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DEPOSITORY RELATIONSHIP BETWEEN RURAL BANKS AND COMMERCIAL THRIFT BANK AS REQUIRED UNDER MB RESOLUTION NO. 815

BSP CIRCULAR NO. 47, s. 1994, September 05, 1994

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Pursuant to Monetary Board Resolution No. 815, dated August 24, 1994, rural banks may designate any of the commercial banks or thrift banks with access to direct clearing with the Bangko Sentral to act as depository for their rediscounting proceeds and as custodian of the covering collateral documents.

For this purpose, all rural banks concerned shall arrange a depository relationship with commercial banks or thrift banks with branches/agencies at or nearest their respective areas of operations. The contemplated depository relationship arrangement must be manifested to the Bangko Sentral thru the submission by the rural banks concerned of an authenticated copy of the letter of understanding between the rural bank and the commercial bank or thrift bank indicating, among others, the following:

a) Authority of the rural bank to have its loan proceeds with the Bangko Sentral credited, for its account, to the clearing account of its depository commercial bank or thrift bank;

b) Authority of the rural bank in favor of its depository commercial bank or thrift bank to debit the rural bank's current account to cover payment of its maturing collaterals and/or loans with the Bangko Sentral, plus accrued interest as well as the authority of the commercial bank or thrift bank for the Bangko Sentral to debit its clearing account for payment of the amount due from the rural bank.

The rural bank may, however, continue remitting its collections on rediscounted notes direct to the Bangko Sentral within the period required under existing rules and regulations. In the event that the rural bank's current account is insufficient to meet the debit, then the Bangko Sentral shall immediately re-credit the amount previously debited to the commercial bank or thrift bank's clearing account.

c) Manifestation in writing that the designated commercial bank or thrift bank shall, thru its branches or agencies, act as Bangko Sentral custodian of documents securing the loans of the rural banks with the Bangko Sentral.

It is understood that all charges incident to the transmission of funds to and from the Bangko Sentral, thru the depository commercial bank or thrift bank, shall be for the account of the rural bank.

In this connection, the following complementary procedures shall be adhered to:

1) Transmittal of rediscounting proceeds. — The depository commercial bank or thrift bank shall transmit to the rural bank, thru its branch or agency, the entire rediscounting proceeds credited to its clearing account, for the account of the rural bank, not later than the next business day following the receipt of the credit advice from the Bangko Sentral. The rural bank shall be furnished with a copy of the credit advice.

2) Custody and release of the collateral documents. — The borrowing rural bank shall deposit with the branch or agency of its depository commercial bank or thrift bank the collaterals offered as security for the loan applied for, as listed in the covering rediscount schedule, a copy of which shall be duly acknowledged by the authorized

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officer of the commercial or thrift bank branch or agency who shall retain a copy thereof. The original and two (2) copies thereof, duly acknowledged, shall be submitted to the Bangko Sentral, together with the rural bank's loan application.

Collateral documents in the custody of the branch or agency shall be released to the rural bank concerned only upon presentation of a written authority from the Bangko Sentral or upon payment by the rural bank to the Bangko Sentral, thru its depository bank, of the loan value, plus accrued interest and other charges, if any, of the collaterals sought to be released. It is understood that the clearing account of the depository commercial bank or thrift bank shall be immediately debited to cover payment of the amount due on any unauthorized release of collateral documents.

This Circular amends/supersedes Memorandum Circular To All Commercial and Rural Banks dated March 1, 1971.

Adopted: 5 Sept. 1994

(SGD.) GABRIEL C. SINGSON
Governor

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