

**[ BSP Circular No. 877, May 22, 2015 ]**

**AMENDMENTS TO THE GUIDELINES ON THE ISSUANCE OF LONG-TERM NEGOTIABLE CERTIFICATES OF TIME DEPOSITS**

*Adopted: 22 May 2015  
Date Filed: 01 June 2015*

Pursuant to Monetary Board Resolution No. 745 dated May 07, 2015, the provisions of the Manual of Regulations for Banks (MORB) on long-term negotiable certificates of time deposit (LTNCTD) are hereby amended as follows:

**Section 1.** Item "b" of Subsection X233.9 of the MORB on *Application for authority of the issuing bank* is hereby amended to read as follows:

" *b. Application for authority of the issuing bank.* An application for authority on each issue/issue program of LTNCTD shall be filed with the appropriate department of the SES. ~~That any portion of an approved LTNCTD that is not issued within six (6) months of the approval of the Monetary Board will be deemed forfeited.~~

The application shall be signed by the president/country manager (branch of a foreign bank) of the bank. It shall be accompanied by: (i) a certified true copy of the resolution of the bank's board of directors authorizing the issuance of LTNCTD, indicating, among others, the issue size, offering period, purpose or intended use of proceeds thereof, registry bank, underwriter/arranger, and selling agent(s) ~~and market maker(s)~~; and (ii) a Letter of Undertaking (LOU) signed by the president/country manager that the issuing bank will ensure its continuous compliance with the prequalification requirements under Item "(c) 1" of this Subsection up to the time of the last offering of its approved and listed LTNCTDs."

xxx    xxx"

**Section 2.** Item "c" of Subsection X233.9 on the *Pre-qualification Requirements* of the MORB is hereby amended to read as follows:

" *c. Prequalification requirements*

xxx    xxx

As such, the issuing bank shall make a careful and diligent evaluation of the parties whom it shall engage to act as underwriter/arranger, registry

bank, and selling agent ~~and market-maker~~ of its LTNCTDs.

The following qualification requirements shall be strictly complied with prior to and on a continuing basis by the issuing bank and FIs engaged to act as underwriter/arranger, registry bank and selling agent ~~and market-maker~~ while the LTNCTD of the issuing bank remains outstanding.

(1) Issuing bank

xxx      xxx

~~(5) Market-maker~~

- ~~(a) It must not be the issuing bank;~~
- ~~(b) It must be a third party which is not related to the issuing bank in any manner that would undermine its independence;~~
- ~~(c) It must be an FI, with dealership or brokering license; and~~
- ~~(d) It must be well-capitalized and must have adequate risk management as evidenced by the compliance with Items "c(1)(e), (d), (g) and (h)" as may be applicable.~~

xxx                      xxx"

**Section 3.** Item "d" of Subsection X233.9 of the MORB on *Additional requirements for the issuance of LTNCTD* is hereby relabeled as Item "e" and amended as follows:

" e. *Additional requirements for the issuance of LTNCTD.* After a bank's application to issue an LTNCTD has been approved, it may issue the same, subject to the submission of The following additional requirements shall be submitted to the appropriate department of the SES within ten (10) calendar days after issuance of the initial offering/tranche:

(1) xxx

xxx      xxx

(4) Specimen of the proposed registry confirmation and purchase advice from each selling agent/ ~~market-maker~~ which will evidence sale of the LTNCTD.

The bank shall, likewise, submit within ten (10) calendar days after issuance of the initial and subsequent tranches, a written notice to the appropriate department of the SES of the actual date of initial/tranche offering ~~accompanied by a certification by the president/country manager that the pre-qualification requirements under Item "c(1)" have been complied with up to the time of offering.~~

**Section 4.** Item "e" of Subsection X233.9 of the MORB on Listing of LTNCTD with an accredited exchange is hereby relabeled as Item "d" and amended as follows:

" d. Listing of LTNCTD with an accredited exchange. LTNCTDs ~~shall be listed on accredited exchange within thirty (30) days after its approval by the~~ duly approved by the Monetary Board shall be issued and immediately listed on an accredited exchange: Provided, That banks which opt to issue portions of the approved amount in tranches shall immediately list such tranche issuance: Provided, further, That if within one (1) year from approval of the Monetary Board, the entire amount of the approved LTNCTDs shall not have been issued, the bank's authority to issue the unissued portion of the approved amount shall be deemed revoked, and said unissued portion shall no longer be issued.

Banks which fail to list their issued LTNCTDs on an accredited exchange within the prescribed period shall ~~not be allowed to further issue LTNCTDs~~ be subject to the sanctions under item (o) (1) of this Subsection."

**Section 5.** Item "f" of Subsection X233.9 of the MORB on Functions/responsibilities of the parties involved is hereby amended as follows:

"(1)Registry bank

xxx

(2) Underwriter/Arranger

xxx

(d)Disseminates information to prospective depositors/investors of LTNCTDs on the terms and conditions of the issue (including information of non-pretermination by the depositor prior to original maturity and the liquidity mechanism in secondary trades) and the rights and obligations of the holder, issuer, ~~market maker~~ market maker/selling agent, underwriter/arranger and registry bank; and

xxx

xxx"

~~(4) Market maker~~

~~(a)Sets independent pricing for the secondary trading of LTNCTDs;~~

~~(b)Posts daily the bid and offer prices for the LTNCTDs on the screen of at least one (1) of the information providers until the operation of a fixed income exchange for LTNCTDs;~~

~~(c)Verifies identity of each investor and applies other standards to combat money laundering as required under Sec. X801;~~

~~(d)Issues the purchase advice for the secondary sale of LTNCTDs; and~~

~~(e)Ensures secondary market transfers and registration in coordination with the registry bank.~~

xxx

xxx"

**Section 6.** Item "g" of Subsection X233.9 on *Change of underwriter/arranger,*