

**[ BSP CIRCULAR NO. 177, September 09, 1998 ]**

**LONG-TERM NON-NEGOTIABLE TAX-EXEMPT CERTIFICATES OF TIME DEPOSITS**

Pursuant to Monetary Board Resolution No. 1243 dated September 2, 1998, the provisions of the Manual of Regulations for Banks and Other Financial Intermediaries (Book I, II and III) regarding the issuance of long-term non-negotiable tax-exempt certificates of time deposits pursuant to the provisions of Section 24 (B) (1) of Republic Act No. 8424, otherwise known as "The Tax Reform Act of 1997", are hereby added as follows:

*SECTION 1.* The following are hereby added as Sections 1237 (Book I), 2237 (Book II) and 3237 (Book III) of the Manual of Regulations, to read as follows:

**"SECTION \_237. Long-Term Non-Negotiable Tax-Exempt Certificates of Time Deposits** — The issuance of long-term non-negotiable tax-exempt certificates of time deposits shall be governed by the following rules:

**"Subsection \_237.1 Minimum Features**

- a. Form: Denominations — The certificate shall contain words denoting its non-negotiability and shall be issued by banks only in the name of individuals in minimum denominations of at least Ten thousand pesos (P 10,000.00).
- b. Term — The minimum maturity of the certificates shall be five (5) years.
- c. Manner of issuance — The certificates shall be issued only upon receipt of funds equivalent to their face value.
- d. Manner of Printing — The certificates shall be printed on security paper.
- e. Pre-termination — In case of pre-termination, the deposit shall be subject to income tax as provided under Section 24(B)(1) of the Tax Reform Act of 1997 which states that "xxx a final tax shall be imposed on the entire income and shall be deducted and withheld by the depository bank from the proceeds of the long-term deposit or investment certificate based on the remaining maturity thereof:

"Four (4) years to less than 5%  
five (5) years

"Three (3) years to less 12%; and