

TRUST RULES

BSP MEMORANDUM, October 07, 1998

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Pursuant to Monetary Board Resolution Nos. 1395 dated 28 September, 1998, and 1423 dated 6 October 1998 amending the ratio of required reserves for all financial intermediaries except rural banks, the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules) are amended as follows:

SECTION 1. Subsection _405.5, Item 1.1 is amended to read as follows:

"1.1. Reserves Against Peso-Denominated Common Trust Funds - The required 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 of all financial intermediaries authorized to engage in trust and other fiduciary business shall be raised as follows:

From To

- a. For expanded commercial banks and commercial banks 5% 7%
- b. For thrift banks 5% 6%
- c. For non-bank financial intermediaries with or without quasi-banking functions 5% 7%

The required 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 of rural banks authorized to engage in trust and other fiduciary business shall be retained at 5%.

In addition to the regular reserve requirement, the liquidity reserves against peso-denominated common trust funds and such other peso funds which partake the nature of collective investment of peso-denominated common trust funds shall be maintained at eight percent (8%). The liquidity reserve may be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department".

SECTION 2. Item 1.2 of Subsection _405.5 is amended to read as follows:

"1.2. Reserves Against Trust and Other 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 required reserve against Trust and Other Fiduciary Accounts (TOFA) — Others, except (a) accounts held under administration; (b) bond issues 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; (i) guardianship; (j) life insurance trust; and (k) pre-need plans (institutional/individual).

The required reserves against TOFA-Others shall be raised as follows:

From To

- a. For expanded commercial banks and commercial banks 5% 7%
- b. For thrift banks 5% 6%
- c. For non-bank financial intermediaries with or without quasi-banking functions 5% 7%

The required reserves against TOFA-Others for rural banks shall be retained at 5%.

The liquidity reserve, which is in addition to the required reserve, shall be maintained at eight percent (8%) of TOFA-Others. The liquidity reserve may be held in the form of short-term market-yielding government securities purchased directly from the BSP-Treasury Department,

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

SECTION 3. The last paragraph of Subsec. _405.6 Form and Composition of Reserves is hereby amended as follows:

"Deposits maintained by financial intermediaries authorized to engage in trust and other fiduciary business with the BSP up to forty percent (40%) of the required reserves against peso-denominated common trust 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 4.5% per annum based on the average daily balance of said deposits to be credited quarterly."

"Deposits maintained by rural banks authorized to engage in trust and other fiduciary business with the BSP up to forty percent (40%) of the required reserves against peso-denominated common trust 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 retained at 4.0% per annum based on the average daily balance of said deposits to be credited quarterly."

This Memorandum shall take effect on 9 October 1998.

Adopted: 7 Oct. 1998

(SGD.) EDGARDO P. ZIALCITA
Officer-In-Charge

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