



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1157 Series of 2022

Subject: Amendment to the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions pertaining to Bangko Sentral Issued Securities Eligible Counterparties

The Monetary Board, in its Resolution No. 1466 dated 6 October 2022, approved the following amendments to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFII) pertaining to the participation of trust entities that manage unit investment trust funds with non-resident participants in the secondary market of the Bangko Sentral Issued Securities.

Section 1. Section 601/601-Q of the MORB/MORNBFII on Monetary Operations is hereby amended to read as follows:

601/601-Q Monetary Operations

xxx

The Bangko Sentral Issued Securities (Bills and Bonds). xxx

Prohibition against funds from non-residents being accepted in the TDF, ODF, and BSP-SF (primary and secondary markets). 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. Further, 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 these facilities, counterparties of the Bangko Sentral shall comply with the Guidelines on the Prohibition Against the Use of Funds from Non-Resident Sources for Placements in the Bangko Sentral's TDF, the ODF and the BSP-SF, as shown in Appendix 82/Q-48.

Provided, however, that in the secondary market for Bangko Sentral Securities, participation of trust entities through unit investment trust funds (UITFs) with non-resident participants in the selling or buying of Bangko Sentral Securities shall be allowed, provided that the share of net assets of non-residents in the net assets of each participating UITF does not exceed 10 percent (10%). For this

purpose, trust entities shall submit periodic reports to the Bangko Sentral.

Section 2. Annexes A-1 and A-2 of this Circular shall replace the corresponding Appendices of the MORB and MORNBF1 as follows:

- a. **Annexes A-1** of this Circular shall replace Appendix 82 of the MORB.¹
- b. **Annexes A-2** of this Circular shall replace Appendix Q-48 of the MORNBF1.

Section 3. This Circular shall take effect immediately upon its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


CHUCHI G. FONACIER
Officer-In-Charge

14 October 2022

¹ Appendices on the Guidelines on the Prohibition against the Use of Funds from Non-Resident Sources for Placements in the Bangko Sentral's Term Deposit Auction Facility (TDF), the Overnight Deposit Facility (ODF) and the Bangko Sentral Securities Facility (BSP-SF).

**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 Sec. 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/TD 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.

However, the UITFs of eligible trust departments (TDs), regardless of whether the UITFs have funds from non-residents, can be invested in Bangko Sentral Securities via the participation of the TDs in the secondary market, subject to the limits imposed under Sec. 601 and periodic reporting on non-resident funds to the Bangko Sentral.

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

It is the responsibility of an eligible bank/TD 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/TD 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/TD to the TDF, the ODF and/or the BSP-SF.

The eligible bank/TD 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

(Institution's Letterhead)

Date: _____

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

Letter of Undertaking

Pursuant to Sec. 601, which prohibits the use of funds sourced from non-residents from being placed in the Term Deposit Facility (TDF), the Overnight Deposit Facility (ODF), and the Bangko Sentral Securities Facility (BSP-SF) of the Bangko Sentral, the _____ (Name of Institution) hereby undertakes not to place in the TDF, the ODF and the BSP-SF, as applicable, funds obtained from non-residents.

The _____ (Name of Institution) shall put in place appropriate internal policies and monitoring and assurance mechanisms consistent with the above conditions. Furthermore, it shall make available pertinent information and documents requested by the Bangko Sentral to verify compliance with the terms and conditions on its access to the Bangko Sentral's TDF, ODF and BSP-SF.

(Treasurer)
Signature Over Printed
Name

(President or Equivalent
Position)
Signature Over Printed
Name

SUBSCRIBED AND SWORN TO before me this day of _____ at _____
affiant/s exhibiting their _____ to wit:

NOTARY PUBLIC

Doc. No. _____:
Page No. _____:
Book No. _____:
Series of 20 ____.

