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DELIVERY OF GOVERNMENT SECURITIES TO THE INVESTOR'S PRINCIPAL SECURITIES ACCOUNT WITH THE REGISTRY OF SCRIPLESS SECURITIES

BSP MEMORANDUM NO. M-2007-002, January 23, 2007

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The Monetary Board, in its Resolution No. 42 dated 11 January 2007, approved the delivery of government securities by the selling bank and/or non-bank financial institution ("NBFI") under the supervision of the Bangko Sentral ng Pilipinas ("BSP") to an investor's Principal Securities Account with the Registry of Scripless Securities ("RoSS") through the Client Interface System facility as compliance with the requirement of effective delivery under Circular Nos. 392, 450, 457 and 524 dated 23 July 2003, 06 September 2004,

14 October 2004 and 31 March 2006, respectively, subject to the following conditions:

(a)

Banks/NBFIs, acting either as an accredited government securities eligible dealers or licensed government securities dealers, shall execute the attached Memorandum of Agreement ("MOA") with the Bureau of the Treasury ("BTr") regarding the creation of the Principal Securities Account with the RoSS on or before 31 January 2007. The MOA between the BTr and government securities dealer is attached as Annex A*.

(b)

If the dealing bank/NBFI is designated as the agent of the client/investor, the authority of the dealing bank/NBFI under the Special Power of Attorney (SPA) executed by the client/investor shall be limited to the opening of the Principal Securities Account with RoSS and the execution of trade transactions (i.e. buying and selling instructions, including relaying of instructions to the BTr, as operator of the RoSS, to receive and deliver securities in order to consummate the buy/sell transaction).

(c)

Banks/NBFIs shall require their clients/investors who have manifested the desire to have their own Principal Securities Account with RoSS to execute (a) an SPA pursuant to Circular No. 524 and (b) the revised Investor's Undertaking (attached as Annex B*) on or before 28 February 2007.

(d)

Absent a complaint Investor's Undertaking and SPA as of 01 March 2007, the dealing bank/NBFI should freeze the account of the client/investor (i.e. no new movements in the account, except sale/disposition upon written instruction by the client/investor): Provided, that starting 01 March 2007 no new investors Principal Securities Account shall be created unless the investor submits a compliant Investor's Undertaking the SPA. Otherwise, the dealing bank/NBFI will be subject to the appropriate penalties prescribed under Circular Nos. 392, 450, 457 and 524.

(e)

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The sub-accounts in the RoSS maintained by dealing banks/NBFI for their client/investor who either (a) declined in writing the delivery of his/its securities to a direct registry account under his/its name or a third party custodian or (b) have not responded to the dealer's letter to the client/investor as regards the disposition of his/its securities shall be frozen. However, sale/disposition of securities in the sub-accounts shall be allowed upon written instruction by the client/investor to dispose the same; provided that in case of a client/investor who as of 04 November 2004 has not responded to the dealer's letter regarding the disposition of his/its securities, the dealer should be able to obtain from the said client/investor the written instruction regarding the client/ investor's inability to take delivery of existing securities. For clarity, the sub-accounts maintained by the dealing banks/NBFIs shall not be considered a violation of Circular No. 457 provided that (a) the same were created on or before 04 November 2004; and (b) no additional securities have been lodged thereon since 04 November 2004.

For compliance.

This Memorandum shall take effect immediately upon its publication either in the Official Gazette or in a newspaper of general circulation. Adopted: 23 Jan. 2007

For the Monetary Board:

(SGD.) NESTOR A. ESPENILLA, JR.
Officer-in-Charge

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[*]Text available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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