIVELY PROMOTE BETTER POOLING OF SAVINGS AND DIRECTING OF CREDIT.

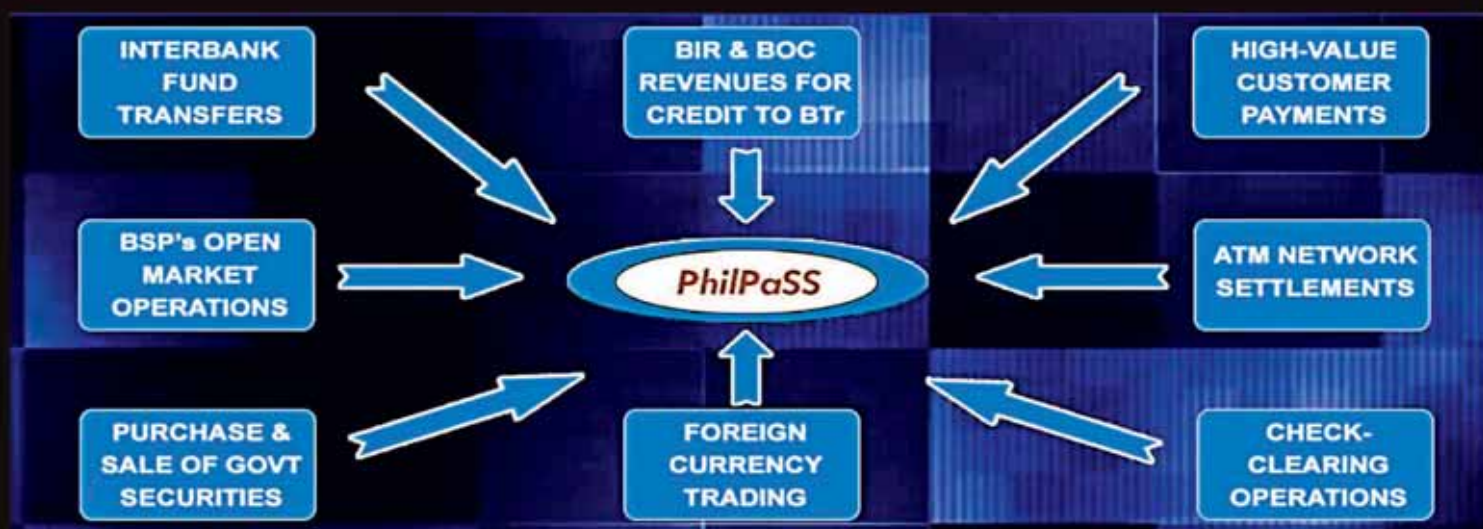
WHY IS THIS IMPORTANT, LOLA?

BANKING IS A BUSINESS THAT THRIVES ON PUBLIC TRUST. BANKS HAVE THE OBLIGATION TO PRUDENTLY MANAGE DEPOSITS ENTRUSTED TO THEM BY THE PUBLIC. IN TURN, THEY LEND THESE DEPOSITS TO BORROWERS. THE BSP ENFORCES RULES AND REGULATIONS TO ENSURE THAT BANKS CONDUCT BUSINESS IN A SAFE AND SOUND MANNER.





SINCE 2002, THE BSP HAS OWNED AND OPERATED THE PHILPASS, AN AUTOMATED FACILITY USED BY THE BSP AND PARTICIPATING BANKS FOR IMMEDIATE SETTLEMENT AND FUND TRANSFERS. DESIGNED TO HANDLE AND ENSURE THE SAFETY OF TRANSACTIONS INVOLVING AS MUCH AS TRILLIONS OF PESOS, THE PHILPASS IS A VERY IMPORTANT AND CONVENIENT PAYMENT SYSTEM.



ASIDE FROM MAINTAINING PRICE STABILITY, SAFEGUARDING THE HEALTH OF THE BANKING SYSTEM, AND ENSURING A SMOOTH PAYMENTS AND SETTLEMENTS SYSTEM, THE BSP HAS OTHER RESPONSIBILITIES.



BANKER OF BANKS

THE BSP IS THE BANKER OF BANKS. IT CAN PROVIDE LOANS AND FINANCIAL ASSISTANCE TO BANKS WHEN NECESSARY.



OVERSEER OF EXCHANGE RATE POLICY

THE BSP SETS THE COUNTRY'S FOREIGN EXCHANGE POLICY. UNDER THE PRESENT POLICY, THE BSP ALLOWS THE INTERPLAY OF SUPPLY AND DEMAND FOR CURRENCY TO DETERMINE THE EXCHANGE RATE-STEPPING IN ONLY TO PREVENT WILD SWINGS.

