



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

Office of the Deputy Governor
Supervision and Examination Sector

CIRCULAR LETTER

TO : ALL UNIVERSAL AND COMMERCIAL BANKS

The following amendments to Circular No. 108 dated May 9, 1996, as amended, shall be adopted in order to properly monitor the following:

1. Transactions involving reverse repurchase agreements with the Bangko Sentral ng Pilipinas (BSP);
2. Taxable and tax-exempt deposit liabilities; and
3. Foreign borrowings in terms of who shoulders the exchange risk.

A. Reverse Repurchase Agreements (REPO) with the BSP

When a commercial bank sells an outstanding reverse REPO agreement with the BSP to a client, the securities under REPO support two loan transactions – the bank's claim on the BSP under the original REPO and the client's claim on the bank under the new REPO. The bank's claim on the BSP arising from the reverse REPO should not be offset against its loan payable to clients in the subsequent sale of the REPO because the counterparties to the two transactions are different. Thus, the bank's reverse REPO transaction with the BSP shall remain to be recorded as its claim on the BSP while the bank's payable to clients arising from the subsequent sale of the reverse REPO shall be recorded as "Reverse Repurchase Agreements with BSP Sold to Clients" under "Bills Payable – Others". The pro-forma accounting entries are shown in Annex G.

ITAGUYOD ANG PHILIPPINES 2000



MAG-IMPOK SA BANGKO

B. Tax-exempt Deposit Liabilities

Banks shall record separately deposit accounts of individuals which are tax-exempt under RA No. 8424 (Tax Reform Act of 1997) and deposit accounts of foundations, charitable institutions, provident funds, pension funds and government agencies which are qualified to be tax – exempt under existing laws.

Banks shall also record separately the interest expense on these deposits.

C. Foreign Borrowings

Banks shall classify foreign borrowings into: (a) with the foreign exchange risk to be shouldered by the bank; and (b) with the foreign exchange risk not to be shouldered by the bank.

Accordingly, the following amendments of Circular No. 108 dated May 9, 1996, as amended, shall be adopted:

- A. Consolidated Statement of Condition (CSOC)
 - 1. Main Report – Annexes A and A - 1
 - 2. Schedule 7 – Annex B
- B. Consolidated Statement of Income and Expenses and Surplus (Free) – Annex - C
- C. Circular No. 108 dated May 9, 1996, as amended, shall be adopted:
 - 1. Manual of Accounts – Annex D
 - 2. General Ledger (GL) Template – Annex E
 - 3. Subsidiary Ledgers (SL)
 - a. Deposit Liabilities Subsidiary Ledger (SL) – Data Structure – Annex F
 - b. Bills Payable Subsidiary Ledger (SL) – Data Structure - Annexes F – 1 and F – 2.

This Circular Letter shall take effect immediately.


ALBERTO V. REYES
 Deputy Governor

14 November 2001

Att.: a/s

Name of Bank Code

ANNEX "A"

Address

CONSOLIDATED STATEMENT OF CONDITION

As of _____, 200__
(In Thousand Pesos)

Account Description	No. of Accounts	Rec. No.	Peso Accounts	Regular		FCDU		Foreign Offices		Total Amount
				In US\$	Peso Equiv.	In US\$	Peso Equiv.	In US\$	Peso Equiv.	
Liabilities										
23. Deposit Liabilities (Schedule 5 & 6)		180								
a. Demand Deposits		181								
1. Taxable Demand Deposits		*189								
2. Non-Taxable Demand Deposits		*190								
b. Savings Deposits		182								
1. With Automatic Transfer		183								
a. Taxable Deposits		*191								
b. Non-Taxable Demand Deposits		*192								
2. Without Automatic Transfer		184								
a. Taxable Deposits		*193								
b. Non-Taxable Demand Deposits		*194								
c. Time Certificates of Deposits		185								
1. Taxable Deposits		*195								
2. Non-Taxable Deposits		*196								
d. NOW Accounts		186								
1. Taxable Deposits		*197								
2. Non-Taxable Deposits		*201								
24. Time Certificates of Deposits-Special Financing		188								
25. Due to Treasurer of the Philippines		196								
26. Due to Local Banks (Schedule 6)		200								
27. Due to Foreign Banks (Local Currency)		205								
28. Due to Head Office/Branches/Agencies Abroad ¹		210								
a. Demand Deposits and Working Balances		211								
b. Placements/Time Deposits/Borrowings		212								
c. Peso Deposits		213								
d. Unremitted Profits		214								
e. Others		216								
29. Treasurer's/Manager's/Cashier's & Gift Checks		215								
30. Payment Orders Payable		220								
31. Bills Payable (Schedule 7)		225								
a. Bangko Sentral		226								
b. Interbank Borrowings		227								
c. Deposit Substitutes		228								
d. Others		229								
32. Bonds Payable		230								
33. Margin Deposits		235								
34. Cash Letters of Credit		240								
35. Special Time Deposits		245								
36. Accrued Int., Fringe Bene., Taxes & Other Expenses Payable		250								
a. Accrued Interest Payable		251								
b. Others		252								

