



BANGKO SENTRAL NG PILIPINAS

REGIONAL OPERATIONS AND ADVOCACY SECTOR | OFFICE OF THE DEPUTY GOVERNOR

MEMORANDUM NO. M-2022-034

To : **ALL AUTHORIZED AGENT BANKS**

Subject : **Guidelines on the Computation and Payment of Rebates, Refunds and Incentives (RRI) for Unfit Banknote Deposits Under BSP Circular No. 1106**

Pursuant to BSP Circular No. 1106 dated 23 December 2020,¹ the following guidelines shall be observed in the computation and payment of RRIs² for unfit banknote deposits of banks to the BSP:

1. RRIs to be applied on new and fit banknote withdrawals shall be based on the distribution³ of unfit banknote deposits⁴ per denomination using the following rates per bundle:

DENOMINATION	Rebate/Refund Rates per Bundle of Proportioned Unfit Deposits (in PHP)		Incentive Rates per Bundle of Excess Unfit Banknote Deposits over Withdrawals (in PHP)
	NEW	FIT	
1000 - Piso	160	100	50
500 - Piso	60	30	15
200 - Piso	40	28	14
100 - Piso	20	14	7
50 - Piso	10	7	3.5
20 - Piso	4	3	1.5

Source: Section 1 of Circular No. 1106 Series of 2020 dated 23 December 2020

2. Rebates⁵ and Refunds⁶ may only be applied to the service fees on withdrawals⁷ for the current year provided that the bank has unfit banknote deposits with the BSP on the same year.
3. Incentives for the excess bundles of unfit banknote deposits over withdrawals may be applied to the service fees on withdrawals in the current year and the

¹ Restructured Service Fees of Bank's Deposit and Withdrawal Transactions

² The Rebates, Refunds, and Incentives (RRI) earned from unfit banknote deposits allow the banks to recover the service fees charged by the BSP on new and fit banknote withdrawals.

³ The bundles of unfit banknote deposits for the year shall be distributed based on the bundles of new and fit banknote withdrawals for the year. The bundles of new banknote withdrawals shall be prioritized over fit banknote withdrawals and any excess thereon shall be entitled to applicable incentive rates. (**Appendix A for sample illustration**)

⁴ Includes bulk and over-the counter (OTC) deposits converted to bundles.

⁵ Rebates, or partial refund of the service fees, shall be applied to high-denominated banknotes (1,000- and 500- Piso).

⁶ Refunds, or the return of the full amount of the service fees, shall be applied to low-denominated banknotes (200-, 100-, 50- and 20 - Piso).

⁷ Pursuant to MB Resolution No. 504 dated 22 April 2021, the GMRO (formerly Cash Department), shall waive the service fees on 200-Piso banknote withdrawals beginning 30 April 2021 until further notice.

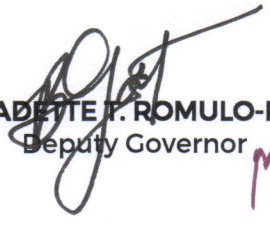
succeeding two (2) years. Any balance on incentives after the said period can no longer be utilized.

4. Likewise, any excess service fees on withdrawals over incentives by the end of the year shall be carried over to the next two (2) succeeding years and any balance can no longer be recovered after the said period.
5. The total RRI shall be applied to the total service fees on banknote withdrawals, regardless of the denomination.
6. The application of RRI on withdrawal service fees shall be on a First In, First Out (FIFO) basis, wherein the balances of incentives or service fees carried over from previous years that will expire first, shall be utilized first (*Appendix B*).
7. Payments of RRI shall not be greater than the total amount of service fees charged on withdrawals, including carry-overs.
8. A *Statement of Rebates, Refund and Incentives* shall be issued to the banks prior to payment. Any concerns or clarifications may be raised by the banks within five (5) working days from the receipt thereof.
9. The BSP Regional Offices and Branches (ROBs) shall pay the RRI through direct credit to the respective Demand Deposit Account (DDA) of banks with a corresponding issuance of credit advice evidencing payment every first quarter of the succeeding year⁸.

These guidelines shall take effect immediately and shall cover the banks' banknote withdrawals and unfit banknote deposits since the implementation of the BSP Circular No. 1106 dated 23 December 2020, as follows:

- 13 January 2021 for banks being serviced by the BSP Greater Manila Regional Office; and
- 01 June 2021 for banks being serviced by other BSP ROBs.

For guidance and implementation.


BERNADETTE T. ROMULO-PUYAT
Deputy Governor

08 August 2022

⁸ With the exception of 2021 RRI which shall be paid within Q3 2022 in consideration of the finalization of the budget and payment procedures

Appendix A. Distribution of the Unfit Banknote Deposits for the Year and Computation of the RRI

Scenario 1: Deposits are greater than withdrawals

A. Distribution of Bundles of Unfit Deposits Subject to RRI

Suppose that for the year, a bank has 200 bundles of 1,000-Piso unfit banknote deposits and 180 bundles of banknote withdrawals of the same denomination wherein 100 bundles are new, and 80 bundles are fit. Additionally, the bank also has 300 bundles of 50-Piso unfit banknote deposits and 150 bundles of withdrawals of the same denomination wherein 50 bundles are new, and 100 bundles are fit. The distribution of the bundles of unfit banknote deposits for purposes of application of the RRI rates shall be as follows:

