



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACANANG, MANILA



CIRCULAR LETTER

No. 2015 - 12
December 1, 2015

TO : Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government, Budget Officers; Heads of Accounting Units; Heads of Modified Disbursement System-Government Servicing Banks (MDS-GSBs); and All Others Concerned

SUBJECT : Modification on Period for the Encashment of MDS Checks and Payment through Advice to Debit Account (ADA) under the MDS for the Rest of FY 2015

1.0 Rationale

Given the comfortable cash balances at the National Treasury during the current year and to facilitate immediate encashment of MDS checks issued/ payment through ADA, as well as to avoid undue pressure in FY 2016 cash disbursement program due to encashment of outstanding checks still valid as of end-2015, this circular is issued to prescribe the disbursement procedures to be observed for the rest of FY 2015.

2.0 In the disbursement of government funds, the following procedures are prescribed under existing Circular Letters (CLs):

2.1 MDS Checks

2.1.1 MDS checks issued by agencies/OUs shall be covered by Advice of Checks Issued and Cancelled (ACIC);

2.1.2 Agencies shall release MDS checks the day after the covering ACIC has been submitted to the servicing bank concerned; and

2.1.3 MDS checks shall be presented to the servicing bank **not earlier than 24 hours after the date of issue.**

2.2 Advice to Debit Advice (ADA)

2.2.1 List of Due and Demandable Accounts Payable (LDDAP) - ADAs submitted by agencies/OUs to the MDS-GSB shall be covered by a Summary of LDDAP-ADAs Issued and Invalidated ADA Entries (SLIIE), the document equivalent to ACIC.

2.2.2 MDS-GSBs shall effect direct payment by crediting the creditor/payees' bank account, **not earlier than 24 hours but not**

later than 48 hours after receipt of the LDDAP-ADA, chargeable against the agency's MDS sub- account/s.

- In the case of far-flung location of certain MDS-GSB branches specifically identified by the MDS-GSB Head Office (where fax/wire/cable cannot be used), the reckoning time for the crediting will be the actual receipt by the said specific MDS-GSB branch, of the copy of the LDDAP-ADA sent via pouch, from either its MDS-GSB HO for DBM CO releases or for the MDS-GSB RO branch for DBM RO releases.
- 3.0 To facilitate encashment of MDS checks and crediting of payments through ADA to creditor/payee's bank accounts, the **following procedures in the settlement of due and demandable accounts payable (AP) shall be observed for the period December 1 to December 31, 2015:**
- 3.1 The **24-hour waiting period** for the encashment of MDS checks as well as the crediting of creditor/payee's bank accounts specified in the LDDAP-ADA **is hereby lifted/suspended for the specified period.** Thus, agencies/OUs are instructed to immediately/transmit without delay the properly accomplished ACICs/SLIIEs to their respective MDS-GSBs.
- 3.2 Upon receipt of the covering ACIC/SLIIE by the MDS-GSB concerned, agencies/OUs shall:
- 3.2.1 Immediately release the MDS Checks to creditor/payees; and
- 3.2.2 Provide the NGA/OU concerned with a copy of the duly validated/posted ADA, to inform the NGA/OU of the following:
- Direct payments effected in favor of creditors, i.e., machine validation shown in the lower portion of the said document; and
 - Non-payment to creditor/payees indicated under "remarks" column, due to any inconsistency of information (i.e., bank branch, account name/number) between bank records and LDDAP-ADA.
- 4.0 Agencies/OUs are encouraged to settle all their due and demandable APs by paying through ADA/issuing MDS checks, and advising their creditors/payees to immediately encash issued checks, to accelerate payments this year and reduce the volume of prior year's checks to be paid in FY 2016. However, they may still pay through ADA/issue MDS checks up to the last working day of the year (i.e., December 29, 2015).
- 5.0 This Circular shall take effect starting December 1, 2015 until the last working day of FY 2015.


FLORENCIO B. ABAD
Secretary