

## **[ BSP CIRCULAR LETTER, September 03, 1998 ]**

### **IMPLEMENTING GUIDELINES FOR CIRCULAR NO. 163, AS AMENDED**

Pursuant to Monetary Board Resolution No. 1105, dated August 5, 1998, and No. 1229, dated August 26, 1998, the following operating guidelines shall be followed in the implementation of Sections 3 and 4 of Circular 163, dated April 8, 1998, as amended.

#### ***SECTION 1. Requirements for Rural Bank Members of the PCHC and Thrift Banks Migrating from Now and Conduit Arrangements:***

- a. Rural Bank members of the Philippine Clearing House Corporation (PCHC) and Thrift Banks migrating from NOW and conduit arrangements shall secure a Bank Routing Symbol Transit Number (BRSTN) with PCHC.
- b. Rural Bank members and Thrift Banks shall secure prior authority to participate directly in the PCHC and BSP clearing operations with the Department of Rural Banks and the Department of Thrift Banks and Non-Bank Financial Institutions (DTBNBFI), BSP, respectively.

#### ***SECTION 2. Requirements for Rural Bank Members of PCHC and Thrift Banks***

Rural Bank members of PCHC and Thrift Banks participating directly in the clearing operations of PCHC and BSP Regional Clearing Centers shall apply for collateralized overnight clearing line under Sections 3 and 4 of Circular No. 163, as amended. Said banks shall enter into an agreement with the BSP conforming to these guidelines and they shall in turn enter into similar agreements with their clients.

#### ***SECTION 3. Application for Overnight Clearing Line***

- a. The applicant-bank shall submit to the Department of Loans and Credit (DLC) a duly accomplished Agreement form on a continuing loan line, together with a resolution of the board of directors of the applicant bank authorizing the bank to apply for such loan line and designating the officers authorized to negotiate and sign pertinent papers thereto. The Agreement must be fully registered and annotated on the collateral Torrens Certificate of Title/Condominium Certificate of Title.
- b. The loan line, once approved, can be amended at the instance of the applicant bank only once every twelve months. The loan line shall be equal to at least 5% of the bank's deposit liabilities as at end of prior month.
- c. Considered eligible collaterals are:

1. Unencumbered real estate properties duly registered in the name of the applicant bank or its stockholder. The submitted collaterals may be given a loan value of 70% based on the appraised value as determined by reputable independent appraisers.
  2. Foreclosed real properties still within the redemption period. The loan value shall be 80% of the amount of the Certificate of Sale as annotated on the Certificate of Title. If the property is redeemed, the line will be reduced accordingly until the line can be amended at its annual review.
  3. Current mortgage credits secured by real estate mortgage (REM) with remaining maturities of not less than one year from date of assignment. The loan value shall be 80% of the outstanding balance of loan at the time of assignment to BSP.
  4. Government securities for a loan value of 80% of the maturity value.
  5. Holdout on foreign currency deposits with the BSP, if any.
- d. The Bank shall be allowed the flexibility of changing or substituting collateral, specially matured government securities.
- e. The availments against the approved loan line shall bear interest at the **91-day Treasury Bill** rate of the last auction immediately preceding the availments.

*SECTION 4. Availments Against the Approved Loan Line -*

- a. The electronic notice of application of the loan line to settle net clearing losses from the BSP Accounting Department shall constitute availment. Upon receipt of the electronic notice of availment. DLC shall immediately post the transaction to the bank' s loan ledger.
- b. Each availment shall be fully paid through an automatic debit to the demand deposit account of the bank with BSP on the next clearing day, without need of demand.
- c. Availments that remain unpaid on the next clearing day shall be subject to 3% per month in liquidated damages.

*SECTION 5. Definition of "Value or Settlement Date" - "Value or Settlement date"* shall refer to date when the checks presented for clearing are given value. For local clearing, the "Value or Settlement date" shall be the next clearing day when dishonored checks are returned within the reglementary period, reckoned after the date of presentation in the integrated Manila clearing area of PCHC and in all BSP regional clearing centers. For inter-regional clearing items, outward Manila clearing items and to Manila clearing items, the "value or settlement date" will be defined in clearing circulars to be issued by BSP.

Unless otherwise modified in subsequent clearing circulars, "value or settlement date" for clearing items shall be as stated in the following schedule:

**Session**

**Value/Settlement Date**