



BANGKO SENTRAL NG PILIPINAS

CIRCULAR NO. 1130 Series of 2021

OFFICE OF THE GOVERNOR

Subject: Expansion of Eligible Participants for Monetary Operations and for BSP Securities in the Secondary Market

The Monetary Board, in its Resolution No. 1524 dated 11 November 2021, approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to operationalize the inclusion of digital banks as eligible participants for BSP's monetary operations and of trust entities as eligible participants of BSP Securities in the secondary market.

Section 1. Section 361-Q of the MORNBFI shall be amended to include provision on investment of QBs in BSP-issued securities, as follows:

'361-Q Purchase of Receivables and Other Obligations

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Reverse Repurchase Agreements with the Bangko Sentral.

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Investment of QBs on evidences of indebtedness by the Bangko Sentral. Purchase of Bangko Sentral-issued securities shall be governed by Sec. 601-Q (The Bangko Sentral Securities: Bills and Bonds).

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Section 2. Sections 601 of the MORB on Monetary Operations as amended by Circular 1095 dated 8 September 2020 are further amended, as follows:

“601 Monetary Operations

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Reverse repurchase agreements with the Bangko Sentral.

Reverse Repurchase Agreement (RRP) refers to the Bangko Sentral's monetary instrument where the Bangko Sentral sells government securities with a commitment to buy them back at a later date. RRP's shall be open to banks (UBs/KBs, digital banks and TBs) and QBs. These counterparties may enter into RRP transactions with the Bangko Sentral by participating in the RRP auction operation and said transactions with the Bangko Sentral shall be subject to the following terms and conditions:

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Borrowings from the Overnight Lending Facility (OLF) of the Bangko Sentral.

The OLF is a Bangko Sentral standing facility which allows counterparties to obtain overnight liquidity from the Bangko Sentral on an open-volume basis against eligible collateral in order to cover short-term liquidity requirements. The OLF shall be open to banks (UBs/KBs, digital banks and TBs) and QBs.

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Overnight deposits with Bangko Sentral. The Overnight Deposit Facility (ODF) is a Bangko Sentral standing facility which allows banks (UBs/KBs, digital banks and TBs) and QBs to place overnight deposits with the Bangko Sentral, subject to the following terms and conditions:

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The Bangko Sentral Term Deposit Facility (TDF). The TDF is a key liquidity absorption facility of the Bangko Sentral used to

withdraw liquidity from the system in bulk.¹ Term deposit transactions shall be open to banks (UBs/KBs, digital banks and TBs) and QBs and may be effected with the Bangko Sentral subject to the following terms and conditions:

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e. Placements in the TDF shall be governed by guidelines issued by the FM-DMOD of the Bangko Sentral.

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The Bangko Sentral Securities: (Bills and Bonds). The issuance of Bangko Sentral Securities is a part of the monetary operations of the Bangko Sentral to manage short-term liquidity in the financial system and guide market interest rates. Bangko Sentral Securities are available to all Bangko Sentral counterparties, namely banks (UBs/KBs, digital banks and TBs) and QBs. The Bangko Sentral Bills and Bonds shall be subject to the following terms and conditions:

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h. Secondary market trading. Issued Bangko Sentral Securities shall be available for trading in the secondary market and shall be done on the trading platform operated by the Philippine Dealing and Exchange Corporation (PDEX). Banks (UBs/KBs, digital banks and TBs), QBs, and trust entities are eligible participants of Bangko Sentral Securities in the secondary market, subject to the rules and guidelines issued by the Bangko Sentral. *Provided*, That, in the case of trust entities, only unit investment trust funds may be invested in Bangko Sentral Securities. The trading and Settlement Window/Timeline xxx

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Section 3. The provisions of Section 601 of the MORB (except for Item "e" on the purchase and sale of government securities by the National Treasury and government-owned or controlled corporations)

¹ The TDF also refers to the Term Deposit Auction Facility in Participation Agreements and Rules and Regulation pertaining to the Bangko Sentral facilities under the Monetary Operations System.

including the amendments under Section 2 of this Circular, shall also be adopted under Section 601-Q of the MORNBFi.

Section 4. Annexes A-1 and A-2 of this Circular, as amended by Circular No. 1095, shall replace the corresponding Appendices of the MORB/MORNBFi to include Trust Entities on the Guidelines on the Prohibition Against the Use of Funds from Non-Resident Sources for Placements in the Bangko Sentral's Term Deposit Facility (TDF), the Overnight Deposit Facility (ODF) and the Bangko Sentral Securities Facility (BSP-SF), as follows:

- a. Annex A-1 of this Circular shall replace Appendix 82 of the MORB; and
- b. Annex A-2 of this Circular shall replace Appendix Q-48 of the MORNBFi. Annex A and Annex B of Appendix 82 of the MORB shall be added/adopted under Appendix Q-48 of the MORNBFi.

