# REVERSE REPURCHASE AGREEMENTS (REPO) WITH THE BANGKO SENTRAL NG PILIPINAS SOLD TO CLIENTS

*BSP CIRCULAR LETTER, SEPTEMBER 24, 2002, September 24, 2002*

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To properly monitor transactions involving reverse repurchase agreements with the Bangko Sentral ng Pilipinas (BSP), all investment houses and financing companies with quasi-banking functions (IH/FC with QB) shall record properly its Reverse Repurchase Agreements (REPO) with the Bangko Sentral ng Pilipinas sold to clients.

When an IH/FC sells an outstanding reverse REPO agreement with the BSP to a client, the securities under REPO support two loan transactions — the IH/FC's claim on the BSP under the original REPO and the client's claim on the IH/FC under the new REPO. The IH/FC's claim on the BSP arising from the reverse REPO should not be offset against its loan payable to clients in the subsequent sale of the REPO because the counter-parties to the two transactions are different. Thus, the IH/FC's reverse REPO transaction with the BSP shall remain to be recorded as "Government Securities Purchased under Reverse Repurchase Agreements with BSP" under "Trading Account Securities — Loans". The IH/FC's payable to clients arising from the subsequent sale of the reverse REPO shall be recorded as "Reverse Repurchase Agreements with BSP Sold to Clients" under "Bills Payable — Others". The subsequent sale of the reverse REPO agreements is not subject to reserve requirements. The pro-forma accounting entries are in Annex "A"[1]

Accordingly, the Manual of Accounts for Investment Houses and Financing Companies with quasi-banking functions is hereby amended as shown in Annex "B"[2] Annex "C"[3] is the revised Schedule 5 ("Schedule of Bills Payable and Bonds Payable") of the Statement of Condition (BSP 7-26-02).

This Circular Letter shall take effect immediately.

(SGD.) NESTOR A. ESPENILLA, JR.
Sector-in-Charge

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[1]Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

[2]Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

[3]Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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