



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 420
(Series of 2004)

The Monetary Board, in its Resolution No. 28 dated January 15, 2004 approved the following policy guidelines on the conversion and transfer of foreign currency-denominated loans, and Real and Other Property Owned or Acquired (ROPOA) in the books of the Foreign Currency Deposit Unit (FCDU)/Expanded Foreign Currency Deposit Unit (EFCDU) to peso loans and ROPOA in the books of the Regular Banking Unit (RBU):

- A. FCDU/EFCDU loans may be transferred to the RBU without prior Bangko Sentral ng Pilipinas (BSP) approval, subject to the following conditions:
- i. the FCDU/EFCDU loan to be transferred must meet the following criteria: (a) current and performing; and (b) eligible to be serviced by the banking system: *Provided*, That a past due FCDU/EFCDU loan may be transferred to the RBU if it meets the following criteria: (a) eligible to be serviced by the banking system; (b) fully secured by real estate mortgage; (c) foreclosure of the collateral shall be effected within six (6) months from the date of transfer to the RBU if the loan remains to be past due; and (d) they are not eligible to be serviced by the banking system but loan is already outstanding as of October 27, 2000: *Provided, further*, That a past due partially secured or unsecured FCDU/EFCDU loan shall only be eligible for conversion/transfer to RBU if part of a multi-creditor rehabilitation or work-out plan acceptable to all creditors where the said plan requires the conversion of FCDU/EFCDU loans to peso;
 - ii. there shall be actual settlement in foreign currency, simultaneous with the transfer, by the RBU to the FCDU/EFCDU of the total amount of foreign currency-denominated loans being transferred to the RBU using the prevailing foreign exchange/conversion rate at the time of transfer;
 - iii. the transfer and conversion of foreign currency-denominated loans from the FCDU/EFCDU books to the RBU books including the prevailing foreign exchange/conversion rate to be used shall have the prior approval of the bank's board of directors, or the Country Head, in case of branches of foreign banks, and the prior written consent of the borrower whose account will be transferred/converted, except for loans covered by credit/loan

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agreement allowing the bank to unilaterally convert and transfer the FCDU/EFCDU loan in which case the prior written consent requirement may be dispensed with;

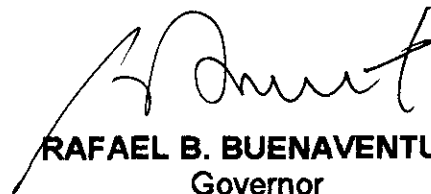
- iv. the converted/transferred FCDU/EFCDU loans are properly documented/covered by a written agreement/contract. *Provided*, That if the original loan agreement allows the bank to unilaterally convert/transfer the FCDU/EFCDU loan to peso, the said loan agreement should indicate the general terms and conditions of the converted/transferred peso loan: *Provided, further*, That upon conversion/transfer, the borrower must be informed in writing of the peso loan's new terms and conditions: *Provided, finally*, That once converted/transferred to a peso loan, the same loan should not be converted back to an FCDU/EFCDU loan;
 - v. no income shall be recognized by the FCDU/EFCDU or RBU on the transfer of FCDU/EFCDU loans to RBU;
 - vi. the status of the FCDU/EFCDU loan prior to the transfer, i.e., current or past due, performing or non-performing, and the loan classification, i.e., especially mentioned, substandard, doubtful or loss, shall be retained once the loan is transferred to the RBU books, which transfer shall also include the corresponding booked allowance for probable losses;
- B. FCDU/EFCDU ROPOAs may also be transferred to the RBU without prior BSP approval, subject to items ii to vi above;
- C. Conversions and transfers of FCDU/EFCDU loans and ROPOA to RBU books that do not meet the above guidelines shall be subject to prior Monetary Board approval; and
- D. All foreign currency-denominated loans and ROPOA in the FCDU/EFCDU converted to peso and transferred to the books of the RBU shall be reported monthly to the appropriate supervising and examining department of the BSP within ten (10) banking days from end of reference month. The report, classified as Category B, shall include name of borrower, date transferred/converted, outstanding balance in foreign currency in the FCDU/EFCDU, peso amount booked in the RBU, prevailing foreign exchange rate used, status and classification on date of transfer, collateral (if any) and date approved by bank's board/Country Head. (A report is not required if no transfers were effected during the month.)



Attached as Annex "A" are the prescribed accounting entries on the conversion and transfer of FCDU/EFCDU loans and ROPOA to RBU books.

This Circular shall take effect fifteen (15) days after publication.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

February 10, 2004

CONVERSION/TRANSFER OF FCDU LOANS TO RBU:

Amount of FCDU Loans to be
transferred

US\$ 1 MM

Prevailing exchange rate

US\$1:PhP53.00

	FCDU Books		RBU Books			
	US \$		PhP		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
Transfer of a current FCDU Loan:						
Due from RBU	1,013,333.33					
FCDU Loan		1,000,000.00				
Accrued Interest Receivable		13,333.33				
Peso Loan			53,000,000.00			
Accrued Interest Receivable			706,666.50			
Due to FCDU						1,013,333.33
Purchase of Foreign Exchange:						
Due from Foreign Banks					1,013,333.33	
Cash (or any mode of payment)				53,706,666.50		
Settlement:						
Due from Foreign Banks	1,013,333.33					
Due from RBU		1,013,333.33				
Due to FCDU					1,013,333.33	
Due from Foreign Banks						1,013,333.33
Transfer of a past due FCDU Loan:						
Due from RBU	763,333.33					
Allowance for Probable Loss	250,000.00					
FCDU Loan		1,000,000.00				
Accrued Interest Receivable		13,333.33				
Peso Loan			53,000,000.00			
Accrued Interest Receivable			706,666.50			
Due to FCDU						763,333.33
Allowance for Probable Loss				13,250,000.00		
Purchase of Foreign Exchange:						
Due from Foreign Banks					763,333.33	
Cash (or any mode of payment)				40,456,666.50		
Settlement:						
Due from Foreign Banks	763,333.33					
Due from RBU		763,333.33				
Due to FCDU					763,333.33	
Due from Foreign Banks						763,333.33



CONVERSION/TRANSFER OF FCDU ROPOA TO RBU:

Amount of FCDU ROPOA to be
transferred

US\$ 1 MM

Prevailing exchange rate

US\$1:PhP53.00

	FCDU Books		RBU Books			
	US \$		PhP		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
Transfer of ROPOA:						
Due from RBU	750,000.00					
Allowance for Probable Loss ROPOA	250,000.00	1,000,000.00				
ROPOA			53,000,000.00			
Due to FCDU						750,000.00
Allowance for Probable Loss				13,250,000.00		
Purchase of Foreign Exchange:						
Due from Foreign Banks					750,000.00	
Cash (or any mode of payment)				39,750,000.00		
Settlement:						
Due from Foreign Banks	750,000.00					
Due from RBU		750,000.00				
Due to FCDU					750,000.00	
Due from Foreign Banks						750,000.00