TRUST RULES

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Pursuant to Monetary Board Resolution No. 1231 dated November 27, 1996, the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules) are hereby amended as follows:

SECTION 1. Subsection __405.5 is hereby amended to read as follows:

> "Subsection __405.5 Reserves Against Peso-Denominated Common Trust Funds and Trust and Other Fiduciary Accounts (TOFA)-Others.1.1 Reserves Against Peso-Denominated Common Trust Funds

The required reserves against peso-denominated common trust funds and such other managed peso fund 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 reduced from fifteen percent (15%) to fourteen percent (14%) effective January 3, 1997, and to thirteen percent (13%) effective July 4, 1997. Such phased reduction shall be in the reserves allowed to be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department.

The required reserves, which shall be in addition to the basic security deposit required under Subsection __405.1 , shall be imposed against

a. peso-denominated common trust funds; and

b. such other managed peso fund which partake the nature of collective investment of a peso-denominated common trust fund as may be indicated by the presence of the following features:

1. The funds are composed of contributions from two or more investors;

2. The funds are managed/administered as a vehicle for collective investment and reinvestments;

3. The trustee/administrator/agent has the exclusive management and control over the funds and the sole right at any time to sell, covert, invest, exchange, transfer or otherwise change or dispose of the assets comprising the funds; and

4. Investments/contributions to, or withdrawals from the funds are being allowed at any time or as fixed date in the future, and/or the income, net of all expenses incurred in the management of the fund plus the fee of the trustee/administrator/agent, are being distribute among the participants in the funds, without the need to liquidate all assets of the funds:

Provided, that the reserves on peso-denominated common trust funds shall be provided out of the peso-denominated common trust funds by the institution authorized to engage in trust and other fiduciary business pursuant to Section __404."

1.2 Reserves Against Trust and Fiduciary Accounts (TOFA) - Others
In addition to the basic security deposit required under Subsection __405.1, all financial intermediaries authorized to engage in trust and other fiduciary business shall maintain ten percent (10%) reserve requirement against Trust and Other Fiduciary Accounts (TOFA) - Others, except (a) accounts held under administration; (b) bond issues

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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; (l) guardianship; (j) life insurance trust; and (pre-need plans (institutional/individual), plus three percent reserves which may be in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department, to be implemented as follows:

> 4 percent (3 percent plus one percent reserves in the form of short-term market-yielding government securities) by February 28, 1997; 12 percent (9 percent plus 3 percent reserves in the form of short-term market-yielding government securities) by May 2, 1997 and 13 percent (10 percent plus 3 percent reserves in the form of short-term market-yielding government securities) by July 4, 1997.

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

> SECTION 2. Subsection __405.6 is amended to read as follows:
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> "Subsection __405.6 Form and Composition of Reserves. The provision of Section __254 and Subsections __254.1, __254.2, __254.3 and __254.4 (Books I to III) on the form and composition of reserves against deposit liabilities and Subsection 283.1 (Book I to III on the form and composition of reserves against deposit liabilities and Subsection 4283Q.1 on the form and composition of reserves against deposit substitutes in cases of NBFIs shall govern the form and composition of 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 and such other managed peso funds (which partake the nature of collective investment of peso-denominated common trust funds) as well as TOFA-Others of banks and NBFIs authorized to engage in trust and other fiduciary business.
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> For purposes of this subsection, a special deposit account shall be maintained by banks and NBFI's with the Bangko Sentral exclusively for trust reserves. Likewise, NBFIs may also maintain a special demand deposit account with local banks exclusively for trust reserves."
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> Out of the fourteen percent (14) reserve requirement on January 3, 1997 and the thirteen percent (13%) reserve requirement on July 4, 1997, four percentage points and three percentage points, respectively, 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 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.
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> All purchases of aforecited government 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 institution/s concerned. No physical certificate shall be issued for any purpose and transactions with third parties other than the BSP shall not be recognized.
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> 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.
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> All concerned are advised, whenever applicable, to coordinate with the BSP's Government Securities Department for the BES or with the Bureau of Treasury for the Reporting of Scriptless Securities for the required documentation.
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> Deposits maintained by all financial intermediaries authorized to engage in trust and other fiduciary business with the BSP up to twenty-five percent (25%) of the required reserves against peso-denominated common trust

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funds (less the percentage allowed to be maintained in the form of short-term market-yielding government securities), as well as the required reserves for TOFA-Others (less the percentage allowed to be maintained in the form of short-term market-yielding government securities, shall be paid interest at four (4%) per annum effective January 3, 1997 based on the average daily balance of said deposits to be credited quarterly.

SECTION 3. Subsection__405.7 is amended to read as follows:

"Subsection__405.7 Computation of Reserve Position — Each institution authorize to engage in trust and other fiduciary business pursuant to Section__404 shall calculate daily the required and available reserves on the value per books of its peso-denominated common trust funds and such other managed peso funds (which partake the nature of collective investment of peso-denominated common trust funds), as well as the required and available reserves on trust and other fiduciary accounts-others, based on the seven-day week, starting Friday and ending Thursday (including Saturdays, Sundays and public holidays). For the purpose of computing its reserves position, the principal office in the Philippines and all branches and agencies located therein shall be treated as a single unit.

Institutions shall report the balances of funds subject to reserve at the close business or banking/business days and the balances at the close of business of the preceding banking/business day on days when no business is conducted."

SECTION 4. Subsection __ 405.8 is amended to read as follows:

"Subsection __405.8. Reserve Deficiencies; Sanctions. The provisions of Section __256 and Subsection __256.1 (books I to III) on reserve deficiencies on deposit liabilities and Subsections __283.3 and __283.4 (Books I to III) on reserve deficiencies on deposit substitute liabilities and Subsection 4283Q.3 on reserve deficiencies on deposit substitute liabilities and Subsection 4283Q.3 on reserve deficiencies on deposit substitute liabilities in cases of NBFIs shall also govern the computation of reserve deficiencies for peso-denominated common trust funds and such other managed peso funds which partake the nature of collective investment of peso-denominated common trust funds as well as trust and other fiduciary business, as well as the sanctions provided therein"

SECTION 5. Subsection ___405.9 is amended to read as follows:

"Subsection __ 405.9 Report of Compliance. Every institution shall make weekly report to the Bangko Sentral of its daily required and available reserves on peso-denominated common trust funds and similarly managed funds, as well as on trust and other fiduciary accounts-others, to be submitted not later than the close of the third banking business day following the reference week".

The report form on the "Report on Required and Available Reserves against Peso-Denominated Common Trust Funds and Other Similarly Managed Funds shall be revised to include TOFA-Others and appropriate issuance will be issued.

Adopted: 31 Dec. 1996

(SGD.) GABRIEL C. SINGSON

Governor

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