

**[IC CIRCULAR LETTER NO. 34-95 CL, December
07, 1995]**

**REVISED RULES AND REGULATIONS FOR THE ISSUANCE,
PLACEMENT, SALE, SERVICE AND REDEMPTION OF TREASURY
BILLS AND BONDS UNDER R.A. NO. 245, AS AMENDED**

Attached for your information and guidance is a copy of the Department Order No. 141-95 Series of 1995 of Honorable Roberto F. De Ocampo, Secretary of Finance regarding the revised rules and regulations for the issuance, placement, sale, service and redemption of Treasury Bills and Bonds under R.A. No. 245, as amended.

Adopted: 07 Dec. 1995

(SGD.) EDUARDO T. MALINIS
Insurance Commissioner

Attachment:

Department Order No. 141-95, s. 1995

Revised Rules and Regulations for the Issuance, Placement, Sale, Service and Redemption of Treasury Bills and Bonds Under R.A. No. 245, As Amended

Pursuant to R.A. No. 7653, otherwise known as the "New Central Bank Act", the Department of Finance, through the Bureau of Treasury, shall be assuming the fiscal function of issuing Treasury Bills and Bonds effective November 16, 1995, however, the placing, servicing, selling and redeeming shall remain with the Bangko Sentral ng Pilipinas until assumption of the same by the Bureau of Treasury.

In accordance with Section 4 of R.A. No. 245, as amended, the following rules and regulations governing the issuance, placement, sale, service and redemption of Treasury Bills and Bonds authorized under the said Act are hereby prescribed:

I.

General Provisions

SECTION 1. Authority to Borrow - Under Section 1 of R.A. No. 245, as amended, and R.A. No. 100, as amended, the Secretary of Finance, with the approval of the President of the Philippines, and after consultation with the Monetary Board, is authorized to borrow from time to time on the credit of the Republic of the Philippines such sum(s) as in his judgment may be necessary to meet public expenditures authorized by law or to provide for the purchase, redemption or refund of any obligation, either direct or guaranteed, of the Philippine Government, and to issue thereof Treasury Bills and Bonds which may be made payable in Philippine currency, or in any readily convertible foreign currency.

SECTION 2. Issuance of Treasuries - The exercise of authority to borrow by the Secretary of Finance of such sum(s) as may be necessary to meet public expenditures shall be through the issue of Treasury Bills and/or Treasury Bonds, and shall be undertaken by an Auction Committee hereinafter constituted whenever auction is prescribed and by the Bureau of Treasury whenever any other method is authorized.

SECTION 3. Terms, Yields, Etc., - The Secretary of Finance, in consultation with the Monetary Board, shall prescribe the terms, yields, denominations, maturities, negotiability, convertibility, call, eligibility, redemption and other features of the Treasury Bills and Bonds, including documentary stamps tax on the original issue and final withholding tax on the income derived from Treasury Bills and Bonds.

II.

Features of Treasury Issues

SECTION 4. Treasury Bills - Treasury Bills shall be issued on a discount basis and payable on maturity of not more than one (1) year at face amount. They may be offered for sale through competitive or non-competitive auction or any other method as determined appropriate by the Bureau of Treasury. All Treasury Bills bearing the same date of issue and the same date of maturity shall constitute one Issue; and consecutive issuance of Treasury Bills of the same maturity shall constitute a Series.

SECTION 5. Treasury Bonds - Treasury Bonds shall be issued at a discount basis, at a premium, or at par and payable on maturity of not earlier than one (1) year but not later than twenty-five (25) years. They may be offered for sale through competitive or non-competitive auction or any other method as determined appropriate by the Bureau of Treasury.

SECTION 6. Denomination and Exchange - Treasury Bills and Bonds shall be issued in denominations of P10,000.00, P50,000.00, P100,000.00, P500,000.00, P1,000,000.00, P5,000,000.00, and P10,000,000.00. Exchange of these bills and bonds from higher to lower and/or lower to higher denominations of identical issue and series may be effected at the Bangko Sentral ng Pilipinas until such time as the Bureau of Treasury can assume the responsibility.

