SALE, DISCOUNTING, ASSIGNMENT OR NEGOTIATION BY BANKS AND QUASI-BANKS OF THEIR CREDIT RIGHTS IN SPECIAL DEPOSIT ACCOUNT (SDA) PLACEMENTS AND REVERSE REPURCHASE AGREEMENTS WITH T...

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The Monetary Board, in its Resolution No. 1581 dated 27 November 2008, approved the following regulations governing the sale, discounting, assignment or negotiation by banks/quasi-banks of their credit rights in Special Deposit Account (SDA) placements and Reverse Repurchase Agreements with the BSP (RR/P) to clients.

SECTION 1. Sale, Discounting, Assignment or Negotiation by Banks of their Credit Rights Arising from Claims Against the BSP to Clients. The following banking regulations are hereby amended, as follows:

a. Subsection X234.6 of the Manual of Regulations for Banks (MORB) is hereby added, as follows:

"Sub section X234.6 Sale, discounting, assignment or negotiation by banks of their credit rights arising from claims against the BSP. Pursuant to the policy of the BSP to promote investor protection and transparency in securities transactions as important components of capital markets development, credit rights in Special Deposit Account placemen ts and Reverse Repurchase Agreements with the BSP, shall not be the subject of sale, discounting, assignment or negotiation on a "with or without recourse" basis.

"Any violation of the provisions of this Subsection shall be considered a less serious offense and shall subject the bank and the director/s and/or officer/s concerned to the sanctions provided under Section X299."

b. Item A of Circular Letter dated 14 November 2001 on the sale of RR/P to clients and Annex G of the same Circular Letter on the pro-forma accounting entries on the sale by banks of their RR/P to clients are hereby deleted.

c. The Financial Reporting Package for Banks issued under Circular No. 512 dated 3 February 2006, as amended, is hereby further amended so as to delete the sub-account

"Revers e Repurchase Agreements with BSP-Sold to Clients" under "Other Deposit Substitutes".

SECTION 2. Sale, Discounting, Assignment or Negotiation by Quasi-Banks of their Credit Rights Arising from Claims Against the BSP to Clients. The following regulations governing quasi-banks are hereby amended, as follows:

a. Subsection 4101Q.6 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby added, as follows:

"Subsection 4101Q.6 Sale, discounting, assignment or negotiation by quasi-banks of their credit rights arising from claims against the BSP. Pursuant to the policy of the BSP to promote investor protection and transparency in securities transactions as important components of capital markets development, credit rights in Special Deposit Account placements and Reverse Repurchase Agreements with the BSP, shall not be the subject of sale, discounting, assignment or negotiation on a "with or without recourse" basis.

"Any violation of the provisions of this Subsection shall be considered a less serious offense and shall subject

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> the quasi-bank and the director/s and/or officer/s concerned to the sanctions provided under Section 4199Q."

b. Subsection 4602Q.1 of the MORNBFI on Reverse Repurchase Agreements with the BS P is hereby amended to delete the second and third paragraphs of Item "e", as follows:

> "Subsection 4602Q.1 Reverse repurchase agreements with Bangko Sentral. Reverse repurchase agreements may be effected with the BSP subject to the following terms and conditions:

xxx

> "e. Reservation. Prepayment may be made by the BSP at its option anytime before maturity.
>
> "Effective 1 July 2003, published interest rates that will be applied on reverse repurchase agreements with the BSP of quasi-banks shall be inclusive of Value Added Tax (VAT)."

c. Appendix Q-26 of the MORNBFI which provides the pro-forma accounting entries on the sale by quasi-banks of their RR/P to clients is hereby deleted.

SECTION 3. Transitory Provision. The provisions of this Circular shall be applied prospectively, in that sale agreements executed by banks and quasi-banks with clients before the effectivity of this Circular, which are not in compliance therewith, shall be allowed to remain in force and subsisting until the pre-termination or maturity of the underlying SDA placement or RR/ P, whichever comes earlier.

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

Adopted: 17 Dec. 2008

FOR THE MONETARY BOARD:

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

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