



Republic of the Philippines
DEPARTMENT OF FINANCE

Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

DEPARTMENT CIRCULAR NO. 01 2017
11 May 2017

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 : AMENDED GUIDELINES ON AUTHORIZED GOVERNMENT DEPOSITORY BANKS

Section 1. Section 3 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows:

- "3.1 ***Authorized Government Depository Banks***" ("***AGDBs***")" refer to banks where NGAs/ GOCCs/ GFIs/ GICPs/ GCEs and LGUs are allowed by law to deposit Government Funds and maintain depository accounts, or by way of exception, a bank allowed by the Department of Finance 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, including LGUs and GOCCs.
- 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

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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.”

Section 2. Section 5.2 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows:

"5.2 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 Government Funds with any of the following banks:

- a. *Land Bank of the Philippines;*
- b. *Development Bank of the Philippines;*
- c. *Philippine Postal Savings Bank;*
- d. *Al Amanah Islamic Investment Bank of the Philippines;*
- e. *United Coconut Planters Bank* - authorized to accept funds from NGAs/ GOCCs/ LGUs until further notice from the BSP, and subject to limitations that may be prescribed by the Monetary Board; and
- f. *Philippine Veterans Bank* - authorized to accept funds from NGAs/ GOCCs/ LGUs, and subject to limitations prescribed by the Monetary Board.

5.2.1 NGAs and GOCCs shall secure written authority to open deposit accounts and/or deposit Government Funds from the duly authorized official of the BTr/ DOF in all banks, including those listed in Section 5.2, in accordance with relevant laws, issuances, and regulations of the BSP. NGAs and GOCCs shall submit a notarized waiver: (i) allowing the BTr/ DOF to examine, inquire, or look into all its deposits or accounts in all banks, including those listed in Section 5.2, and (ii) allowing the BTr/ DOF to require the banks, including those listed in Section 5.2, to submit reports/statements with respect to its accounts.

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Subject to the existence of any of the circumstances under Section 5.4 and prior approval under Section 5.5, a GOCC may be allowed to deposit Government Funds and maintain accounts with banks other than those listed in Section 5.2, *provided* that the account balance shall be either: (i) equivalent to its operating expenses of up to three (3) months based on its latest audited financial statement; or (ii) up to the maximum deposit insurance coverage of the Philippine Deposit Insurance Corporation (PDIC) of P500,000.00, whichever is lower. All Government Funds deposited in banks other than those listed in Section 5.2 shall be used solely for operations, 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 the TSA or to any of those listed in Section 5.2.

5.2.2 Subject to the existence of any of the circumstances under Section 5.4 and prior approval under Section 5.5, provinces, cities, and municipalities may be allowed to deposit Government Funds and maintain accounts with banks other than those listed in Section 5.2, *provided* that municipalities are allowed to deposit Government Funds, without need of the BLGF's prior approval, for the maintenance of an account that shall have a balance up to its maximum maintaining balance provided in Schedule A of this Circular. All LGUs shall comply with the requirements of Section 5.5.2, and other relevant laws, issuances, and regulations of the BSP."

Section 2. Section 5.3 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows:

"5.3 To remove revenue and expenditure floats:

5.3.1 The NGA/ GOCC/ LGU, may engage the payment and collection services of banks other than those listed in 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 approval of BTr for consistency with 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, all collections of collection banks shall be transferred to any of those listed in Section 5.2, or in the case of NGAs/ GOCCs, to the TSA or to any of those listed in Section 5.2, on the next banking day counted from the collection date.

5.3.2 All interest income earned by deposits of NGAs/ GOCCs shall be remitted quarterly to the National Treasury, unless expressly provided by law that interest earnings of the account shall accrue to the fund for which the account was opened or maintained. The NGA/ GOCC shall furnish the bank a copy of the certification of the exemption from automatic remittance of

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interest income, which may be granted by the BTr/ DOF upon confirmation of the legal basis submitted by the NGA/ GOCC."

Section 3. Section 5.4 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows:

" 5.4 Deposits with banks other than those listed in Section 5.2 may be allowed, only if any of the following circumstances exists:

5.4.1 The banks listed in Section 5.2 cannot provide the required banking products and services;

5.4.2 The banks listed in Section 5.2, or their collection facilities, are not accessible within a twenty (20) kilometer radius; or

5.4.3 There are security and safety risks."

Section 4. Section 5.5 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby amended to read as follows:

"5.5 Where any of the circumstances under Section 5.4 exists:

5.5.1 The NGA/ GOCC/ LGUs shall request prior approval from the BTr for NGAs/ DOF for GOCCs/ BLGF for LGUs, to open and maintain an account in a bank other than those listed in Section 5.2. It shall submit the following to the BTr/ DOF/ BLGF, as applicable:

