



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2020-020

To : All Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks

Subject : Reduction in the Minimum Liquidity Ratio in response to COVID-19

Pursuant to Monetary Board Resolution No. 427.B dated 26 March 2020, the minimum liquidity ratio (MLR) for stand-alone thrift banks, rural banks and cooperative banks, as set out in Section 145 of the Manual of Regulations for Banks, is hereby reduced from 20 percent (20%) to 16 percent (16%). Covered banks shall likewise be guided by the following:

The BSP recognizes that the COVID-19 outbreak and community quarantine implemented to combat the spread of the disease has elevated the liquidity risk exposures of banks arising primarily from higher demand for funds by depositors, borrowers or both. Owing to the BSP's adoption of liquidity standards, banks are largely seen to have entered this stress situation in a strong liquidity position, with buffers ready to absorb the recent and coming liquidity shocks.

As the liquidity buffers are designed to be used in periods of stress, stand-alone thrift banks, rural banks, and cooperative banks may draw on their stock of liquid assets to meet liquidity demands to respond to the current circumstances, remaining cognizant of the MLR of 16 percent (16%).

A bank that has recorded a shortfall in the stock of eligible liquid assets on three banking days within any two-week rolling calendar period, thereby causing the MLR to fall below 16 percent (16%) must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall.

The reduction in the MLR and the arrangements set forth in this memorandum shall be effective until 31 December 2020, unless otherwise revoked by the BSP.

BENJAMIN E. DIOKNO
Governor

7 April 2020