

**GUIDELINES ON THE USE OF SCRIPLESS (RoSS) SECURITIES AS SECURITY DEPOSIT
FOR THE FAITHFUL PERFORMANCE OF TRUST DUTIES
(Appendix to Sec. 417 and 424)**

Definition of Terms and Acronyms

Scripless securities and RoSS securities – refers to uncertificated securities issued by the Bureau of Treasury (BTr) that are under the BTr’s Registry of Scripless Securities

Trust institution – refers to a bank that is authorized to engage in trust business

BTr – Bureau of Treasury

RoSS – Registry of Scripless Securities

BSP – Bangko Sentral ng Pilipinas

BSP-SES – Supervision and Examination Sector of BSP

SRSO – Supervisory Reports and Studies Office of BSP-SES

BSP-Comptrollership – Accounting Department of BSP

GSED – Government Securities Eligible Dealer of the BTr

DDA – refers to the regular demand deposit account of a bank with BSP- Comptrollership

MOR – Manual of Regulations for Banks

Appropriate supervising and examining department or responsible SED – refers to the Department of Commercial Banks I in the case of EKBs; or the Department of Commercial Banks II in the case of non-EKBs and branches of foreign banks; or the Department of Thrift Banks and Non-Bank Financial Institutions in the case of thrift banks, supervised by BSP.

A. Basic Requirements

1. The BSP-SES shall file with BTr an application to open a RoSS Principal Securities Account where RoSS securities of trust institutions used as security deposit for trust duties shall be held. BSP-SES shall use Annex 1 for this purpose.

2. Using *Annex 1-A*, BSP-SES shall also apply for a Client Securities Account (sub-account) for each trust institution under its RoSS Principal Securities Account to enable BSP-SES to keep track of the security deposit. BTr shall maintain Client Securities Accounts for P1,000 each month per account.
3. A trust institution which has a DDA with BSP-Comptrollership shall act as its own settlement bank.

A trust institution which does not have a DDA with the BSP-Comptrollership shall designate a settlement bank which will act as conduit for transferring securities for trust duties to the BSP-SES account and for paying interest, interest coupons and redemption proceeds. The trust institution shall inform the appropriate SED of the BSP of the designation of a settlement bank.

4. Each trust institution shall accomplish an *Autodebit/Autocredit Authorization* for its client securities account under the BSP-SES RoSS account. The document will authorize the BTr and the BSP to credit the DDA of the trust institution with BSP-Accounting for coupons/interest payments on securities in the BSP-SES RoSS accounts and to debit the DDA for the monthly fees payable to BTr for maintaining its client securities accounts with BSP-SES. It will also authorize the BTR and Bangko Sentral to credit the deposit account of BSP-SES with BSP- Comptrollership for the redemption proceeds of securities that mature while in the BSP-SES RoSS account.

A trust institution with a DDA with BSP- Comptrollership shall use *Annex 2-A* while a trust institution with a settlement arrangement shall use *Annex 2-B*.

5. BSP-SES shall open a deposit account with BSP-Comptrollership where the redemption value of securities shall be credited, in the event such securities mature while lodged in the RoSS account of BSP-SES.
6. SRSO shall be responsible for keeping track of the deposit and withdrawal of securities held under the BSP-SES Principal Securities Account and the Client Securities Accounts of the trust institutions. SRSO shall instruct BTr to transfer securities out of the BSP-SES account and the corresponding client securities accounts of trust institutions only after receiving authorization from the Director (or in his absence, the designated alternate officer) of the appropriate SED of SES.

SRSO shall also be responsible for keeping track of the BSP-SES deposit account with the BSP-Comptrollership representing credits for the redemption value of security deposit of trust institutions that have matured while in the RoSS account of BSP-SES. SRSO shall maintain sub-accounts for each trust institution for the purpose. SRSO shall instruct BSP- Comptrollership to

transfer balances out of the deposit account and the corresponding sub-account of the trust institution only after receiving authorization from the Director (or in his absence, the designated alternate officer) of the appropriate SED of SES.

