



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2013-021

To : ALL BANKS AND TRUST DEPARTMENTS/ENTITIES WHICH ARE COUNTERPARTIES IN THE SPECIAL DEPOSIT ACCOUNT (SDA) FACILITY OF THE BANGKO SENTRAL NG PILIPINAS

Subject : Access of Trust Departments/Entities to the SDA Facility of the Bangko Sentral ng Pilipinas

The BSP recently completed a review of the SDA facility as part of its continuing efforts to fine-tune its monetary policy instruments and thereby gain greater flexibility in conducting monetary operations, and also to ensure adequate liquidity for economic activity. The Monetary Board affirmed that the SDA is first and foremost a monetary policy instrument made available to banks for the primary purpose of managing excess domestic liquidity in the financial system. Trust departments of banks acting as trustees and trust entities are also given access to the facility. Consistent with the contractual nature of SDA placements, the BSP reiterates its intent to limit access to the SDA facility to banks and their trust departments, and trust entities, for their own account or acting as trustees, and sets forth the following revised guidelines:

1. Beginning 1 January 2014, access by trust departments/entities to the SDA facility shall be limited to the fund management activities of trust accounts allowed under existing regulations. With respect to pooled funds, only Unit Investment Trust Funds shall be allowed access to the SDA facility. Other fiduciary business including agency accounts and investment management activities shall no longer have access to the said facility. Furthermore, trust departments/entities shall not allow the creation/utilization of any other trust accounts whose purpose is to merely access the SDA facility.
2. Trust departments/entities are required to submit to the BSP's Treasury Department a notarized Letter of Undertaking (LOU) (Annex "A") by 31 May 2013 committing to the terms of this Memorandum to continue to be qualified as counterparty of the BSP-SDA facility.
3. For orderly transition purposes, all SDA placements not consistent with this Memorandum shall be reduced, relative to the outstanding balance as of 31 March 2013, by at least 30 percent on or before 31 July 2013. Any remaining balance shall be phased out by 30 November 2013. It is understood that during this transition period, no new funds or business pertaining to the phased out placements shall be created to access the SDA facility.
4. In order to monitor compliance with its LOU, the trust department/entity shall submit on or before 31 May 2013 to the Trust Specialist Group, Supervision and Examination Sector, a report on its existing SDA placements as of 31 March 2013. Thereafter, a report on the

status on its SDA placements shall be submitted on or before the 5th banking day in August and in December 2013.

5. It is the responsibility of the trust departments/entities to have in place appropriate internal policies and monitoring mechanisms to ensure compliance with this Memorandum and commitments under the LOU.
6. The BSP reserves the right to verify compliance with the terms of this Memorandum. Whenever the BSP has reason to believe that a bank, its trust department or any trust entity is unwilling or unable to comply with this Memorandum, the BSP may limit, suspend, or deny access by the bank and/or trust department or any trust entity to the SDA facility. The BSP also has the right to seek reimbursement of or to forfeit interest earnings on SDA placements made in contravention of the terms of this Memorandum. The resort to the foregoing remedies is without prejudice to the imposition by BSP of administrative sanctions and its filing of criminal charges.

This Memorandum shall take effect immediately upon publication in any newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

17 May 2013

Annex "A"

(Institution's Letterhead)

Date

The Treasury Department
 Bangko Sentral ng Pilipinas
 A. Mabini Street, Malate
 Manila 1004

LETTER OF UNDERTAKING

Pursuant to Memorandum No. M-2013-___ dated _____ 2013 which provides for access of trust departments of banks and trust entities to the Bangko Sentral ng Pilipinas (BSP) - Special Deposit Account (SDA) Facility, [insert name of trust department/trust entity] hereby undertake that beginning 1 January 2014, its placements in the BSP-SDA facility shall be limited to the fund management activities of trust accounts covered by existing regulations. With respect to pooled funds, only Unit Investment Trust Funds shall access the SDA facility. Likewise, it shall not allow the creation/utilization of any other trust accounts whose purpose is to merely access the SDA facility.

The [insert name of trust department/trust entity] further undertakes that all existing placements that are not consistent with Memorandum No. M-2013-___ shall be reduced, relative to the outstanding balance as of 31 March 2013, by at least thirty percent (30%) on or before 31 July 2013 and the remaining balance by 30 November 2013. During this transition period, we undertake that no new funds or business pertaining to the phased-out placements shall be created to access the SDA facility.

The [insert name of trust department/trust entity] shall put in place appropriate internal policies and monitoring mechanisms to ensure compliance with the Memorandum and this LOU. Further, it shall provide and make available pertinent information and documents requested by the BSP to verify compliance with the terms and conditions on its access to the BSP-SDA facility. It also undertakes to authorize the BSP to be reimbursed and/or to forfeit interest earnings on SDA placements determined to have been made in contravention of Memorandum No. M-2013-_____.

 (Trust Officer)
 Signature Over Printed Name

 (President or Equivalent Position)
 Signature Over Printed Name

SUBSCRIBED AND SWORN TO BEFORE ME this ____ day of 2013, affiants exhibiting to me their _____, to wit:

NOTARY PUBLIC

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 Page No.
 Book No.
 Series of 2013.