



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 629
(Series of 2008)

Subject: Treatment of Net Unrealized Losses in the FCDU/EFCDU Book for Purposes of Determining Compliance with the FCDU/EFCDU Asset Cover Requirement

The Monetary Board in its Resolution No. 1422 dated 30 October 2008, approved the following treatment of net unrealized losses arising from marking-to-market of financial assets/liabilities and revaluation of third currencies to US dollar in the FCDU/EFCDU book for purposes of determining compliance with the FCDU/EFCDU asset cover requirement:

"Whenever the total of the following FCDU/EFCDU book accounts:

1. Retained Earnings – Free – FCDU/EFCDU, representing cumulative unrealized gains/(losses) from operations from prior years,
2. Items comprising the 'Net Unrealized Gains/(Losses) from Operations' credited/debited to 'Undivided Profits/(Losses)', as well as those not yet credited/debited to 'Undivided Profits/(Losses)',
3. 'Net Unrealized Gains/(Losses) on AFS Financial Assets' recognized directly in equity and
4. 'Gains/(Losses) on Fair Value Adjustments of Hedging Instruments' recognized directly in equity,

results to a net "debit balance", banks may for the period beginning the effectivity of this Circular until 31 March 2009, add back the "net debit amount" to total assets in the FCDU/EFCDU book for purposes of determining compliance with the 100% asset cover requirement instead of transferring eligible foreign currency assets from the RBU book to FCDU/EFCDU book as required under Item c of Section 5 of Circular No. 601 dated 13 February 2008.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

31 October, 2008

PANANALAPING MATATAG, BANSANG PANATAG