



Republic of the Philippines
DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

DEPARTMENT CIRCULAR NO. 001.2015
1 JUNE 2015

TO : HEADS OF ALL NATIONAL GOVERNMENT AGENCIES,
GOVERNMENT- OWNED OR -CONTROLLED
CORPORATIONS/ GOVERNMENT FINANCIAL
INSTITUTIONS AND PROVINCIAL, CITY, MUNICIPAL AND
BARANGAY TREASURERS (LOCAL TREASURERS)

SUBJECT : REVISED GUIDELINES ON AUTHORIZED GOVERNMENT
DEPOSITORY BANKS

1. LEGAL BASIS

These guidelines are being issued in line with the mandate of the Department of Finance ("DOF") under the Administrative Code of 1987 and Executive Order No. 127, series of 1987 for the sound and efficient management of the financial resources of the Government, its subdivisions, agencies and instrumentalities.

2. COVERAGE

This Circular shall cover all National Government Agencies ("NGAs"), Government-Owned or -Controlled Corporations ("GOCCs")/Government Financial Institutions ("GFIs")/Government Instrumentalities with Corporate Powers ("GICPs")/Government Corporate Entities ("GCEs") and Local Government Units ("LGUs").

3. DEFINITION OF TERMS

- 3.1 **"Authorized Government Depository Bank"** refers to a bank where Government Agencies are allowed by law to deposit Government Funds and maintain depository accounts, or by way of exception, a bank allowed or designated by the DOF and the Monetary Board to hold government deposits subject to prescribed rules and regulations.
- 3.2 **"Government Financial Institutions ("GFIs")"** refer to financial institutions or corporations in which the government directly or indirectly owns majority of the capital stock and which are either: (1) registered with or directly supervised by the Bangko Sentral ng Pilipinas ("BSP"); or are (2) collecting or transacting funds or contributions from the public and thereafter, placing them in financial instruments or assets such as deposits, loans, bonds and equity

including, but not limited to, the Government Service Insurance System and the Social Security System.

- 3.3 **“Government Funds”** include public moneys of every sort and other resources pertaining to any agency of the government.
- 3.4 **“Government Instrumentalities with Corporate Powers (“GICPs”) / Government Corporate Entities (“GCEs”)** refer to instrumentalities or agencies of the government which are neither corporations nor agencies integrated within the departmental framework, but vested by law with special functions or jurisdiction, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy usually through a charter including, but not limited to, the following: The Manila International Airport Authority, the Philippine Ports Authority, the Philippine Deposit Insurance Corporation, the Metropolitan Waterworks and Sewerage System, the Laguna Lake Development Authority, the Philippine Fisheries Development Authority, the Bases Conversion and Development Authority, the Cebu Port Authority, the Cagayan de Oro Port Authority, the San Fernando Port Authority, the Local Water Utilities Administration and the Asian Productivity Organization.
- 3.5 **“Government-Owned or -Controlled Corporations (“GOCCs”)** refer to any agency organized as a stock or non-stock corporation, vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the Government of the Philippines directly or through its instrumentalities either wholly or, where applicable as in the case of stock corporations, to the extent of at least a majority of its outstanding capital stock. *Provided, however,* That for purposes of this Circular, the term “GOCC” shall include GICP/GCE and GFI as defined herein.

4. GENERAL PRINCIPLES

- 4.1 As the Government’s steward of sound fiscal policy, the Department of Finance formulates, institutionalizes and administers policies to ensure that the government resources are managed and mobilized judiciously in a manner supportive of the development objectives of the government in promoting the welfare of the people and accelerating economic growth and stability.
- 4.2 The Bureau of Local Government Finance (“BLGF”), as the focal agency and authority in local finance, shall assist the Department of Finance in the formulation and implementation of policies on fund management.
- 4.3 Pursuant to Executive Order No. 55 (s. 2011), the government through the DOF and the Bureau of the Treasury (“BT”) implemented the Treasury Single Account (“TSA”) system for better cash management and greater transparency in public financial management.

5. GENERAL GUIDELINES

- 5.1 Pursuant to Executive Order No. 55, all National Government Agencies shall adopt the TSA system for the collection of fees, charges and other revenues and remittance of the same to the National Treasury.
- 5.2 As part of the Government's effort to strengthen its overall fiscal position, all NGAs, GOCCs, and LGUs specifically allowed by law, rules and regulations to retain income and/or for operations and/or working balances shall deposit and maintain accounts with GFIs with a universal bank license and a CAMELS rating of at least "3".
- 5.3 In view of Executive Order No. 55, series 2011 removing revenue and expenditure floats, the NGA/ GOCC/ LGU may engage the payment and collection services of a bank other than as referred under Section 5.2, thru a transaction fee-based arrangement, without the need for prior approval from the DOF, in the case of GOCCs, or, from the BLGF, in the case of LGUs: provided, that in the case of NGAs the implementation of any payment and collection system should require concurrence of BTr for consistency to the TSA framework; provided, further, that the (proposed) bank will only serve as a collection bank for the account of the NGA/ GOCC/ LGU: provided, finally that, in the case of collection banks, all collections shall be transferred to any of the GFIs referred in Section 5.2 on the next banking day counted from the collection date.
- 5.4 Bank accounts with banks other than GFIs referred in Section 5.2 may be allowed for the NGA/ GOCC/ LGU under the following circumstances:
 - 5.4.1 Where the GFIs referred under Section 5.2 cannot provide the necessary banking products and services;
 - 5.4.2 Where there are no accessible (within the twenty (20) kilometer radius) GFIs, as referred under Section 5.2, or its collection facility. The Requesting Agency shall furnish the DOF/ BTr/ BLGF a copy of the vicinity map showing the location and distance between the Requesting Agency, the GFIs referred in 5.2 hereof, and the (proposed) bank; and,
 - 5.4.3 Where security and safety are the reasons for opening and maintaining an account in a (proposed) bank. The Requesting Agency shall furnish the DOF/ BTr/ BLGF an Independent Report or Certification from the Philippine National Police Provincial Office confirming the existence of the security risks.