FOR EXAMPLE, IF THE SUPPLY OF DOLLARS IS MUCH MORE THAN THE DEMAND-SUCH AS WHEN OVERSEAS FILIPINO WORKERS SIMULTANEOUSLY SEND DOLLARS TO THEIR FAMILIES BEFORE CHRISTMAS-THE BSP BUYS DOLLARS TO SOFTEN THE APPRECIATION OF THE PESO. ON THE OTHER HAND, WHEN THE DOLLAR BECOMES SCARCE AND CAUSES THE PESO TO DEPRECIATE-SUCH AS WHEN MANY COMPANIES BUY DOLLARS AT THE SAME TIME TO PAY FOR THEIR IMPORTS-THE BSP SELLS DOLLARS.

What does foreign exchange rate mean?

IT REFERS TO THE AMOUNT OF PESOS NEEDED TO BUY A FOREIGN CURRENCY, SAY, A US DOLLAR.



MANAGER OF INTERNATIONAL RESERVES

IT IS RESPONSIBLE FOR MAINTAINING INTERNATIONAL RESERVES, WHICH CONSIST OF THE BSP'S HOLDINGS OF GOLD AND OTHER ASSETS DENOMINATED IN FOREIGN CURRENCY.

WHAT ARE INTERNATIONAL RESERVES?

THE GROSS INTERNATIONAL RESERVES OR GIR CAN BE COMPARED TO A BANK SAVINGS ACCOUNT. IN AN EXTREME SITUATION WHERE THE COUNTRY'S FOREIGN INCOME SUDDENLY STOPS, THE GIR-LIKE THE BANK SAVINGS ACCOUNT-WOULD ENABLE IT TO STILL PAY FOR ITS EXTERNAL OBLIGATIONS (E.G., PAYMENT FOR DEBTS AND LOANS, COST OF IMPORTS SUCH AS OIL AND RAW MATERIALS).

ISSUER OF PHILIPPINE BANKNOTES AND COINS

THE BSP IS THE ONLY INSTITUTION THAT CAN ISSUE PHILIPPINE BANKNOTES AND COINS.



MAIN BANK TO THE PHILIPPINE GOVERNMENT

THE BSP IS THE BANKER, FINANCIAL ADVISOR, AND OFFICIAL DEPOSITORY OF THE PHILIPPINE GOVERNMENT. AS SUCH, THE CASH BALANCES OF THE NATIONAL GOVERNMENT, LOCAL GOVERNMENT UNITS, AND OTHER GOVERNMENT INSTITUTIONS ARE DEPOSITED WITH THE BSP.



I CAN'T BELIEVE THAT SUCH AN "ORDINARY" EVERYDAY THING REPRESENTS SO MUCH INFORMATION. IT'S LIKE A WHOLE MUSEUM IN ONE SHEET OF PAPER!

