

## The BSP and you

Written by ignacio r. bunye  
Friday, 03 June 2011 20:24

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### *(First of a series)*

WHEN you hear the words Bangko Sentral ng Pilipinas, what's the first thing that comes to your mind?

I bet that it's money, and you're absolutely right.

In small letters, the name Bangko Sentral ng Pilipinas is printed on every bill and stamped on every coin which we use in practically all of our daily transactions.

But there is actually more to the BSP than this money-printing role.

For starters, the BSP is the central monetary authority of the Republic of the Philippines.

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As such, it is involved in examining and supervising the operation of the country's financial system and in managing money supply.

The BSP is the bank of all banks.

This important role is expressly stated in the law.

The BSP came into being on July 3, 1993 as the country's independent central monetary authority, pursuant to the Constitution and the New Central Bank Act (or Republic Act 7653).

The BSP replaced the old Central Bank of the Philippines, which was established on Jan. 3, 1949.

The BSP's charter, following the 1987 Constitution, envisions a central monetary authority that is independent in setting policy directions in the fields of money, banking and credit.

In these particular areas, it shall not be under the Executive branch of the government.

Neither shall other government agencies interfere with the BSP.

The central monetary authority plays a number of roles in order to fulfill its duties and responsibilities to the country and the Filipino people:

- as the supplier of money;
- as a money manager;

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- as the supervisor and regulator of all banks;
- as the bank of banks;
- as the lender of last resort;
- as the main bank of the government; and
- as implementor of an efficient payments and settlements system.

As the country's money supplier, the BSP has the sole authority and exclusive power to issue the Philippine currency: the peso.

If you look closely at your P20-bill, for example, you can see these words: "*Ang salaping ito ay bayarin ng Sentral ng Pilipinas at pananagutan ng Republika ng Pilipinas* ."  
Bangko

This means that the paper notes and coins we use in all our daily economic transactions are fully backed by the government.

The Philippine Government assures us that our money has value because it guarantees its value.

The BSP, through its Security Plant Complex in Quezon City, ensures that there is always a

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ready supply of notes and coins to meet the demands of the banks, which ultimately dispense the money to the public.

The BSP also withdraws old and unfit notes from circulation and “retires” them by shredding.

As the money manager, the BSP is responsible for seeing to it that there is just the right amount of money to meet the financial needs of the economy.

Too much money in circulation will abnormally increase the demand for goods and services.

This increase in demand, without a corresponding increase in the supply of goods and services, will lead to higher prices or inflation.

BSP’s role as money manager is summed up in its primary objective: to maintain price stability conducive to a balanced and sustainable economic growth.

In other words, BSP’s main role is to keep the inflation rate low and stable.

***(More next week)***

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