



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 995

Series of 2018

Subject: Amendments to the Guidelines on the Prohibition Against Funds From Non-residents From Being Accepted in the Liquidity Facilities of the Bangko Sentral

The Monetary Board, in its Resolution No. 57 dated 11 January 2018 approved the amendments to Subsection X601.8 and Appendix 78 of the Manual of Regulations for Banks (MORB) and Appendix Q-47 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the prohibition against funds from non-residents from being accepted in the Term Deposit Facility (TDF) and Overnight Deposit Facility (ODF) of the Bangko Sentral.

Section 1. Subsection X601.8 of the MORB on the prohibition against funds from non-residents from being accepted in the Term Deposit Facility (TDF) and Overnight Deposit Facility (ODF) is hereby amended as follows:

Subsec. X601.8 *Prohibition against funds from non-residents from being accepted in the TDF and ODF.* The TDF and ODF are monetary instruments deployed by the Bangko Sentral for the purpose of managing domestic liquidity in the financial system. These facilities should not be made available for opportunistic investment activities funded from non-resident sources. In the case of funds inwardly remitted by a foreign bank intended as capital of its branch or subsidiary in the Philippines, the same funds shall be eligible to be accepted in the TDF and the ODF of the Bangko Sentral. Further, placements in the TDF and the ODF are contractual in nature and thus shall be governed by the intent of the contracting parties. In keeping with the nature of these facilities, counterparties of the Bangko Sentral, shall comply with the Guidelines on the Prohibition Against the Use of Funds from Non-Resident Sources for Placements in the Bangko Sentral's TDF and the ODF shown in *Appendix 78*.

Section 2. Appendix 78 of the MORB on the guidelines on the prohibition against the use of funds from non-resident sources for placements in the Bangko Sentral's TDF and ODF is hereby amended to read as follows:

Guidelines on the Prohibition against the Use of Funds from Non-resident Sources for Placements in the Bangko Sentral's TDF and ODF¹
(Appendix to Subsection X601.8)

The TDF and ODF are monetary instruments deployed by the Bangko Sentral for the purpose of managing domestic liquidity in the financial system. These facilities should not be made available for opportunistic investment activities funded from non-resident sources. Furthermore, placements in the TDF and the ODF are contractual in nature and thus, shall be governed by the intent of the contracting parties. In keeping with the nature of this facility, all eligible banks shall not place in the TDF and in the ODF funds obtained, directly or indirectly, from non-residents; *Provided*, That funds inwardly remitted by a foreign bank intended as capital of its branch or subsidiary in the Philippines shall be eligible for placement in the TDF and the ODF of the Bangko Sentral.

An eligible bank is required to submit to the Bangko Sentral's Treasury Department a notarized Letter of Undertaking (LOU) (Annex "A") committing it is qualified as a counterparty of the Bangko Sentral TDF and the ODF.

It is the responsibility of an eligible bank to have in place the appropriate internal policies and monitoring and assurance mechanisms consistent with its LOU.

The Bangko Sentral reserves the right to verify compliance with the above conditions. Whenever the Bangko Sentral has reason to believe that an eligible bank is unable or unwilling to comply with the terms and conditions for the access to the TDF or the ODF, the Bangko Sentral may limit, suspend, or deny access by the subject bank to the TDF and/or the ODF.

The eligible bank shall report to the appropriate department of the SES all existing TDF and ODF placements not consistent with these guidelines. Such placements shall not be renewed and shall be terminated upon maturity.

Section 3. Appendix Q-47 of the MORNBFI on the guidelines on the prohibition against the use of funds from non-resident sources for placements in the Bangko Sentral's TDF and ODF is hereby amended to read as follows:

¹ The Monetary Board, in its Resolution No. 1945 dated 27 October 2016 approved the discontinuance of access of trust entities to the Bangko Sentral deposit facilities. Trust entities shall no longer have outstanding placement in the ODF and TDF by 30 June 2017.

Guidelines on the Prohibition against the Use of Funds from Non-resident Sources for Placements in the Bangko Sentral's TDF and ODF²
(Appendix to Subsection 4601Q.8)

The TDF and ODF are monetary instruments deployed by the Bangko Sentral for the purpose of managing domestic liquidity in the financial system. These facilities should not be made available for opportunistic investment activities funded from non-resident sources. Furthermore, placements in the TDF and the ODF are contractual in nature and thus, shall be governed by the intent of the contracting parties. In keeping with the nature of this facility, all eligible banks shall not place in the TDF and in the ODF funds obtained, directly or indirectly, from non-residents.

An eligible QB is required to submit to the Bangko Sentral's Treasury Department a notarized Letter of Undertaking (LOU) (Annex "A") committing it is qualified as a counterparty of the Bangko Sentral TDF and the ODF.

It is the responsibility of an eligible QB to have in place the appropriate internal policies and monitoring and assurance mechanisms consistent with its LOU.

The Bangko Sentral reserves the right to verify compliance with the above conditions. Whenever the Bangko Sentral has reason to believe that an eligible QB is unable or unwilling to comply with the terms and conditions for the access to the TDF or the ODF, the Bangko Sentral may limit, suspend, or deny access by the subject QB to the TDF and/or the ODF.

The eligible QB shall report to the appropriate department of the SES all existing TDF and ODF placements not consistent with these guidelines. Such placements shall not be renewed and shall be terminated upon maturity.

Section 4. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


NESTOR A. ESPENILLA JR.
Governor

05 February 2018

² The Monetary Board, in its Resolution No. 1945 dated 27 October 2016 approved the discontinuance of access of trust entities to the Bangko Sentral deposit facilities. Trust entities shall no longer have outstanding placement in the ODF and TDF by 30 June 2017.