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EXPANSION OF COVERAGE OF “OPEN APPLICATION POLICY”

BSP MEMORANDUM CIRCULAR, May 03, 1994

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Please be advised that the Monetary Board in its Resolution No. 366 dated April 22, 1994 authorized the expansion of the coverage of the “open application policy” for the accreditation of government securities dealers earlier approved under Monetary Board Resolution No. 898 dated August 9, 1991 and implemented under Memorandum Circular to All Accredited Government Securities Dealers, Non-Dealer Banks and Investment Houses dated August 23, 1991, so as to include financial institutions other than banks, financial intermediaries with quasi-banking functions and investment houses. Under the “open application policy”, no limit shall be set for the number of government securities dealers to be accredited and no deadline shall be prescribed for meeting the accreditation criteria. This policy shall allow the dealer network size to be flexible depending on whether market conditions warrant the expansion or contraction thereof.

In line with this “open application-expanded coverage” policy, the existing criteria for dealer accreditation and the grounds for placement on warning notice and termination of dealership accreditation circularized under aforecited Memorandum Circular dated August 23, 1991 are hereunder respectively restated and issued:

1. Minimum Qualification Requirements

1.1 Sound financial standing and profitability of operations during the last three (3) years immediately preceding accreditation application.

1.2 Capital Adequacy. The applicant-institution shall have the minimum paid-in capital or capital accounts required by existing Monetary Board policy or by legal statute or charter.

1.3 Maintenance of staff and facilities exclusively for securities trading.

It is understood that the Bangko Sentral may increase the minimum qualification requirements as it may deem necessary or consider compensatory factors for certain deficiencies based on justifications that may be approved by the Monetary Board and/or the Governor.

2. Disqualification - Financial institutions with pending court cases involving government securities in which the Bangko Sentral is the plaintiff or the defendant shall be disqualified from being accredited. Repeated non-compliance with or recurrent delays in submission of reports required by the Bangko Sentral shall likewise constitute a ground for disqualification from dealership accreditation.

3. Obligations of Accredited Dealers - Accredited members of the network shall be obliged to undertake the following:

3.1

Regular participation (with consistent award) in auctions conducted by the Bangko Sentral in accordance with the terms and conditions provided in the offering circular for each specific issue and consistent block purchase at the primary level in case of other issues.

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3.2

Active secondary market trading in government securities.

3.3

Regular posting of 2-way quotes on all publicly-offered government securities.

3.4

Participation in the Book-Entry System through execution of the pro forma Memorandum of Agreement for the purpose.

3.5

Submission of pertinent reports and relevant information or data as may be required by the Bangko Sentral from time to time.

4. Privileges of Accredited Dealers - Dealership accreditation shall entitle the network member to the following:

4.1

Exclusivity in competitive bidding.

4.2

Exemption from payment of deposit requirements for tenders at auction.

4.3

Access to the Bangko Sentral repurchase facility for inventory financing under the terms and conditions prescribed by the Bangko Sentral.

5. Documentary Requirements - The following documents/papers shall be submitted together with the formal applications:

5.1

Certified copy of the Articles of Incorporation and By-Laws. In case of non-bank financial intermediaries/institutions, the function of securities dealership or underwriting should be incorporated in the primary purpose clause of the Articles of Incorporation. Certified copy of charter or enabling act establishing its existence, in case of government financial institutions.

5.2

Certified pertinent minutes of the meeting of the Board of Directors/Trustees expressly authorizing the undertaking of dealership in government securities and the signatories for the purpose; or confirming the executed dealership agreement with the Bangko Sentral.

5.3

Copy of audited financial statements for the last three (3) years.

5.4

List of officials and staff members assigned to undertake or supervise securities transactions together with the bio-data of said officials and employees.

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5.5

SEC license as underwriter or dealer in securities (for non-bank financial intermediaries/institutions).

The formal application for accreditation together with the required supporting documents shall be filed with the Office of the Director, Government Securities Department located at the 10th floor, BSP Multi-Storey Building, A. Mabini Street, Manila.

6. Placement on Warning Notice and Termination of Accreditation - Accredited dealers with consistent unsatisfactory performance during a four (4) quarter period, as evaluated by the Government Securities Department and as approved by the Monetary Board shall be placed on warning notice. Failure of warned dealers to show any improvement during the two (2) quarter period following the four (4) quarter period of unsatisfactory performance, is a ground for termination of the dealership accreditation.

Please be guided accordingly.

Adopted: 3 May 1994

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Officer-In-Charge

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