



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 670
(Series of 2009)

Subject: **Treatment of Securities Offered and Accepted in Debt Exchange Offerings of Government Owned and Controlled Corporations**

The Monetary Board in its Resolution No. 1614 dated 12 November 2009, approved the following guidelines on the treatment of securities held by banks and other BSP-supervised financial institutions participating in debt exchange offerings of government owned and controlled corporations (GOCCs), for prudential reporting purposes.

Item "g" of Section 4 on Reclassifications 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 from using the HTM category and requires reclassification of the entire HTM portfolio to the Available-for-Sale category during the reporting year and for the succeeding two full financial years whenever a bank 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", "ii" and "iii" shall continue to be booked under the HTM category:*

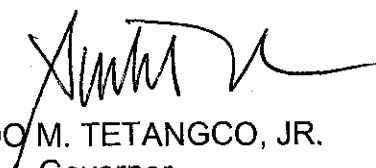
- "i. Securities exchanged pursuant to the Domestic Debt Exchange Offer of the Republic of the Philippines;
- "ii. Securities offered and accepted in the Global Bond Offering of the Republic of the Philippines;
- "iii. **Securities offered and accepted in debt exchange offerings of GOCCs which carry the guarantee of the Philippine National Government, and**
- "iv. 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

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Appendix 63b 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., Available-for-Sale securities)."

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

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

18 November 2009