

[BSP CIRCULAR LETTER NO. CL-2008-036, June 20, 2008]

ENHANCED INTRADAY LIQUIDITY FACILITY

The Monetary Board in its Resolution No. 1145 dated 11 October 2007, among other decisions, approved the enhancement of the Intraday Liquidity Facility (ILF) to support the BSP's Philippine Payments and Settlement System (PhilPaSS).

Given the increasing volume of PhilPaSS transactions as well as concerns of having temporary gridlocks in the PhilPaSS, the current features of the ILF had been enhanced, specifically on the following areas:

- a. Flexibility in changing the securities that will be used for the ILF;
- b. Availment of the facility on a "as the need arises" basis; and
- c. Removal of commitment fees

The revised features of the ILF are described below.

A. Access to ILF

Government securities (GS) held by an Eligible Participant bank/NBQB in its Regular Principal Securities Account that will be used for ILF purposes shall be delivered to a account under the BSP-ILF Securities Account with the Bureau of the Treasury's (BTR) Registry of Scripless Securities (RoSS). The delivered GS to be used for ILF purposes shall be recorded by RoSS in a sub-account (the "Client Securities Account (CSA) ILF under the BSP-ILF Securities Account in the name of the Eligible Participant/NBQB.

Banks/NBQBs without RoSS securities accounts who intend/desire to avail of the F shall be required to open/maintain a Securities Account with the RoSS. The documentation requirements for RoSS membership shall be prescribed by the BTr.

Banks/NBQBs desiring to avail of the iLF shall be further required to open a sub-account under the BSP-ILF Securities Account with the BTr's RoSS by accomplishing an application letter addressed to the Treasurer of the Philippines, Attn: The Director, Liability Management Service and the Chief, Scripless Securities Registration Division. The application letter shall be in the form of ANNEX 1* hereto. (** Text Available at Office of the National Administrative Register, UP. Law Complex, Diliman, Quezon City.*)

B. Timeline

From 9:00AM to 9:30AM of each banking day, an Eligible Participant bank/NBOB shall electronically instruct the BTR to move/transfer from its Principal Securities Account with the BTR's ROSS to the CSA-ILF under the name of the Eligible

Participant bank/ NBQB, the pool of peso-denominated GS to be set aside for the ILF purpose. The Eligible Participant bank/NBQB hereby confirms to the BTr that pursuant to an ILF availment, it has authorized the transfer without consideration unto the CSA-ILF the pool of GS to be used for ILF purposes.

From 9:30 AM to 10:00 AM, the BTr RoSS shall electronically submit a consolidated report to BSP showing the details of the GS that were transferred to the BSP-ILF Securities Account.

From 10:00 AM to 4:00PM, Eligible Participant banks/NBQBs with insufficient balances in its Demand Deposit Account No.2 (PhilPaSS Account) may avail of the ILF.

Eligible Participant banks/NBQBs may avail of the ILF as necessary to fund pending payment instructions. Thus, when the ILF system detects queued transactions in the PhilPaSS-Central Accounting System, the Eligible Participant bank/NBQB with insufficient balance in its PhilPaSS Account will automatically sell to the BSP-Treasury the GS in the CSA-ILF pool corresponding to the amount which may be needed to cover any pending payment instruction, and the proceeds of the sale of securities shall be immediately credited to the bank's PhilPaSS Account. There may be more than one availment during the day. Until a sale to the BSP or an Overnight Repurchase (O/N-RP) transaction with the BSP is executed, the beneficial ownership of the GS that have been transferred to the CSA-ILF still belongs to the banks/NBQBs.

At 5:00PM, the BSP shall sell back to the Eligible Participant bank/NBQB the GS at the same price as the original BSP purchase. Partial repayment of a particular availment will not be allowed.

In case the PhilPaSS Account balance of the participating bank is not sufficient to cover the afternoon repayment transaction, the BSP and the participating bank may agree on the following:

a. BSP shall extend to the Eligible participant bank/NBQB an O/N-RP at 600 basis points over the BSP's regular overnight lending rate for the day. The O/N-RP shall be paid not later than 11:00AM on maturity date. Unpaid O/N-RP shall be automatically converted into an absolute sale to the BSP of the subject GS earlier delivered/transferred to the CSA-ILF pursuant to an ILF availment by the Eligible Participant bank/NBQB, in which case, BSP shall issue an instruction to BTr to deliver/transfer the subject GS from the BSP-ILF Securities Account to the BSP regular Principal Securities Account. The sale shall be evidenced by the issue of Confirmation of Sale by the Eligible Participant bank/NBQB (ANNEX 2*) and the Confirmation of Purchase by the BSP treasury Department (ANNEX 3*), Or, (* *Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.*)

b. Only in extreme cases, the BSP shall sell back to the participating bank GS up to the extent of the PhilPaSS Account balance. The BSP shall issue an instruction to the BTR to transfer the remaining GS amounting to the unpaid ILF availment from the BSP-ILF Securities Account to the BSP's Regular Principal Securities Account.

At the end of the day and after BSP's sell-back of the GS to ILF participants,