



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2012-034

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

Subject : Prohibition Against Non-Residents¹ from Investing in the SDA Facility

The SDA facility is a monetary policy instrument deployed by the Bangko Sentral ng Pilipinas (BSP) for the purpose of managing excess domestic liquidity in the financial system. It should not be made available for opportunistic investment activities funded from non-resident sources. Further, placement in SDA facility is contractual in nature and thus shall be governed by the intent of the contracting parties. In keeping with the nature of this facility, all banks and trust departments/entities, which are counterparties of the BSP, are required to comply with the following conditions:

1. Banks shall not invest in the SDA facility funds obtained, directly or indirectly, from non-residents.
2. Investments of trust departments/entities in the SDA facility shall not be sourced directly or indirectly, from funds of non-residents.

A bank or trust department/entity is required to submit to the BSP's Treasury Department a notarized Letter of Undertaking (LOU) (Annex "A") committing to the above conditions to be qualified as a counterparty of the BSP SDA facility.

It is the responsibility of a bank or trust department/entity to have in place the appropriate internal policies and monitoring and assurance mechanisms consistent with its LOU.

The BSP reserves the right to verify compliance with the above conditions. Whenever the BSP has reason to believe that a bank or trust department/entity is unable or unwilling to comply with the terms and conditions for the access to the SDA facility, the BSP may limit, suspend, or deny access by the bank, its trust department or a trust entity to the SDA facility.

The bank or trust department/entity shall report to the supervising department of the BSP's Supervision and Examination Sector all existing SDA placements not consistent with this Memorandum. Such placements shall not be renewed and shall be terminated upon maturity.

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


AMANDO M. TETANGCO, JR.
Governor

13 July 2012

¹ As defined under Section 1 of the Manual of Regulations on Foreign Exchange Transactions

(Institution's Letterhead)

Date: _____

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

Letter of Undertaking

Pursuant to Memorandum No. M-2012-____ dated ____ July 2012 which provides the prohibition against non-residents from investing in the Special Deposit Account (SDA) facility of the Bangko Sentral ng Pilipinas (BSP), (Name of Institution) and its trust department (if applicable) hereby undertake not to invest in the SDA facility funds obtained, directly or indirectly, from non-residents.

The (Name of Institution) and its trust department (if applicable) shall put in place appropriate internal policies and monitoring and assurance mechanisms consistent with the above conditions. Further, it shall make available pertinent information and documents requested by the BSP to verify compliance with the terms and conditions on its access to the BSP's SDA facility.

(Trust Officer, if applicable)
Signature Over Printed Name

(Treasurer)
Signature Over Printed Name

(President or Equivalent Position)
Signature Over Printed Name

SUBSCRIBED AND SWORN TO BEFORE ME this ____ day of _____, 2012, affiants exhibiting to me their _____, to wit:

Notary Public

Doc. No. ____
Page No. ____
Book No. ____
Series of ____