

## 231 ACCEPTANCE OF GOVERNMENT DEPOSITS

**Policy Statement.** As a general policy, cash balances of the Government, its political subdivisions and instrumentalities as well as of government-owned or controlled corporations (GOCCs) shall be deposited with the Bangko Sentral, with only minimum working balances to be held by government-owned banks and such other banks incorporated in the Philippines as the Monetary Board may designate: *Provided*, That such banks may be authorized by the Monetary Board to hold deposits of the political subdivisions and instrumentalities of the Government beyond their minimum working balances whenever such subdivisions and instrumentalities have outstanding loans with said banks.

For purposes of this Section:

- a. The term *GOCCs* shall refer to government-owned or controlled corporations which are created by special laws. It shall exclude government FIs such as DBP, LBP and Al-Amanah Islamic Investment Bank of the Philippines, corporations which are created under the provisions of the Corporation Law (Act No. 1459, as amended) or the Corporation Code (BP Blg. 68) and private corporations which are taken over by GOCCs.
- b. *Minimum working balances* shall represent the minimum amounts necessary to enable the government instrumentality/political subdivision making the deposit to transact business efficiently and effectively as determined by the Department of Finance.

**Prior Monetary Board approval.** No private bank shall, without prior approval of the Monetary Board, accept, as depository, any fund or money from the Government, its political subdivisions and instrumentalities, and GOCCs; nor shall a private bank borrow any fund or money therefrom, through the issuance or sale of its acceptances, notes or other evidences of indebtedness.

***Banks which may accept government funds.***

- a. Banks, the majority of the capital of which is owned by the Government, may act as depository of funds of the Government, its political subdivisions and instrumentalities, and GOCCs.
- b. Private banks incorporated in the Philippines may act as depository of government funds only with the prior approval of the Bangko Sentral. Local government units may maintain depository accounts preferably in government banks and, in exceptional cases and with the prior approval of the Monetary Board, in the name of their respective government units, in private banks located in or nearest to their respective areas of jurisdiction but the depository bank(s) must also seek the prior approval of the Bangko Sentral: *Provided*, That a TB/RB/Coop Bank may only act as official depository of government funds pursuant to R.A. Nos. 7906, 7353 and 6938, as follows:

- (1) A TB may only act as official depository of national agencies, and of municipal, city or provincial funds in the municipality, city or province where the TB is located;
  - (2) A RB may only act as official depository of municipal, city or provincial funds in the municipality, city or province where the RB is located; and
  - (3) A Coop Bank may accept deposits of all government departments, agencies and units of the national and local governments including GOCCs.
- c. Where there is no government bank or Bangko Sentral office in the province and the nearest government bank or Bangko Sentral office is inaccessible by ordinary transportation, or transporting/withdrawing the government deposits to and from the said office is impractical or risky, the province, as well as cities and municipalities located therein, may seek approval of the Monetary Board to consider all their funds eligible for deposits with a qualified private depository bank within the province, city or municipality, as the case may be.
- d. Banks acting as official depository of government funds may accept demand, savings or time deposits.
- e. The authority of a bank to accept government deposits does not obligate the Government, its subdivisions and instrumentalities and GOCCs to deposit with that bank. Thus, even if a TB or RB is authorized by the Monetary Board to accept government deposits, a municipality is not obligated to deposit with that TB or RB. Similarly, a bank which is authorized to accept deposits of the Government or a government corporation because of outstanding loans granted by the bank cannot demand as a matter of right that the Government or government corporation make deposits unless there is a stipulation in the loan agreement.

**Prerequisites for the grant of authority to accept deposits from the Government and government entities.** In addition to the *Standard Pre-qualification Requirements for the Grant of Banking Authorities* enumerated in *Appendix 5*, private banks applying for authority to accept deposits from the Government, its subdivisions and instrumentalities and GOCCs and government banks applying for authority to accept government deposits in excess of minimum working balances shall also comply with the following conditions:

- a. The applicant bank must have complied with the minimum capital required under Sec. 121;
- b. It has neither unpaid assessment due nor past due obligations with the PDIC; and
- c. The bank's CAMELS composite rating in its latest examination is not lower than three (3) with Management component score of not lower than three (3).

