



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 601
(Series of 2008)

Subject: Amendments to Foreign Currency Cover Requirements Under Circular No. 1389, as amended, and Other Related Regulations Under the Manual of Regulations for Banks and Revised Report on Foreign Currency Cover

The Monetary Board in its Resolution Nos. 82 and 120 dated 24 and 30 January 2008, respectively, approved the following amendments to foreign currency cover requirements under Circular No. 1389, as amended, and other related regulations under the Manual of Regulations for Banks (MORB) and the revised report on foreign currency cover.

Section 1. Statement of Policy. It is the policy of the BSP to promote fairness, accuracy and comparability in financial reporting. It is in this view that the existing regulations and reportorial requirements are aligned to the greatest extent possible with the provisions of Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS).

Section 2. Foreign Currency Cover Requirements. The following amends Subsection X501.4 of the MORB and Section 73 of Circular No. 1389 dated 13 April 1993, as amended.

"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. For purposes of complying with this requirement, the principal offices in the Philippines of the authorized banks and all their branches located therein shall be considered as a single unit. The foreign currency cover shall consist of the net carrying amount of the following:

a. For banks authorized to operate an FCDU -

- (1) Foreign currency cash on hand;
- (2) Foreign currency checks and other cash items;
- (3) Due from BSP – Foreign Currency;
- (4) Due from other banks (other FCDUs/EFCDUs, OBU, and non-resident banks);
- (5) Derivatives with Positive Fair Value Held for Trading and/or Hedging (Derivatives with Negative Fair Value Held for Trading

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and/or Hedging shall require corresponding asset/liquid asset cover);

- (6) Investments in readily marketable foreign currency-denominated debt instruments, booked under the following control accounts: (i) Held for Trading (HFT); (ii) Designated at Fair Value through Profit or Loss (DFVPL); (iii) Available for Sale (AFS); and (iv) Held to Maturity (HTM).

Foreign currency-denominated debt securities sold/lent in repurchase agreement/securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% asset cover requirement. The same treatment shall likewise apply to foreign currency denominated debt securities used as additional collateral in repurchase agreements or as collateral by borrowing bank in securities lending and borrowing transactions;

- (7) Foreign currency loans and receivables maturing within one (1) year authorized by the BSP, booked under the following:
 - (a) Loans to BSP;
 - (b) Interbank loans receivable;
 - (c) Loans and receivables – others.

Loans and receivables authorized by the BSP shall refer to those granted pursuant to Circular No. 1389 dated 13 April 1993, as amended, and shall include the following: (a) those with specific approval by the BSP under Section 23 of Circular No. 1389, as amended (Loans Requiring Prior BSP Approval); (b) those short term loans to resident private and public sector borrowers which under existing regulations require no prior BSP approval but allowed to be serviced using foreign exchange purchased from the banking system (i.e., loans to commodity and service exporters, indirect exporters, producers/manufacturers, including oil companies and public utility concerns) under Section 24.4 of Circular No. 1389, as amended, (Loans Not Requiring Prior BSP Approval); and (c) those loans to resident private sector borrowers to be serviced using foreign exchange purchased from outside of the banking system under Section 24.1.a of Circular No. 1389, as amended: *Provided*, That all applicable banking rules and regulations are complied with including single borrower's limit as provided in Section X303;

- (8) Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions, maturing within one (1) year;
- (9) Foreign currency accrued interest income from financial assets;
- (10) Accounts receivable arising from sale of financial assets under the

trade date accounting pending actual settlement/delivery of the underlying securities;

(Accounts payable arising from the purchase of financial assets under the trade date accounting pending actual settlement/receipt of the underlying securities shall require corresponding asset/liquid asset cover)

- (11) Loans to RBU (net of transactions outstanding for more than one (1) year): *Provided*, That the conditions under §X501.3(c) are complied with; and
 - (12) Such other assets as may be determined by the Monetary Board as eligible asset cover.
- b. For banks authorized to operate an EFCDU – The foregoing accounts, regardless of maturity, and in the case of investment in foreign currency denominated debt instruments (including debt instruments booked under Unquoted Debt Securities Classified as Loans and investments in structured products), regardless of maturity and marketability, shall all be considered as eligible asset cover. Loans to resident private and public sector borrowers which under Section 24.4 of Circular No. 1389, as amended, require no prior BSP approval and allowed to be serviced using foreign exchange purchased from the banking system (i.e., loans to commodity and service exporters, indirect exporters, producers/manufacturers, including oil companies and public utility concerns) shall however have short term maturity.

