

**[ BSP CIRCULAR NO. 175, September 03, 1998 ]**

**CHECK CLEARING RULES FOR RURAL BANKS WHO ARE MEMBERS OF THE PHILIPPINE CLEARING HOUSE CORPORATION AND THRIFT BANKS AUTHORIZED TO ACCEPT DEMAND DEPOSITS**

Pursuant to MB Resolution No. 1105 dated August 5, 1998, Circular 163, dated April 8, 1998 is amended as follows:

Sections 3 and 4 of Circular 163 shall apply to rural banks who are members of PCHC and thrift banks authorized to accept demand deposits and participate directly in the PCHC and BSP clearing operations.

Section 3 shall now read:

"3. For rural banks who are members of PCHC and thrift banks authorized to participate in the PCHC and BSP check clearing operations, ceilings for clearing losses not covered by interbank borrowings shall be established and unwinding of the clearing transactions shall be authorized when the ceilings are breached.

a. The proposed ceiling is defined as the collateralized overnight clearing line that will be extended by BSP. Every rural bank and thrift bank authorized to participate directly in the clearing operations of PCHC and BSP should apply for this line with the BSP Department of Loans and Credit (DLC). The availments against the approved loan line shall bear interest at the **91-day Treasury Bill** rate of the last auction immediately preceding the availments.

b. Procedures for unwinding shall apply to all inward items, other than **"Returned Items"** and to local exchanges only.

c. The aggregate value of all inward items of all clearing centers, including **"On Manila"** clearing demands presented to PCHC, shall be ranked from highest to lowest. The unsettled net clearing losses shall be eliminated by unwinding the inward items starting from the clearing centers, including PCHC, with highest aggregate value.

d. In case the aggregate value of the inward items for a given clearing center, except PCHC, exceeds the unsettled net clearing losses, the total inward items for that clearing center shall be the subject of unwinding.

e. In the case of checks cleared through PCHC, the inward clearing items shall be unwound to the extent of the unsettled net clearing loss. The selection of the specific demand items to be covered by unwinding shall be based on PCHC rules.

f. Checks which are the subject of the unwound clearing transactions shall be returned to the presenting banks not later than 9:00 o'clock AM of the following