



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 877

Series of 2015

Subject: Amendments to the Guidelines on the Issuance of Long-Term Negotiable Certificates of Time Deposits

Pursuant to Monetary Board Resolution No. 745 dated May 07, 2015, the provisions of the Manual of Regulations for Banks (MORB) on long-term negotiable certificates of time deposit (LTNCTD) are hereby amended as follows:

Section 1. Item "b" of Subsection X233.9 of the MORB on *Application for authority of the issuing bank* is hereby amended to read as follows:

"b. Application for authority of the issuing bank. An application for authority on each issue/issue program of LTNCTD shall be filed with the appropriate department of the SES. ~~That any portion of an approved LTNCTD that is not issued within six (6) months of the approval of the Monetary Board will be deemed forfeited.~~

The application shall be signed by the president/country manager (branch of a foreign bank) of the bank. It shall be accompanied by: (i) a certified true copy of the resolution of the bank's board of directors authorizing the issuance of LTNCTD, indicating, among others, the issue size, offering period, purpose or intended use of proceeds thereof, registry bank, underwriter/arranger, and selling agent(s) ~~and market maker(s)~~; and (ii) a Letter of Undertaking\ (LOU) signed by the president/country manager that the issuing bank will ensure its continuous compliance with the prequalification requirements under Item "(c)1" of this Subsection up to the time of the last offering of its approved and listed LTNCTDs."

x x x

x x x"

Section 2. Item "c" of Subsection X233.9 on the *Pre-qualification Requirements* of the MORB is hereby amended to read as follows:

"c. Prequalification requirements

x x x

x x x

As such, the issuing bank shall make a careful and diligent evaluation of the parties whom it shall engage to act as underwriter/arranger, registry bank, and selling agent ~~and market maker~~ of its LTNCTDs.

The following qualification requirements shall be strictly complied with prior to and on a continuing basis by the issuing bank and FIs engaged to act as underwriter/arranger, registry bank and selling agent ~~and market maker~~ while the LTNCTD of the issuing bank remains outstanding.

(1) *Issuing bank*

x x x

x x x

~~(5) Market maker~~

- ~~(a) It must not be the issuing bank;~~
- ~~(b) It must be a third party which is not related to the issuing bank in any manner that would undermine its independence;~~
- ~~(c) It must be an FI, with dealership or brokering license; and~~
- ~~(d) It must be well capitalized and must have adequate risk management as evidenced by the compliance with Items "c(1)(a), (d), (g) and (h)" as may be applicable.~~

x x x

x x x"

Section 3. Item "d" of Subsection X233.9 of the MORB on *Additional requirements for the issuance of LTNCTD* is hereby relabeled as Item "e" and amended as follows:

~~"e. Additional requirements for the issuance of LTNCTD. After a bank's application to issue an LTNCTD has been approved, it may issue the same, subject to the submission of~~ The following additional requirements shall be submitted to the appropriate department of the SES within ten (10) calendar days after issuance of the initial offering/tranche:

(1) x x x

x x x

x x x

(4) Specimen of the proposed registry confirmation and purchase advice from each selling agent/~~market maker~~ which will evidence sale of the LTNCTD.

The bank shall, likewise, submit within ten (10) calendar days after issuance of the initial and subsequent tranches, a written notice to the appropriate department of the SES of the actual date of initial/tranche offering ~~accompanied by a certification by the president/country manager that the pre qualification requirements under Item "c(1)" have been complied with up to the time of offering.~~

Section 4. Item "e" of Subsection X233.9 of the MORB on *Listing of LTNCTD with an accredited exchange* is hereby relabeled as Item "d" and amended as follows:

~~"d. Listing of LTNCTD with an accredited exchange. LTNCTDs shall be listed on accredited exchange within thirty (30) days after its approval by the duly approved by the Monetary Board shall be issued and~~

immediately listed on an accredited exchange: Provided, That banks which opt to issue portions of the approved amount in tranches shall immediately list such tranche issuance: Provided, further, That if within one (1) year from approval of the Monetary Board, the entire amount of the approved LTNCTDs shall not have been issued, the bank's authority to issue the unissued portion of the approved amount shall be deemed revoked, and said unissued portion shall no longer be issued.

Banks which fail to list their ~~issued~~ LTNCTDs on an accredited exchange within the prescribed period shall ~~not be allowed to further issue LTNCTDs~~ be subject to the sanctions under item (o) (1) of this Subsection."