* New Accounts

Name of Bank

Address

ANNEX "A-1"

Consolidated Statement of Condition

As of _____ 200__
(In Thousand Pesos)

Account Description		No. of Accts.	Rec. No.	Peso Accounts	Regular		F C D U		Foreign Offices		Total Amount
					In US \$	Peso Equiv.	In US \$	Peso Equiv.	In US \$	Peso Equiv.	
Additional Information:											
1. Total Loan Portfolio, Gross											
a. Current											
b. Past Due											
c. Items in Litigation											
2. Less: Specific Loan Loss Provision											
3. Loan Portfolio (Net of Specific Loan Loss Provision)											
4. Less: General Loan Loss Provision											
5. Net Loan Portfolio											
6. Total Allowance for Probable Losses											
a. 2% General Provision for Probable Loan Losses											
b. Allowance for Probable Losses on Loan Accounts and Other Risk Assets											
b.1. Loans											
b.2. Other Risk Assets											
7. Total Non-Performing Loans (Cir. 202 dated May 27, 1999)											
a. Non-performing Regular Loans (Other than Restructured Loans)											
b. Non-performing Restructured Loans											
8. Savings Deposits											
a. With Automatic Transfer											
1. Taxable											
2. Non Taxable											
b. Without Automatic Transfer											
1. Taxable											
2. Non Taxable											
9. Stand-By Letters of Credit - Foreign											
10. Stand-By Letters of Credit-Domestic											
11. Inward Bills for Collection											
a. Inward Bills for Collection-Clean											
b. Inward Bills for Collection-Documentary											
12. Outward Bills for Collection											
a. Outward Bills for Collection-Clean											
b. Outward Bills for Collection-Documentary											
13. Demand Deposits											
a. Taxable											
b. Non Taxable											
14. Time Certificates of Deposits											
a. Taxable											
b. Non Taxable											
15. NOW Accounts											
a. Taxable											
b. Non Taxable											

Name of Bank Code

SCHEDULE OF BILLS PAYABLE

As of _____

(In Thousand Pesos)

Particulars	Record No.	Peso Accounts	FOREIGN EXCHANGE ACCOUNTS						Total Amount
			Regular		F C D U		Foreign Offices		
			In US &	Peso Equiv.	In US &	Peso Equiv.	In US &	Peso Equiv.	
1. BANGKO SENTRAL NG PILIPINAS	010								
a. Rediscounting	011								
b. Emergency Advances	012								
c. Overdrafts	013								
d. C F B P	014								
e. Other Special Programs (like APEX)	015								
f. Others	016								
2. INTERBANK BORROWINGS	020								
a. Commercial Banks-Local	021								
b. Other Banks-Local	022								
c. Other Financial Intermediaries-Local	023								
d. O B U s	024								
e. Other Foreign Banks	025								
3. DEPOSIT SUBSTITUTES	030								
a. Repurchase Agreements with Bangko Sentral	031								
b. Commercial Banks-Local	032								
c. Other Banks-Local	033								
d. Other Financial Intermediaries-Local	034								
e. Private Firms and Individuals	035								
f. Foreign Banks ^{1/}	036								
g. Foreign Entities and Individuals	037								
4. GOVERNMENT LENDING PROGRAMS	080								
a. GSIS - Special Financing Program	081								
b. GSIS - Housing Loan Programs	082								
c. GSIS - Other Loan Programs	083								
d. SSS - Kabaliket sa Pagpapalunad ng Industriya (KASAPI)	084								
e. SSS - School and Hospital	085								
f. SSS - Special Financing Program	086								
g. SSS - Other Loan Programs	087								
h. Other Govt. Agencies Loan Program	088								
5. OTHERS	040								
a. Reverse Repurchase Agreements with BSP									
Sold to Clients	045								
aa. Domestic	050								
1) Commercial Banks	051								
2) Other Banks	052								
3) Other Financial Intermediaries	053								
4) Private Firms and Individuals	054								
5) Others	059								
b. Foreign Entities and Individuals	060								
1) Resident	061								
2) Non-Resident	062								