In addition, the following shall also be considered as eligible asset cover:

- (1) Loans and Receivables granted by EFCDU pursuant to Section 24 of Circular No. 1389 dated 13 April 1993, as amended, i.e., those loans of non-residents from EFCDUs, to be serviced using foreign exchange purchased from outside the banking system under Section 24.1.b of Circular No. 1389, as amended: *Provided*, That all applicable banking rules and regulations are complied with including single borrower's limit as provided in Section X303;
- (2) Outstanding Export Bills Purchased in the EFCDU books, booked under the following control accounts:
 - (a) Interbank loans receivable - if without recourse
 - (b) Loans and receivables – others - if with recourse

For this purpose, net carrying amount shall refer to the gross amount of financial asset, plus or minus, as the case may be, the following: (i) unamortized premium/(discount) determined using the effective interest method; (ii) any accumulated market gains/(losses) in the case of AFS

financial assets; and (iii) any allowance for credit losses determined based on existing regulations.

c. Further, at least 30% of the cover requirement for foreign currency liabilities in the FCDU/EFCDU shall be in the form of liquid assets as follows:

- (1) Foreign currency cash on hand;
- (2) Foreign currency checks and other cash items;
- (3) Due from BSP – Foreign Currency with remaining maturity of one (1) year or less regardless of funding: *Provided*, That such deposit/placement is not encumbered or is not being utilized for any other purposes;
- (4) Due from other banks (other FCDUs/EFCDUs, OBUs and non-resident banks);
- (5) Investments in readily marketable foreign currency denominated debt instruments, booked under the following control accounts: (i) HFT; (ii) DFVPL; (iii) AFS; and (iv) HTM; except for the following: (a) those which are sold/lent in repurchase agreement/securities lending and borrowing transactions and those used as additional collateral in repurchase agreements or as collateral by borrowing bank in securities lending and borrowing transactions; and (b) those investments in structured products;
- (6) Loans and receivables authorized by the BSP booked under the following:
 - (a) Loans to BSP maturing within one (1) year;
 - (b) Interbank loans receivable maturing within one (1) year;
 - (c) Loans and receivables – others that is any of the following:
 - (i) Outstanding export bills purchased in the EFCDU books;
 - (ii) Short-term EFCDU loans to exporters in the form of export packing credits, whether rediscounted or not under BSP's Export Dollar Facility, up to the extent guaranteed by Trade and Investment Development Corporation of the Philippines (TIDCORP) or Small Business Guarantee and Finance Corporation (SBGFC): *Provided*, That these credits are not overdue;
- (7) Loans and receivables arising from repurchase agreements, certificates of assignment/ participation with recourse and securities lending and borrowing transactions, maturing within one (1) year;

and

- (8) Accounts receivable arising from sale of financial assets under the trade date accounting pending actual settlement/delivery of the underlying securities pertaining to readily marketable foreign currency denominated debt instruments.

The 100% asset cover and 30% to be held in the form of liquid assets enumerated above, shall be unencumbered, except as otherwise provided in second paragraph of Item 6 of Subsection 2.a.

The amended report on compliance with FCDU/EFCDU cover requirements which shall form part of the Financial Reporting Package issued under Circular No. 512 dated 3 February 2006, as amended, is attached as **Annex "A"**.

- d. The *Due from Other Banks – Non-Resident* (DFOB-Non-Resident) account representing cover for foreign currency liabilities of FCDU/EFCDU shall be kept separate and distinct from the DFOB – Non Resident account for the regular banking unit.

Section 3. Securities Lending. The following is added as Item 'k' to Section X531 of the MORB on eligibility of foreign currency denominated securities lent in securities lending and borrowing transactions:

- "k. The foreign currency-denominated debt securities lent or used as collateral by the borrowing bank in securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% cover requirement. However, these shall not be eligible for the 30% liquid asset cover."

Section 4. Repurchase Agreements Involving Foreign Currency-Denominated Government Securities. The following amends Items 'd', 'e' and 'f' of Section X532 of the MORB on eligibility of foreign currency denominated government securities sold under repurchase agreements as asset/liquid asset cover:

- "d. The borrowings shall be booked under "Bills Payable" and included in the computation of the total FCDU/EFCDU liabilities subject to the mandatory 100% asset cover and 30% liquid asset cover;
- "e. The foreign currency-denominated debt securities sold or used as additional collateral in repurchase agreement shall be considered as eligible asset cover for the 100% cover requirement. However, these shall not be eligible for the 30% liquid asset cover.
- "f. Banks shall, at all times, comply with the 100% FCDU/EFCDU asset cover and 30% liquid asset cover; and
- "g. x x x ".

Section 5. Transfer of Undivided Profit/(Losses) from FCDU/EFCDU to Regular Banking Unit (RBU) Books. The provisions of Circular Letter dated 7 November 2003 are hereby amended as follows (pro-forma entries attached):

"The transfer of '*Undivided Profits/(Losses) – FCDU/EFCDU*' to the '*Retained Earnings – Free*' (and in the case of Philippine branches of foreign banks, '*Net Due to H. O./Branches/Agencies Abroad*') account in the RBU book shall refer to realized FCDU/EFCDU profits/(losses) only and shall exclude the following:

1. 'Unrealized Gains/(Losses) from Marking to Market of Financial Assets and Liabilities Held for Trading (HFT)';
2. 'Unrealized Gains/(Losses) from Marking to Market of Financial Assets and Liabilities Designated at Fair Value through Profit or Loss (DFVPL)';
3. 'Foreign Exchange Profit/(Loss)';
4. 'Unrealized Gains/(Losses) from Remeasurement of Hedging Instruments'; and
5. 'Unrealized Gains/(Losses) from Remeasurement of Hedged Items'

(collectively referred to as '*Net Unrealized Gains/(Losses) from Operations*' in this Section): *Provided*, That prior to the transfer of realized '*Undivided Profits/(Losses) – FCDU/EFCDU*' to the '*Retained Earnings – Free*' in the RBU book, the FCDU/EFCDU shall fully provide for its classified accounts.

