

[BSP CIRCULAR NO. 703, S. 2010, December 23, 2010]

REGULATORY REQUIREMENTS ON DEPOSIT SUBSTITUTES

The Monetary Board, in its Resolution No. 1767 dated 9 December 2010, approved the following amendments to the guidelines governing deposit substitutes.

Section 1. Section X235.4 of the Manual of Regulations for Banks (MORB) on interbank loan transactions is hereby amended to read, as follows:

"Subsec. X235.4 Interbank borrowings

"Except for interbank borrowings which are settled through the banks' respective DDAs with the BSP via PhilPaSS, all interbank borrowings shall be evidenced by deposit substitute instruments containing the minimum features prescribed in Subsec. X235.3."

Section 2. Subsection X235.6 of the MORB on other rules and regulations governing the issuance and treatment of deposit substitute instruments is hereby amended to read, as follows:

"Subsec. X235.6 Other rules and regulations governing the issuance and treatment of deposit substitute instruments

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"f. The regulations on interbank loan transactions prescribed in Sec. X343 shall also apply to interbank borrowings."

Section 3. Section X236 of the MORB on the minimum trading lot and minimum term of deposit substitutes is hereby amended to delete the provisions on the minimum term of deposit substitutes.

"Sec. X236 Minimum Trading Lot of Deposit Substitutes

"The minimum size of any single deposit substitute transaction shall be P50,000.

"No bank performing quasi-banking functions shall issue deposit substitute instruments in the name of two (2) or more persons or accounts except those falling under the following relationships in which

cases, commingling may be allowed: (a) husband and wife; (b) persons related to each other within the second degree of consanguinity; and (c) "in trust for" (ITF) arrangements."

Section 4. Section X282 of the MORB on borrowings from trust departments of banks or investment houses is hereby amended to delete the minimum term of deposit substitutes for borrowings from trust departments or managed funds of banks or investment houses to read, as follows:

"Sec. X282 Borrowings from Trust Departments or Investment Houses

"Funds borrowed by banks from trust departments or managed funds of banks or IHs are not considered as interbank borrowings and therefore are subject to the:

- "a. Reserve requirement on deposit substitutes; and
- "b. Minimum trading lot rule."

Section 5. Section X343 of the MORB on interbank loans is hereby amended to include interbank term loans as a form of an interbank loan transaction, to read as follows:

"Sec. X343 Interbank Loans

"Interbank loan transactions shall include, among other things, (a) interbank call loan (IBCL) transactions; (b) interbank term loan transactions; (c) borrowings evidenced by deposit substitute instruments; and (d) purchases of receivables with recourse: Provided, however, That only IBCL transactions which are settled through the banks' respective DDAs with the BSP via PhilPaSS shall be subject to the reserve requirement prescribed for IBCL in Subsec. X253.1: Provided, further, That funds borrowed by banks from trust departments of banks or IHs shall be excluded from the herein definition of interbank loan transactions."

Section 6. Subsection 4235Q.8 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on call slips/tickets for 24-hour loans is hereby amended and renumbered as Subsection 4235Q.4 of the MORNBFI to read, as follows:

"Subsec. 4235Q.4 Interbank borrowings. Except for interbank borrowings which are settled through the QBs' respective DDAs with the BSP via PhilPaSS, all interbank borrowings shall be evidenced by deposit substitute instruments containing the minimum features prescribed in Subsec. 4235Q.3."