

252 COMPOSITION OF RESERVES

Composition of required reserves. The required reserves shall be kept in the form of deposits placed in banks' demand deposit accounts (DDAs) with the Bangko Sentral.

Transitory provisions. Government securities which are used as compliance with the regular and/or liquidity reserve requirement as of 06 April 2012, shall continue to be eligible as compliance with the reserve requirement until they mature.

For purposes of this Section, government securities which may form part of the reserves against deposits/deposit substitute liabilities of banks shall refer to bonds or other evidences of indebtedness representing direct obligations of the Government of the Republic of the Philippines: *Provided*, That such securities shall have the following minimum features/conditions:

- a. The securities must bear an interest rate of not more than four percent (4%) per annum, must be non-negotiable and shall carry Bangko Sentral support;
- b. The amount, maturity date and rate of interest must be definite and stated in the certificate itself; and
- c. The government securities may not be hypothecated or encumbered in any way or earmarked for any other purpose.

The government securities held as reserves shall be valued at cost of acquisition and the bank may freely alter its composition: *Provided*, That any substitution or acquisition satisfies the eligibility requirements prescribed above: *Provided*, further, That the bank notifies the Bangko Sentral of any such change in the prescribed forms not later than the reporting day following the change.

Only the buying/lending bank in a resale agreement covering eligible government securities may use such securities as reserves against deposits/deposit substitutes. Conversely, the selling/borrowing bank in a repo agreement covering eligible government securities may not use such securities as reserves against deposits/deposit substitutes.

The reserve eligibility of government securities used as collateral in the reverse repo operations of the Bangko Sentral shall be suspended during the term of the reverse repo agreement.

The phrase non-reserve eligible shall be stamped on the face of the custodian receipt being issued by the Bangko Sentral to buyer FIs.

Allowable drawings against reserves. Deposit with the Bangko Sentral to comply with reserve requirements are not regular current accounts. The use, therefore, of Bangko Sentral checks for

drawings against reserve deposits shall be limited to (a) settlement of obligations with the Bangko Sentral, and (b) withdrawals to meet cash requirements.

Exclusion of uncleared checks and other cash items. COCIs which have not been cleared yet through the Clearing Office should not be debited to the account *Due from the Bangko Sentral* and should not be considered as available reserves against deposit/deposit substitute liabilities. Such items shall be debited to the COCIs account.

Only after the COCIs have been cleared through the Clearing Office can the bank debit the *Due from the Bangko Sentral* account for said items.

Interest income on reserve deposits. Deposits maintained by banks with the Bangko Sentral in compliance with the reserve requirement shall no longer be paid interest effective 06 April 2012.

Book entry method for reserve securities. In the implementation of the book entry system for transactions in government securities eligible for reserves, transactions concerning reserve-eligible securities shall be entered in the respective securities account of each bank with the Bangko Sentral and shall be evidenced by securities account debit or credit advices to be promptly furnished the institution/s concerned. No certificate shall be issued for any purpose. Transactions with third parties other than the Bangko Sentral shall not be recognized.