

[BSP CIRCULAR LETTER, May 09, 2003]

**COMPUTATION OF QUARTERLY INTEREST PAYMENTS DUE ON
BANKS/NON-BANKS LEGAL RESERVE DEPOSITS WITH THE BSP**

In response to numerous requests for details regarding the computation of quarterly interest payments credited to the demand deposit accounts (DDA) of banks/non-banks' legal reserve deposits with Bangko Sentral ng Pilipinas (BSP), we are providing below the pertinent information:

1. BSP Circular No. 262, as amended, (for regular DDA) and Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities (for CTF and TOFA), as amended, both dated October 18, 2000 state that computation of quarterly interest payments due on banks/non-banks' legal reserve deposits with the BSP is based on the lower of their outstanding daily DDA balance and 40% of the reserve requirement (excluding liquidity reserve). Interest rate is at 4% per annum and interest base at 365 days.
2. The daily DDA balance used in the computation of interest may be obtained from the semi-monthly demand deposit statements of account balances that are available electronically to banks through EFTIS (for PhilPaSS participants) or monthly through the DDA statements sent by mail (for non-PhilPaSS participants).
3. The data on reserve requirements are based on the institutions' Consolidated Daily Report of Condition (CDRC) (CBP7.16.01) submitted to the Supervisory Reports and Studies Offices (SRSO) on a weekly basis that includes Schedule of Required and Available Reserves on Deposits and Deposit Substitutes Liabilities. Unless SRSO furnishes an amended data, the bank's computation in the Schedule is used in determining the 40% of the reserve requirement that shall be compared with the outstanding daily balance, in arriving at the amount of interest credit.
4. The interest credit to each DDA is supported by a credit advice which indicates the period covered by the payment. For PhilPaSS participants, the credit advices are released through their authorized bank representatives together with the cancelled checks drawn against the institutions' DDA with the BSP while for non-PhilPaSS participants, the credit advices are sent by mail together with their DDA Statement of Accounts.

For your guidance.

Adopted: 9 May 2003

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