



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR**

MEMORANDUM NO. M-2020-001

To : All Banks and Quasi-Banks (QBs)

Subject: Clarification on the Prohibition of Related Entities from Holding an Issuing Bank's/QB's Listed/Traded Bonds Under BSP Circular No. 1062

Circular No. 1062 dated 26 November 2019 prohibits an issuing bank/QB and its related parties as defined in Section 131/4002Q of the Manual of Regulations of Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) from holding the bank's/QB's Long-Term Negotiable Certificates of Time Deposit (LTNCTDs), Bonds and Commercial Papers (CPs) issued. Trust entities, however, are exempted from this prohibition.

The prohibition is meant to prevent certain parties from obtaining undue advantage when transacting in the subject debt instruments. As such, *related parties* as used in the said issuance only refer to those who are in possession or have access to material and non-public information affecting the pricing and marketability of the issuance or that which substantially impacts an investor's decision to buy or sell the security once the same is disseminated to the public.

While trust entities are not covered by the prohibition, they must ensure that they are not used as avenues to acquire instruments that would otherwise be prohibited as direct investments of their clients.

Issuing banks/QBs and trust entities are expected to put in place monitoring and control mechanisms to ensure that their activities are aligned with the provisions of Circular No. 1062.

For guidance and compliance.


CHUCHI G. FONACIER
Deputy Governor

21 January 2020