

[BSP MEMORANDUM, July 22, 1995]

**INCREASE IN THE REQUIRED RESERVES INVOLVING TRUST, AND
FIDUCIARY BUREAUS**

Pursuant to M.B. Resolution No. 427 dated April 26, 1995 as implemented under BSP Memorandum to All Banks and Other Financial Intermediaries Performing Trust, Other Fiduciary Business and Investment Management Activities dated May 15, 1995 increasing the required reserves against peso-denominated common trust funds (CTFs) and other similarly managed peso funds of all financial intermediaries authorized to engage in trust and other fiduciary business, the following clarificatory and implementing rules/guidelines shall be observed:

1. The aforecited increase in required reserves on peso-denominated CTFs and such other managed peso funds shall be by three percentage points (from 10% to 13%) effective May 15, 1995 up to June 14, 1995 and by another two percentage points (from 13% to 15%) effective June 15, 1995.

2. The additional three-and two-percentage points increase may be in the form of government securities which shall be purchased directly from the Bangko Sentral ng Pilipinas at one-half percent (1/2%) below the prevailing market rate for an equivalent term and volume and subject to BSP's firm commitment to buy back at any time at prevailing market rates. Such reserves in the form of government securities shall be in addition to other forms of eligible reserves such as cash in vault or on deposit with the Bangko Sentral ng Pilipinas.

3. All purchases of aforecited government securities shall be under the Book Entry System (BES). Accordingly, transactions covering said securities shall be entered in the respective securities account of each bank/institution and shall be evidenced by securities account debit or credit advice to be promptly furnished the institutions/concerned. No physical certificate shall be issued for any purpose and transactions with third parties other than the BSP shall not be recognized.

Interest and redemption payments on said book entry securities shall be made by BSP on interest payment date and at maturity through automatic credit to the institution's demand deposit account with the BSP.

All concerned are advised to coordinate with the BSP's Government Securities Department for the required documentation for BES participation.

4. The remaining reserve requirement after deducting the aforecited government securities shall continue to be in the forms prescribed under existing regulations.

5. Effective May 15, 1995, deposits maintained by all financial intermediaries (authorized to engage in trust and other fiduciary business) with the BSP up to forty percent (40%) of their reserve requirement [thirteen percent (13%) less the percentage in the form of aforementioned government securities which shall not exceed three percent (3%)] shall earn interest at four percent (4%)