



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2011- 020

To: ALL BANKS

Subject: Revised Regulatory Treatment of Investments of Banks in RP Global Peso Notes

The Monetary Board, in its Resolution No. 444 dated 25 March 2011, approved the following guidelines on the revised regulatory treatment of investments of banks in Global Peso Notes (GPNs) issued by the Republic of the Philippines:

- (1) Investments in GPNs shall be recorded in the Regular Banking Unit (RBU) books of a bank as a foreign currency-denominated asset in accordance with the provisions of Philippine Financial Reporting Standards/Philippine Accounting Standards at their foreign currency amount and local currency equivalent;
- (2) Investments in GPNs that are classified at fair value shall be subject to mark-to-market valuation and shall be valued similar to other foreign currency-denominated securities traded abroad;
- (3) Investments in GPNs shall be subject to a credit risk weight of 20% for purposes of computing a bank's risk-based capital adequacy ratio;
- (4) Investments in GPNs shall be excluded in the computation of a bank's daily net foreign exchange position;
- (5) Trading of GPNs shall be subject to pertinent securities laws and provisions, including the appropriate licensing of dealers;
- (6) Pursuant to Section X340 of the Manual of Regulations for Banks, investments in GPNs shall be excluded by government financial institutions in determining compliance with DOSRI ceilings; and
- (7) Risks attendant to investments in GPNs shall be captured under a bank's Internal Capital Adequacy Assessment Process such that investing institutions must manifest their approach in handling the risks attendant to holding/trading GPNs.

The foregoing guidelines supersede the provisions of Memorandum No. M-2010-028 dated 8 September 2010.


AMANDA M. TETANGCO, JR.
Governor

30 March 2011