1/ Includes placements sourced from head office and branches abroad of foreign banks/branches operating in the Philippines

* New Account

Name of Bank

ANNEX "C"

Address

Consolidated Statement of Income

And Expenses and Surplus (Free)

As of _____, 200__

(In Thousand Pesos)

Particulars	Rec. No.	FCDU (In US \$)	Total (In Pesos)
I. Total Operating Income	010		
a. Interest Income	020		
1. Interest - Interbank Loans Receivable	021		
2. Interest - Loans and Discounts	022		
3. Interest - Agrarian Reform/Other Agri Credit Loans	710		
4. Interest - Development Incentive Loans	720		
5. Interest - Bills Purchased	730		
6. Interest - Import and Dom. Bills under LC and/or Trust Receipts	740		
7. Interest - Restructured Loans	750		
8. Interest - Past Due/Items in Litigation	760		
9. Interest - TAS Loans	770		
10. Interest - Deposits in Banks	024		
11. Interest - Due from BSP	025		
12. Interest - TAS Investments	780		
13. Interest - Available for Sale Securities	782		
14. Interest - IBODI	790		
15. Interest - Others	027		
b. Bank Commissions	030		
c. Service Charges/Fees	040		
d. Fees/Commissions	050		
e. Trading Gain/(Loss)	060		
1. Trading Gain/Loss - Government Securities	061		
2. Trading Gain/Loss - Private Debt/CPs/Equity Securities	062		
3. Trading/Hedging Gain/Loss - Fin. Futures/Options/Forwards/Swaps	063		
f. Foreign Exchange Profit/(Loss)	070		
g. Gold Trading Gain/(Loss)	080		
h. Profit/(Loss) on Sale or Redemption of Investments	085		
i. Income/(Loss) - Trust Department	090		
j. Other Income	100		
2. Total Operating Expenses	110		
a. Interest Expenses	120		
1. Interest - Deposits	121		
a. Demand Deposits	300		
1. Tax Exempt	301		
2. Taxable	302		
b. Savings Deposits	305		
1. Tax Exempt	306		
2. Taxable	307		
c. Time Deposits	310		
1. Tax Exempt	311		
2. Taxable	312		
d. NOW Accounts	315		
1. Tax Exempt	316		
2. Taxable	317		
2. Interest - Borrowed Funds	122		
3. Interest - Bonds Payable	123		
4. Interest - Others	124		

ANNEX "D"

MANUAL OF ACCOUNTS

MANUAL OF ACCOUNTS

AMENDMENTS

LIABILITY ACCOUNTS

23. DEPOSIT LIABILITIES [2-1-02-00] (Refer to Appendix B for further details)

a. Demand Deposits [2-1-02-02]

This represents deposits, subject to withdrawal either by check or thru the automated teller machines which are otherwise known as current or checking accounts. The Bank may or may not pay interest on these accounts. ***Sub-control accounts shall be maintained for: (a) taxable; and (b) tax - exempt. Tax-exempt demand deposits shall refer to demand deposit accounts maintained by tax-exempt institutions such as GSIS, PCSO, provident funds, foundations, etc., as provided in special laws.***

Sub-control accounts shall *likewise* be maintained for the following:

x x x

b. Savings Deposits [2-1-02-04]

This represents interest-bearing deposits which are withdrawable either upon presentation of a properly accomplished withdrawal slip together with the corresponding passbook or thru the automated teller machines. ***Sub-control accounts shall be maintained for: (a) taxable; and (b) tax-exempt. Tax-exempt savings deposits shall refer to savings deposit accounts maintained by tax - exempt institutions such as GSIS, PCSO, provident funds, foundations, etc., as provided in special laws.***

Sub-control accounts shall *likewise* be maintained for the following:

x x x

c. "NOW" Accounts [2-1-02-06]

This represents interest-bearing savings deposit which are withdrawable by means of Negotiable Orders of Withdrawal. ***Sub-control accounts shall be maintained for: (a) taxable; and (b) tax-exempt. Tax-exempt NOW accounts shall refer to NOW accounts maintained by tax-exempt institutions such as GSIS, PCSO, provident funds, foundations, etc., as provided in special laws.***

d. Time Certificates of Deposits (TCDs) [2-1-02-08]

