



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

## CIRCULAR NO. 1181

Series of 2023

Subject: **Amendments to the Regulations on Intraday Liquidity Facility**

The Monetary Board, in its Resolution No. 1472 dated 9 November 2023, approved the following amendments to the Manual of Regulations for Payment Systems (MORPS), Manual of Regulations for Banks (MORB), and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the Intraday Liquidity Facility (ILF) of the Bangko Sentral, for the following purposes:

1. Reflect in the regulations the amendment of the name of the facility from ILF to "Intraday Settlement Facility (ISF)" and changes to the operation of this facility due to its automation;
2. Align the regulations with legal and statutory requirements; and
3. Comply with the Principles for Financial Market Infrastructures (PFMI), particularly on credit risk, collateral, liquidity risk, and related principles.<sup>1</sup>

**Section 1.** Section 615 of the MORPS shall be amended to read as follows:

### **Part 6. The Peso RTGS Payment System (PS)**

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**615 Intraday Settlement Facility (ISF).** The Bangko Sentral provides an ISF to eligible participants to ensure smooth flow of payments through the RTGS PS and timely execution of interdependent settlements to manage systemic risk.

The operation of the ISF shall be in accordance with Appendix 1 of the MORPS.

**Section 2.** Section 290 and Appendix 18 of the MORB and Section 232-Q and Appendix Q-17 of the MORNBFI on the Enhanced Intraday Liquidity Facility as well as the Section/Appendices Title provided under its respective Table of Contents and List of Appendices are hereby deleted.

**Section 3.** This Circular shall take effect ninety (90) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

  
**MAMERTO E. TANGONAN**  
Officer-in-Charge

**10** November 2023

<sup>1</sup> Principle 3 (Framework for the Comprehensive Management of Risks), Principle 4 (Credit Risk), Principle 5 (Collateral), and Principle 7 (Liquidity Risk)

**INTRADAY SETTLEMENT FACILITY**  
**Appendix to Section 615**

The Intraday Settlement Facility (ISF) shall operate as follows:

- A. **Nature of the Facility.** The ISF allows eligible participants of the Peso Real-Time Gross Settlement (RTGS) Payment System (PS) to obtain funds from the Bangko Sentral through a sale and repurchase mechanism in order to prevent gridlock in the RTGS system due to timing mismatch in the settlement of large-value payments.
- B. **Eligibility.** An RTGS PS participant that meets the following criteria may register with the Bangko Sentral as an ISF participant:
1. The RTGS PS participant falls under the category *Participants with Settlement Accounts (SAs)*;
  2. This participant owns eligible securities registered in its name in the Bureau of the Treasury's (BTr) Enhanced National Registry of Scripless Securities (NRoSS); and
  3. This participant is in good standing in the RTGS PS and is not otherwise disqualified to avail itself of the ISF.

Participation in the ISF shall commence on the date of approval by the Bangko Sentral of the application for ISF registration.

- C. **Access.** Access to the ISF requires the transfer of eligible securities to a specified sub-account under the BSP-ISF direct account in the NRoSS. Upon transfer, this sub-account will be automatically designated by NRoSS to record the transferred securities under the same name as that of the originating account.<sup>2</sup> This transfer may be done through any of the following modes:

1. Direct ISF Participation

An ISF participant, such as a broker/dealer, that has a direct account with the NRoSS shall transfer its own securities from this account to the BSP-ISF direct account in the NRoSS.

A direct participant may transfer securities on behalf of a sponsored participant as stated below.

2. Sponsored ISF Participation

Sponsorship is limited to the act of transferring securities in the NRoSS to enable an ISF participant without an NRoSS direct account to obtain funding through the ISF.

An ISF participant without a direct account with the NRoSS may be sponsored by its broker/dealer with a direct NRoSS account. The sponsored ISF participant must transfer its securities through its sponsor.

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<sup>2</sup> This refers to a source account from where the securities of the account holder is debited.

The ISF transactions of a sponsored participant shall be for all intents and purposes considered as its own transactions.

- D. **Eligible Securities.** Peso-denominated scripless National Government securities that are free and unencumbered and with remaining maturity of eleven (11) days to ten (10) years may be eligible for ISF transactions. The securities must be registered in the NRoSS in the name of the ISF participant.
- E. **Valuation of Securities.** Eligible securities shall be valued using the appropriate previous day market/benchmark rates, as prescribed by the Securities and Exchange Commission (SEC)-licensed benchmark administrator, subject to a haircut.
- F. **Haircut.** This shall be determined and applied based on prevailing policies of the Bangko Sentral.
- G. **Limit.** The total amount of ISF that a participant may avail itself of is limited to the value of transferred securities subject to prescribed haircut and other applicable deductions, if any. Said value shall be reflected in the participant's ISF account in the RTGS system.
- H. **Availment of the Facility.** A participant may avail itself of the ISF by transferring funds from its ISF account to its SA through the RTGS system in order to fund its queued payments or expected outgoing payment instructions in the RTGS system.

The facility may be availed more than once during the same business day the subject securities were transferred and valued.

- I. **Nature of ISF Availment.** Each ISF availment is considered as a sale of eligible securities to the Bangko Sentral, corresponding to the amount of the ISF availed. The sale shall be coupled with a commitment to repurchase the subject securities from the Bangko Sentral within the prescribed repurchase period. The repurchase price shall be the same as the original purchase price.
- J. **Repurchase.** Any security sold to the Bangko Sentral on a given business day pursuant to the ISF shall be repurchased within the period prescribed by the Bangko Sentral on the same business day.

When the SA balance of a participant is not sufficient to cover its ISF availment, the participant shall not be allowed to partially repurchase the underlying securities to the extent of its SA balance.

The failure of the participant to repurchase the underlying securities within the period prescribed by the Bangko Sentral on the same business day that the ISF was availed shall cause the automatic conversion of the ISF availment to Extended ISF.

In the case of Extended ISF, the participant shall repurchase the security within the Bangko Sentral-prescribed period on the succeeding business day.

- K. **Fee.** In order to encourage availment and prompt repurchase of securities by the ISF participants, the Bangko Sentral shall impose no fee if the repurchase is done within the period prescribed by the Bangko Sentral on the same business day the ISF is availed. Extended ISF shall be subject to a fee at a penal rate equivalent to the Overnight Lending Facility (OLF) rate plus 600 basis points.

- L. **Finality of Transactions.** All ISF transactions that go through the RTGS system in accordance with the RTGS Rules are deemed final and irrevocable.
- M. **Statements of Account/Transaction Details.** ISF transactions and accounts may be monitored in the RTGS system. Security balances, which are updated in real time upon each sale and repurchase, may also be viewed in NRoSS. Such information and those found in related statements of accounts are available to direct NRoSS and RTGS PS participants.
- N. **Operating Hours.** The ISF is available on demand to eligible participants following the Bangko Sentral-prescribed schedule within the RTGS PS operating hours.
- O. **Applicable Rules.** Participation in the ISF shall be governed by these rules, the ISF Registration Terms and Conditions, Participation Agreement in the RTGS PS, as well as other relevant rules, regulations, and guidelines issued by the Bangko Sentral.
- P. **Penalty Clause.** Violations of the applicable rules, including repeated failure to repurchase securities sold to the Bangko Sentral under an Extended ISF availment, are governed by penalties and sanctions provided under Section 621 of the MORPS, including but not limited to cancellation of ISF eligibility and pre-termination of any outstanding ISF availment.