



BANGKO SENTRAL NG PILIPINAS

CIRCULAR NO. ____ Series of 2022

OFFICE OF THE GOVERNOR

Subject: Amendments to the Checks Clearing and Settlement Operations

The Monetary Board (MB), in its Resolution No. ____ dated _____, approved the following amendments to the Manual of Regulations for Banks (MORB).

Section 1. Section 202 shall be revised, as follows:

"Sec. 202 RETURNED CHECKS

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c. The Drawee bank shall transmit xxx

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(2) ~~The AM-clearing window for clearing items dishonored due to insufficiency of funds or credit, technical reasons, closed account and/or stop payment order shall be conducted from 4:31 PM of the same day up to the cut-off time indicated in accordance with the~~ **timeline prescribed** in Appendix 35 for returned items; and

(3) **The checks returned shall cause adjustments in the clearing results to be settled through the RTGS system.**

~~Returned clearing item in the AM-clearing window shall be given value on the same date as the date of original presentation of the Checks and Other Cash Items (COCI) to PCHC. The amounts of debits and credits on the date of original presentation shall be reversed to the extent of the amounts of credits and debits arising from the returned clearing item. The process restores the balances of the demand deposits of banks with the Bangko Sentral to their position prior to the settlement of the clearing results affected by the clearing items later returned due to insufficient funds or credit, closed account and/or stop payment order."~~

Section 2. Section 285 shall be amended to read, as follows:

“Sec. 285 EMERGENCY LOANS OR ADVANCES TO BANKING INSTITUTIONS

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Acceptable collaterals and their corresponding loan values. All availments of the emergency loan or advance shall be secured by first class collaterals to the extent of their applicable loan values, as follows:

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Assets of stockholders and of other third parties, the latter acceptable only in instances provided under the last paragraph of this Section on Interest rates, liquidated damages, and penalties are acceptable as collaterals for emergency loan with corresponding loan values, as follows:

ACCEPTABLE COLLATERALS	With Surety Agreement and Negative Pledge	With Surety Pledge but No Negative Pledge	With Negative Pledge but no Surety Agreement	No Surety Agreement and no Negative Pledge
Asset of stockholders to secure new loan releases if the bank has no available first class collaterals:				
xxx				
Assets of other third parties to cover deficiency arising from unpaid interest and liquidated damages; and reduction in loan value of existing collaterals and conversion of overdrafts into emergency loan:				
xxx				

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Interest rates, liquidated damages, and penalties. The interest rate that shall be charged on emergency loan or advance shall be based on the Bangko Sentral lending rate plus two percent (2%) per annum. Interest shall be collected in advance from the borrowing bank.

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Any shortfall in collateral due to unpaid accrued interest, liquidated damages, and reduction in loan value of existing collaterals ~~and conversion of overdraft into emergency loan~~ may be covered by third party assets after the assets of the bank have been exhausted.

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Section 3. Section 802, as amended by Circular No. 1132 dated 14 December 2021, is hereby amended to read, as follows:

"Sec. 802 CHECK CLEARING OPERATIONS

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Check Clearing Rules for Banks Authorized to Accept Demand Deposits.

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b. Banks authorized to participate xxx

(1) Settlement of both inward and outward items shall be value dated on the day the checks are originally presented to PCHC ~~or RCC~~; net of ~~AM~~ returns. For this purpose, the *value date or settlement date* referred to herein shall be defined uniformly as the date of original presentation of the COCI to PCHC. ~~for the Integrated GM LX and to the RCC for the RLX. For the Integrated GM Outward to Region, Integrated GM inward from Region and Region to Region clearing, the value date or settlement date shall be on the day the COCIs are received and processed at PCHC.~~

(2) **A bank shall not be allowed to incur overdraft arising from check clearing losses.** A ceiling shall be set on the amount of overdraft a bank may incur due to failure to cover clearing losses through interbank borrowings and/or repurchase agreements with the ~~Bangko Sentral in the amount of the bank's collateralized overdraft credit line (OCL) with the Bangko Sentral. A bank not meeting the following criteria:~~