7. BSP-SES shall subscribe to the *Telerate* electronic trading system which is linked to BTr's RoSS and cause the installation of a *Telerate* terminal at SRSO. Trust institutions may be required to reimburse BSP-SES for whatever expenses that may be incurred in connection with the subscription.
8. Every trust institution must ensure that it has adequate security deposit for trust duties pursuant to the provisions of Sec. 417 (*Basic Security Deposit, Eligible securities, Valuation of Securities and Basis of Computation of the Basic Security Deposit Requirement and Compliance Period; Sanctions*).
9. BTr shall provide BSP-SES with the end-of-day transaction report whenever a transaction in any client securities account is made. BTr shall also provide BSP-SES a monthly report of balances of each client securities account.
10. Every quarter, the responsible SED of BSP-SES shall determine, based on the *Report of Trust and Other Fiduciary Business and Investment Management Activities* (CBP 7-16-35TR) submitted by the trust institution, whether or not the trust institution's security deposit for trust duties is sufficient pursuant to the provision of the MOR mentioned above. In case of deficiency, the department shall recommend the imposition of sanctions and/or any other appropriate action to higher authorities.

B. Procedures for Assigning RoSS Securities as Security Deposit for Trust Duties

1. The trust institution shall advise the appropriate BSP-SES department that it will transfer RoSS securities to BSP-SES. The advice should be received by the BSP-SES at least two (2) banking days before the date of transfer using the prescribed form (*Annex 3*) and checking Box "b" of said form. (Box "a" shall be checked by a new trust institution that is making an initial security deposit pursuant to Sec. 411 (*Required Capital*)). The advice should be sent by cc mail or by fax to be followed by an official letter duly signed by an authorized trust officer.
2. The trust institution shall electronically instruct BTr to transfer securities from its own RoSS accounts to the BSP-SES RoSS and its corresponding Client Securities Account on the specified date. In the case of a trust institution with a settlement arrangement, the instruction shall be coursed through the settlement bank and the securities shall come from the RoSS account of the same bank.

3. BTr shall effect the transfer upon verification of RoSS balances. At the end of the day, BTr shall transmit a transaction report to SRSO containing the transfer.
4. SRSO shall provide the appropriate BSP-SES department a copy of the report.
5. The BSP-SES department concerned shall check from the report whether BTr effected the transfer indicated in the advice (*Annex 3*) sent earlier by the trust institution.

C. Procedures for Replacing RoSS Securities

1. The trust institution shall advise the appropriate SED of BSP-SES that it will replace existing RoSS securities assigned as security deposit. The advice should be received by the BSP-SES at least two (2) banking days before the date of replacement using the prescribed form (*Annex 3*). The trust institutions shall check Box "c" of the form and indicate the details of the securities to be withdrawn. The advice should be sent by cc mail or by fax to be followed by an official letter duly signed by an authorized trust officer.
2. The responsible BSP-SES department shall verify whether the securities to be replaced are in the RoSS account of BSP- SES and the sub-account of the trust institution and whether the book value of the securities to be deposited is equal to or greater than those to be withdrawn. The department concerned shall immediately communicate with the trust institution in case of a discrepancy.
3. The trust institution shall electronically instruct BTr to transfer securities from its own RoSS account to the BSP-SES RoSS accounts and its corresponding Client Securities Account on the specified date. In the case of a trust institution with a settlement arrangement, the instruction shall be coursed through the settlement bank and the securities shall come from the RoSS account of the same bank.
4. BTr shall effect the transfer upon verification of RoSS balances. At the end of the day, BTr shall transmit a transaction report to SRSO containing the transfer.
5. SRSO shall immediately provide the appropriate BSP-SES department a copy of the report.
6. The BSP-SES department concerned shall immediately check from the report whether the securities transferred to the BSP-SES account are the same securities described in the advice (*Annex 3*) sent earlier. If in order, the Director (or in his absence, the designated alternate officer) of the department concerned shall authorize SRSO to instruct BTr to transfer the securities specified to be withdrawn from the BSP-SES account to the trust institution's (or the

settlement bank's) RoSS account. The Department concerned shall use *Annex 5* and check Boxes "a" and "d". Should there be any discrepancy, the department shall inform the trust institution immediately. The authority to allow the withdrawal should be transmitted to SRSO not later than the day after the replacement securities were transferred to the BSP-SES account.

The BSP-SES department concerned shall also advise the trust institution that it has approved the replacement of security deposit by using *Annex 6* and checking Boxes "a" and "d" and the appropriate box under "d" depending on whether or not the trust institution has a settlement arrangement.

