

INVESTMENTS IN GOVERNMENT SECURITIES UNDER THE BOOK-ENTRY SYSTEM (BES) OF THE BANGKO SENTRAL NG PILIPINAS

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Pursuant to the Memorandum Circular dated August 22, 1995 issued by the Bangko Sentral ng Pilipinas (BSP), implementing Monetary Board Resolution No. 920, dated August 16, 1995, on the limited participation in the Book-Entry System (BES) of the insurance companies, Mutual Benefit Association (MBAs) and of the Security Fund Accounts for both life and non-life sectors, the following requirements, rules and regulations are hereby promulgated.

A.

BSP and BES Eligible Participants

I. Memorandum Agreement (MOA) shall be made and entered into by and between the BSP and the aforesaid newly eligible BES participants, certified xerox copy of which to be furnished the Insurance Commission (IC). The IC as Administrator of the Security Fund, life and non-life accounts, shall also apply for inclusion in the Book-Entry System.

II. BES-eligible government securities (GS) shall be limited to those acquired by the insurance companies pursuant to Sections 191, 203 and 281 of the Insurance Code; mutual benefit association (MBA) and Security Fund, life and non-life accounts pursuant to Section 392 and 367, respectively, of the said Code.

III. Securities lodged in the BES shall be held and shall remain in the BES until maturity.

IV. Acquisition of BES-eligible GS shall either be through non-competitive primary awards during auctions or through secondary purchase from other BES participants, as follows:

A) Primary Purchase (Auction)

a) Non-Competitive

(1) Minimum amount of participation in the non-competitive bidding is P1.0 million.

(2) Participants shall submit accomplished tender forms to the BSP-Government Securities Department (GSD) duly signed by two (2) duly authorized signatories on or before auction date, Friday, for T-Bills and Tuesday for FXTNs together with a debit authorization from its depository bank.

(3) If tender is accepted, the BSP shall prepare at issue date (Wednesday for T-Bills and Thursday for FXTNs) the following to be released to the participant's representative;

(i) Acceptance/Rejection of Bill Tenders.

(ii) Securities Credit Memo accompanied by a Debit Advice debiting the Demand Deposit Account (D/D) of the participant's depository bank.

b) Competitive

The newly eligible BES Participants are not allowed to participate directly in the competitive bidding. However,

they may course their bids through and Accredited GS dealer, which is also a BES Participant. All awards for the competitive category shall be credited to the accredited-dealer's securities accounts under the BES.

B) Secondary Trading (Between BES Participants)

(1) Participant can buy securities from an accredited GS dealer (AGSD)/other BES participant.

(2) The seller-participant shall simultaneously deliver to the GSD, BSP on the date of transaction the following documents:

- (i) Confirmation on Sale (COS) - from seller
- (ii) Confirmation of Purchase (COP) - from buyer

(3) the BSP, upon receipt of documents and verification of participant's securities account balance, shall prepare and release to the participant's authorized representative the following documents:

- (i) Securities Account Debit Memo - to the seller (AGSDs of banks)
- (ii) Securities Account Credit Memo - to the buyer (insurance company, mutual benefit associations and security fund accounts)

V. Redemption Procedures:

A) Upon maturity, the redemption shall be effected through automatic credit to participant's demand deposit account (D/D) with the BSP.

B) The BSP shall prepare and release to the participant's authorized representative the following documents:

- a. Securities Account Debit Memo
- b. Credit Advice Crediting the D/D Account

B.

Insurance Commission (IC) and BES-Eligible Participants

I. Withdrawal of Securities from the IC

A) IC notifies company of maturing securities one month before due date. Withdrawal shall be made subject to undertaking.

B) Upon withdrawal. BES-Participants shall execute an undertaking to submit the following proofs of newly acquired securities as replacement:

(1) If GS is acquired through auction, certified xerox copies of:

- (i) BSP's Acceptance of Bill Tender
- (ii) BSP's Securities Account Credit Memo
- (iii) BSP's Debit Advice (Demand Deposit Acct.)

(2) If GS is acquired through secondary trading (with AGSD BES Participants) certified xerox copies of:

- (i) Confirmation of Sale (COS) - from seller
- (ii) Confirmation of Purchase (COP) - from buyer
- (iii) BSP's Securities Debit Memo to the seller
- (iv) BSP's Securities Account Credit Memo to the buyer

II. Replacement of matured securities in the BES Accounts

A) IC notifies company of maturing securities one month before due date.

B) Company is required to submit the following proofs of redemption/acquisition of securities:

(1) Redemption

(a) BSP's Securities Account Debit Memo

(b) BSP's Credit Advice (D/D account)

(2) Replacement

Same procedures as paragraph B.I. (B) on page 3

III. IC shall evaluate the BES Participant's compliance with the pertinent provisions of Sections 191, 203, 281, 392 and 367 of the Insurance Code based on the aforesaid documents.

IV. The BES Participants shall accordingly be advised in case of deficiency in the said requirements to make good said deficiency.

V. Not Eligible for inclusion in the BES Accounts

A) Non-GS deposits of Foreign Insurance Companies

B) GS deposits of companies without Certificate of Authority (CA)

This Circular Letter shall take effect immediately.

Adopted: 25 Sept. 1995

(SGD.) EDUARDO T. MALINIS

Insurance Commissioner

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