(a) ~~Minimum capital prescribed under Sec. 121;~~

(b) ~~CAR of at least ten percent (10%); or~~

(c) ~~No chronic reserve deficiencies for the immediately preceding one (1) year, or other measures as may be defined by the Bangko Sentral for this purpose., should apply for collateralized OCL in an amount equivalent to at least five percent (5%) of their demand deposit liabilities as of end of month, two (2) months prior to the date of application with the Department of Loans and Credit (DLC); otherwise, its outward clearing items shall be subject to second day value dating.~~

~~Other banks may also apply for collateralized OCL in any amount.~~

(3) ~~Provided the overdraft does not exceed the ceiling as defined in Item "2" hereof, the bank may avail of the collateralized OCL. The availments against the approved collateralized OCL shall bear interest at a rate equivalent to one-tenth of one percent (1/10 of 1%) per day or the 91-day T-Bill rate of the last auction immediately preceding the availment, plus three percentage (3%) points, whichever is higher.~~

~~(4) The availment shall be for a maximum period of five (5) consecutive clearing days or five (5) clearing days within any 30 day rolling calendar period, after which the OCL shall be suspended.~~

~~(5) (3) Should the overdraft exceed the ceiling, as defined in Item "2" hereof, no availment of the collateralized OCL shall be allowed.~~

~~(a) In the case of end of day overdraft, the Payments and Settlements Office (PSO) shall advise the PCHC of the amount available for settlement of the drawee bank's net clearing loss, beyond which amount inward clearing items will be unwound in accordance with the PCHC Clearing House Rules and Regulations.~~

~~(b) In the case of final overdraft, i.e., after AM returns, where unwinding is no longer possible, the bank shall be excluded from next clearing. The PSO shall advise the PCHC of such exclusion upon prior Monetary Board approval.~~

~~(6) The collateralized OCL may be converted into an emergency loan provided the bank complies with the guidelines governing the grant of emergency loans under Sec. 285 (When an emergency loan or advance may be availed of) or may be subject to foreclosure of collateral. The guidelines implementing Item "b" of this Section are in Appendix 26.~~

- c. In an indirect participation through conduit arrangement, where the clearing results of participating TBs/RBs are consolidated with those of the conduit UBs/KBs, caps shall be set on the net clearing losses to be passed on to the conduit UB/KB by the TB/RB.

The cap is defined as the combined value balance of the following amounts: (1) the TB/RB's DDA with the Bangko Sentral; and (2) the value of collateralized overdraft credit line that may be extended by the conduit UB/KB to the TB/RB.

The conduit arrangement should include provisions setting aforementioned cap on the net clearing losses.

Section 4. Appendix 25 shall be deleted.

Section 5. Appendix 35 shall be amended as shown in Annex A

Section 6. Appendix 123 is hereby amended to read, as follows:

"a. Checks without sufficient funds/with stop payment orders

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A-Checks and Other Cash Items (COCI) dishonored for the reason that such are drawn against a closed account, or payment of the COCIs has been stopped shall be returned by the drawee bank to the negotiating bank ~~not later than 7:30~~

~~AM on the clearing day immediately following the original in accordance with the timeline provided in Appendix 35. of presentation of the COCI to Philippine Clearing House Corporation (PCHC) or RCC.~~

(1) For local Exchanges

There shall only be one (1) clearing windows for COCIs returned due to insufficiency of funds or credit, closed account and/or stop payment order in the Integrated GM LX and RLX.

