



Bangko Sentral ng Pilipinas
MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 539
Series of 2006

Subject: **Implementing Guidelines for the Change in the Mode of Compliance with the Liquidity Reserve Requirement from Holding Government Securities Bought Directly from the Bangko Sentral ng Pilipinas to Placing Term Deposits in the Reserve Deposit Account**

Pursuant to Monetary Board Resolution (MBR) No. 332 dated 16 March 2006 which changed the mode of compliance with the liquidity reserve requirement from holding government securities bought directly from the Bangko Sentral ng Pilipinas (BSP) to placing a three-month term deposit in the reserve deposit account (RDA) maintained with the BSP specifically created for this purpose, and to MBR No. 939 dated 27 July 2006 which granted the BSP Treasury Department (TD) the option to offer RDA with six- and 12- month tenors for the same purpose, the following rules/guidelines shall be observed in implementing the subject shift in compliance:

1. Government securities previously bought from the BSP in compliance with the liquidity reserve requirement shall remain eligible for such purpose until these mature or are sold back to the BSP at yields quoted by the TD. ERAP and PEACe bonds shall remain eligible as liquidity reserves pursuant to Circular No. 196 dated 12 April 1999 based on Executive Order No. 83 dated 25 December 1998 and Resolution No. 1545 dated 27 September 2001, respectively;
2. The interest rates applied to the RDA shall be set by the TD at one-half percent (1/2%) below the prevailing market rate for comparable government securities;
3. Pre-termination of RDAs shall be allowed subject to a reduction in applicable interest rates, as prescribed by the TD;
4. Banks and NBQBs shall submit on placement date a written authority (see Annex 1) to the TD to debit their demand deposit account with the BSP as payment for the RDA;
5. Principal and interest payments at maturity net of applicable tax shall be made by the BSP through automatic credit to the institution's demand deposit account with the BSP. Full or partial rollover of placements in the RDA shall be settled on a gross basis;

PANANALAPING MATATAG, BANSANG PANATAG

6. Any deficiency in the liquidity reserves shall continue to be in the forms or modes prescribed under existing regulations for the composition of required reserves;

7. Banks and NBQBs shall continue to specify in the prescribed reports to the Supervisory Data Center (SDC) of the BSP the balance of government securities held for liquidity reserve purposes. Said balance shall decline over time as government securities previously bought from the BSP mature or are sold back to the BSP; and

8. To facilitate the adoption of the change in the mode of compliance with the liquidity reserve requirement, the TD (while starting to accept placements in the reserve deposit account) shall continue to sell government securities for liquidity reserve purposes until 29 September 2006.

Any regulation of the BSP inconsistent herewith is deemed superseded or amended accordingly.

This Circular shall take effect on 25 August 2006.

FOR THE MONETARY BOARD



AMANDO M. TETANGCO, JR.
Governor

9 August 2006

(COUNTERPARTY'S LETTERHEAD)

DATE:

TREASURY DEPARTMENT

TREASURY SERVICES GROUP – DOMESTIC
 BANGKO SENTRAL NG PILIPINAS

GENTLEMEN:

THIS IS TO CONFIRM OUR RESERVE DEPOSIT ACCOUNT (RDA) PLACEMENT WITH
 YOUR OFFICE, DETAILED AS FOLLOWS:

VALUE DATE	
TERM	
MATURITY DATE	
RATE	
PRINCIPAL AMOUNT	
GROSS INTEREST	
WITHHOLDING TAX	
LIQUIDITY RESERVES FOR (PLEASE CHECK ONE)	☐ Deposit Liabilities & Deposit Substitute ☐ TOFA - Others ☐ CTF

ACCORDINGLY, PLEASE DEBIT OUR REGULAR DEMAND DEPOSIT ACCOUNT WITH
 YOURSELVES ON VALUE DATE FOR THE PRINCIPAL AMOUNT OF _____ (AMOUNT IN
 WORDS) _____ (₱ _____) AND CREDIT THE SAME
 ACCOUNT ON MATURITY DATE THE AMOUNT OF _____ (AMOUNT IN WORDS)
 (₱ _____) REPRESENTING FULL PAYMENT OF THE PRINCIPAL PLUS INTEREST (NET
 OF APPLICABLE WITHHOLDING TAX) THEREON.

VERY TRULY YOURS,

(AUTHORIZED SIGNATORY)1

(AUTHORIZED SIGNATORY)2