7. On the same day, SRSO shall instruct BTr to transfer the securities specified to be withdrawn from the BSP- SES account to the RoSS account of the trust institution (or its settlement bank).
8. BTr shall effect the transfer/ withdrawal. At the end of the day, BTr shall send a report to SRSO containing the transfer/withdrawal.
9. SRSO shall provide the appropriate BSP-SES department a copy of the report.
10. The responsible BSP-SES department shall check from the report whether BTr effected the transfer/withdrawal.

D. Procedures for Withdrawing RoSS Securities

1. The trust institution shall advise the appropriate BSP-SES department that it will withdraw existing RoSS securities assigned as security deposit. The advice should be received by the BSP-SES at least two (2) banking days before the date of withdrawal using the prescribed form (*Annex 4*) and indicating therein details of the securities to be withdrawn. The advice should be sent by cc mail or by fax to be followed by an official letter duly signed by an authorized trust officer.
2. The responsible BSP-SES department shall verify whether the securities to be withdrawn are in the RoSS account of BSP- SES and the Client Securities Account of the trust institution. The department shall also determine whether the amount of remaining security deposit will still be adequate in spite of the proposed withdrawal. If in order, the Director (or in his absence, the designated alternate officer) of the department concerned shall authorize SRSO to instruct BTr to transfer the securities specified to be withdrawn from the BSP-SES account to the trust institution's own RoSS account (or its settlement bank). The Department concerned shall use *Annex 5* and check Boxes "b" and "d". Should there be any discrepancy; the department shall inform the trust institution immediately. The authority to allow the withdrawal should be

transmitted to SRSO not later than the date of the withdrawal indicated in the advice (*Annex 4*) sent earlier by the trust institution.

The BSP-SES department concerned shall also advise the trust institution that it has approved the withdrawal of security deposit by using Annex 6 and checking Boxes “b” and “d” and the appropriate box under “d” depending on whether or not the trust institution has a settlement arrangement.

3. On the same date, SRSO shall instruct BTr to transfer the securities specified to be withdrawn from the BSP-SES account to the RoSS account of the trust institution (or its settlement bank).
4. BTr shall effect the transfer/ withdrawal. At the end of the day, BTr shall send to SRSO a report which contains the transfer/withdrawal.
5. SRSO shall provide the appropriate BSP-SES department a copy of the report.
6. The BSP-SES department concerned shall check from the report whether BTr effected the withdrawal stated in the advice (*Annex 4*) sent earlier by the trust institution.

E. Procedures for Crediting Interest Coupon Payments

On coupon or interest payment date, BTr shall instruct BSP-Comptrollership to credit the DDA of trust institutions or their designated settlement banks for coupon/ interest payment of securities held under the RoSS account of BSP-SES.

F. Procedures for Crediting and Withdrawing the Redemption Value of Matured Securities That are in the BSP-SES RoSS Account

1. On maturity date, BTr shall instruct BSP-Comptrollership to credit the deposit account of BSP-SES with BSP- Comptrollership for the redemption value of securities that mature while held as security deposit in the RoSS account of BSP-SES.
2. BTr shall send to SRSO a copy of the credit advice.
3. SRSO shall immediately provide the appropriate BSP-SES department a copy of the credit advice.
4. The responsible BSP-SES department shall immediately inform the trust institution concerned of the cash credit and shall inquire whether the trust institution intends to transfer securities to the RoSS account of the BSP-SES to replace the matured securities.

5. The trust institution shall advise the appropriate BSP-SES department that it will transfer RoSS securities to BSP-SES in place of the cash credited to the deposit account of BSP-SES with BSP-Comptrollership for matured securities. The trust institution shall check Box “d” of the prescribed form (*Annex 3*). The concerned department shall determine if the book value of the securities to be transferred is equal to or greater than the cash credit.
6. The trust institution shall electronically instruct BTr to transfer securities from its own RoSS accounts to the BSP-SES RoSS account and its corresponding Client Securities Account on the specified date. In the case of a trust institution with a settlement arrangement, the instruction shall be coursed through the settlement bank and the securities shall come from the RoSS account of the same bank.
7. BTr shall effect the transfer upon verification of RoSS balances. At the end of the day, BTr shall send a report to SRSO containing the transfer.
8. SRSO shall provide the appropriate BSP-SES department a copy of the report.
9. The BSP-SES department concerned shall immediately check from the report whether the securities transferred to the BSP-SES account are the same securities described in the advice (*Annex 3*) sent earlier by the trust institution. If in order, the Director (or in his absence, the designated alternate officer) of the Department shall direct the SRSO to instruct BSP-Accounting Department to debit the BSP-SES deposit account and transfer the funds to the DDA of the trust institution (or its designated settlement bank). The Department concerned shall use Annex 5 and check Boxes “c” and “e”.

