

## IMPLEMENTING GUIDELINES FOR CIRCULAR NO. 163, AS AMENDED

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Pursuant to Monetary Board Resolution No. 1105, dated August 5, 1998, and No. 1229, dated August 26, 1998, the following operating guidelines shall be followed in the implementation of Sections 3 and 4 of Circular 163, dated April 8, 1998, as amended.

SECTION 1. Requirements for Rural Bank Members of the PCHC and Thrift Banks Migrating from Now and Conduit Arrangements:

- a. Rural Bank members of the Philippine Clearing House Corporation (PCHC) and Thrift Banks migrating from NOW and conduit arrangements shall secure a Bank Routing Symbol Transit Number (BRSTN) with PCHC.
- b. Rural Bank members and Thrift Banks shall secure prior authority to participate directly in the PCHC and BSP clearing operations with the Department of Rural Banks and the Department of Thrift Banks and Non-Bank Financial Institutions (DTBNBFI), BSP, respectively.

SECTION 2. Requirements for Rural Bank Members of PCHC and Thrift Banks

Rural Bank members of PCHC and Thrift Banks participating directly in the clearing operations of PCHC and BSP Regional Clearing Centers shall apply for collateralized overnight clearing line under Sections 3 and 4 of Circular No. 163, as amended. Said banks shall enter into an agreement with the BSP conforming to these guidelines and they shall in turn enter into similar agreements with their clients.

SECTION 3. Application for Overnight Clearing Line

- a. The applicant-bank shall submit to the Department of Loans and Credit (DLC) a duly accomplished Agreement form on a continuing loan line, together with a resolution of the board of directors of the applicant bank authorizing the bank to apply for such loan line and designating the officers authorized to negotiate and sign pertinent papers thereto. The Agreement must be fully registered and annotated on the collateral Torrens Certificate of Title/Condominium Certificate of Title.
- b. The loan line, once approved, can be amended at the instance of the applicant bank only once every twelve months. The loan line shall be equal to at least 5% of the bank's deposit liabilities as at end of prior month.
- c. Considered eligible collaterals are:
  1. Unencumbered real estate properties duly registered in the name of the applicant bank or its stockholder. The submitted collaterals may be given a loan value of 70% based on the appraised value as determined by reputable independent appraisers.
  2. Foreclosed real properties still within the redemption period. The loan value shall be 80% of the amount of the Certificate of Sale as annotated on the Certificate of Title. If the property is redeemed, the line will be reduced accordingly until the line can be amended at its annual review.
  3. Current mortgage credits secured by real estate mortgage (REM) with remaining maturities of not less than one year from date of assignment. The loan value shall be 80% of the outstanding balance of loan at the time of

assignment to BSP.

4. Government securities for a loan value of 80% of the maturity value.

5. Holdout on foreign currency deposits with the BSP, if any.

d. The Bank shall be allowed the flexibility of changing or substituting collateral, specially matured government securities.

e. The availments against the approved loan line shall bear interest at the 91-day Treasury Bill rate of the last auction immediately preceding the availments.

#### SECTION 4. Availments Against the Approved Loan Line -

a. The electronic notice of application of the loan line to settle net clearing losses from the BSP Accounting Department shall constitute availment. Upon receipt of the electronic notice of availment, DLC shall immediately post the transaction to the bank's loan ledger.

b. Each availment shall be fully paid through an automatic debit to the demand deposit account of the bank with BSP on the next clearing day, without need of demand.

c. Availments that remain unpaid on the next clearing day shall be subject to 3% per month in liquidated damages.

SECTION 5. Definition of "Value or Settlement Date" - "Value or Settlement date" shall refer to date when the checks presented for clearing are given value. For local clearing, the "Value or Settlement date" shall be the next clearing day when dishonored checks are returned within the reglementary period, reckoned after the date of presentation in the integrated Manila clearing area of PCHC and in all BSP regional clearing centers. For inter-regional clearing items, outward Manila clearing items and to Manila clearing items, the "value or settlement date" will be defined in clearing circulars to be issued by BSP.

