



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER Series of 2002

TO : ALL INVESTMENT HOUSES AND FINANCING COMPANIES WITH QUASI-BANKING FUNCTIONS

To properly monitor transactions involving reverse repurchase agreements with the Bangko Sentral ng Pilipinas (BSP), all investment houses and financing companies with quasi-banking functions (IH/FC with QB) shall record properly its Reverse Repurchase Agreements (REPO) with the Bangko Sentral ng Pilipinas sold to clients.

When an IH/FC sells an outstanding reverse REPO agreement with the BSP to a client, the securities under REPO support two loan transactions – the IH/FC's claim on the BSP under the original REPO and the client's claim on the IH/FC under the new REPO. The IH/FC'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 IH/FC's reverse REPO transaction with the BSP shall remain to be recorded as **"Government Securities Purchased under Reverse Repurchase Agreements with BSP"** under **"Trading Account Securities – Loans"**. The IH/FC'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 subsequent sale of the reverse REPO agreements is not subject to reserve requirements. The pro-forma accounting entries are in Annex "A".

Accordingly, the Manual of Accounts for Investment Houses and Financing Companies with quasi-banking functions is hereby amended as shown in Annex "B". Annex "C" is the revised Schedule 5 ("Schedule of Bills Payable and Bonds Payable") of the Statement of Condition (BSP 7-26-02).

This Circular Letter shall take effect immediately.


NESTOR A. ESPENILLA, JR.
Sector-In-Charge

September 24, 2002

Att.: a/s.



MAG-IMPOK SA BANGKO

ANNEX "A"

**INVESTMENT HOUSES AND FINANCING COMPANIES (IH/FC)
WITH QUASI-BANKING FUNCTIONS**

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

1. To record the purchase by IH/FC 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 IH/FC 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 IH/FC

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

ANNEX "B"

ADDITION TO MANUAL OF ACCOUNTS – INVESTMENT HOUSES

A new account shall be included under the account title "Bills Payable",
thus –

Bills Payable – Others

Bills Payable - Reverse Repurchase Agreements with BSP Sold to Clients

This represents borrowings incurred from the subsequent sale to IH'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".

ADDITION TO MANUAL OF ACCOUNTS – FINANCING COMPANIES

A new account shall be included under the account title "Bills Payable",
thus –

Bills Payable – Others

Bills Payable - Reverse Repurchase Agreements with BSP Sold to Clients

This represents borrowings incurred from the subsequent sale to FC'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".

BSP 7-26-02-A Schedule 5 (For IH)
 BSP 7-26-02-B Schedule 5 (For FC)

Name of Entity

Address

SCHEDULE OF BILLS PAYABLE and BONDS PAYABLE

As of _____
 (In Thousand Pesos)

PARTICULARS		Record Number	Bills Payable	Bonds Payable
A. By Source of Funds				
1.	Bangko Sentral ng Pilipinas	801		
	a. Rediscounting	802		
	b. Emergency Advances	803		
	c. Overdrafts	804		
	d. Others	805		
2.	Interbank Borrowings	810		
	a. Commercial Banks - Local	811		
	b. Other Banks	812		
	c. Other Financial Intermediaries - Local	813		
	d. Other Foreign Banks	814		
3.	Deposit Substitutes	820		
	a. Repurchase Agreements with Bangko Sentral	821		
	b. Commercial Banks - Local	822		
	c. Other Banks - Local	823		
	d. Other Financial Intermediaries - Local	824		
	e. Private Firms and Individuals	825		
	f. Foreign Entities and Individuals	826		
4.	Government Lending Programs	830		
	a. GSIS - Special Financing Program	831		
	b. SSS - Special Financing Program	832		
	c. Other Gov't. Agencies Loan Program	833		
5.	Others	840		
	a. Reverse Repurchase Agreements with BSP Sold to Clients	841		
	b. Domestic	842		
	1) Commercial Banks	843		
	2) Other Banks	844		
	3) Other Financial Intermediaries	845		
	4) Private Firms and Individuals	846		
	5) Others	847		
	c. Foreign Entities and Individuals	848		
	Number of lenders	849		
B. By Original Maturity				
1.	Demand	886		
2.	One (1) year or less	887		
3.	> One (1) year to five (5) years	888		
4.	> five (5) years	889		
	Total	890		