



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 627
(Series of 2008)

Subject: US Dollar Denominated Repurchase Agreements with the Bangko Sentral ng Pilipinas

The Monetary Board, in its Resolution No.1373 dated 23 October 2008, approved the following amendments to the Manual of Regulations for Banks (MORB) on the general guidelines governing the US dollar denominated repurchase agreements of banks with the BSP.

Section 1. The provisions of Subsection X601.1 of the MORB on repurchase agreements (R/P) with the BSP are hereby amended by adding the following:

"X601.1 Repurchase agreements with Bangko Sentral. R/P agreements may be effected with the BSP subject to the following terms and conditions,

x x x

US dollar denominated R/P facility may likewise be effected with the BSP, subject to the following terms and conditions, and as may be provided under the R/P facility:

- (a) *Eligible borrowers.* The US dollar denominated R/P facility shall only be available to banks that are **not** net US dollar lenders in the swaps and interbank markets and with legitimate foreign currency denominated funding needs as may be provided under the R/P facility: *Provided,* That the borrowing shall be for the account of the applicant bank and shall not be used to fund liquidity requirements of foreign branches, affiliates, or subsidiaries.
- (b) *Collateral.* Only US dollar denominated obligations of the National Government of the Republic of the Philippines (ROP) shall be eligible as collateral.
- (c) The availing banks shall comply with all the pertinent requirements of the BSP.

Section 2. The provisions of Subsection X501.3 of the MORB on the authorized transactions of FCDU/EFCDU are hereby amended by adding as Items "a(11)" and "b(15)" the following:

"Engage in US dollar denominated repurchase agreements (R/P) with the BSP, as provided under Subsection X601.1."

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Section 3. The provisions of Subsection X501.4 of the MORB on the foreign currency cover requirements of FCDU/EFCDU are hereby amended as follows:

"Subsection X501.4. **Foreign Currency Cover Requirements.** Depository banks under the foreign currency deposit and expanded foreign currency deposit systems shall maintain at all times a 100% cover for their foreign currency liabilities, except US dollar denominated repurchase agreements with the BSP. *Provided: That,* violation of the terms and conditions of the US dollar denominated R/P facility shall subject the borrowings of the bank to the FCDU/EFCDU asset and liquid asset cover requirements. x x x.

The amended report on compliance with FCDU/EFCDU cover requirements which shall form part of the FRP is attached as **Annex A**.

Section 4. Sanctions. The Monetary Board may at its discretion, impose any or all of the following sanctions to a bank and/or its director/s or officer/s found to be responsible for violation of the provisions of this Circular or the terms and conditions of the US dollar denominated R/P agreement with the BSP :

- a. Termination of eligibility and pre-termination of any outstanding balance through repayment and/or sale of the collateral;
- b. Fine of up to P30,000 per transaction per day of violation reckoned from the time the violation was committed up to the date it is corrected;
- c. Suspension of interbank clearing privileges/immediate exclusion from clearing;
- d. Suspension of access to BSP rediscounting facilities;
- e. Suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments;
- f. Revocation of authority to perform trust operations;
- g. Revocation of quasi-banking license; and
- h. Suspension for one hundred twenty (120) days without pay of the officers and/or directors responsible for the violation.
- i. Other sanctions as may be provided by law.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:



DIWA C. GUINIGUNDO
Officer-in-Charge

23__ October 2008