The BSP-SES department concerned shall also advise the trust institution that it has approved the replacement of matured securities by using *Annex 6* and checking Boxes “c” and “e” and the appropriate box under “e” depending on whether or not the trust institution has a settlement arrangement.

10. SRSO shall direct BSP-Accounting to debit the BSP-SES deposit account and credit the same amount to the DDA of the trust institution (or its designated settlement bank) using Annex 7.
11. BSP-Accounting shall effect the transaction and send a copy of the debit advice to SRSO and a copy of the credit advice to the trust institution (or the designated settlement bank).
12. SRSO shall send a copy of the debit advice to the SES department concerned.

Annex 1

SUPERVISION AND EXAMINATION SECTOR

(Date)

Treasurer of the Philippines
Bureau of Treasury
Palacio del Gobernador
Intramuros, Manila

Attention: Registry of Scripless Securities (RoSS)

Dear _____:

The Supervision and Examination Sector of the Bangko Sentral ng Pilipinas (BSP- SES) hereby makes an application to open a Principal performance of trust duties of institutions engaged in trust business pursuant to Section 65 of R.A. No. 337, as amendeSecurities Account in the Registry of Scripless Securities (RoSS) for the purpose of holding the security deposit for the faithful pd.

We understand that the Bureau of Treasury shall maintain the Principal Securities Account of BSP-SES for free.

Very truly yours,

Deputy Governor

Annex 1-A

SUPERVISION AND EXAMINATION SECTOR

(Date)

Treasurer of the Philippines
Bureau of Treasury

Palacio del Gobernador
Intramuros, Manila

Attention: Registry of Scripless Securities (RoSS)

Dear Ms. _____

In connection with the Principal Securities Account of BSP-SES in the Registry of Scripless Securities (RoSS), please open Client Securities Account for the following trust institutions so we can keep track of their security deposit for the faithful performance of trust duties. Please note that the settlement bank of the institution, if it is required, is also indicated.

| Name of Trust Institution | Name of Settlement Bank, where required |
|---------------------------|---|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |

We understand that the Bureau of Treasury will maintain the Client Securities Account for P1,000 per month per account.

Very truly yours,

Authorized Signatory

Annex 2-A

To be used by a trust institution with own demand deposit account with BSP-Comptrollership

Letterhead of Trust Institution

AUTODEBIT/AUTOCREDIT AUTHORIZATION

The (name of bank) hereby authorizes the Bureau of Treasury (BTr) and the Bangko Sentral ng Pilipinas (BSP) to debit/credit our demand deposit account with BSP-Comptrollership for coupons/interest payment of our securities in the BSP-SES RoSS accounts; and to settle the payment of monthly maintenance fees to BTr of our client securities account under the BSP-SES RoSS account. We also authorize the BTr and the BSP to credit the Account of BSP-SES with BSP-Comptrollership for the

redemption proceeds of our securities in the event such securities mature while in the RoSS account of BSP-SES.

This authorization will take effect on (indicate date).

(Authorized Signatory)

Annex 2-B

To be used by a trust institution with settlement arrangement with a bank

Letterhead of Trust Institution

AUTODEBIT/AUTOCREDIT AUTHORIZATION

The (name of settlement bank) for the account of (name of trust institution) hereby authorizes the Bureau of Treasury (BTr) and the Bangko Sentral ng Pilipinas (BSP) to debit/credit our demand deposit account with BSP- Comptrollership for coupons/interest payment of securities of the trust institution in the BSP-SES RoSS accounts; for maturing securities of the trust institution held in our RoSS Principal Securities Account with BTr; and to settle the payment of monthly maintenance fees to BTr of our client securities account under the BSP-SES RoSS account.

The (name of trust institution) also authorizes the BTr and the BSP to credit the Account of BSP-SES with BSP-Comptrollership for the redemption proceeds of our securities in the event such securities mature while in the RoSS account of BSP-SES.

This authorization will take effect on (indicate date).

