

[BSP MEMORANDUM NO. M-2013-021, May 17, 2013]

ACCESS OF TRUST DEPARTMENTS/ENTITIES TO THE SDA FACILITY OF THE BANGKO SENTRAL NG PILIPINAS

The BSP recently completed a review of the SDA facility as part of its continuing efforts to fine-tune its monetary policy instruments and thereby gain greater flexibility in conducting monetary operations, and also to ensure adequate liquidity for economic activity. The Monetary Board affirmed that the SDA is first and foremost a monetary policy instrument made available to banks for the primary purpose of managing excess domestic liquidity in the financial system. Trust departments of banks acting as trustees and trust entities are also given access to the facility. Consistent with the contractual nature of SDA placements, the BSP reiterates its intent to limit access to the SDA facility to banks and their trust departments, and trust entities, for their own account or acting as trustees, and sets forth the following revised guidelines:

1. Beginning 1 January 2014, access by trust departments/entities to the SDA facility shall be limited to the fund management activities of trust accounts allowed under existing regulations. With respect to pooled funds, only Unit Investment Trust Funds shall be allowed access to the SDA facility. Other fiduciary business including agency accounts and investment management activities shall no longer have access to the said facility. Furthermore, trust departments/entities shall not allow the creation/utilization of any other trust accounts whose purpose is to merely access the SDA facility.
2. Trust departments/entities are required to submit to the BSP's Treasury Department a notarized Letter of Undertaking (LOU) (Annex "A") by 31 May 2013 committing to the terms of this Memorandum to continue to be qualified as counterpart of the BSP-SDA facility.
3. For orderly transition purposes, all SDA placements not consistent with this Memorandum shall be reduced, relative to the outstanding balance as of 31 March 2013, by at least 30 percent on or before 31 July 2013. Any remaining balance shall be phased out by 30 November 2013. It is understood that during this transition period, no new funds or business pertaining to the phased out placements shall be created to access the SDA facility.
4. In order to monitor compliance with its LOU, the trust department/entity shall submit on or before 31 May 2013 to the Trust Specialist Group, Supervision and Examination Sector, a report on its existing SDA placements as of 31 March 2013. Thereafter, a report on the status on its SDA placements shall be submitted on or before the 5th banking day in August and in December 2013.
5. It is the responsibility of the trust departments/entities to have in place appropriate internal policies and monitoring mechanisms to ensure compliance with this Memorandum and commitments under the LOU.
6. The BSP reserves the right to verify compliance with the terms of this Memorandum. Whenever the BSP has reason to believe that a bank, its trust