~~The settlement of interbank transactions vis i vis covering reserve requirement/deficiency of banks' DDA Schedule of Peso Real-Time Gross Settlements, which includes the timeline for settling check transactions, is shown in Appendix 35.~~

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~~The AM returned COCI clearing window for COCI's dishonored due to insufficiency of funds or credit, closed account and/or stop payment order in the Integrated GM LX and in the RLX shall be conducted from 2:00 AM to 7:30 AM on the clearing one (1) day immediately following the original follow the timeline in Appendix 35 for the presentation of the COCI to PCHC or RCC.~~

~~Returned COCI in the AM clearing windows shall be given value on the same date as the date of original presentation of the COCI to PCHC or RCC. The amounts of debits and credits on the date of original presentation shall be reversed to the extent of the amounts of credits and debits arising from the returned COCI. xxx~~

(2) For Integrated GM Outward to Region, Integrated GM Inward From Region and Region to Region Clearing Operations

~~A COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order shall continue to be covered by regulations issued by Bangko Sentral and relevant PCHC Clearing House rules and regulations.~~

(3) COCI not coursed through the Clearing System

A COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order xxx

The negotiating bank shall, in turn, return a COCI dishonored by reason of insufficiency of funds or credit, drawn against a closed account and/or stop payment order xxx from the drawee bank.

b. Checks dishonored due to technical reasons.

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(1) *For Local Exchanges*

There shall be two {2} separate clearing windows for COCIs returned due to technical reasons in the Integrated GM LX and RLX.

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The settlement of interbank transactions vis-ia-vis covering reserve requirement/deficiency of banks' DDA is shown in Appendix 365.

- (a) ~~AM Returned COCI Clearing~~— The AM returned COCI clearing window for COCIs dishonored due to technical reasons in the Integrated GM LX and in the RLX shall be conducted from 2:00 AM to 7:30 AM on the clearing day immediately following the original date **in accordance with the timeline in Appendix 35** of presentation of the COCI to PCHC or RCC.

~~Returned COCI in the AM clearing window shall be given value on the same date as the date of original presentation of the COCI to PCHC or RCC. The amounts of debits and credits on the date of original presentation shall be reversed to the extent of the amounts of credits and debits arising from the returned COCI. The process restores the balances of the demand deposits of banks with the Bangko Sentral to their position prior to the settlement of the clearing results affected by the COCI later returned due to technical reasons.~~

- (b) ~~PM Returned COCI Clearing~~— The PM returned COCI clearing window for COCIs dishonored due to technical reasons shall coincide with the afternoon regular clearing. Such returned COCI shall be given value on the date the returned COCI was presented to PCHC for the Integrated GM LX or to RCC for the RLX.

~~(2) *For Integrated GM Outward to Region, Integrated GM Inward from Region and Region to Region Clearing Operations*~~

~~A COCI dishonored due to technical reasons continues to be covered by circulars issued by Bangko Sentral and relevant PCHC Clearing House Rules and Regulations.~~

~~{3} *COCI not Coursed Through the Clearing System*~~

A COCI dishonored due to technical reasons xxx.

The negotiating bank shall, in turn, return a COCI dishonored due to technical reasons to the holder xxx from the drawee bank.

Section 7. The check clearing participants shall be given a period of three (3) months from the effectivity of this Circular to make appropriate changes to their plans, rules, policies, processes, and procedures in order to comply with the above requirements. Upon the lapse of the said period, all existing Overdraft Credit Lines with the Bangko Sentral shall be terminated and the corresponding collaterals shall be released to the concerned banks.

Section 8. This Circular shall take effect 15 calendar days following its publication either in the Official Gazette or in any newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

FELIPE M. MEDALLA
Governor

_____ 2022

SCHEDULE OF PESO REAL-TIME GROSS SETTLEMENTS
(Appendix to Sec. 202 and 203)