Annex B

(Institution's Letterhead)

Date: _____

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

Letter of Undertaking

Pursuant to Sec. 601, which prohibits the use of funds sourced from non-residents from being placed in the Bangko Sentral Securities Facility (BSP-SF) of the Bangko Sentral, the _____ (Name of Trust Department/Trust Entity) hereby undertakes not to place in the BSP-SF, as applicable, funds from any UITF in which non-residents account for more than 10 percent (10%) of net assets.

The _____ (Name of Trust Department/Trust Entity) shall put in place appropriate internal policies and monitoring and assurance mechanisms in accordance with the provisions of Sec. 601, and submit timely, accurate and comprehensive periodic reports on non-resident funds to the Bangko Sentral. Furthermore, it shall make available pertinent information and documents requested by the Bangko Sentral to verify compliance with the terms and conditions on its access to the Bangko Sentral's BSP-SF.

(Chief Compliance
Officer)
Signature Over Printed
Name

(Trust Officer)
Signature Over Printed
Name

SUBSCRIBED AND SWORN TO before me this day of _____ at _____
affiant/s exhibiting their _____ to wit:

NOTARY PUBLIC

Doc. No. _____;
Page No. _____;
Book No. _____;
Series _____ of
20 _____.

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 quasi-banks/trust entities (QB/TE) shall not place in the TDF, the ODF, and the BSP-SF (primary market and secondary markets) funds obtained, directly or indirectly, from non-residents. However, the UITFs of eligible trust entities, regardless of whether these have funds from non-residents, can be invested in Bangko Sentral Securities via the participation of the TEs in the secondary market, subject to the limits imposed under Sec. 601-Q and periodic reporting on non-resident funds to the Bangko Sentral.

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

It is the responsibility of an eligible QB/TE 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/TE 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/TE to the TDF, the ODF, and/or BSP-SF.

The eligible QB/TE 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

(Institution's Letterhead)

Date: _____

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

Letter of Undertaking

Pursuant to Sec. 601-Q, which prohibits the use of funds sourced from non-residents from being placed in the Term Deposit Facility (TDF), the Overnight Deposit Facility (ODF), and the Bangko Sentral Securities Facility (BSP-SF) of the Bangko Sentral, the (Name of Institution) hereby undertakes not to place in the TDF, the ODF and the BSP-SF, as applicable, funds obtained from non-residents.

The (Name of Institution) shall put in place appropriate internal policies and monitoring and assurance mechanisms consistent with the above conditions. Furthermore, it shall make available pertinent information and documents requested by the Bangko Sentral to verify compliance with the terms and conditions on its access to the Bangko Sentral's TDF, ODF and BSP-SF.

(Treasurer)

Signature Over Printed
Name

(President or Equivalent
Position)

Signature Over Printed
Name

SUBSCRIBED AND SWORN TO before me this day of _____ at _____
affiant/s exhibiting their _____, to wit:

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Doc. No. _____;
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Book No. _____;
Series of 20. _____

Annex B

(Institution's Letterhead)

Date: _____

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

Letter of Undertaking

Pursuant to Sec. 601-Q, which prohibits the use of funds sourced from non-residents from being placed in the Bangko Sentral Securities Facility (BSP-SF) of the Bangko Sentral, the (Name of Trust Department/Trust Entity) hereby undertakes not to place in the BSP-SF, as applicable, funds from any UITF in which non-residents account for more than 10 percent (10%) of net assets.

The (Name of Trust Department/Trust Entity) shall put in place appropriate internal policies and monitoring and assurance mechanisms in accordance with the provisions of Sec. 601-Q, and submit timely, accurate and comprehensive periodic reports on non-resident funds to the Bangko Sentral. Furthermore, it shall make available pertinent information and documents requested by the Bangko Sentral to verify compliance with the terms and conditions on its access to the Bangko Sentral's BSP-SF.

(Chief Compliance
Officer or Equivalent
Position)
Signature Over Printed
Name

(Trust Officer/
President or Equivalent
Position)
Signature Over Printed
Name

SUBSCRIBED AND SWORN TO before me this day of _____ at _____
affiant/s exhibiting their _____ to wit:

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Series of 20 ____.