

TRUST RULES

BSP MEMORANDUM, July 01, 1999

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Pursuant to Monetary Board Resolution Nos. 854 and 896 dated 25 June and 30 June 1999, respectively, reducing the reserve requirement for all financial intermediaries, the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules) are amended as follows:

SECTION 1. Reserves Against Peso-Denominated Common Trust Funds - The regular 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 reduced as follows:

From

To

a) For expanded commercial banks and commercial banks

7%

6%

b) For thrift banks

6%

5%

c) For non-bank financial intermediaries with or without quasi-banking functions

7%

6%

d) For rural banks

5%

4%

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 reduced from five percent (5%) to four percent (4%). The liquidity reserve may be held in the form of short-term market-yielding government securities purchased directly from the Bangko Sentral ng Pilipinas (BSP)-Treasury Department.

SECTION 2. Reserves Against Trust and Other Fiduciary Accounts (TOFA) — Other- In addition to the basic security deposit required under Subsection X405.1 of the Manual of Regulations for Banks and Subsection _405.1 of Book IV of the Manual of Regulations for Banks and Other Financial Intermediaries, all financial intermediaries authorized to engage in trust and other fiduciary business shall maintain regular reserves 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 regular reserves against TOFA-Others shall be reduced as follows:

From

To

a) For expanded commercial banks and commercial banks

7%

6%

b) For thrift banks

6%

5%

c) For non-bank financial intermediaries with or without quasi-banking functions

7%

6%

d) For rural banks

5%

4%

The liquidity reserve, which is in addition to the regular reserve, shall be reduced from five percent (5%) to four percent (4%). 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. Form and Composition of Reserves

Deposits maintained by financial intermediaries authorized to engage in trust and other fiduciary business with the BSP up to forty percent (40%) of the regular reserves against peso-denominated common trust funds as well as the regular reserves for TOFA-Others shall be paid interest at 4.0% 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 regular reserves against peso-denominated common trust funds as well as the regular reserves for TOFA-Others 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 2 July 1999.

Adopted: 1 July 1999

(SGD.) GABRIEL C. SINGSON
Governor

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