



Republic of the Philippines
DEPARTMENT OF FINANCE
BUREAU OF LOCAL GOVERNMENT FINANCE

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BLGF MEMORANDUM CIRCULAR NO. 07-01-2017
3 July 2017

TO : All Central and Regional Directors of this Bureau; All Provincial, City and Municipal Treasurers; and All Others Concerned

SUBJECT : DOF Department Circular No. 01.2017 (Amended Guidelines on Authorized Government Depository Banks)

This Memorandum Circular is issued to inform and enjoin the compliance by all concerned of the herein attached Department Circular (DC) No. 01.2017, dated 11 May 2017, issued by the Secretary of Finance, and published in the Manila Standard on 18 May 2017, prescribing the amended guidelines on authorized government depository banks for all local government units (LGUs).

The amendments under DC No. 001.2017, in regard to LGU concerns, read as follows:

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 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."

x x x

x x x

x x x

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 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 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 LGUs, and subject to limitations prescribed by the Monetary Board.

5.2.1 x x x.

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 3. 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 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 BLGF: *provided*, that the proposed bank will only serve as a collection bank for the account of the LGU: *provided, further*, that all collection banks shall be transferred to any of those listed in Section 5.2 on the next banking day counted from the collection date."

x x x

x x x

x x x

Section 4. 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 5. 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 LGU shall request prior approval from the BLGF to open and maintain an account in a bank other than those listed in Section 5.2. It shall submit the following to the BLGF, as applicable:

- a. Letter from the Head of the 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 LGU shall comply with fiscal and financial reporting requirements of the BLGF;

- b. x x x.
- 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 deposit funds with the proposed bank with the approval of the Local Chief Executive, and directing the Local Chief Executive and all concerned with fiscal and financial reporting requirements of the DOF and the BLGF;
- d. In cases where the circumstances in Section 5.4.1 is prevailing, the letter from the Head of LGU shall identify the specific banking products or services required, and, if so required by the 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 LGU shall submit a vicinity map showing (i) the locations, and (ii) the distance between the LGU, and those listed in Section 5.2 and (iii) the distance between the LGU and the proposed bank;
- f. In cases where the circumstance in Section 5.4.3 is prevailing, the LGU shall submit a report or certification from the Philippine National Provincial Office confirming the existence of the security risk; and
- g. Other information that the BLGF may require in the course of its evaluation.

5.5.2 The LGUs shall require the proposed bank to: (i) within one (1) banking day, notify the 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 LGUs shall submit the following to the 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 6. 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 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 LGU shall transfer all funds and cash balances to banks listed in Section 5.2 within three (3) banking days."

Section 7. 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 8. x x x:

Section 9. 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 10. This Circular shall take effect immediately, upon publication in the Official Gazette or in a newspaper of general circulation in the Philippines.


Schedule A of DC No. 01-2017 provides the following prescribed maximum maintaining balance of LGUs with non-AGDBs:

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

Furthermore, for the effective monitoring thereof and for the purpose of updating the database of this Bureau in line with Sec. 5.5.2 of said DC, all local treasurers are instructed to submit to the concerned BLGF Regional Office, not later than **29 September 2017**, an updated report on LGU depository banks as of **30 June 2017**, using the previously issued standard reporting format by this Bureau.

The Regional Directors of this Bureau are hereby instructed to immediately and widely disseminate this issuance to all Provincial, City and Municipal Treasurers within their respective regional jurisdictions, who in turn are likewise hereby directed to provide a copy for their respective Provincial Governors, City and Municipal Mayors and others concerned.

For strict compliance.



NIÑO RAYMOND B. ALVINA
OIC Executive Director