Start Time	Parties-Agency Involved	Activities	End Cut-off Time
Current Day, Assuming Thursday (Normal Operation)			
9:00 AM	PCHC	Regular check-clearing processing window	4:30 PM
8:30 AM	BSP-FAD	Sending of Final Statement of Account (value Wednesday)	8:45 AM
9:00 AM	BSP-PSD/PCHC	Receipt by PCHC of Bangko Sentral notice of banks suspended in clearing operations, if any	N.A.
9:00 AM	BSP-PSD	Settlement operations as follows:	5:45 PM
9:00 AM	BSP-PSD BSP-FM	Settlement of Bangko Sentral OLF settlement/repayment of overnight lending maturities (for placements on Wednesday)	9:59 AM
9:00 AM	Peso RTGS PS Participants	Intra and Inter FI transactions, including transactions of BSP departments	5:45 PM
9:00 AM	Various BTr/Peso RTGS PS Participants	Balances generated for PhilPaSS DDA Regular window for same day interbank transactions Posting/Settlement of other DDA transactions (i.e. BTr and other Bangko Sentral departments) Transfer of eligible securities to the BSP-ILF Securities Account	5:15 PM
9:00 AM 11:30 AM 3:30 AM	BSP-PSD/BancNet	Settlement of InstaPay Clearing and Defunding transactions <ul style="list-style-type: none"> • Batch 1 • Batch 2 • Batch 3 	2:00 PM 12:00 PM 4:00 PM
9:00 AM 11:01 AM	BSP-PSD/BSP-FM/Peso RTGS PS Participants BSP-FM	Bank Repayment of OLF Extended ILF availed of on Wednesday Absolute sale of GS if Extended ILF availed of on Wednesday is not paid.	11:00 AM N.A.
9:00 AM	BSP GMRO/BSP-PSD/Peso RTGS PS Participants	Bangko Sentral ECWS transactions Cash withdrawal transactions (Greater Manila Area and Regional Offices) from the BSP	12:00 PM 2:00 PM
9:00 AM	BSP GMRO/ BSP-PSD/BSP-ROSS/Peso RTGS PS Participants	Cash deposits with Bangko Sentral Head Office and Regional Offices/EFTIS	3:00 PM 2:00 PM
9:00 AM	BancNet/BSP-PSD	ATM Clearing (Batches 1 & 2) Settlement	4:00 PM
9:00 AM	BTR-nRoSS/BSP-PSD	<ul style="list-style-type: none"> • BTr GS sale/purchase trading via DvP 	de 4:00 PM

Start Time	Parties-Agency Involved	Activities	End Cut-off Time
9:00 AM	BSP-PSD/PDS PDS BSP-DLC	Securities trading via eDvP <ul style="list-style-type: none"> ● OFW remittances via PhilPaSS-REMIT ● ATM transactions ● PCHC-EPCS Results ● PDS Settlement Highway for GS eDvP ● BSP-OLC Collection of OLC availed (value T-O) ● PDS Settlement Highway for USD sale/purchase (peso lag) via PVP ● Interbank borrowings/lending ● E-Rediscounting 	4:00 PM 3:00 PM 4:00 PM -de -de 5:00 PM 5:45 PM -de -de
9:00 AM 10:01 AM	Peso RTGS PS participants/BSP-PSD	Bank's a Availment of ILF Loan	10:00 AM 5:30 PM
10:01 AM	BSP-TD	Grant/Credit of ILF loan proceeds to bank's DDA Collection (on demand) of ILF loan availed	5:00 PM 5:00 PM
10:00 AM	BSP-FM/ BSP-PSD/ Peso RTGS PS participants BSP-TD	Bangko Sentral Monetary Operations trading window: <ul style="list-style-type: none"> • TDF (bid submission at 9:30 AM) • Outright GS purchase and sale • OLF/Conversion of Unpaid ILF to OLF • ODF 	10:30 AM 5:00 PM 5:15 PM 5:30 PM
10:00 AM	BSP-PSD BSP-PSO	PhilPaSS-s Settlement of Bangko Sentral TDF, Outright GS purchase and sale/OLF/ODF	5:45 PM
10:00 AM 4:00 PM	PCHC/BSP-PSD	Settlement of PESONet MBS Clearing and Defunding <ul style="list-style-type: none"> • Batch 1 • Batch 2 	11:00 AM 5:00 PM
11:30 AM	PCHC	Checks clearing cut-off	N.A.
12:00 PM	PCHC	Deployment of clearing results to banks	N.A.
4:30 PM	PCHC	Checks return clearing	4:44 PM
4:30 PM	BSP-PSD BSP-PSO	Settlement of CICS results Posting of PCHC-ECCS results	4:45 PM
4:45 PM	PCHC	Settlement of checks net of returns	5:00 PM
4:30 PM	BSP-FM BSP-TD	Trading of Bangko Sentral Monetary Operations trading window - Overnight RRP	5:30 PM
4:30 PM	BSP-PSD BSP-PSO	BSP-PSO-PhilPaSS-s Settlement of Overnight RRP	5:45 PM
5:30 PM	BSP-PSD/BSP-FM/Peso RTGS PS Participants	Repayment of ILF availed of on Thursday	5:45 PM
5:46 PM	BSP-FM	Optional maturity until 11:00 AM of Friday.	N.A.
	BSP-PSD	RTGS-PS settlement cut-off time	5:45 PM
6:00 PM	BSP-PSO	Interbank window for end of day liquidity/reserve position	5:45 PM
6:00 PM	BSP-PSD BSP-PSO	PhilPaSS eclose of business	N.A.

