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TO APPROVE AMENDMENTS TO THE PROVISIONS OF SECTIONS 72 AND 73 OF CIRCULAR NO. 1389 DATED 13 APRIL 1993, ITEM “D” OF CIRCULAR NO. 433 DATED 13 MAY 2004, THE MANUAL OF ACCOUNTS FO...

BSP CIRCULAR NO. 478, S. 2005, February 22, 2005

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The Monetary Board, in its Resolution No. 137 dated 3 February 2005, approved the following amendments to the provisions of Sections 72 and 73 of Circular No. 1389 dated 13 April 1993, Item "d" of Circular No. 433 dated 13 May 2004, the Manual of Accounts for Expanded Commercial Banks and Commercial Banks, and the Manual of Accounts for Thrift Banks:

Section 1. The provisions of Items 1 and 2, Section 72 of Circular No. 1389, is amended in order to allow banks' EFCDUs/FCDUs to purchase foreign currency denominated government securities under resale agreements from other banks' EFCDU/FCDU, non-resident financial institutions and offshore banking units, subject to the following conditions:

- That the government securities purchased shall be limited to those issued by central governments and/or central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies (i.e., currently the equivalent of Standard and Poor's AA- or Moody's Aa3 or better);

- That for thrift banks which are granted a certificate of authority to operate an FCDU, the maximum term of the resale agreements shall be one (1) year; and

- That such government securities purchased under resale agreements shall be classified as "Trading Account Securities - Loans" and booked under the sub-account "Government Securities Purchased under Resale Agreements - EFCDU/FCDU".

Section 2. Item "d" of Circular No. 433 dated 13 May 2004 is hereby amended to read as follows:

d. For thrift banks which are granted a certificate of authority to operate an FCDU, the maximum term of the repurchase agreements shall be one (1) year;

Section 3. The provisions of Section 73 of Circular No. 1389 is hereby amended in order to include "Trading Account Securities - Loans (Government Securities Purchased under Resale Agreements - EFCDU/FCDU)" as eligible for the -

a. 100% asset cover requirement; and

b. 30% liquid asset cover requirement, if the term of the resale agreement is one (1) year or less.

Section 4. The Manual of Accounts for Expanded Commercial Banks and Commercial Banks and the Manual of Accounts for Thrift Banks are hereby amended to create the following subsidiary ledger accounts under the general ledger account of "Trading Account Securities - Loans":

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a. Government Securities Purchased under Resale Agreement - Local Currency [ ]

This represents the cost of government securities purchased under agreements whereby the purchasing bank shall sell back such securities to the seller(s) on a stipulated future date.

b. Government Securities Purchased under Resale Agreement - FCDU/EFCDU [ ]

This represents the cost of foreign currency denominated government securities purchased by the FCDU/EFCDU under agreements whereby the purchasing bank shall sell back such securities to the seller(s) on a stipulated future date, which for thrift banks' FCDU shall not exceed one (1) year. This shall be recorded at their foreign currency amounts; and

Section 5. This Circular shall take effect fifteen (15) days after its publication in the Official Gazette or in a national paper of general circulation.

Adopted: 22 Feb. 2005

For the Monetary Board:

(Sgd.) ARMANDO L. SURATOS
Officer-in-Charge

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