Section 5. Item "f" of Subsection X233.9 of the MORB on *Functions/responsibilities of the parties involved* is hereby amended as follows:

"(1) Registry bank

x x x

(2) Underwriter/Arranger

x x x

- (d) Disseminates information to prospective depositors/investors of LTNCTDs on the terms and conditions of the issue (including information of non-pretermination by the depositor prior to original maturity and the liquidity mechanism in secondary trades) and the rights and obligations of the holder, issuer, ~~market maker/selling agent~~, underwriter/arranger and registry bank; and

x x x

x x x

~~(4) Market maker~~

- ~~(a) Sets independent pricing for the secondary trading of LTNCTDs;~~
- ~~(b) Posts daily the bid and offer prices for the LTNCTDs on the screen of at least one (1) of the information providers until the operation of a fixed income exchange for LTNCTDs;~~
- ~~(c) Verifies identity of each investor and applies other standards to combat money laundering as required under Sec. X801;~~
- ~~(d) Issues the purchase advice for the secondary sale of LTNCTDs; and~~
- ~~(e) Ensures secondary market transfers and registration in coordination with the registry bank.~~

x x x

x x x"

Section 6. Item "g" of Subsection X233.9 on *Change of underwriter/arranger, registry bank selling agent(s)/market maker(s)* is hereby amended to read as follows:

"g. Change of underwriter/arranger, registry bank, and selling agent(s)/~~market maker(s)~~

The issuing bank shall notify the appropriate department of the SES in writing of any change in the identity of its registry bank, underwriter/arranger and selling agent ~~and/or market maker~~ within ten (10) calendar days from date of such change.

x x x

x x x"

Section 7. Item "h" of Subsection X233.9 on *Waiver of the Secrecy of Deposits for Market Makers* is hereby deleted and items "i to p" are hereby relabeled as "h to o", respectively¹.

~~"h. Waiver of the secrecy of deposits for market makers. A market maker who holds an LTNCTD for its own account must issue a waiver of the secrecy of deposits in favor of the Bangko Sentral for examination purposes. Any information obtained from the examination of said LTNCTD shall be held strictly confidential.~~

Section 8. Item "i" of Subsection X233.9 is hereby amended to read as follows:

"i. *Agreements between issuing bank and registry bank/selling agent(s)/~~market maker(s)~~*. The agreements between the issuing bank and the registry bank/~~market makers~~/selling agents shall comply with provisions of Sec. X162 on bank service contracts. The issuing bank shall be liable for any damages to investors/depositors caused by actions of said registry bank and selling agent(s)/~~market maker(s)~~ contrary to the agreements entered into.

x x x

x x x"

Section 9. Item "j"(4) of Subsection X233.9 on *Primary Offering/Secondary Trading* is hereby amended to read as follows:

"(j) *Minimum features* x x x

x x x

x x x

(4) *Primary Offering/Secondary Trading* – The initial offering shall be executed through an underwriter or an arranger. Subsequent negotiations in secondary trading must be executed through an ~~authorized market maker~~ accredited exchange.

x x x

x x x"

¹ Relabeling of items "i to p" of Subsection X233.9 of the MORB is effected for the succeeding amended sections under this circular

Section 10. Item "k" of Subsection X233.9 is hereby amended to read as follows:

"k. Purchase Advice and Registry Confirmation

(1) The Purchase Advice and Registry Confirmation shall conspicuously contain the following caveat:

(a) x x x

(b) *"All negotiations/transfers of this LTNCTDs prior to maturity must be coursed through ~~a Market Maker~~ an accredited exchange".*

(2) The selling agent/~~market-maker~~ shall issue a Purchase advice to evidence initial purchase and ~~secondary trading~~ of LTNCTD with the original copy given to the holder.

x x x

x x x"

Section 11. Item "o"(3) of Subsection X233.9 on *Sanctions* is hereby amended to read as follows:

"o. Sanctions x x x

x x x

x x x

"(3) On the selling agents/~~market-makers~~ – Disqualification to be appointed as selling agent/~~market-maker~~ for one (1) year and a monetary penalty of P30,000 for each violation.

x x x

x x x

(5) On the responsible officer – x x x

x x x

Fls not supervised by the Bangko Sentral acting as selling agent ~~and/or~~
~~market-maker~~ of LTNCTDs and/or x x x

x x x

x x x"

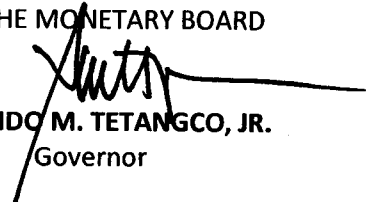
Section 12. A new provision is hereby added as item "p" of Subsection X233.9 of the MORB:

"p. Supervisory Enforcement Actions. The BSP reserves the right to deploy its range of supervisory tools provided in Circular No. 875 dated 15 April 2015

to ensure compliance with the provisions of this Subsection."

Section 13. Effectivity. This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD


AMANDO M. TETANGCO, JR.
Governor

22 May 2015