

ENHANCED INTRADAY LIQUIDITY FACILITY

Appendix to Sec. 290

Given the increasing volume of PhilPaSS transactions as well as concerns of having temporary gridlocks in the PhilPaSS, the current features of the ILF had been enhanced, specifically on the following areas:

- a. Flexibility in changing the securities that will be used for the ILF;
- b. Availment of the facility on a “as the need arises” basis; and
- c. Removal of commitment fees.

The revised features of the ILF are described below.

- a. **Access to ILF.** Government securities (GS) held by an Eligible Participant bank in its Regular Principal Securities Account that will be used for ILF purposes shall be delivered to a sub-account under the BSP-ILF Securities Account with the Bureau of the Treasury’s (BTr) Registry of Scripless Securities (RoSS). The delivered GS to be used for ILF purposes shall be recorded by RoSS in a sub-account (the “Client Securities Account (CSA)”-ILF) under the BSP-ILF Securities Account in the name of the Eligible Participant/banks.

Banks without RoSS securities accounts who intend/desire to avail of the ILF shall be required to open/maintain a Securities Account with the RoSS. The documentation requirements for RoSS membership shall be prescribed by the BTr.

Banks desiring to avail of the ILF shall be further required to open a sub-account under the BSP-ILF Securities Account with the BTr’s RoSS by accomplishing an application letter addressed to the Treasurer of the Philippines, Attn: The Director, Liability Management Service and the Chief, Scripless Securities Registration Division. The application letter shall be in the form of Annex 1 hereto.

- b. **Timeline.** From 9:00AM to 9:30AM of each banking day, an Eligible Participant bank shall electronically instruct the BTr to move/transfer from its Principal Securities Account with the BTr’s ROSS to the CSA-ILF under the name of the Eligible Participant bank, the pool of peso-denominated GS to be set aside for the ILF purpose. The Eligible Participant bank hereby confirms to the BTr that pursuant to an ILF availment, it has authorized the transfer without consideration unto the CSA-ILF the pool of GS to be used for ILF purposes.

From 9:30 AM to 10:00 AM, the BTr RoSS shall electronically submit a consolidated report to Bangko Sentral showing the details of the GS that were transferred to the BSP-ILF Securities Account.

From 10:00 AM to 4:00PM, Eligible Participant banks with insufficient balances in its Demand

Deposit Account No.2 (PhilPaSS Account) may avail of the ILF.

Eligible Participant banks may avail of the ILF as necessary to fund pending payment instructions. Thus, when the ILF system detects queued transactions in the PhilPaSS-Central Accounting System, the Eligible Participant bank with insufficient balance in its PhilPaSS Account will automatically sell to the BSP-Treasury the GS in the CSA-ILF pool corresponding to the amount which may be needed to cover any pending payment instruction, and the proceeds of the sale of securities shall be immediately credited to the bank's PhilPaSS Account. There may be more than one availment during the day. Until a sale to the Bangko Sentral or an Overnight Repurchase (O/N-RP) transaction with the Bangko Sentral is executed, the beneficial ownership of the GS that have been transferred to the CSA-ILF still belongs to the banks.

At 5:00PM, the Bangko Sentral shall sell back to the Eligible Participant bank the GS at the same price as the original Bangko Sentral purchase. Partial repayment of a particular availment will not be allowed.

In case the PhilPaSS Account balance of the participating bank is not sufficient to cover the afternoon repayment transaction, the Bangko Sentral and the participating bank may agree on the following:

- (1) Bangko Sentral shall extend to the Eligible participant bank an O/N-RP at 600 basis points over the Bangko Sentral's regular overnight lending rate for the day. The O/N-RP shall be paid not later than 11:00AM on maturity date. Unpaid O/N-RP shall be automatically converted into an absolute sale to the Bangko Sentral of the subject GS earlier delivered/transferred to the CSA-ILF, pursuant to an ILF availment by the Eligible Participant bank, in which case, Bangko Sentral shall issue an instruction to BTr to deliver/transfer the subject GS from the BSP-ILF Securities Account to the Bangko Sentral regular Principal Securities Account. The sale shall be evidenced by the issue of Confirmation of Sale by the Eligible Participant bank (Annex2) and the Confirmation of Purchase by the Bangko Sentral Treasury Department (Annex 3), or,
- (2) Only in extreme cases, the Bangko Sentral shall sell back to the participating bank GS up to the extent of the PhilPaSS Account balance. The Bangko Sentral shall issue an instruction to the BTr to transfer the remaining GS amounting to the unpaid ILF availment from the BSP-ILF Securities Account to the Bangko Sentral's Regular Principal Securities Account.

At the end of the day and after Bangko Sentral's sell-back of the GS to ILF participants, normally by 5:45PM, the Bangko Sentral Treasury Department shall electronically instruct RoSS, using the ILF RoSS system developed for herein purpose, to return/deliver from the CSA-ILF of the participating banks to their respective Regular Principal Securities Accounts with the RoSS all

unused/unencumbered GS. GS used for O/N-RP shall remain in the CSA-ILF until repayment of subject O/N-RP or conversion to outright sale the following day.

Upon receipt of Bangko Sentral's electronic instruction for the return of GS back to the participating banks' regular Principal Securities Accounts, the BTr shall update their database after which participating banks may request/download statements of securities accounts for their verification.

