[BSP CIRCULAR NO. 450, September 06, 2004]

AMENDMENT TO THE MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL INSTITUTIONS (MORNBFI)

Pursuant to Monetary Board Resolution No. 1179 dated 19 August 2004, extending the applicability of the provisions of Circular No. 392 dated 23 July 2003 to non-bank financial institutions under BSP supervision, the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended, as follows:

SECTION 1. Subsection 4211Q.4 of the MORNBFI is hereby amended of the MORNBFI to read as follows:

Delivery of securities - Securities, warehouse receipts, quedans and other documents of title which are the subject of quasi-banking functions, such as repurchase agreements, shall be physically delivered, If certificated, to a BSP accredited custodian that is mutually acceptable to the lender/purchaser and borrower/seller, or by means of book-entry transfer to the appropriate securities account of the BSP accredited custodian in a registry for said securities, if immobilized or dematerialized while the overlying principal borrowing instrument shall be physically delivered to the lender/purchaser. The custodian shall hold the securities in the name of the borrower/seller, but shall keep said securities segregated from the regular securities account of the borrower/seller if the borrower/seller has an existing securities account with the custodian. *Provided*, That a financial institution (NBFI) authorized by the BSP to perform custodianship function may not be allowed to be custodian of securities issued or owned by said institution, its subsidiaries or affiliates, or of securities in bearer form.

The delivery shall be effected upon payment and shall be evidenced by a securities delivery receipt duly signed by authorized officers of the custodian and delivered to both the lender/purchaser and seller/borrower.

SECTION 2. Subsection 4101Q.4 is hereby added to the MORNBFI to read as follows:

4101Q.4 Delivery of Securities - Securities sold on a *without recourse basis* allowed under Section X 4101Q.3 (b) shall be