Start Time	Parties-Agency Involved	Activities	End Cut-off Time
6:05 PM 6:00 PM	BSP-PSD BSP-PSO	Release of final copy of Peso RTGS PS DDA End-of-Day statement messages Release of final copy of PhilPaSS DDA balance via MT950 (end of day DDA balance before AM returns clearing) Release of notice to PCHC of the amount available for settlement of the bank's clearing losses, if greater than DDA.	6:10 PM
6:11 PM	BSP-TDIO	Housekeeping Procedures	9:00 PM
6:00 PM	PCHC	Receipt of Bangko Sentral notice of the amount available for settlement of the bank's clearing losses, if greater than DDA	6:30 PM
Next Day (T+1) Normal Conditions			
2:00 AM	PCHC	Returned COCI receiving window	8:00 AM
8:01 AM	BSP-PSO	Posting/settlement of PCHC AM returns (back value T+0)	8:15 AM
8:16 AM	BSP-PSO	Interbank trading and settlement window for losses in AM returns (back value T+0)	8:59 AM
	BSP-DLC	Availment of OCL by Banks (back value T+0)	8:59 AM
	BSP-TD	Bangko Sentral OLF window for losses in AM returns (back value T+0)	8:45 AM
8:00 AM	BSP-PSO	PhilPaSS settlement cut-off of Bangko Sentral OLF settlement/repayment of overnight lending maturities	9:59 AM
8:16 AM	BSP-PSO	PhilPaSS settlement cut-off Bangko Sentral OLF (back value T+0)	8:59 AM
9:00 AM	BSP-PSO	DDA balances (T+0) available on demand via PhilPaSS Participant Browser (PPB)	9:00 AM
9:00 AM	BSP-PSO	PhilPaSS business hours—Value T+1	5:45 PM
9:00 AM	PCHC		
Next Business Day, Friday (Assuming Disruption of Business Operation on Thursday, Leading to Extension of Business Day to Friday)			
2:00 AM	PCHC	Returned COCI receiving window	8:00 AM
8:01 AM	BSP-PSO	Posting/settlement of PCHC AM returns (back value T+0)	8:15 AM
8:16 AM	BSP-PSO	Interbank trading and settlement window for losses in AM returns (back value T+0)	9:59 AM
Extended End-of-Day, Back Value Date Thursday			
8:00 AM	BSP-DLC	Availment of OCL by Banks (back value T+0)	9:59 AM 9:45 AM

