



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 214
Series of 1999

The Monetary Board in its Resolution No. 1433, dated October 8, 1999, approved the following amendments to the Manual of Regulations for Banks;

Section 1 - Section X203, Part Two, Item e of the Manual of Regulation for Banks shall now read as follows:

- e. A check and other clearing item (COCI) dishonored by reason of insufficiency of funds or credit shall be returned by the drawee bank to the negotiating bank not later than the next clearing for returned COCI.

(1) For Local Exchanges.

There shall be two separate clearing windows for checks and other cash items (COCI) returned due to insufficient funds or credit in the local exchanges in the integrated Metro Manila area served by the Philippine Clearing House Corporation (PCHC) and the BSP Regional Clearing Centers (RCCs). (Please refer to Attachment A).

AM Returned COCI Clearing - The AM returned COCI clearing in the integrated Metro Manila local exchange shall be conducted from 7:30 AM to 10:00 AM on the banking day immediately following the original date of presentation of the COCI to PCHC.

The AM returned COCI clearing window for local exchanges in the BSP RCCs shall be conducted from 8:00 AM to 9:30 AM on the banking day immediately following the original date of presentation of the COCI to the RCC.

Returned COCI in the AM clearing windows shall be given value on the same date as the date of original presentation of the COCI to PCHC and RCC. The amount of debits and credits on the date of original presentation shall be reversed to the extent of the amount of credits and debits arising from the returned COCI. The process restores the balances of the demand deposits of banks with the BSP to their position prior to the settlement of the clearing results affected by the COCI later returned due to insufficient funds or credit.

PM Returned COCI Clearing - The PM returned COCI clearing window shall coincide with the afternoon regular clearing. Other dishonored COCI not returned in the morning clearing session shall be presented by the drawee bank to the negotiating bank in the afternoon regular clearing. Such returned COCI shall be given value on the date the returned COCI was presented to PCHC for the integrated Metro Manila area and to BSP RCCs.



Return of Dishonored COCI - A COCI dishonored by reason of insufficiency of funds or credit shall be returned by the drawee bank to the negotiating bank not later than the next clearing for returned COCI.

(2) For out-of-town exchanges.

For out-of-town exchanges, a COCI so dishonored shall be returned by the drawee bank to the negotiating bank within the period specified in the clearing circular letters issued by BSP.

(3) COCI not coursed through the Clearing System.

A COCI dishonored by reason of insufficiency of funds or credit which was not coursed through the clearing system shall be returned by the drawee bank to the holder or the negotiating bank, as the case may be, not later than the business day following the date the COCI is presented for payment with the drawee bank.

The negotiating bank shall, in turn, return a COCI dishonored by reason of insufficiency of funds or credit to the holder not later than the business day following its receipt of the dishonored COCI from the drawee bank.

Section 2 - Section 343.1, Part Three, Item 3.1 of Appendix 21 (Agreement for an Interbank Call Loans Fund Transfer System) of the Manual of Regulation for Banks shall now read as follows:

3.1 "Both the Borrower and the Lender should transmit separate IBCL Fund Transfer Instructions to PCHC. Each Borrower and Lender shall use its confidential ID and password to activate the System and initiate/authorize its transaction. The electronic debit and credit Instructions (Annexes "A and C" for the Borrower, Annexes "B and D" for the Lender) shall undergo System authentication and matching by the PCHC. Authentication confirms that the Instructions contain the proper approvals from authorized officers of the originating institution. The System then compares the Instructions sent by the Borrower and the Lender to ensure that there are no discrepancies in details (amount, interest rate, tenor, maturity date, value date, and collaterals, if any) of the transactions as communicated by the two parties. PCHC shall Authenticate and Match the transactions from 11:30 AM to 12:30 PM. An authenticated and matched interbank call loan transaction shall not be construed as a settled transaction but shall be subject to the provisions of Section 4 of this Agreement, specifically on the unwinding of inadequately funded transactions."