(Authorized Signatory of Settlement Bank)

(Authorized Signatory of Trust Institution)

Annex 3

Letterhead of Trust Institution

Date:

The Director
 SED I/SED II/SED III/SED IV
 Bangko Sentral ng Pilipinas
 A. Mabini St., Manila

Dear Sir:

We are transferring on (indicate date of transfer) the following securities to your Principal Securities Account and our Client Securities Account (sub-account) as our security deposit for the faithful performance of trust duties pursuant to Section 65 of R.A. No. 337, as amended.

| <u>Type</u> | <u>ISIN</u> | <u>Purchase Date</u> | <u>Issue Date</u> | <u>Due Date</u> | <u>Remaining Tenor¹</u> | <u>Face Amount</u> | <u>Purchase Price</u> |
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|

We are transferring the above securities:

- a. As our initial deposit
 b. As an additional security deposit
 c. To replace the following securities which we deposited on (date).

| <u>Type</u> | <u>ISIN</u> | <u>Purchase Date</u> | <u>Issue Date</u> | <u>Due Date</u> | <u>Remaining Tenor²</u> | <u>Face Amount</u> | <u>Purchase Price</u> |
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|

- d. To replace matured securities the redemption value of which P _____ is credited to the deposit account of BSP-SES with BSP-Comptrollership.

Very truly yours,

 Name and Designation of Authorized Signatory

Annex 4

Letterhead of Trust Institution

Date:

The Director
 SED I/SED II/SED III/SED IV/SED V
 Bangko Sentral ng Pilipinas
 A. Mabini St., Manila

Dear Sir:

We wish to withdraw on (indicate date of transfer) the following securities used as security deposit for the faithful performance of trust duties from the Principal Securities Account and from our corresponding Client Securities Account (sub-account).

| <u>Type</u> | <u>ISIN</u> | <u>Purchase Date</u> | <u>Issue Date</u> | <u>Due Date</u> | <u>Remaining Tenor³</u> | <u>Face Amount</u> | <u>Purchase Price</u> |
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|

Very truly yours,

 Name and Designation of Authorized Signatory

Annex 5

MEMORANDUM

SED I/SED II/SED III/ SED IV

For: The Director
 Supervisory Reports and Studies Office

From: The Directory

Subject: Scripless Securities Used As Deposit for Trust Duties

Date:

In connection with the request of ____ (indicate name of trust institution)_ dated _____ to:

- a. Replace outstanding RoSS securities
- b. Withdraw RoSS securities

c. Replace cash credit of matured securities with outstanding RoSS securities you are hereby authorized to:

d. Instruct the Bureau of Treasury to transfer the following securities out of the BSP-SES RoSS accounts to the RoSS Principal Securities Account of (indicate name of trust institution or, where applicable, the name of its settlement bank)

| <u>Type</u> | <u>ISIN</u> | <u>Purchase Date</u> | <u>Issue Date</u> | <u>Due Date</u> | <u>Remaining Tenor⁴</u> | <u>Face Amount</u> | <u>Purchase Price</u> |
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|
|-------------|-------------|----------------------|-------------------|-----------------|------------------------------------|--------------------|-----------------------|

e. Instruct BSP-Comptrollership to debit the BSP-SES deposit account in the amount of P _____ and to transfer said amount to the demand deposit account of (indicate name of trust institution or, where applicable, the name of its designated settlement bank).

(Authorized Signatory)

Annex 6

SED I/SED II/SED III/SED IV

(Date)

(Name of Trust Institution)

(Address)

Subject: Scriptless Securities Used As Deposit for Trust Duties

Dear Mr. _____:

We are pleased to inform you that we have approved your request dated _____ to:

- a. Replace outstanding RoSS securities
- b. Withdraw RoSS securities
- c. Replace cash credit of matured securities with outstanding RoSS securities.

Accordingly, we have authorized the Supervisory Reports and Studies Office to:

d. Instruct the Bureau of Treasury to transfer the following securities out of the BSP-SES RoSS accounts to -

- the RoSS Principal Securities Account
- your settlement bank's RoSS Principal Securities Account, the securities described in your request.

e. Instruct BSP-Comptrollership to debit the BSP-SES deposit account in the amount of P ____ and to credit said amount to -

- your demand deposit account with BSP-Comptrollership
- your settlement bank's demand deposit account with BSP-Comptrollership

Very truly yours,

(Authorized Signatory)

Footnotes

1. Reckoned from actual date of transfer/withdrawal
2. Reckoned from actual date of transfer/withdrawal
3. Reckoned from actual date of transfer/withdrawal
4. Reckoned from actual date of transfer/withdrawal