



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 738
Series of 2011

Subject : Treatment of Securities Offered and Accepted in Tender Offers Pursuant to Liability Management Transactions of the Republic of the Philippines

The Monetary Board, in its Resolution No. 1147 dated 29 July 2011, approved the following guidelines on the treatment of securities held by banks and other BSP-supervised financial institutions participating in tender offers pursuant to liability management transactions of the Republic of the Philippines for prudential reporting purposes.

Item "g" of Section 4 on Reclassification 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/FIs 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 (2) full financial years whenever a bank/FI 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", and "ii", shall continue to be booked under the HTM category:
 - "i. Securities offered and accepted in tender offers pursuant to liability management transactions of the Republic of the Philippines, *Provided*: That banks/FIs maintain appropriate documentation on such transactions;
 - "ii. Securities offered and accepted in debt exchange offerings of GOCCs which carry the guarantee of the Philippine National Government; and
 - "iii. 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 *Appendix 63b/Appendix Q-46* 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 following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read 'A. Tetangco, Jr.', with a long horizontal flourish extending to the right.

AMANDO M. TETANGCO, JR.
Governor

11 October 2011