This represents interest-bearing deposits with specific maturity dates and evidenced by certificates issued by the bank. ***Sub-control accounts shall be maintained for: (a) taxable; and (b) tax-exempt. Tax-exempt TCDs shall refer to long-term tax-exempt TCDs issued pursuant to Section 24 (B) (1) of R. A. No. 8424 and Circular Nos. 177 and 191 dated September 9, 1998 and March 1, 1999, respectively, and to TCDs of tax-exempt institutions such as GSIS, PCSO, provident funds, foundations, etc., as provided in special laws.***

Sub-control accounts shall *likewise* be maintained for the following:

x x x

A statement thus -

"Sub-control accounts shall be maintained for foreign borrowings as follows: (a) Foreign Exchange Risk Shouldered by the Bank; and (b) Foreign Exchange Risk Not Shouldered by the Bank"

shall be included in the definition of the following Bills Payable accounts:

Bills Payable – Interbank Borrowings

Bills Payable – Foreign Banks

Bills Payable – Others

Bills Payable – Others – Foreign

A new account shall be included under the account title "Bills Payable – Others [2-2-02-08]", thus -

Bills Payable – Reverse Repurchase Agreements with BSP Sold to Clients

This represents borrowings incurred from the subsequent sale to bank's clients of reverse repurchase agreements with the Bangko Sentral ng Pilipinas. The outstanding balance of this liability account shall not exceed the outstanding balance of the account "Trading Account Securities – Loans, Government Securities Purchased Under Reverse Repurchase Agreements with the Bangko Sentral ng Pilipinas" [1-2-20-06]

EXPENSE ACCOUNTS

85. INTEREST EXPENSE [6-0-02-00]

a. Interest Expense on Deposits [6-0-02-02]

Interest Expense - Demand Deposits

This represents payments and/or monthly accruals of interest on demand deposit accounts.

Interest Expense – Tax-Exempt Demand Deposits

This represents interest incurred and/or actually paid on tax-exempt demand deposits.

Interest Expense – Taxable Demand Deposits

This represents interest incurred and/or actually paid on taxable demand deposits.

Interest Expense - Demand Deposits - FCDU/EFCDU

This represents payments and/or monthly accruals of interest on demand deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Tax-Exempt Demand Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on tax-exempt demand deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Taxable Demand Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on taxable demand deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense - Savings Deposits

This represents interest incurred and/or actually paid on savings deposits.

Interest Expense – Tax-Exempt Savings Deposits

This represents interest incurred and/or actually paid on tax-exempt savings deposits.

Interest Expense – Taxable Savings Deposits

This represents interest incurred and/or actually paid on taxable savings deposits.

Interest Expense - Savings Deposits - FCDU/EFCDU

This represents payments and/or monthly accruals of interest on savings deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Tax-Exempt Savings Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on tax-exempt savings deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Taxable Savings Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on taxable savings deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense - "NOW" Accounts

This represents payments and/or monthly accruals of interest on "NOW" accounts.

Interest Expense – Tax-Exempt NOW Accounts

This represents interest incurred and/or actually paid on tax-exempt NOW accounts.

Interest Expense – Taxable NOW Accounts

This represents interest incurred and/or actually paid on taxable NOW accounts.

Interest Expense - Time Certificates of Deposits

This represents payments and/or monthly accruals of interest on time certificates of deposits.

Interest Expense – Tax-Exempt Time Certificates of Deposits

This represents interest incurred and/or actually paid on tax-exempt time certificates of deposits.

Interest Expense – Taxable Time Certificates of Deposits

This represents interest incurred and/or actually paid on taxable time certificates of deposits.

Interest Expense - Time Certificates of Deposits FCDU/EFCDU

This represents payments and/or monthly accruals of interest on time certificates of deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Tax-Exempt Time Certificates of Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on tax-exempt time certificates of deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Interest Expense – Taxable Time Certificates of Deposits – FCDU/EFCDU

This represents interest incurred and/or actually paid on taxable time certificates of deposits under the FCDU/EFCDU system which shall be recorded in foreign currency amounts.

