

GOVERNMENT DEPOSITS

BSP CIRCULAR LETTER, August 11, 1999

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Please be reminded that pursuant to Section 113 of the New Central Bank Act (R.A. No. 7653) and Section 3 of Circular No. 110 dated June 14, 1996, only minimum working balances of the Government, its political subdivisions and instrumentalities including government-owned or -controlled corporations may be held by banks authorized by the Bangko Sentral to accept government deposits. Deposits beyond the minimum working balances may be held whenever such political subdivisions and instrumentalities of the Government have outstanding loans with said banks. Section 113 of R.A No. 7653 is quoted below.

"Section 113. Official Deposits. — The Bangko Sentral shall be the official depository of the Government, its political subdivisions and instrumentalities as well as of government-owned or controlled corporations and, as a general policy, their cash balances should be deposited with the Bangko Sentral, with only minimum working balances to be held by government-owned banks and such other banks incorporated in the Philippines as the Monetary Board may designate, subject to such rules and regulations as the Board may prescribe: Provided, That such banks may hold deposits of the political subdivisions and instrumentalities of the Government beyond their minimum working balances whenever such subdivisions and instrumentalities have outstanding loans with said banks. x x x".

Please be reminded also that any violation of the foregoing regulation shall be a ground for the imposition of sanctions under Section 11 of Circular No. 110 and/or Section 37 of R.A. No. 7653.

Adopted: 11 Aug. 1999

(SGD.) ALBERTO V. REYES

Deputy Governor

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