Denomination	Actual Withdrawals FTY (In bundles)			Unfit Deposits FTY (In bundles)	Distribution of Bundles of Unfit Deposits Subject to RRI			
	New	Fit	Total		New	Fit	Excess	Total
1,000 - Piso	100	80	180	200	100	80	20	200
50 - Piso	50	100	150	300	50	100	150	300
Total	150	180	330	500	150	180	170	500

B. Computation of RRI under Scenario 1

(a) 1,000 - Piso		No. of Bdls.	Rebate Rate		
New	100	x	₱ 160.00	=	₱ 16,000.00
Fit	80	x	100.00	=	8,000.00
Total Rebates (R)					<u>24,000.00</u>
(b) 50 - Piso			Refund Rate		
New	50	x	10.00		500.00
Fit	100	x	7.00		700.00
Total Refund (R)					<u>1,200.00</u>
(c) Excess Unfit Deposits Over Withdrawals			Incentive Rate		
1,000 - Piso	20	x	50.00		1,000.00
50 - Piso	150	x	3.50		525.00
Total Incentives (I)					<u>1,525.00</u>
TOTAL RRI (a + b + c)					<u><u>₱ 26,725.00</u></u>

Scenario 2: Deposits are less than withdrawals⁹

A. Distribution of Bundles of Unfit Deposits Subject to RRI

Suppose that for the year, a bank has 80 bundles of 1,000-Piso unfit banknote deposits and 180 bundles of banknote withdrawals of the same denomination wherein 100 bundles are new, and 80 bundles are fit. Additionally, the bank also has 100 bundles of 50-Piso unfit banknote deposits and 120 bundles of withdrawals of the same denomination wherein 50 bundles are new, and 70 bundles are fit. The distribution of the bundles of unfit banknote deposits for purposes of application of the RRI rates shall be as follows:

Denomination	Actual Withdrawals FTY (In bundles)			Unfit Deposits FTY (In bundles)	Distribution of Bundles of Unfit Deposits Subject to RRI			
	New	Fit	Total		New	Fit	Excess	Total
1,000 - Piso	100	80	180	80	80	-	-	80
50 - Piso	50	70	120	100	50	50	-	100
Total	150	120	300	180	130	50	-	180

B. Computation of RR under Scenario 2

(a) 1,000 - Piso		No. of Bdl.		Rebate Rate	
New	80	x	₱ 160.00	=	₱ 12,800.00
Total Rebates (R)					<u>12,800.00</u>
(b) 50 - Piso				Refund Rate	
New	50	x	10.00		500.00
Fit	50	x	7.00		350.00
Total Refund (R)					<u>850.00</u>
TOTAL RR (a + b)					<u><u>₱ 13,650.00</u></u>

⁹ If deposits are less than withdrawals for the year, the bank will not be entitled to incentives for the year. However, the bank may still use any excess or unutilized portion of incentives carried over from previous years for deduction to the bank's service fees on withdrawals.

Appendix B. Application of First In, First Out (FIFO) Basis for Service Fees or Incentives Carried Over

Scenario 1: Bank A has a balance on incentives carried over from Year 1

Suppose that Bank A has the following details for Year 2:

Balance of Incentives Carried Over from Year 1	30,000.00
RRIs Earned in Year 2 ¹⁰	26,725.00
Service Fees on Withdrawals for Year 2	150,000.00

The balance of incentives earned from Year 1 shall be applied to the service fees on withdrawals first before the RRIs earned in Year 2 as shown below:

Services Fees on Banknote Withdrawals for Year 2	150,000.00
(1) Less: Balance of Incentives Carried Over from Year 1	<u>(30,000.00)</u>
Balance of Service Fees after Incentives from Year 1	<u>120,000.00</u>
Less: RRIs Earned in Year 2	
(2) Rebates	(24,000.00)
(3) Refunds	(1,200.00)
(4) Incentives	<u>(1,525.00)</u>
Total RRIs Earned in Year 2	<u>(26,725.00)</u>
Balance of Service Fees for Carry Over to Year 3	<u>93,275.00 *</u>
<i>*To expire by end-Year 4</i>	

¹⁰ Please see Appendix A, Scenario 1, Item B for the RRI computation.

Scenario 2: Bank B has a balance on service fees carried over from Year 1

Suppose that Bank B has the following details for Year 2:

Balance of Service Fees Carried Over from Year 1	30,000.00
Service Fees on Withdrawals for Year 2	10,000.00
RRIs Earned in Year 2 ¹¹	26,725.00

Similarly, if a bank has a balance of service fees on withdrawals carried over from year 1 and was also debited for service fees in year 2, the balance of service fees on withdrawals carried over from year 1 shall be applied to the RRIs earned on unfit deposits first before the service fees charged in year 2 as shown below:

Balance of Service Fees on Banknote Withdrawals from Year 1	30,000.00
Less: RRIs Earned in Year 2	
(1) Rebates	(24,000.00)
(2) Refunds	(1,200.00)
(3) Incentives	(1,525.00)
Total RRIs Earned in Year 2	(26,725.00)
Balance of Service Fees on Withdrawals from Year 1 After RRI	3,275.00 *
Add: Service Fees on Withdrawals from Year 2	10,000.00 **
Balance of Service Fees for Carry Over to Year 3	13,275.00
*To expire by end-Year 3	
**To expire by end-Year 4	

¹¹ Please see Appendix A, Scenario 1, Item B for the RRI computation.