



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 703

Series of 2010

Subject: Regulatory Requirements on Deposit Substitutes

The Monetary Board, in its Resolution No. 1767 dated 9 December 2010, approved the following amendments to the guidelines governing deposit substitutes.

Section 1. Section X235.4 of the Manual of Regulations for Banks (MORB) on interbank loan transactions is hereby amended to read, as follows:

“ Subsec. X235.4 *Interbank borrowings*

“ Except for interbank borrowings which are settled through the banks' respective DDAs with the BSP via *PhilPaSS*, all interbank borrowings shall be evidenced by deposit substitute instruments containing the minimum features prescribed in Subsec. X235.3.”

Section 2. Subsection X235.6 of the MORB on other rules and regulations governing the issuance and treatment of deposit substitute instruments is hereby amended to read, as follows:

“ Subsec. X235.6 *Other rules and regulations governing the issuance and treatment of deposit substitute instruments*

“ xxx

“ f. The regulations on interbank loan transactions prescribed in Sec. X343 shall also apply to interbank borrowings.”

Section 3. Section X236 of the MORB on the minimum trading lot and minimum term of deposit substitutes is hereby amended to delete the provisions on the minimum term of deposit substitutes.

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"Sec. X236 Minimum Trading Lot of Deposit Substitutes

"The minimum size of any single deposit substitute transaction shall be P50,000.

" No bank performing quasi-banking functions shall issue deposit substitute instruments in the name of two (2) or more persons or accounts except those falling under the following relationships in which cases, commingling may be allowed: (a) husband and wife; (b) persons related to each other within the second degree of consanguinity; and (c) "in trust for" (ITF) arrangements."

Section 4. Section X282 of the MORB on borrowings from trust departments of banks or investment houses is hereby amended to delete the minimum term of deposit substitutes for borrowings from trust departments or managed funds of banks or investment houses to read, as follows:

"Sec. X282 Borrowings from Trust Departments or Investment Houses

"Funds borrowed by banks from trust departments or managed funds of banks or IHs are not considered as interbank borrowings and therefore are subject to the:

- "a. Reserve requirement on deposit substitutes; and
- "b. Minimum trading lot rule."

Section 5. Section X343 of the MORB on interbank loans is hereby amended to include interbank term loans as a form of an interbank loan transaction, to read as follows:

"Sec. X343 Interbank Loans

"Interbank loan transactions shall include, among other things, (a) interbank call loan (IBCL) transactions; (b) interbank term loan transactions; (c) borrowings evidenced by deposit substitute instruments; and (d) purchases of receivables with recourse: *Provided, however,* That only IBCL transactions which are settled through the banks' respective DDAs with the BSP via PhilPaSS shall be subject to the reserve requirement prescribed for IBCL in Subsec. X253.1: *Provided, further,* That funds borrowed by banks from trust departments of banks or IHs shall be excluded from the herein definition of interbank loan transactions."

Section 6. Subsection 4235Q.8 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on call slips/tickets for 24-hour loans is hereby amended and renumbered as Subsection 4235Q.4 of the MORNBFI to read, as follows:

"Subsec. 4235Q.4 Interbank borrowings. Except for interbank borrowings which are settled through the QBs' respective DDAs with the BSP via *PhilPaSS*, all interbank borrowings shall be evidenced by deposit substitute instruments containing the minimum features prescribed in Subsec. 4235Q.3."

Section 7. Subsection 4235Q.6 of the MORNBF I on regulations on additional stipulation is hereby amended to consolidate the provisions of Subsection 4235Q.7, 4235Q.9, 4235Q.13 and 4235Q.14 of the MORNBF I on other rules and regulations governing the issuance and treatment of deposit substitute instruments to read, as follows:

"Subsec. 4235Q.6 (2008 - 4211Q.5) Other rules and regulations governing the issuance and treatment of deposit substitute instruments.

- "a. If there is any stipulation that payment of the deposit substitute shall be chargeable against a particular deposit account of the maker or issuer that is maintained with another bank, it shall further provide that the liability of the maker or issuer of the instrument shall not be limited to the outstanding balance of said deposit account.
- "b. Any agreement allowing the issuer or maker to substitute the underlying securities shall further provide that the actual substitution shall be with the prior written consent of the payee.
- "c. Automatic renewal upon maturity of the instrument may be effected only under terms and conditions previously stipulated by the parties.
- "d. Stipulations between the maker or issuer and the payee which are embodied in separate instruments shall be specifically referred to in the deposit substitute instruments and made an integral part thereof.
- "e. In the case of repurchase agreements and certificates of assignment/participation with recourse, the stipulation shall clearly state either (a) that the underlying securities are being delivered to the buyer or assignee as collaterals or (b) that the ownership thereof is being transferred to the buyer or assignee.
- "f. The regulations on interbank loan transactions prescribed in Sec. 4343Q shall also apply to interbank borrowings."

Section 8. Subsections 4235Q.7 to 4235Q.9 and 4235Q.13 to 4235Q.14 of the MORNBF I are hereby deleted.

Section 9. Subsection 4235Q.15 of the MORNBF I on borrowings from trust departments of banks or investment houses are hereby amended to delete the minimum tenor requirement of deposit substitutes for borrowings from trust departments or managed funds of banks or investment houses to read, as follows:

"Subsec. 4235Q.15 (2008 - 4215Q) Borrowings from trust departments or managed funds of banks or investment houses. Funds borrowed by quasi-banks from trust departments or managed funds of banks or IHs are not considered as interbank borrowings and, therefore, are subject to the:

- a. Reserve requirement on deposit substitutes; and
- b. Minimum trading lot rule."

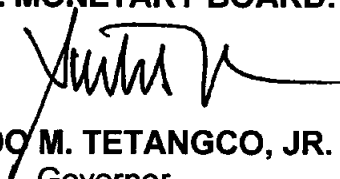
Section 10. Section 4343Q of the MORNBF I on interbank loans is hereby amended to read, as follows:

" Sec. 4343Q Interbank Loans

" Interbank loan transactions shall include, among other things, (a) interbank call loan (IBCL) transactions; (b) interbank term loan transactions; (c) borrowings evidenced by deposit substitute instruments; and (d) purchases of receivables with recourse: *Provided, however,* That only IBCL transactions which are settled through the QBs' respective DDAs with the BSP via PhilPaSS shall be eligible to zero percent (0%) reserve requirement: *Provided, further,* That funds borrowed by QBs from trust departments of banks/investment houses shall be excluded from the herein definition of interbank loan transactions."

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

23 December 2010