**Application for authority.** An application for authority to accept government deposits shall be signed by the president of the bank and shall be filed with the appropriate supervising department of

the Bangko Sentral. The application shall be accompanied by a certification by the bank president or executive vice-president that the bank has complied with all the requirements enumerated in this Section on Prerequisites for the grant of authority to accept deposits from the Government and government entities.

Banks authorized to accept government funds as depository shall continuously comply with the conditions enumerated in this Section on Prerequisites for the grant of authority to accept deposits from the Government and government entities even after the authority to accept government deposits has been granted and during the period while the banks actually hold government deposits, otherwise, any violation may be a basis for the imposition of sanctions against the bank, its directors and officers, or revocation of the authority to accept government deposits.

Deposits maintained by the Government, its subdivisions and instrumentalities and GOCCs shall be supported by the following documents whenever applicable:

- a. A copy of the resolution of the barangay, municipal or city council (Sangguniang Bayan/Panglunsod) or the provincial board (Sangguniang Panlalawigan) authorizing the deposit of municipal, city or provincial funds;
- b. A copy of the resolution of the board of directors of the GOCCs authorizing the deposit of funds of said corporations; or
- c. In case of the National Government, its unincorporated branches, agencies and instrumentalities, a written authority to open deposit accounts and/or deposit government funds signed by the duly authorized official of the Department of Finance/Bureau of the Treasury (DOF/BTr) and of the department, bureau, agency, or office making the deposit.

The resolution or authority should state the name and location of the depository bank, type and terms of the deposit, and that the amount to be deposited represents working balances.

***Limits on funds of the Government and government entities that may be deposited with banks.***

- a. Funds of the Government, its subdivisions and instrumentalities and GOCCs, deposited with banks authorized to receive deposits shall be limited to the minimum working balance of the depositor.

With prior Monetary Board approval, government or private banks may be authorized to accept amounts in excess of minimum working balances if the Government or government entity making the deposit has outstanding loan obligations to the depository bank but such amounts

shall not exceed the amount of its outstanding loan obligations to the depository bank. The amount of non-transferable and non-negotiable government securities with market or below market interest rate at the time of issue, issued by the National Government to the depository bank shall be considered as “outstanding loans” of the National Government to said bank within the meaning of Sec. 113 of R.A. No. 7653.

- b. The aggregate amount of government funds which a private bank can hold at any given time shall not exceed 200% of the bank’s net worth.
- c. Where any director, officer or stockholder of a private bank, as defined under Sec. 341 (*Definitions*), is also an elective or appointive official of a municipality, city or province, said bank is prohibited from accepting deposits from said municipality, city or province unless it is the only bank existing therein: *Provided*, That this provision shall not be construed as a grant of authority to such elective or appointive public official to act as director or officer of a private bank.

**Liquidity floor.** Unless otherwise prescribed by the Monetary Board, authorized government depository banks other than the Bangko Sentral, and authorized private banks shall, inclusive of the required reserves against deposits and/or deposit substitutes, maintain a fifty percent (50%) liquidity floor with respect to deposits of, borrowings from, and all other liabilities to, the Government and government entities, in the form of transferable government securities which represent direct obligations of the National Government, until 31 December 2017.

Effective 01 January 2018, liquidity floor reserve requirement shall be, as follows:

	<b>Required Liquidity Floor</b>
UBs/KBs	0% Government deposits and government deposit substitutes shall continue to be subject to the reserve requirements provided under Sec. 251.
For TBs and RBs and Coop Banks	50% Inclusive of the required reserves against deposits and/or deposit substitutes

Effective 01 January 2019, the liquidity floor reserve requirements shall, be as follows:

	<b>Required Liquidity Floor</b>
For UBs/KBs/TBs/RBs/Coop Banks	0% Government deposits and government deposit substitutes shall continue to be subject to the reserve requirements provided under Sec. 251.

Eligible securities being used as such reserve shall not in any way be encumbered or be subject to any transaction without prior approval of the Bangko Sentral.