SECTION 7. Taxation - The income derived from Treasury Bills and Bonds, and instruments with recourse as authorized by Bangko Sentral ng Pilipinas (BSP), shall be subject to the 20% final income tax to be withheld on discounts valued at the time of issue on every original sale which shall be deducted by the buyer from the discounts of the T-bills/bonds and included in the remittance of the purchase price.

In the case of Treasury Bonds, the 20% final income tax shall be withheld on discounts valued at present value on every original sale. Periodic coupon payments on Treasury Bonds shall be subject to the 20% final income tax to be withheld at the time the coupon payments are made.

The Documentary stamp tax on the original issue shall be for the account of the issuer.

No other taxes shall be collected on subsequent trading of the securities which have been subjected to tax under the first two paragraphs herein.

III.

Method of Origination

A. Auction Method

SECTION 8. Definition - Auction is a method of sale of government securities whereby prospective buyers compete against each other by trying to better each bid.

SECTION 9. Public Notice of Offering - The Secretary of Finance may, from time to time, by public notice offer Treasury Bills and Bonds for sale and invite tenders, therefore, through the Bureau of Treasury. The Treasury Bills and Bonds as offered, and tenders received shall be subject to the terms and conditions imposed under these rules and regulations, except as they may be modified by the Secretary of Finance, in consultation with the Monetary Board, which shall be made part of the public notice of offering: provided, however, the tax-exempt institutions shall not be allowed to participate directly or indirectly in the auction because a special window is available for them; except when these institutions are accredited as government securities dealers, in which case they may participate directly in the auction for their trading account which is not tax-exempt. Such announcement shall be transmitted through the Bureau of Treasury's Automated Debt Auction Processing System (ADAPS) and shall indicate the amount of the bills or bonds offered for sale, the date of issue, the maturity date, the date and hour of closing for the receipt of tenders at the Bureau of Treasury, and the date and hour on which payment for accepted tenders must be made or completed.

SECTION 10. Submission of Tenders - Tenders in response to a public notice shall be transmitted to the Bureau of Treasury through its ADAPS which is capable of electronically managing the tender of Treasury Bills and Bonds. In case of system failure and/or power outages, tenders shall be submitted on official tender forms required by the Bureau of Treasury before the prescribed cut-off time for receiving tenders for manual entry to the Bureau of Treasury's ADAPS.

Each tender shall be unconditional and shall be for an amount of not less than P10.0 Million (maturity value) for dealers. In case of competitive tenders for Treasury Bills, bids shall be stated in three (3) decimal places e.g. 13.000%. Bids for Treasury Bonds shall be in multiples of 1/8 of 1% e.g. 13.125%. Non-competitive tenders shall be accepted at the weighted average yield of the accepted competitive tenders.

SECTION 11. Deposit Requirement - Tenders made by interested buyers who are not members of the Book-Entry System (BES) must be accompanied by an express guaranty of payment by a domestically incorporated bank having a deposit account equivalent to five percent (5%) of the face amount of Treasury Bills and Bonds, as the case may be.

SECTION 12. Receipt and Processing of Tenders by the Bureau of Treasury - Tenders submitted through the Bureau of Treasury, prior to the cut-off time fixed under Section 10 hereof, for the receipt of tenders shall be automatically be acknowledged by the ADAPS. Neither the Department of Finance nor the Bureau of Treasury shall bear any liability whatsoever for any errors in tenders received or for delays in the transmission of tenders.

All tenders received on time shall be deliberated upon immediately after the cut-off time set by the Auction Committee composed of the Secretary of Finance or any Undersecretary designated by him, as Chairperson; the Treasurer of the Philippines, as Vice-Chairperson; the Chairperson of the Securities and Exchange Commission or his authorized representative, as Member; the Deputy Treasurer for National