

**[ BSP, October 01, 1993 ]**

**FURTHER AMENDING MEMORANDUM TO ALL BANKS AND OTHER  
FINANCIAL INTERMEDIARIES PERFORMING TRUST, OTHER  
FIDUCIARY BUSINESS AND INVESTMENT MANAGEMENT  
ACTIVITIES DATED OCTOBER 16, 1990\***

Pursuant to the provisions of Section 94 of R.A. No. 7653, otherwise known as The New Central Bank Act, the Monetary Board, in its Resolution No. 297 dated September 29, 1993, decided to impose reserves against peso-denominated common trust funds and such other managed peso funds which partake the nature of collective investment of peso-denominated common trust funds. Accordingly, the provisions of the Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities dated October 16, 1990, as amended, is hereby further amended as follows:

SECTION 1. Section 405 is hereby amended to read as follows:

"Section 405. Security for the Faithful Performance of Trust and Other Fiduciary Business."

SECTION 2. Subsection 405.2 is hereby renumbered as Subsection 405.5 and amended to read as follows:

"Subsection 405.5 Reserves Against Peso-denominated Common Trust Funds — In addition to the basic security deposit, an institution shall maintain a ten percent (10%) reserve against -

a. peso-denominated common trust funds; and

b. such other managed peso funds which partake the nature of collective investment of a peso-denominated common trust fund as may be indicated by the presence of the following features:

1. The funds are composed of contributions from two or more investors;
2. The funds are managed/administered as a vehicle for collective investment and reinvestment;
3. The trustee/administrator/agent has the exclusive management and control over the funds and the sole right at any time to sell, convert, invest, exchange, transfer or otherwise change or dispose of the assets comprising the funds; and
4. Investments/contributions to, or withdrawals from the funds are being allowed at any time or as of a fixed date in the future, and/or the

income, net of all expenses incurred in the management of the fund plus the fee of the trustee/administrator/agent, are being distributed among the participants in the funds, without the need to liquidate all assets of the funds:

Provided, That the reserves on peso-denominated common trust funds shall be provided out of the peso-denominated common trust funds by the institution authorized to engage in trust and other fiduciary business pursuant to Section 404."

SECTION 3. Subsection 405.3 is hereby renumbered as Subsection 405.2 and amended to read as follows:

"Subsection 405.2. Eligible Securities - Government securities which shall be deposited in compliance with the above basic security deposit shall consist of evidences of indebtedness of the Republic of the Philippines and of the Bangko Sentral ng Pilipinas and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines; and such other kinds of securities which may be declared eligible by the Monetary Board: Provided, That such securities shall be free, unencumbered, and not utilized for any purpose: Provided, further, That such securities shall have remaining maturities of not more than three (3) years from the date of deposit with the Bangko Sentral."

SECTION 4. Subsection 405.4 is hereby renumbered Subsection 405.3 and amended to read as follows:

"Subsection 405.3. Valuation of Securities and Basis of Computation of the Requirement - For purposes of determining compliance with the basic security deposit under this Section, the amount of securities so deposited shall be based on their book value, that is, cost as increased or decreased by the corresponding discount or premium amortization.

The base amount for the basic security deposit shall be the average of the month-end balances of total trust, investment management and other fiduciary assets of the immediately preceding calendar quarter."

SECTION 5. Subsection 405.5 is hereby renumbered as Subsection 405.4 and amended to read as follows:

Subsection 405.4. Compliance Period - The trustee or fiduciary shall have thirty (30) banking days after the end of every calendar quarter within which to deposit with the Bangko Sentral securities required under this section."

SECTION 6. The following Subsections are hereby added to Section 405 to read as follows:

1. "Subsection 405.6. Form and Composition of Reserves - The provision of Section 254 and Subsections 254.1, 254.2, 254.3 and 254.4 (Books I to III on the form and composition of reserves against deposit liabilities and Subsection 283.1 (Books I to III) on the form and composition of reserves against deposit substitute liabilities and Subsection 4283Q.1 on the form and composition of reserves against deposit substitutes in cases of NBFIs shall govern the form and composition of