Unless otherwise modified in subsequent clearing circulars, "value or settlement date" for clearing items shall be as stated in the following schedule:

Session Value/Settlement Date

Returned Items On date of return

Outward Items Local Clearing Next clearing day

Inter-Regional Clearing As defined in Clearing Circular Letter for nationwide inter-regional clearing (Annex A[\*])

Out-of-town and Manila Outward Regional As defined in Clearing Circular Letter fixing the number of "float days" for exchanges between Manila and the BSP Regional Clearing Centers (Annex B[\*])

#### SECTION 6. Procedures for Clearing and Settling Clearing Results -

a. Regular exchanges shall be conducted daily for local, inter-regional and out-of-town and outward Manila on regular banking days and local holidays.

b. "Returned Items" shall be contained in special red envelopes and presented separately in the clearing statements.

c. The net clearing demands of banks shall be debited/credited to the demand deposit accounts on value date as defined in Section 5 above.

d. The participating banks in BSP Regional Clearing Centers shall prepare their electronic clearing statements following the procedures contained in the BSP Clearing Operations User Manual for Participating Banks which is attached to this Circular Letter as Annex C[\*].

e. Manila outward regional clearing demands bound for BSP Regional Clearing Centers and "On Manila" outward clearing demands shall be presented to PCHC in accordance with the existing PCHC prescribed clearing rules.

f. BSP Regional Clearing Centers shall consolidate clearing statements and transmit back electronically to the participating banks the consolidated clearing statement for each bank. The hard copy of the consolidated clearing statements signed by responsible officials of the participating banks shall be submitted to the BSP Regional Clearing Center on the next clearing day.

g. Participating banks shall present the demand items in sealed envelopes, segregating the demand items according to regional clearing centers. Each envelope shall show the number and the total value of the checks presented. The duly authorized settling representatives of the participating banks shall sign on the BSP control copy of the consolidated clearing statements to document the exchanges.

SECTION 7. Procedures for Settling Losses - Clearing losses shall be settled to the extent of the combined amount of the demand deposit balance and additional funds obtained from the following credit sources of the participating bank:

- a. Interbank borrowing through IBCL — MIPS
- b. Interbank borrowing from BSP Treasury Department
- c. Collateralized overnight clearing line granted by the BSP-DLC

SECTION 8. Procedures for Unwinding Clearing Transactions -

- a. Procedures for unwinding clearing transactions shall apply to all inward items, other than "Returned Items", and to local exchanges only
- b. The aggregate values of all inward items of all clearing centers, including "On Manila" inward clearing demands presented to PCHC, shall be ranked from highest to lowest. The unsettled net clearing losses shall be eliminated by unwinding the inward items starting from the clearing centers, including PCHC, with highest aggregate value.
- c. In case the aggregate value of the inward items for a given clearing center, except PCHC, exceeds the unsettled net clearing losses, the total inward items for that clearing center shall be the subject of unwinding.
- d. In the case of checks cleared through PCHC, the inward clearing items shall be unwound to the extent of the unsettled net clearing loss. The selection of the specific demand items to be covered by unwinding shall be based on PCHC rules.
- e. Checks which are the subject of the unwound clearing transactions shall be returned to the presenting banks not later than 9:00 o'clock AM of the following clearing day.

SECTION 9. Identification of Checks issued under Circular 163 - Participating bank shall print or stamp on the face of the blank checks issued to current account depositors the words "issued subject to BSP Circular 163, as amended."

SECTION 10. Exemption from liability - The participating bank and PCHC shall have no cause of action or right of relief whatsoever against the BSP in connection with or arising out of any transaction under this Agreement.

Moreover, BSP shall not be held responsible for any loss or damage to the Bank, PCHC or any third party arising out of or by reason of this Agreement.

SECTION 11. Effectivity Date - The clearing operation guidelines shall take effect on September 15, 1998.

Adopted: 3 Sept. 1998

(SGD.) GABRIEL C. SINGSON  
Governor

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[\*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City

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