



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities

The Monetary Board, in its Resolution No. 128 dated January 25, 2001, decided to adopt a uniform booking of mortgage trust indentures (MTIs) specifically on the valuation of MTIs at a nominal value of P1.00 for every title or document of ownership. Accordingly, the Manual of Accounts for Trust, Other Fiduciary Business and Investment Management Activities is hereby amended as follows:

1. Adopt new account titles, "Real and Other Properties Held Under Deeds of Trust or Mortgage" and "Miscellaneous Liabilities – Under Deeds of Trust or Mortgage", with the following definitions/descriptions:

" Other Assets

" x x x

"e. Real and Other Properties Held Under Deeds of Trust or Mortgage

"This represents properties held by the trustee that are used as security for loans extended to borrowers or for bond issues under a mortgage or collateral trust indenture.

"Appropriate records shall be kept for purposes of reporting to the borrower/bond issuer and beneficiaries/creditors, as may be required in the mortgage or collateral trust indenture.

"Valuation

"Real and other properties held under mortgage or collateral trust shall be booked at P1.00 per title or document of ownership. In the event of foreclosure of the property on account of borrower's default in accordance with the terms and conditions of the trust indenture, each of the title or document of ownership shall continue to be booked at P1.00.



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"The account shall be decreased upon full payment of the obligation by and return of title or document of ownership to the borrower/bond issuer/mortgagor, or upon sale or disposal of foreclosed property.

"Sales proceeds of foreclosed properties shall be recorded at actual realized value under the account "Deposit in Bank". Subject to the expressed provision of the mortgage/collateral trust indenture, sales proceeds may be invested/managed by the trustee. Such investment shall be debited to an appropriate investment account. Income earned from deposits/investments and expenses incurred shall be recorded and considered in the distribution of the account.

"Financial Statement Presentation

"Real and other properties held under mortgage or collateral trust are shown as a separate item in the Statement of Condition of the Trust Department and in the individual Financial Statement and reports to trustors/principals.

" x x x."

" Other Accountabilities

" x x x

" b. **Miscellaneous Liabilities – Under Deeds of Trust or Mortgage**

"This is a sub-account which represents the various liabilities of the trustee in connection with a mortgage or collateral trust indenture that may be in the nature of advances made by creditors to defray expenses of foreclosure proceedings or proceeds from sale or disposition of foreclosed properties held and managed by the trustee or deposit if such depositary function is expressly provided in the indenture. Other related transactions such as income earned from deposits/investments and expenses shall also be recorded/deducted from the account."

2. Revise the definition of "Bond Issues/Other Obligations Under Deeds of Trust or Mortgage", which shall read as follows-

"Principal

"a. Trusteeship and Other Fiduciary Accountabilities

" x x x

**"Bond Issues/Other Obligations Under
Deeds of Trust or Mortgage**

"This represents the accountability of the trustee under a mortgage or collateral trust agreement whereby the properties held by the trustee are used as collateral or are the subject of mortgage for bond issues or other obligations of the bond issuer or borrower. Trustee's responsibility in a mortgage trust indenture may include the issuance of mortgage participation certificates by the trustee to a syndicate of creditors and the performance of certain responsibilities stated in the trust indenture for the interest of the creditors. The trustee shall maintain memorandum record of the amount of participation of each creditor.

" x x x."

This Memorandum shall take effect immediately.


ALBERTO V. REYES
Deputy Governor

28 February 2001