

## **AMENDMENTS TO THE PROVISIONS OF BSP CIRCULAR NO. 1389 DATED 13 APRIL 1993, CIRCULAR NO. 433 DATED 13 MAY 2004, THE MANUAL OF ACCOUNTS FOR UNIVERSAL BANKS AND COMMERCIAL BANKS, A...**

*BSP CIRCULAR NO. 448, September 03, 2004*

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Pursuant to Monetary Board Resolution No. 1181 dated 19 August 2004, the provisions of BSP Circular No. 1389 dated 13 April 1993, Circular No. 433 dated 13 May 2004, the Manual of Accounts for Universal Banks and Commercial Banks, and the Manual of Accounts for Thrift Banks, are hereby amended as follows:

SECTION 1. Items 1 and 2, Section 72 of Circular No. 1389 and Item a of Circular No. 433 are hereby amended so as to allow the use of IBODI holdings in securities lending and repurchase agreements by banks subject to the following conditions:

- a. the lending bank in case of securities lending and the selling bank in case of repurchase agreement, had the positive intention and ability to maintain or recover control of the same or substantially similar securities as those lent or sold, as the case may be.
- b. The counterparty's failure to redeliver the securities lent or sold at maturity or at the date agreed upon could not have been reasonably anticipated by the lender or seller, as the case may be, at the time of the transaction.
- c. In case of failure or default of the counterparty to redeliver the securities lent or sold, the same shall be immediately replaced by identical or substantially similar securities. For this purpose, a replacement security may only be considered substantially similar to the securities lent or sold if all of the following circumstances are present:
  - i. the security must have the same primary obligor and must have the same guarantor under the same terms and conditions, if guaranteed;
  - ii. the security must be identical in form and type so as to give the same risks and rights to the holder; and
  - iii. the debt instrument must have the same maturity and interest rate.

SECTION 2. The Manual of Accounts for Universal Banks and Commercial Banks as well as the Manual of Accounts for Thrift Banks are hereby amended so as to create subsidiary ledger accounts under the general ledger account "Investment" in Bonds and Other Debt Instruments", as follows:

- a. Investment in Bonds and Other Debt Instruments Lent under Securities Lending Agreement- Foreign Regular

This represents the cost of investments in foreign currency-denominated government bonds and other debt instruments lent under securities lending agreement whereby the borrowers is under obligation to redeliver the same securities or a like quantity of the same issue or series as the loaned security at the agreed future date. Said securities shall be recorded at their foreign currency amounts and their local currency equivalent at the applicable rate of exchange on transaction dates.

b. Investment in Bonds and Other Debt Instruments Lent under Securities Lending Agreement- FCDU-EFCDU

This represents the cost of investments in foreign currency denominated government bonds and other debt instruments of the FCDU/EFCDU lent under securities lending agreement whereby the borrowers is under obligation to redeliver the same securities or a like quantity of the same issue or series as the loaned security at the agreed future date. Said securities shall be recorded at their foreign currency amounts.

c. Investment in Bonds and Other Debt Instruments Sold Under Repurchase Agreements - Foreign Regular

This represents the cost of investments in foreign currency-denominated government bonds and other debt instruments sold under agreements whereby the seller is under obligation to buy back (repurchase) from the purchaser and the purchaser is also under obligation to resell to the seller said securities on a stipulated future date. Said securities shall be recorded at their foreign currency amounts and their local currency equivalent at the applicable rate of exchange on transaction dates.

d. Investment in Bonds and Other Debt Instruments Sold under Repurchase Agreements - FCDU/EFCDU

This represents the costs of investments in foreign currency-denominated government bonds and other debt instruments of the FCDU/EFCDU sold under agreements whereby the seller is under obligation to buy back (repurchase) from the purchaser and the latter is under obligation to resell to the former said securities on a stipulated future date. Said securities shall be recorded at their foreign currency amounts.

SECTION 3. The provisions/requirements under Circular No. 395 and Circular No. 433 which are not inconsistent with the foregoing shall be strictly observed by the bank concerned.

SECTION 4. Sanctions. Without prejudice to the criminal and administrative sanctions provided for under Sections 36 and 37, respectively, of R.A. No. 7653 (The New Central Bank Act), violation of any provision of this Circular shall be a ground for considering all Investments in Bonds and Other Debt Instruments of the concerned entity as Trading Accounts Securities subject to mark-to-mark requirements and shall disqualify said entity from carrying in its books the account "Investment in Bonds and Other Debt Instruments" for a period of two (2) years reckoned from the date the violation was committed or discovered, whichever comes later.

This Circular shall take effect fifteen (15) days after the completion of their publication in the official gazette or in a newspaper of general circulation.

Adopted: 3 Sept. 2004

(SGD.) ALBERTO V. REYES  
Officer-in-Charge

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