Section 5. This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



BENJAMIN E. DIOKNO
Governor

23 November 2021

**GUIDELINES ON THE PROHIBITION AGAINST THE USE OF FUNDS FROM
NON-RESIDENT SOURCES FOR PLACEMENTS IN THE BANGKO SENTRAL'S
TERM DEPOSIT FACILITY (TDF), AND OVERNIGHT DEPOSIT FACILITY
(ODF), AND BANGKO SENTRAL SECURITIES FACILITY (BSP-SF)**

*[Appendix to Section 601 (Prohibition against funds from non-residents being
accepted in the TDF, ODF, and BSP-SF)]*

The TDF, ODF, and BSP-SF are monetary policy instruments deployed by the Bangko Sentral for the purpose of managing domestic liquidity in the financial system. These facilities should not be made available for opportunistic investment activities funded from non-resident sources. Furthermore, placements in the TDF, the ODF, and BSP-SF are contractual in nature and thus, shall be governed by the intent of the contracting parties. In keeping with the nature of this facility, all eligible banks (UBs/KBs, digital banks and TBs) and trust entities shall not place in the TDF, ODF, and BSP-SF (primary and secondary markets) funds obtained, directly or indirectly, from non-residents: *Provided*, That funds inwardly remitted by a foreign bank intended as capital of its branch or subsidiary in the Philippines shall be eligible for placement in the TDF, the ODF, and the BSP-SF (primary and secondary markets) of the Bangko Sentral.

An eligible bank or trust entity is required to submit to the Bangko Sentral's Financial Markets (FM) a notarized Letter of Undertaking (LOU) (Annex "A" or Annex "B", as applicable) committing it is qualified as a counterparty of the Bangko Sentral TDF, ODF, and BSP-SF.

It is the responsibility of an eligible bank and trust entity to have in place the appropriate internal policies and monitoring and assurance mechanisms consistent with its LOU.

The Bangko Sentral reserves the right to verify compliance with the above conditions. Whenever the Bangko Sentral has reason to believe that an eligible bank or trust entity is unable or unwilling to comply with the terms and conditions for the access to the TDF, the ODF, and the BSP-SF, the Bangko Sentral may limit, suspend, or deny access by the subject bank or trust entity to the TDF, the ODF and/or the BSP-SF.

The eligible bank or trust entity shall report to the appropriate supervising department of the Bangko Sentral all existing TDF, ODF and BSP-SF placements not consistent with these guidelines. Such placements shall not be renewed and shall be terminated upon maturity.

ANNEX A-1

Annex A

(Institution's Letterhead)

Date: _____

The Financial Markets (FM)
Bangko Sentral ng Pilipinas
A. Mabini St., Malate, Manila

Letter of Undertaking

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ANNEX A-1

Annex B

(Institution's Letterhead)

Date: _____

The Financial Markets (FM)
Bangko Sentral ng Pilipinas
A. Mabini St., Malate, Manila

Letter of Undertaking

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**GUIDELINES ON THE PROHIBITION AGAINST THE USE OF FUNDS FROM NON-RESIDENT SOURCES FOR
PLACEMENTS IN THE BANGKO SENTRAL'S TDF, ODF, and BSP-SF**

***[Appendix to Sec. 601-Q (Prohibition against funds from non-residents being accepted in the
TDF, ODF, and BSP-SF)]***

The TDF, ODF, and BSP-SF are monetary instruments deployed by the Bangko Sentral for the purpose of managing domestic liquidity in the financial system. These facilities should not be made available for opportunistic investment activities funded from non-resident sources. Furthermore, placements in the TDF, the ODF, and the BSP-SF are contractual in nature and thus, shall be governed by the intent of the contracting parties. In keeping with the nature of this facility, all eligible QBs and trust entities shall not place in the TDF, the ODF, and the BSP-SF (primary and secondary markets) funds obtained, directly or indirectly, from non-residents.

An eligible QB or trust entity is required to submit to the Bangko Sentral's Financial Markets (FM) a notarized Letter of Undertaking (LOU) (Annex "A" or Annex "B", as applicable) committing it is qualified as a counterparty of the Bangko Sentral TDF, the ODF, and the BSP-SF.

It is the responsibility of an eligible QB or trust entity to have in place the appropriate internal policies and monitoring and assurance mechanisms consistent with its LOU.

The Bangko Sentral reserves the right to verify compliance with the above conditions. Whenever the Bangko Sentral has reason to believe that an eligible QB or trust entity is unable or unwilling to comply with the terms and conditions for the access to the TDF, the ODF, or the BSP-SF, the Bangko Sentral may limit, suspend, or deny access by the subject QB or trust entity to the TDF, the ODF, and/or BSP-SF.

The eligible QB or trust entity shall report to the appropriate supervising department of the Bangko Sentral all existing TDF, ODF, and BSP-SF placements not consistent with these guidelines. Such placements shall not be renewed and shall be terminated upon maturity.