Section 3 - Section 343.1, Part Three, Item 4, of Appendix 21 (Agreement for an Interbank Call Loans Fund Transfer System) of the Manual of Regulation for Banks shall now read as follows:

- 4.0 SETTLEMENT - The BSP will only act upon the automated summary of IBCL Funds Transfer Instructions signed by an authorized officer/s of the PCHC. Upon receipt, the BSP will post the net results of the summary of IBCL Instructions received from the PCHC immediately so that the updated abstract (DDA Statement) of each bank reflecting the entire day's transactions will be available by 2:00 o'clock P.M. on the business day following the value date of the transaction. Business day for the purpose of this agreement shall be a day on which services are available as provided in Section 5 of this Agreement.

If the Borrower or Lender, as the case may be, does not have enough balances in its DDA, the BSP may not effect transfer of funds from the institution to be debited with respect to the transactions affected on a Last In, First Out basis (LIFO). In implementing the LIFO method of unwinding inadequately funded transactions, the following rules shall apply:

- 4.1 Lending instructions shall be unwound by the BSP ahead of repayment transactions through such LIFO method, based on the automated summary provided by the central system to PCHC and confirmed by PCHC's authorized signers.
- 4.2 The entire amount of the authenticated and matched lending or repayment transaction shall be unwound. There shall not be partial unwinding of an authenticated and matched transaction.

This Circular shall take effect November 15, 1999.

FOR THE MONETARY BOARD:


RAFAEL B. BUENAVENTURA
Governor

October 25, 1999

**SETTLEMENT OF INTER-BANK TRANSACTIONS VIS-À-VIS
COVERING RESERVE REQUIREMENT / DEFICIENCY OF BANKS' DDA WITH BSP**

ATTACHMENT A

A C T I V I T I E S					
D A Y 1					
TIME	Philippine Clearing House Corporation (PCHC) METRO MANILA	BSP Regional Clearing Centers (BSP RCC)	Bangko Sentral ng Pilipinas Head Office (BSP)	Value Date	
2:00 PM		Clearing Results Available (Regional Local and Inter-Regional)	➤ (Begin-of-day) Final Banks' DDA balance ➤ Cut-off Time – Submission of Financial Transactions Affecting BSP	T + O	
4:00 PM			Update Banks' DDA Balances for EFTIS Transactions		
6:00 PM	Clearing Results Available (Greater Manila and Manila-Regional Outward Clearing)		Update Banks' DDA Balances		
6:30 PM			1 st Broadcast Banks' DDA Balance	T + O	
D A Y 2					
	Returned COCI CLEARING	Inter-Bank Call Loan (IBCL) Window	Returned COCI CLEARING		
7:30 AM	Returned COCI Receiving Window				
8:00 AM			Returned COCI Receiving Window		
8:30 AM				Update Banks' DDA Balances	
8:31 AM	Returned COCI Processing		Returned COCI Exchange		
9:29 AM			Returned COCI Clearing Results Available (BSP)		
9:30 AM					
10:00 AM	Returned COCI Clearing Results Available (BSP)	Receiving Processing of Interbank Call Loan Transactions	Update Banks' DDA (Returned COCI Clearing Results)	T + O	
11:00 AM			2 nd Broadcast Updated Banks' DDA Balance	T + O	
11:30 AM					
12:30 PM			IBCL Netting Operation IBCL Results Available (BSP)		
1:00 PM				Update Banks' DDA (IBCL Results)	
2:00 PM	(End-of-Day) Final Banks'(T + O) DDA Balance "UNLESS" BSP Decides to "UNWIND" IBCL Transactions			T + O	
2:01 PM			Unwinding Operation Window Selective Broadcast of Final DDA Balances for "Unaffected Banks"	T + O	
3:00 PM			Unwinding Process (Affected Banks Only)		
4:00 PM			Broadcast affected Banks' Final DDA Balances	T + O	