TREATMENT OF SECURITIES OFFERED AND ACCEPTED IN TENDER OFFERS PURSUANT TO LIABILITY MANAGEMENT TRANSACTIONS OF THE REPUBLIC OF THE PHILIPPINES

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The Monetary Board, in its Resolution No. 1147 dated 29 July 2011, approved the following guidelines on the treatment of securities held by banks and other BSP-supervised financial institutions participating in tender offers pursuant to liability management transactions of the Republic of the Philippines for prudential reporting purposes.

Item “g” of Section 4 on reclassification under Appendix 33 of the manual of regulations for Banks and Appendix Q-20 of the Manual of Regulations for Non-Bank Financial Institutions, is hereby amended to read as follows:

“g.The following securities booked under the HTM category, shall be exempted from the “tainting” provision for prudential reporting purposes which prohibits banks/FIs from using the HTM category and requires reclassification of the entire HTM portfolio to the Available-for-Sake category during the reporting year and for the succeeding two (2) full financial years whenever a bank/FI sells or reclassifies more than an insignificant amount of HTM investments before maturity, other than for reasons specified in Items “a(a)” to “a(c)” of Section 3 of this Appendix: Provided, That securities rejected under items “i”, and “ii”, shall continue to be booked under the HTM category:

"(i)

Securities offered and accepted in tender offers pursuant to liability management transactions of the Republic of the Philippines, Provided: That banks/FIs maintain appropriate documentation on such transactions;

"(ii)

Securities offered and accepted in debt exchange offerings of GOCCs which carry the guarantee of the Philippine national Government; and

"(iii)

Foreign currency denominated NG/BSP bonds/debt securities, outstanding as of 10 February 2007, which were reclassified from the HTM category in view of the increased risk-weights of said securities under Appendix 63b/Appendix Q-46 within thirty (30) calendar days after 10 February 2007. The subject securities once reclassified shall be accounted for in accordance with the measurement requirements of their new category (i.e., Avaolable-for-Sale securities).”

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

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FOR THE MONETARY BOARD

(SGD.) AMANDO M. TETANGCO, JR.
Governor

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