Appendix A – Guidelines on Revaluation

Revise item a

1. All monetary accounts, whether short-term or long-term, shall be revalued and foreign exchange profit/(loss) recognized therefrom. For purposes of revaluation, monetary accounts refer to foreign currencies on hand, due from foreign banks, receivables, payables and all other accounts to be received or paid in money. ***Foreign borrowings booked under bills payable, the foreign exchange risk of which is shouldered by the National Government and not by the bank, shall not be revalued and, hence, shall be recorded at historical cost.***

ANNEX “E”

GENERAL LEDGER TEMPLATE

ANNEX "E"

ACCOUNT DESCRIPTION	ACCOUNT CODE	A M O U N T S			
		In Pesos (a)	In US\$ (b)	Peso Equiv. (c)	Orig. Curr. (d)
85. Interest Expenses	6 - 0 - 02 - 00				
a. Interest - Deposits	6 - 0 - 02 - 02				
(1) Demand Deposits	6 - 0 - 02 - 02 - 02				
(a) Interest - Tax-Exempt Demand Deposits	6 - 0 - 02 - 02 - 02 - 02				
(b) Interest - Taxable Demand Deposits	6 - 0 - 02 - 02 - 02 - 04				
(2) Savings Deposits	6 - 0 - 02 - 02 - 04				
(a) Interest - Tax-Exempt Savings Deposits	6 - 0 - 02 - 02 - 04 - 02				
(b) Interest - Taxable Savings Deposits	6 - 0 - 02 - 02 - 04 - 04				
(3) NOW Accounts	6 - 0 - 02 - 02 - 06				
(a) Interest - Tax-Exempt NOW Accounts	6 - 0 - 02 - 02 - 06 - 02				
(b) Interest - Taxable NOW Accounts	6 - 0 - 02 - 02 - 06 - 04				
(4) Time Deposits	6 - 0 - 02 - 02 - 08				
(a) Interest - Tax-Exempt Time Deposits	6 - 0 - 02 - 02 - 08 - 02				
(b) Interest - Taxable Time Deposits	6 - 0 - 02 - 02 - 08 - 04				

SUBSIDIARY LEDGER – DATA STRUCTURE

**DEPOSIT LIABILITIES/DUE TO LOCAL BANKS
SUBSIDIARY LEDGER (SL)**

BILLS PAYABLE SUBSIDIARY LEDGER (SL)

ANNEX "F"

ADDITION TO THE DEPOSIT LIABILITIES/DUE TO LOCAL BANKS
LEDGER (SL) -- DATA STRUCTURE

(Page 1 of 7)

FIELD DESCRIPTION	FIELD NAME	NO. OF CHAR.	FIELD TYPE	NO. OF DP	VALIDATION RULE
If Account Type = 1 (Deposit Liabilities) Taxability	TAXEXEM	1	Numeric	0	1 for tax exempt 2 for taxable

ANNEX "F-1"

ADDITION TO THE BILLS PAYABLE SUBSIDIARY LEDGER (SL) –
DATA STRUCTURE

(Page 5 of 5)

FIELD DESCRIPTION	FIELD NAME	NO. OF CHAR.	FIELD TYPE	NO. OF DP	VALIDATION RULE
If type of borrowing = 90 (Others) Reverse Repurchase Agreements with BSP Sold to Clients	REPO	2	Numeric	0	Valid type of instrument are the following: 91 for Reverse Repurchase Agreements with BSP Sold to Clients 95 for others

ANNEX "F-2"

ADDITION TO THE BILLS PAYABLE SUBSIDIARY LEDGER (SL) –
DATA STRUCTURE

FIELD DESCRIPTION	FIELD NAME	NO. OF CHAR.	FIELD TYPE	NO. OF DP	VALIDATION RULE
If book code = 12 or 20 (Foreign Regular accounts or FCDU accounts) Foreign Exchange Risk Indicator	FRISK	1	Numeric	0	Valid values are the following: 1 for foreign exchange risk shouldered by the Bank 2 for foreign exchange risk not shouldered by the Bank

ANNEX "G"

**REVERSE REPURCHASE AGREEMENTS WITH BSP
PRO-FORMA ACCOUNTING ENTRIES**

1. To record the purchase by bank from BSP of government securities under reverse REPO agreement

DR Trading Account Securities – Loans
 – Government Securities Purchased under Reverse Repurchase
 Agreements with BSP

CR Due from BSP (or any appropriate account)

2. To record the subsequent sale by bank of reverse REPO with BSP to clients

DR Cash (or any appropriate account)

CR Bills Payable – Others
 - Reverse Repurchase Agreements with BSP Sold to Clients

3. To record payment of client's claim on the bank

DR Bills Payable – Others
 - Reverse Repurchase Agreements with BSP Sold to Clients

DR Interest Expense on Borrowed Funds – Bills Payable – Others

CR Cash (or any appropriate account)

4. To record BSP's payment of the reverse REPO agreement

DR Due from BSP (or any appropriate account)

CR Trading Account Securities – Loans
 – Government Securities Purchased under Reverse Repurchase
 Agreements with BSP

CR Interest Income – Trading Account Securities – Loans