- a. Letter from the Head of the NGA/ GOCC/ LGU or its duly designated officer stating: (i) the terms of the deposit, purpose for opening and maintaining an account with the proposed bank, and the specific circumstance under Section 5.4; and, (ii) that the NGA/ GOCC/ LGU shall comply with fiscal and financial reporting requirements of the BTr/ DOF/ BLGF;
- 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 eighteen (18) months at the time of the submission of the request, and (iii) a Summary of its Daily Collection Report for the last three (3) months;
- c. In the case of an LGU, it shall submit: (i) a certification from the proposed bank that no elective or appointive 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; and, (ii) a copy of the Resolution of the local *Sanggunian* authorizing the LGU to

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deposit funds with the proposed bank with the approval of the Local Chief Executive, and directing the Local Chief Executive and all concerned officers to perform all such acts to ensure full compliance with fiscal and financial reporting requirements of the DOF and the BLGF;

- d. In cases where the circumstance in Section 5.4.1 is prevailing, the letter from the Head of NGA/ GOCC/ LGU shall identify the specific banking products or services required, and, if so required by the BTr/ DOF/ BLGF, provide certifications from those listed in Section 5.2 that the banking products or services cannot be provided;
- e. In cases where the circumstance in Section 5.4.2 is prevailing, the NGA/ GOCC/ LGU shall submit a vicinity map showing (i) the locations, and (ii) the distance between the NGA/ GOCC/ LGU, and those listed in Section 5.2, and (iii) the distance between the NGA/ GOCC/ LGU and the proposed bank;
- f. In cases where the circumstance in Section 5.4.3 is prevailing, the NGA/ GOCC/ LGU shall submit a report or certification from the Philippine National Police Provincial Office confirming the existence of the security risk; and
- g. Other information that the BTr/ DOF/ BLGF may require in the course of its evaluation.

5.5.2 The NGAs/ GOCCs/ LGUs shall require the proposed bank to: (i) within one (1) banking day, notify the NGA/ GOCC/ LGU, if the bank's authority to accept government deposits has been revoked pursuant to relevant laws, issuances, or regulations of the BSP; and, (ii) within five (5) banking days, submit to the BSP proof of receipt of such notice.

On the last business day of March of every year, the heads of NGAs/ GOCCs/ LGUs shall submit the following to the BTr/ DOF/ BLGF: (i) a report on its receipt of a notice of revocation of authority from any bank where it maintains an account, if any; and, (ii) a list of its accounts in all banks."

Section 5. Section 5.5.2 of Department Circular No. 01-2015 dated June 1, 2015, as amended, is hereby renumbered as Section 5.6, and amended to read as follows:

"5.6 Where (i) any of those listed in Section 5.2 establishes or operates a branch or extension office 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 (ii) the exceptional



circumstance under Section 5.4 is no longer prevailing, whichever comes first: the NGA/ GOCC/ LGU shall transfer all funds and cash balances to banks listed in Section 5.2 within three (3) banking days; *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."

Section 6. Section 3 of Department Circular No. 03-2016 (Requests for Extension of Deadline) is hereby deleted. The provision on "Sanctions" of Department Circular No. 01-2015 is hereby reinstated and renumbered as Section 6-A, and shall be implemented starting July 1, 2017.

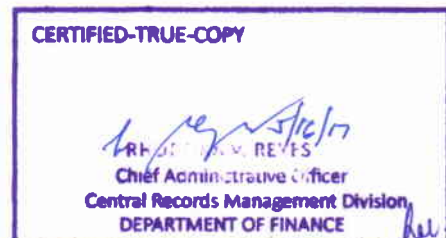
Section 7. NGAs and GOCCs shall submit notarized waivers required under Section 5.2.1 for all existing accounts within ninety (90) days from the effectivity of this Department Circular.

Section 8. All other orders, circulars, memoranda, issuances contrary or inconsistent herewith, including Department Circular No. 03-2015 dated August 24, 2015, and Department Circular No. 02-2016 dated July 8, 2016, except Sections 1 and 3, are hereby revoked and/or modified.

Section 9. This Circular shall take effect immediately, upon publication in the Official Gazette or in a newspaper of general circulation in the Philippines.



CARLOS G. DOMINGUEZ
Secretary



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SCHEDULE A

**Prescribed Maximum Maintaining Balance of LGUs
with banks that are not listed in Section 5.2**

LGU - Income Classification	Maximum Maintaining Balance (Php)
Municipality – 1 st Class	15,000,000.00
Municipality – 2 nd Class	10,000,000.00
Municipality – 3 rd Class	7,500,000.00
Municipality – 4 th Class	5,500,000.00
Municipality – 5 th Class	3,500,000.00
Municipality – 6 th Class	2,500,000.00
Barangay	500,000.00

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