

[BSP MEMORANDUM, November 08, 2000]

LIQUIDITY RESERVES; AMENDMENT OF TRUST RULES

Pursuant to Monetary Board Resolution No. 1820 dated 20 October 2000 excluding thrift banks from the increase in the liquidity reserves which took effect on 13 and 20 October 2000, Sections 1 and 2 of the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules), as contained in the Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities dated 6 and 18 October 2000 are hereby amended as follows:

Amendment to Memorandum dated 6 October 2000

SECTION 1. Reserves Against Peso-Denominated Common Trust Funds. —

The liquidity reserves against peso-denominated common trust funds and such other peso funds which partake the nature of collective investment of peso-denominated common trust funds **shall be as follows:**

- | | |
|--|------------------------|
| a) For universal banks and commercial banks | 6% |
| b) For non-bank financial intermediaries with or without quasi-banking functions | 6% |
| c) For thrift banks | To remain at 4% |

The liquidity reserve may be held in the form of short-term market-yielding government securities purchased directly from the Bangko Sentral ng Pilipinas (BSP)-Treasury Department.

In addition to the liquidity reserves, the regular 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 of all financial intermediaries authorized to engage in trust and other fiduciary business shall be maintained as follows:

- | | |
|--|----|
| a) For universal banks and commercial banks | 6% |
| b) For thrift banks | 5% |
| c) For non-bank financial intermediaries with or without quasi-banking functions | 6% |
| d) For rural banks | 4% |

SECTION 2. Reserves Against Trust and Other Fiduciary Accounts (TOFA)-Others. —

In addition to the basic security deposit required under Subsection X405.1 of the Manual of Regulations for Banks and Subsection 4405Q.1 of the Manual of Regulations for Non-Bank Financial Institutions, all financial intermediaries authorized to engage in trust and other fiduciary business shall maintain regular reserves 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 (k) pre-need plans (institutional/individual).

The regular reserves against TOFA-Others shall be maintained as follows:

- a) For universal banks and commercial banks 6%
- b) For thrift banks 5%
- c) For non-bank financial intermediaries with or without quasi-banking functions 6%
- d) For rural banks 4%

The liquidity reserve, which is in addition to the regular reserve, **shall be increased from four percent (4%) to six percent (6%), except for thrift banks which shall continue to maintain liquidity reserves at 4 percent (4%).** The liquidity reserve may be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department.

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

Amendment to Memorandum dated October 18, 2000

SECTION 1. Reserves Against Peso-Denominated Common Trust Funds. —

The **liquidity reserves** against peso-denominated common trust funds and such other peso funds which partake the nature of collective investment of peso-denominated common trust funds **shall be as follows:**

- a) For universal banks and commercial banks 8%
- b) For thrift banks **To remain at 4%**
- c) For non-bank financial intermediaries with or without quasi-banking functions 8%