- c. **Eligible Securities.** Peso-denominated scripless securities of the National Government that are free and unencumbered and with remaining maturity of eleven (11) days to ten (10) years shall be eligible for the ILF. GS that will be used for ILF purposes would be reclassified with due consideration to the original booking of the security, as follows:

<u>Original Booking of GS</u>	<u>To be reclassified to</u>
a. Held for Trading	Held for Trading - ILF
b. Designated Fair Value Through Profit or Loss	Designated Fair Value Through Profit or Loss - ILF
c. Available for Sale	Available for Sale - ILF
d. Held to Maturity	Held to Maturity - ILF

- d. **Valuation of Securities.** The GS subject of an ILF transaction shall be valued based on the 11:16AM fixing rates of the previous business day, from the applicable Reuters PDEX pages or any other valuation benchmark as may be prescribed by the Bangko Sentral.
- e. **Margins.** Margins shall be applied based on prevailing policies of the Bangko Sentral Treasury Department.
- f. **Transaction Fee.** The BTr shall collect a monthly maintenance fee of One Thousand Pesos (P1,000.00) from each Eligible Participant bank for the use of the CSA-ILF Securities Account. The maintenance fees herein required to be paid by each Eligible Participant bank shall be separate from and exclusive of any other fees being assessed and collected by BTr for membership in the RoSS. For this purpose, the Eligible Participant bank shall issue to the BTr an autodebit instruction to authorize the BTr to debit its DDA with Bangko Sentral for the above-mentioned monthly maintenance fee. The BTr will inform the Eligible Participant banks of any change in fee at least fifteen (15) days prior to implementation.
- g. **DDA Statements/Transaction Details.** Eligible Participating banks will be able to verify the status of their accounts by initiating the SWIFT/PPS-Front-end System inquiry request.

AVAILABILITY OF SERVICES

The ILF is covered by a Memorandum of Agreement (MOA) dated 25 March 2008 by and among the Bangko Sentral, the BTr, the Bankers Association of the Philippines (for BAP members) and the Money Market Association of the Philippines (for non-BAP members). Participating banks shall sign individual participation agreements. The services outlined in the MOA shall be available at the Bangko Sentral and the BTr at a fixed hour on all banking days. Banking days refer to the days banking institutions are open for business Mondays thru Fridays as authorized by the Bangko Sentral.

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PARTICIPATION AGREEMENT

Date

Bangko Sentral ng Pilipinas

A. Mabini corner P. Ocampo Sr. Streets,
Manila

Bureau of the Treasury

Palacio del Gobernador,
Intramuros, Manila

Bankers Association of the Philippines

11th Floor, Sagittarius Building,
H. V. dela Costa Street, Salcedo Village,
Makati City

Money Market Association of the Philippines

Penthouse, PDCP Bank Center,
Herrera corner L. P. Leviste Streets, Salcedo Village,
Makati City

Gentlemen:

Please be advised that we agree to participate in the Agreement for the Establishment of Intraday Liquidity Facility to support the Philippine Payment and Settlement System (the "System") which is covered by the Memorandum of Agreement dated ____ (the "Agreement") among yourselves and its subsequent amendments of revisions as may be agreed upon by the parties thereto from time to time.

We agree to be bound by all the terms and conditions of the Agreement and adopt it as an integral part of this Participation Agreement, including the authority of the Bangko Sentral to execute payment instructions and the authority of the Bureau of the Treasury (BTr) to execute our instructions on transfer to/from, credit and debit to/against our Securities Account. Further, we agree to comply with all our obligations as participating bank/financial institution as provided in the Agreement. Lastly, we agree to keep yourselves free and harmless from any claim or liability arising from, or in connection with, our transactions transmitted through the System in accordance with the provisions of the Agreement.

This participation will become effective upon your conformity hereto and your notification of the same to us, the BSP and the BTr.

Very truly yours,

Participating Bank/Financial Institutions

APPROVED:

Bangko Sentral ng Pilipinas
Bureau of the Treasury
Bankers Association of the Philippines
Money Market Association of the Philippines

By: _____
 By: _____
 By: _____
 By: _____

Annex 1

(LETTERHEAD OF THE APPLICANT)

The Treasurer of the Philippines

Palacio del Gobernador
 Intramuros, Manila

Sir:

The undersigned hereby makes an application to open a Client Securities Account under the BSP-ILF RoSS Account in the Registry of Scripless Securities (RoSS) operated and maintained by the Bureau of the Treasury (BTr).

The undersigned will pay to BTr an additional monthly fee of P1,000.00 for the Client Securities Account opened payable on the first business day of each month. The BTr will inform the undersigned

of any change in fee at least fifteen (15) days prior to implementation.

Please debit/credit our Regular Demand Deposit Account No. _____ with the Bangko Sentral for the payment of said monthly fee.

(Date) Manila, Philippines

(Name of Applicant)

(Signature of Authorized Signatory)

(Designation)

Annex 2

LETTERHEAD OF THE SELLER

Transaction No. _____

Value Date _____

CONFIRMATION OF SALE OF GOVERNMENT SECURITIES

The _____, does hereby CONFIRM that it has SOLD, TRANSFERRED AND CONVEYED unto _____, pursuant to the Memorandum of Agreement for Intraday Liquidity Facility and the Participation Agreement executed on _____ and _____, respectively, all of its rights, titles and interests over the following described Government Securities, held by the Bureau of the Treasury under the Registry of Scripless Securities System.

(Code)

(Account Number)

(Name of GSED)

(Signature of Authorized Signatory)

(Designation)