

[BSP CIRCULAR NO. 457, October 14, 2004]

**CLARIFICATORY REGULATIONS GOVERNING SECURITIES
CUSTODIANSHIP OPERATIONS OF BANKS AND NON-BANK
FINANCIAL INSTITUTIONS**

Pursuant to Monetary Board Resolution No. 1415 dated 30 September 2004, the following clarificatory regulations governing securities custodianship operations of banks and non-bank financial institutions under the supervision of the Bangko Sentral ng Pilipinas (BSP), are hereby issued as follows:

SECTION 1. Pursuant to the provisions of Subsecs. X 238.2 of the Manual of Regulations for Banks, as amended by Circular No. 392 dated 23 July 2003, and Subsecs. 4101Q.4 and 4101N.3 of the Manual of Regulations for Non-Bank Financial Institutions, as amended by Circular No. 450 dated 6 September 2004, securities sold on a without recourse basis shall be delivered to the purchaser, or to his designated custodian duly accredited by the BSP: Provided, That a bank/other entity authorized by the BSP to perform custodianship function may not be allowed to be custodian of securities issued or sold on a without recourse basis by said bank/entity, its subsidiaries or affiliates, or of securities in bearer form. Existing securities being held under custodianship by banks/ other entities under BSP supervision, which are not in accordance with said regulation, must therefore, be delivered to a BSP accredited third party custodian. However, banks and other financial institutions under BSP supervision may maintain custody of existing securities of their clients who are unable or unwilling to take delivery pursuant to the provisions of Circular No. 392 but who declined to deliver their existing securities to a BSP accredited third party custodian subject to the following conditions:

- a. the custody arrangements with clients have been in existence prior to the effectivity date of this Circular;
- b. the dealing bank/NBFI under BSP supervision had been informed in writing by the client that he is not willing to have his existing securities delivered to a third party custodian;
- c. any BSP regulated institution shall not enter into securities transactions with a client who has outstanding securities not delivered to a BSP accredited third party custodian; and
- d. it shall be the responsibility of any BSP regulated institution to satisfy itself that the person purchasing