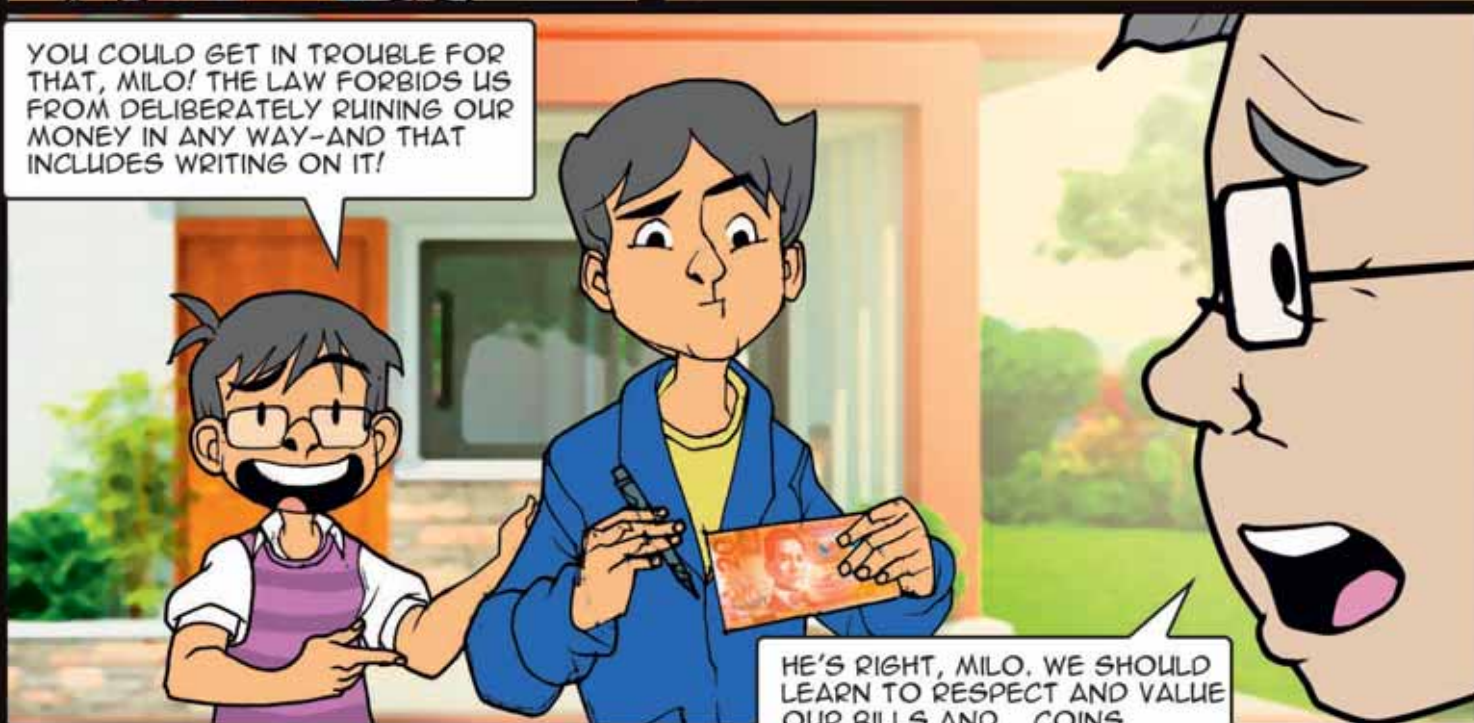


MILO? WHAT ARE YOU DOING?



OH, I'M JUST DOING A LITTLE POPYROMANCY. YOU KNOW, THE PAPER VERSION OF NUMISMATOMANCY. I GOOGLED IT ON MY PHONE EARLIER. MAYBE THIS PAPER BILL COULD TELL ME WHAT YOUR COIN COULD NOT. HMMM, LET ME WRITE DOWN MY OBSERVATIONS...

YOU COULD GET IN TROUBLE FOR THAT, MILO! THE LAW FORBIDS US FROM DELIBERATELY RUINING OUR MONEY IN ANY WAY-AND THAT INCLUDES WRITING ON IT!



RELAX, DAVID. DON'T WORRY, LOLA JUANA. THIS IS A FAKE BILL.

HE'S RIGHT, MILO. WE SHOULD LEARN TO RESPECT AND VALUE OUR BILLS AND COINS BECAUSE THEY ARE A REFLECTION OF OUR CULTURE AND HERITAGE AS A PEOPLE.



FAKE?!

DEAR, COUNTERFEITING IS ILLEGAL. THE BSP IS THE SOLE INSTITUTION AUTHORIZED BY LAW TO ISSUE OUR MONEY. WHERE DID YOU GET THIS? I WILL HELP YOU SURRENDER THIS TO THE BSP.



UH-OH. MAYBE THAT'S THE REASON WHY WE ARE BEING FOLLOWED!



WHAT?!
BY WHO?









I GOT A 97!

WHAT?!
I ONLY GOT
A 96!

HOW ON EARTH DID THIS HAPPEN?
I STUDIED HARD FOR THAT EXAM!

COME ON, DAVID. IT'S ONLY ONE POINT! WHAT'S
IMPORTANT IS THAT WE LEARNED SOMETHING NEW
TODAY, RIGHT? LET'S BUY YOUR FAVORITE KESO
ICE CREAM. MY TREAT.

YOU'RE RIGHT, MY FRIEND.
WHAT WE LEARNED FROM
LOLA JUANA TODAY WILL
HELP ME GET A HIGHER
GRADE NEXT TIME.

YES, AND WE CAN TELL ALL OUR FRIENDS ABOUT WHAT THE
BSP DOES LIKE WHAT LOLA JUANA DID. INFORMATION IS
POWER. LOOK AT WHAT I ALMOST GOT MYSELF INTO
BECAUSE I WAS UNINFORMED.



SPEAKING OF LOLA
JUANA, LET'S GO
BACK TO THE HOUSE
BEFORE SHE
WORRIES TOO MUCH.

WHAT A DAY!
ALL THAT PREDICTING
AND LEARNING AND RUNNING HAVE
MADE ME VERY, VERY HUNGRY FOR
LOLA JUANA'S SUMAN AND
HOT TSOKOLATE!

THE END