In the case of GOCCs and LGUs, a maintaining balance may be allowed for operating expenses of up to three (3) months, after having performed a cost-benefit analysis, or up to the maximum deposit

insurance coverage of the Philippine Deposit Insurance Corporation (PDIC) of P500,000.00, whichever is lower. All funds deposited shall be limited to operating funds and no other deposits shall be maintained for special projects or investment purposes. Any amount in excess of the authorized cash balance in Section 5.4 shall be transferred to any of the GFIs in Section 5.2.

5.5 Where the Requesting Agency cannot meet all of the conditions set forth under Sections 5.2 to 5.4, it shall request for prior approval from the DOF for GOCCs/ BTr for NGAs/ BLGF for LGUs, to open and maintain an account in the (proposed) bank other than those referred under Section 5.2.

5.5.1 In requesting for prior approval, the Requesting Agency shall submit the following specific requirements to the DOF/ BTr/ BLGF, as applicable:

- a. Letter from the Head of the Requesting Agency or its duly designated officer requesting the approval from the DOF/ BTr/ BLGF citing the terms of the deposit, purpose for opening and maintaining an account with the (proposed) bank and specific reasons and circumstances for not meeting the conditions;
- b. In the case of a GOCC, it shall submit (i) a copy of the Board Resolution authorizing the GOCC to deposit funds with the (proposed) bank, (ii) its latest audited financial statements issued not more than 18 months at the time of the submission of the request, (iii) its latest Schedule of Cash and Short-term Investment Balances and (iv) a Summary of its Daily Collection Report for the last three months;
- c. In the case of an LGU, it shall submit (i) a Certification from the (proposed) bank that no elective or appointive local government official of the LGU concerned is a director, officer or stockholder of the bank, unless certified that it is the only bank operating in the territorial jurisdiction of the LGU, (ii) a copy of the Resolution of the local *Sanggunian* concerned authorizing the LGU to deposit funds with the (proposed) bank with the approval of the Local Chief Executive and (iii) a copy of the Certification from the Department of Interior and Local Government (DILG) on the Seal of Good Housekeeping or any document from DILG showing that the LGU has passed the Seal of Good Housekeeping;
- d. In cases where security and safety are the reasons for opening and maintaining an account in a (proposed) bank other than the GFIs referred under Section 5.2, the

Requesting Agency shall submit an Independent Report or Certification from the Philippine National Police Provincial Office confirming the existence of the security risk;

- e. The (proposed) bank's latest CAMELS rating issued by the BSP;
- f. Vicinity map showing the location and distance between the Requesting Agency, the GFIs mentioned in 5.2 hereof, and the (proposed) bank;
- g. Notarized Waiver in favor of the BTr and the (proposed) bank to allow BTr in the case of NGAs to have oversight authority on the bank account and for the bank to provide any required reports/statements to BTr; and
- h. Other information that the DOF/ BTr/ BLGF may require in the course of its evaluation.

5.5.2 In cases where the GFIs mentioned in Section 5.2 hereof establishes or operates a branch within the territorial jurisdiction or in the locality where the NGA/ GOCC/ LGU or any of its branches, field offices, departments, divisions or operating units holds or conducts its office or business, or where the circumstances under Section 5.4 is no longer prevailing, the NGA/ GOCC/ LGU shall transfer all funds and cash balances to GFIs mentioned in Section 5.2 within three (3) banking days from the time the exceptional circumstance is no longer prevailing, whichever comes first: provided, that in the case of an NGA, proper reporting of cash balances on the bank accounts should be made to the BTr or its field offices before and after the closure of the account with the (proposed) bank.

6. SANCTIONS

Any violation of this Circular shall be a ground for the imposition of the following sanctions:

- 6.1 For the bank, other than those referred under Section 5.2, the DOF shall recommend to BSP the 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 without prejudice to other sanctions as may be imposed by the BSP.
- 6.2 For NGAs/ GOCCs/ LGUs, the Heads of NGAs/ GOCCs/ LGUs shall be responsible for the compliance of this Circular without prejudice to criminal and/or administrative liability in accordance with existing laws, rules and regulations.

7. REPEALING CLAUSE

This Circular supersedes DOF Order No. 27-05 dated 09 December 2005, DOF Order No. 32-03 dated 10 November 2003, DOF Order No. 11-99 dated 24 February 1999 and all other DOF issuances and regulations which are inconsistent herewith.

8. EFFECTIVITY

This Circular shall take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.


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