Also eligible for liquidity floor are the following:

- a. The free portion of the “*Due from Bangko Sentral - Local Currency*” after satisfying the legal and other reserve requirements; and
- b. Placement of banks in the TDF and the ODF of the Bangko Sentral.

Banks authorized to accept government deposits shall specify in the prescribed reports submitted to the appropriate supervising department of the Bangko Sentral the balance of government deposits subject to liquidity floor requirement and, if any, the corresponding GS earmarked for subject purpose.

**Exempt transactions.** The following deposits of, borrowings from and/or liabilities to, the Government and government entities shall be exempt from the liquidity floor:

- a. Obligations to the Bangko Sentral arising from rediscounting facilities and sale of government securities under repo agreements made in connection with the provisions of Sec. 282, and Sec. 601 (*Repurchase agreements with Bangko Sentral*);
- b. Special time deposits (STDs) and deposit substitutes under the special financing program of the Government and/or international FIs;
- c. Obligations to the Bangko Sentral consisting of emergency advances, overdraft facilities, and those arising from peso swap differentials and supervision and examination fees;
- d. Marginal deposits on importations;
- e. Due to the Treasurer of the Philippines (unclaimed deposit balances);
- f. Funds held by participating financial institutions (PFIs) under the GSIS Housing Loan Programs: *Provided*, That the agreement between GSIS and the conduit banks specify that such funds may be held by the conduit banks for a period of not more than seven (7) calendar days prior to their release to the borrower and prior to the remittance by the conduit banks of payment to the GSIS;
- g. Deposits of the BIR and BOC; and
- h. Any other form of deposits, borrowings and/or liabilities specifically authorized by law or exempted by the Monetary Board.

**Reports.** Banks shall submit to the appropriate supervising department of the Bangko Sentral a report of their government deposits from all sources in the aggregate in the prescribed form.

**Sanctions.** Any violation of this Section shall be a ground for the imposition of the following sanctions:

- a. The deposit account with the Bangko Sentral of the bank concerned shall be debited by the Accounting Department of the Bangko Sentral in the amount of the unauthorized deposit or borrowing upon receipt of a report or notice from the appropriate supervising department of the Bangko Sentral and the deposit account of the government institutions with the Bangko Sentral shall be credited for the same amount. A copy of said report or notice of the appropriate supervising department of the Bangko Sentral shall be furnished each to the bank concerned and the government institutions.
- b. The withdrawal of previously granted authority to accept government funds.
- c. Without prejudice to the sanctions under Section 35 of R.A. No. 7653, the following administrative sanctions shall be imposed if any part of the certification as required in this Section is found to be false or misleading:

*On the bank* – Cancellation of the authority to accept government deposits if one has already been granted and/or disqualification to act as a government depository for not more than one (1) year.

*On the certifying officer* – A fine of P5,000 per day from the time the certification was found to be false, for each application filed with the Bangko Sentral.

- d. Any bank with deficiency in the required liquidity floor against deposits of, and/or borrowings from, the Government and government entities or with excess holdings of such deposits shall: (1) be denied the credit facilities of the Bangko Sentral; and (2) if the deficiency lasts for four (4) consecutive weeks, the bank shall be prohibited from declaring cash dividends and making new loans and investments, except investments in government securities. The prohibition shall be lifted by the Governor of the Bangko Sentral, upon certification by the appropriate supervising department of the Bangko Sentral that the bank has had no deficiency in its liquidity floor and no excess holdings of government deposits for at least four (4) consecutive weeks.

**Acceptance by banks with internet banking facility of payment of fees for account of government entities.** Domestic private banks with Bangko Sentral-approved internet banking facility are allowed to accept payment of fees/other charges of similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all GOCCs: *Provided*, That the funds so accepted/collected shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of the said government entities.

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These banks are required to notify the appropriate supervising department of the Bangko Sentral that supervises the bank, copy furnished the Head of the Technical Working Group on E-Banking, SDC, of the names of the government institutions that will interface with their systems and any changes that may subsequently be made on the arrangements.

*(Circular Nos. 996 dated 08 February 2018, 946 dated 17 February 2017, and 913 dated 02 June 2016)*