Start Time	Parties-Agency Involved	Activities	End Cut-off Time
8:16 AM	BSP-FM BSP-TD	Monetary Operations trading window on an extended EOD basis (back value Thursday) <ul style="list-style-type: none"> • TDF • Outright GS purchase and sale • OLF • ODF • Overnight RRP (bid submission at 8:16 AM) 	9:30 AM 9:30 AM 9:30 AM 9:30 AM
8:16 AM	BSP-PSD BSP-PSO	RTGS ps PhilPaSS Settlement cut-off of TDF, outright GS purchase and sale, OLF, ODF, and RRP (back value Thursday)	9:59 AM
9:00 AM	BSP-PSD	Intra and Inter FI transactions, including transactions of BSP departments	10:00 AM
9:00 AM	BSP-PSD/BSP-FM/Peso RTGS PS Participants	Repayment of Extended ILF availed of on Wednesday (if not paid on Thursday)	9:15 AM
9:16 AM	BSP-FM	Absolute sale of GS if Extended ILF availed of on Wednesday is not paid on Thursday.	N.A.
9:45 PM	BSP-PSD/BSP-FM/Peso RTGS PS Participants	Repayment of ILF availed of on Thursday (if not paid on Thursday)	9:55 PM
9:56 PM	BSP-FM	Optional maturity until 5:30 PM of Friday.	N.A.
	BSP-PSD BSP-PSO	Close of business DDA balances (T+0) available on demand via <i>PhilPaSS</i> Participant Browser (PPB)	10:00 AM
10:01 AM	BSP-TDIO	Housekeeping Procedures	12:30 PM
1:00 PM	BSP-PSO	PhilPaSS business hours – Value T+1	5:45 PM
12:30 PM	BSP-FAD	Sending of Final Statement of Account (value date Thursday)	12:45 PM
New Business Day, Value Date Friday			
12:55 PM		Uploading of beginning balances of settlement accounts (SA) from the GL System to the PESO RTGS PS	1:00 PM
1:00 PM	BSP-PSD/PCHC	Receipt by PCHC of Bangko Sentral notice of banks suspended in clearing operations, if any	N.A.
1:00 PM	BSP-PSD	Settlement operations (The settlement activities reflected under Thursday, normal operation shall happen on Friday, within the shortened business hours from 1:00PM to 5:45PM without specific windows, unless explicitly stated below).	5:45 PM
1:00 PM	BSP-PSD/BSP-FM/Peso RTGS PS Participants	Repayment of Extended ILF value date Thursday	2:00 PM
2:01 PM	BSP-FM	Absolute sale of GS if Extended ILF is not paid.	N.A.
1:00 PM	BTr/Peso RTGS PS Participants	Transfer of eligible securities to the BSP-ILF Securities Account for the purpose of ILF availment	5:15PM

Start Time	Parties-Agency Involved	Activities	End Cut-off Time
2:01 PM	Peso RTGS PS Participants/BSP-PSD	Availment of ILF	5:30 PM
5:30 PM	BSP-PSD/BSP-FM/Peso RTGS PS Participants	Repayment of ILF availed of on Friday	5:45 PM
5:46 PM	BSP-FM	Optional maturity until 11:00 AM of Monday.	N.A.
6:00 PM	BSP-PSD	Close of business	N.A.
6:05 PM	BSP-PSD	Release of final copy of Peso RTGS PS DDA End-of-Day statement messages	6:10 PM
6:15 PM	BSP-TDIO	Housekeeping Procedures	9:00 PM

List of Acronyms

ATM	Automated Teller Machine
BSP FAD	BSP Financial Accounting Department
BSP FM	BSP Financial Markets
BSP PSD	BSP Payments and Settlements Department
BSP TDIO	BSP Technology and Digital Innovations Office
BTr	Bureau of the Treasury
DDA	Demand Deposit Account
DvP	Delivery versus Payment
ECCS	Electronic Cheque Clearing System
ECWS	Electronic Cash Withdrawal System
eDvP	Enhanced Delivery versus Payment
EPCS	Electronic Peso Clearing System
FAD	Financial Accounting Department
FI	Financial Institutions
GS	Government Securities
ILF	Intraday Liquidity Facility
nRoSS	National Registry of Scripless Securities
OFW	Overseas Filipino Workers
OCL	Overdraft Credit Line
ODF	Overnight Deposit Facility
OLF	Overnight Lending Facility
PDS	Philippine Dealing System
PvP	Payment versus Payment
RRP	Reverse Repurchase Agreement
TDF	Term Deposit Facility
(T-1)	Previous Banking Day
T+0	Current Banking Day
T+1	Next Banking Day

(Circular Nos. 986 dated 29 December 2017, 955 dated 11 April 2017, and 913 dated 02 June 2016)