



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGATANG - YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MANILA

TREASURY CIRCULAR NO. 03-2017
20 October 2017

TO : All Heads of Departments/Agencies/State Universities and Colleges (SUCs) including Commissions/Offices under the Constitutional Fiscal Autonomy Group (CFAG), All Disbursing Officers, Cashiers and Accountants, Bureau of the Treasury Regional Directors and Chief Treasury Operations Officer II/Officers-In-Charge, Branch Managers of Authorized Government Servicing Banks and All other Concerned.

SUBJECT : REDUCTION IN THE EXPIRY PERIOD OF MDS CHECK FROM SIX (6) MONTHS TO THREE (3) MONTHS FROM DATE OF ISSUE

1.0 BASIS

This Treasury Circular is hereby issued pursuant to Executive Order No. 55 Series of 2011 mandating the Bureau of the Treasury (BTr) to implement and adopt a Treasury Single Account that will allow the National Government (NG) consolidate its cash resources in daily basis and provide a more effective way of managing cash and rationalizing agency bank accounts

2.0 BACKGROUND

2.1 The purpose of an effective cash management is ensuring that cash is available to settle daily authorized payment arising from the execution of national budget while maximizing the return on idle cash and minimizing the associated costs and risks.

2.2 The Modified Disbursement System (MDS) is used by BTr in monitoring, recording and projecting daily cash requirements of National Government Agencies which utilize checks or electronic payment through the Authority to Debit Account (ADA) for disbursements. Payment through ADA instead of checks has the following advantages among others: (i) it allows the BTr to plan its cashflow more accurately; (ii) it simplifies funding of the BTr account with MDS banks wherein all MDS payments issued by NGAs are debited, thus allowing savings on idle cash; (iii) it expedites payment to suppliers/contractors; and (iv) simplify administration and accounting procedures.

2.3. With the issuance of DBM Circular Letter 2013-16 on the use of ADA, many NGAs still use checks for payments. Moreover, it has been observed that issuance of checks increases before the quarterly lapsing of the Notice of Cash Allocation (NCA) resulting in a spike of check floats.

2.4 The large number of outstanding check floats complicates BTr cashflow planning and reconciliation procedures as the BTr needs to keep track of the outstanding check floats to ensure availability of funds when the checks are cleared while prudently maximizing the return on idle cash.

3.0 OBJECTIVES

3.1 To enhance the predictability of daily cashflow requirements of NGAs.

3.2 To improve the efficiency of expenditure data consolidation and to minimize aging of checks.

3.3 To expedite the payment of government obligation to suppliers of goods and services.

3.4 To reduce the large balances of outstanding MDS check.

3.5 To simplify accounting, reconciliation and monitoring of the age profile and composition of check floats.

4.0 GUIDELINES

4.1 Coverage

4.1.1 All NGAs or Spending Agency (SAs) utilizing their spending authority through MDS

4.1.2 All MDS Authorized Government Servicing banks and their branches.

4.1.3 Other commercial banks that will accept MDS checks

4.2 Use of NGAs stocks of MDS check

4.2.1 All concerned Spending Agencies shall:

4.2.1.1 Utilize the stocks on hand of MDS check with new design prescribed in Treasury Circular No. 02-2017, dated February 15, 2017 in view of the Philippine Clearing House Corporation Memorandum Circular No. 3126 and 3136 dated June 6 and 16, 2016 respectively

4.2.1.2 Post/Type clearly the words "VALID FOR THREE MONTHS FROM DATE OF ISSUE" on the original and

duplicate copy of the MDS check referred in Section 4.2.1.1 any unused checks in the current inventory to be issued after the transitory period. The marking of validity should be at the lower left portion of the check. The sample design of check is attached for reference as Annex "A"

4.2.1.3 Always attach the duly signed and dated duplicate copy of the checks listed therein as prescribed in DOF Circular 2-94, 2-95 dated May 11, 1994 and April 3, 1995, respectively when submitting to AGSB/branch the ACIC. For e-MDS users, the duplicate copy of the checks shall be submitted to their MDS bank not later than the next banking day of ACIC preparation and submission.

4.2.1.4 Re-order/Request from AGSB set of check book with three months validity print on the check, subject to the prescribed guidelines stipulated in Treasury Circular No. 1-2014, dated May 20, 2014 regarding the re-order or purchase of MDS checks

4.2.2 All MDS Authorized Government Servicing Banks shall:

4.2.2.1 Accept the ACIC from the SAs **only** if duly signed and the dated duplicate copy of checks listed in the ACIC are attached thereto. Ensure that checks presented for encashment/clearing bear the three months validity on the original and duplicate copy of the checks issued starting on **January 2, 2018**.

4.2.2.2 Make available for re-order by SAs new set of MDS check book bearing the three month validity marking/print on the check on or before **January 2, 2018**.

4.2.3 Other commercial banks shall not accept MDS checks for clearing and/or negotiation beyond the three months validity period from issuance date.

5.0 TRANSITORY PROVISIONS

MDS checks to be issued starting **January 2, 2018** shall already indicate **"VALID FOR THREE MONTHS FROM DATE OF ISSUE"**.

All GSBs shall have until December 31, 2017 to enhance and enable their MDS system to handle and monitor the checks with the three months validity period.

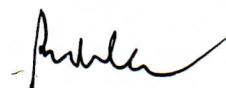
6.0 REPEALING CLAUSE

All Circulars, orders and memoranda inconsistent herewith are repealed, revoked,

and/or modified accordingly.

7.0 EFFECTIVITY




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



ROSALIA V. DE LEON
Treasurer of the Philippines

014506

SAMPLE MDS CHECK DESIGN

ACCOUNT No. 002144-9004-83	ACCOUNT NAME  TREASURER OF THE PHILIPPINES FOR THE ACCOUNT OF INSURANCE COMMISSION	 226	CHECK No. 0000200226	BRSTM 010351 0342								
Member: PDIC		DATE _____										
PAY TO THE ORDER OF _____		P										
PESOS** _____		// We allow the electronic clearing of this check and hereby waive the presentation for payment of this original to LANDBANK										
	LANDBANK U.N. AVENUE BRANCH GROUND FLOOR, VICTORIA BUILDING UN AVENUE CORNER M. GUERRERO ST. HERMITA, MANILA	<table border="1"> <thead> <tr> <th>FUND</th> <th>AGENCY</th> <th>AREA</th> <th>ALLOTMENT OBJ. CLASS</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>			FUND	AGENCY	AREA	ALLOTMENT OBJ. CLASS				
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