

[BSP MEMORANDUM, December 31, 1996]

TRUST RULES

Pursuant to Monetary Board Resolution No. 1231 dated November 27, 1996, the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules) are hereby amended as follows:

SECTION 1. Subsection __405.5 is hereby amended to read as follows:

"Subsection __405.5 Reserves Against Peso-Denominated Common Trust Funds and Trust and Other Fiduciary Accounts (TOFA)-Others.

1.1 Reserves Against Peso-Denominated Common Trust Funds

The required reserves against peso-denominated common trust funds and such other managed peso fund which partake the nature of collective investment of peso-denominated common trust funds of all financial intermediaries authorized to engage in trust and other fiduciary business shall be reduced from fifteen percent (15%) to fourteen percent (14%) effective January 3, 1997, and to thirteen percent (13%) effective July 4, 1997. Such phased reduction shall be in the reserves allowed to be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department.

The required reserves, which shall be in addition to the basic security deposit required under Subsection __405.1 , shall be imposed against

- a. peso-denominated common trust funds; and
- b. such other managed peso fund which partake the nature of collective investment of a peso-denominated common trust fund as may be indicated by the presence of the following features:
 1. The funds are composed of contributions from two or more investors;
 2. The funds are managed/administered as a vehicle for collective investment and reinvestments;
 3. The trustee/administrator/agent has the exclusive management and control over the funds and the sole right at any time to sell, covert, invest, exchange, transfer or otherwise change or dispose of the assets comprising the funds; and
 4. Investments/contributions to, or withdrawals from the funds are being allowed at any time or as fixed date in the future, and/or the income, net of all

expenses incurred in the management of the fund plus the fee of the trustee/administrator/agent, are being distribute among the participants in the funds, without the need to liquidate all assets of the funds:

Provided, that the reserves on peso-denominated common trust funds shall be provided out of the peso-denominated common trust funds by the institution authorized to engage in trust and other fiduciary business pursuant to Section __404.”

1.2 Reserves Against Trust and Fiduciary Accounts (TOFA) - Others

In addition to the basic security deposit required under Subsection __405.1, all financial intermediaries authorized to engage in trust and other fiduciary business shall maintain ten percent (10%) reserve requirement against Trust and Other Fiduciary Accounts (TOFA) - Others, except (a) accounts held under administration; (b) bond issues under deed of trust or mortgage; (c) custodianship and safekeeping; (d) depository/reorganization; (e) employees’ benefit plans under trust; (f) escrow; (g) personal trust (testamentary or living trust); (h) executorship; (i) guardianship; (j) life insurance trust; and (pre-need plans (institutional/individual), plus three percent reserves which may be in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department, to be implemented as follows:

4 percent (3 percent plus one percent reserves in the form of short-term market-yielding government securities) by February 28, 1997; 12 percent (9 percent plus 3 percent reserves in the form of short-term market-yielding government securities) by May 2, 1997 and 13 percent (10 percent plus 3 percent reserves in the form of short-term market-yielding government securities) by July 4, 1997.

Provided, that the reserves on trust and other fiduciary accounts (TOFA) - Others shall be provided out of such funds.

SECTION 2. Subsection __405.6 is amended to read as follows:

“Subsection __405.6 Form and Composition of Reserves. The provision of Section __254 and Subsections __254.1, __254.2, __254.3 and __254.4 (Books I to III) on the form and composition of reserves against deposit liabilities and Subsection 283.1 (Book I to III on the form and composition of reserves against deposit liabilities and Subsection 4283Q.1 on the form and composition of reserves against deposit substitutes in cases of NBFIs shall govern the form and composition of reserves against peso-denominated common trust funds and such other managed peso funds (which partake the nature of collective investment of peso-denominated common trust funds and such other managed peso funds (which partake the nature of collective investment of peso-denominated common trust funds) as well as TOFA- Others of banks and NBFIs authorized to engage in trust and other fiduciary business.

For purposes of this subsection, a special deposit account shall be maintained by banks and NBFIs with the Bangko Sentral exclusively for trust reserves. Likewise, NBFIs may also maintain a special demand