



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2008- 034

To : ALL BANKS WITH FCDU/EFCDU AUTHORITY

Subject : Guidelines on the Availment of US Dollar Denominated Repurchase Agreement Facility with the BSP

Pursuant to BSP Circular No. 627 dated 23 October 2008, as amended, on the general guidelines governing the US dollar denominated repurchase agreement of banks with the BSP (USD R/P), the following revised terms and conditions shall be observed in the availment of the facility:

A. Eligible Borrowers

- RBUs or FCDU/EFCDUs of banks with FCDU/EFCDU authority who can demonstrate legitimate funding needs can avail of this facility.

B. Qualifying Purposes

- Proceeds from the borrowings shall be used for legitimate liquidity requirements of FCDU/EFCDU or RBU for local operations as follows:
 - Compliance with FCDU/EFCDU cover requirements;
 - Servicing of withdrawals of FCDU/EFCDU; and
 - Servicing trade-related requirements.
- Borrowing shall be for the account of the applicant bank and shall not be used to fund liquidity requirements of foreign head office, foreign branches, affiliates, or subsidiaries

C. Acceptable Collateral

- Eligible securities shall cover US Dollar-denominated evidences of indebtedness issued directly by the Government of the Philippines (ROP Bonds) held by the applicant bank. These can be lodged in FCDU/EFCDU's or RBU's Available-for-Sale (AFS), Held-for-Trading (HFT) and Held-to-Maturity (HTM) portfolios.
- ROP Bonds to be pledged have to be transferred/credited to BSP's designated securities account before availment of the USD R/P facility.
- The tenor of the underlying security should not be shorter than the overlying instrument

PANANALAPING MATATAG, BANSANG PANATAG

D. Valuation of Securities

- The haircut on the underlying securities shall be determined by the Treasury Department, with the concurrence of the Governor. Collateral cover will be maintained through periodic margin calls as specified in the repurchase agreement.
- Said valuation will be subject to periodic review and will be modified when necessary.

E. Available Credit Line

- Credit lines shall be based on outstanding US Dollar-denominated evidences of indebtedness issued directly by the Government of the Philippines (ROP Bonds) held by the applicant bank as of 30 September 2008.

F. Rate, Term and Trading Time

- The rates of the US dollar denominated R/P facility shall be set by the Treasury Department, with the concurrence of the Governor, taking into account prevailing liquidity/market conditions.
- The term of the US dollar denominated R/P facility shall be set by the Treasury Department, with the concurrence of the Governor; Provided, that, should a bank become disqualified for the R/P facility, the outstanding repurchase agreement shall immediately become due and payable.
- Trading time for the USD R/P transactions shall be set from 10:00 AM to 12 Noon, then from 1:00 PM to 2:00 PM.

G. Application Requirements

Applicant bank shall submit the following information/documents, and such other documents as may be deemed necessary, to the Treasury Department, copy furnished the appropriate Central Point of Contact Department (CPCD) of the Supervision and Examination Sector (SES), to aid BSP evaluate applications:

- Application for availment of the facility stating therein the amount, requested term, specific purpose of the borrowing, including disclosure of the specific collateral, including source, i.e. RBU or FCDCU/EFDCU;
- Notarized undertaking/certification signed by the bank's President or Country Manager (in the case of local branch of a foreign bank), Compliance Officer and Head of Treasury, indicating the following:
 - ✓ Specific purpose of fund utilization;

- ✓ Proceeds of borrowing shall be used exclusively to fund liquidity requirements of FCDU/EFCDU or RBU local operations;
- ✓ That the Bank is not a conduit for another bank nor will the Bank take arbitrage positions on the availment of the R/P facility.

H. Reportorial Requirements

Banks with outstanding US dollar denominated R/P agreement with the BSP are required to submit to the appropriate Central Point of Contact Department (CPCD) of the Supervision and Examination Sector (SES) the following :

- Report on the deployment/utilization of USD repo borrowing and other documents and supplemental information, as may be required, to enable BSP to assess the legitimacy of the utilization of such funds, within three (3) banking days from release of the proceeds of the R/P agreement; and
- All documents and records relative to the Bank's availment and use of proceeds of the US dollar denominated R/P facility shall be made available to the BSP upon request.

I. Pre-termination

- The R/P agreement may be paid at any time before maturity, subject to mutual agreement of both parties.
- The BSP may unilaterally pre-terminate the borrowing arrangements under the following conditions:
 - ✓ Funds are found to have been used for ineligible purposes
 - ✓ Collateral margins, if any, are not met

J. Documentation

- The repurchase agreement between the bank and the BSP shall be covered by a master repurchase agreement, repurchase agreement confirmation and such other documentation as may be necessary to facilitate the transaction.

K. Accounting treatment.

- The US dollar denominated R/P facility shall be treated as collateralized borrowings from the BSP and shall be accounted for in accordance with the Financial Reporting Package (FRP) issued under Subsection X161.3 of the MORB, as amended.
- Eligible securities booked under the HTM category shall be subject to the tainting provision provided under Subsection X388.5 of the MORB upon default/non-payment of the amount due three (3) banking days after the maturity of the R/P agreement or disqualification of borrowers.

L. Penalty Clauses

- Violations of the terms and conditions of the USD R/P facility are governed by sanctions provided under BSP Circular No. 627 dated 23 October 2008, as amended, including but not limited, to termination of eligibility and pre-termination of any outstanding balance through repayment and/or sale of the collateral.

This Memorandum Guidelines supersedes BSP Memorandum No. M-2008-031 dated 23 October 2008.

For guidance.



ARMANDO L. SURATOS
Officer-In-Charge

12 November 2008