



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 356
Series of 2002

The Monetary Board, in its Resolution Nos. 586 and 1067 dated 25 April 2002 and 25 July 2002, respectively, decided to consider the proposed zero coupon bond issue by the Home Guaranty Corporation (HGC) of up to P7.0 billion 5-year regular series and up to P3.0 billion 7-year special series to finance its guaranty servicing of socialized and low-cost housing projects as:

- (a) Alternative compliance with the agrarian reform credit requirement of P.D. No. 717 in line with Section 4 (a) thereof which allows banking institutions to invest in such government securities as may be declared eligible by the Bangko Sentral any portion of the amount set aside for agrarian reform credit not actually loaned out, provided that the issuing government entity shall stand ready to monetize, encash or repurchase such securities whenever funds are needed by the banks holding the said securities for lending to the beneficiaries of agrarian reform, and
- (b) Reserve for trust and other fiduciary duties.

Investments made by banks in HGC's proposed bond issues shall be allowed as alternative compliance with the ten percent (10%) agrarian reform credit requirement subject to the following conditions:

1. Such bonds shall not be hypothecated in any way or earmarked for any other purpose;
2. In case the bonds are the subject of a repurchase/resale agreement, only the buying/lending bank may use such bonds as compliance with agrarian reform credit requirement during the holding period: *Provided*, That the repurchase/resale agreement shall be for a term of at least thirty (30) days without pre-termination during the first thirty (30) days; and
3. Such bonds shall be eligible as alternative compliance with the agrarian reform credit requirement only to the extent of the present value of the bond computed using the original yield to maturity (as of auction/issue date).



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The bonds may also qualify as eligible reserve for trust and other fiduciary duties only when they meet the 3-year remaining maturity requirement to ensure that such bonds are liquid: *Provided*, That such bonds shall qualify as eligible reserve for trust and other fiduciary duties only to the extent of the present value of the bond computed using the original yield to maturity (as of auction/issue date).

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


ALBERTO V. REYES
Officer-in-Charge

9 October 2002