



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 559
Series of 2007

Subject: Amendment to Section 73 of BSP Circular No. 1389, dated 13 April 1993, as amended

The Monetary Board, in its Resolution No. 62 dated 18 January 2007, approved the amendment to the provision of Section 73 of Circular No. 1389 dated 13 April 1993, as amended, to include the Derivatives with Positive Fair Value as eligible for the one hundred percent (100%) asset cover for foreign currency liabilities of reporting banks under the foreign currency deposit and expanded foreign currency deposit systems.

Section 1. The provision of the first paragraph of Section 73 of BSP Circular No. 1389, as amended, is hereby amended to read as follows:

"Depository banks under the foreign currency deposit and expanded foreign currency deposit systems shall maintain at all times a one hundred percent (100%) cover for their foreign currency liabilities. For purposes of complying with this requirement, the principal offices in the Philippines of the authorized banks and all its branches located therein shall be considered as a single unit. The foreign currency cover shall consist of the following:

1. For banks authorized to operate an FCDU -
 - a. Foreign currency deposits with the BSP;
 - b. Foreign currency deposits of short-term maturity, with foreign banks abroad, OBUs and other FCDUs/EFCDUs;
 - c. Short-term foreign currency loans authorized by the BSP except those classified by the BSP as bad or uncollectible debts;
 - d. Investments in foreign currency-denominated debt instruments, which are of short-term maturities and are readily marketable;
 - e. Foreign currency notes and coins on hand;

- f. Foreign Currency Checks & Other cash Items;
- g. Foreign currency-foreign currency swap;
- h. Foreign currency interests receivable;
- i. Trading Account Securities – Loans (Government Securities Purchased under Resale Agreements – EFCDU/FCDU);
- j. DERIVATIVES WITH POSITIVE FAIR VALUE (DERIVATIVES WITH NEGATIVE FAIR VALUE SHALL REQUIRE CORRESPONDING ASSET COVER); and
- k. Such other assets, as may be determined by the Monetary Board as eligible cover.

l. The government securities used as collateral of the borrowing and any margin (in the form of cash or securities) that the lender will collect from the bank anytime the market value of the collateralized securities falls below the amount of the loan shall be considered as eligible asset cover for the 100% cover requirement of said borrowings. Any excess in the value of the securities or cash used as collateral in a repurchase arrangement cannot be used as cover for the other FCDU/EFCDU liabilities."

Section 2. Effectivity. This Circular shall take effect fifteen (15) days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


NESTOR A. ESPENILLA JR.
Officer-In-Charge

26 January 2007