- a. The transfer of realized FCDU/EFCDU profits to the RBU book shall be made initially by a debit to '*Undivided Profits/(Losses) – FCDU/EFCDU*' and a credit to '*Retained Earnings – Free - FCDU/EFCDU*' at the end of the calendar year or fiscal year adopted by the bank, and subsequently by a corresponding transfer of eligible foreign currency assets from the FCDU/EFCDU to the RBU books within a period of one month from the end of the calendar year or fiscal year adopted by the bank. The foreign currency assets shall be in the form of:
 1. Due from BSP – Foreign Currency;
 2. Due from other banks (Other FCDUs/EFCDUs, OBUs and non-resident banks);
 3. Investments in readily marketable foreign currency denominated debt instruments, except for the following:
 - (a) those which are sold/lent in repurchase agreement/securities lending and borrowing transactions and those used as additional collateral in repurchase agreements or as collateral of the borrowing bank in securities lending and borrowing transactions;

- (b) those investments in structured products: and
- (c) those Philippine debt papers which were restructured during the period of moratorium in the payment of external debt.

Provided, That these shall likewise be booked under the same category in the RBU book as they were before the transfer from FCDU/EFCDU.

The transfer of the abovementioned eligible foreign currency assets representing realized FCDU/EFCDU profits to RBU book shall be made by a debit to 'Retained Earnings – Free - FCDU/EFCDU'.

- b. The transfer of realized FCDU/EFCDU losses to the RBU book shall be made immediately and shall be accompanied by a corresponding transfer of the abovementioned eligible foreign currency assets from the RBU book to the FCDU/EFCDU: *Provided*, That investments in readily marketable foreign currency denominated debt instruments shall likewise be booked under the same category in the FCDU/EFCDU as they were before the transfer from RBU book.

The transfer of the abovementioned eligible foreign currency assets representing realized FCDU/EFCDU losses during the interim period from the RBU book shall be made by a credit to 'Due to RBU – FCDU/EFCDU Realized Losses from Operations', which account shall not be subject to asset and liquid asset cover requirements, and which account shall be credited to the 'Undivided Profits/(Losses) – FCDU/EFCDU' at the end of the calendar year or fiscal year adopted by the bank.

The amount of eligible foreign currency assets to be transferred from the RBU book to the FCDU/EFCDU shall be that which will bring the balance of 'Due to RBU - FCDU/EFCDU Realized Losses from Operations', equal to the cumulative net realized losses incurred from the beginning of the calendar year or fiscal year adopted by the bank.

Whenever the balance of 'Due to RBU – FCDU/EFCDU Realized Losses from Operations' exceeds the cumulative net realized losses incurred from the beginning of the calendar year or fiscal year adopted by the bank, the excess shall be settled by the FCDU/EFCDU to the RBU by a credit to the abovementioned eligible foreign currency assets at the end of the reference month.

- c. The items comprising the 'Net Unrealized Gains/(Losses) from Operations' in the FCDU/EFCDU, on the other hand, shall be credited/debited to 'Undivided Profits/(Losses) – FCDU/EFCDU' at the end of each month, which account shall be credited/debited to Retained Earnings – Free – FCDU/EFCDU' at the end of the calendar year or fiscal year adopted by the bank.

Whenever the total of the following:

1. Retained Earnings – Free – FCDU/EFCDU, representing cumulative unrealized gains/(losses) from operations from prior years,
2. Items comprising the 'Net Unrealized Gains/(Losses) from Operations' credited/debited to 'Undivided Profits/(Losses)', as well as those not yet credited/debited to 'Undivided Profits/(Losses)',
3. 'Net Unrealized Gains/(Losses) on AFS Financial Assets' recognized directly in equity and
4. 'Gains/(Losses) on Fair Value Adjustments of Hedging Instruments' recognized directly in equity,

results to a net debit balance, the bank shall transfer from the RBU book to the FCDU/EFCDU immediately the abovementioned eligible foreign currency assets by a credit to the 'Due to RBU – FCDU/EFCDU Unrealized Losses Recognized in Profit or Loss and in Equity', which account shall not be subject to asset and liquid asset cover requirements.

The amount of eligible foreign currency assets to be transferred from the RBU book to the FCDU/EFCDU shall be that which will bring the balance of 'Due to RBU - FCDU/EFCDU Unrealized Losses Recognized in Profit or Loss and in Equity' equal to the net debit balance of the immediately preceding Items '1', '2', '3' and '4' above.

Whenever the 'Due to RBU – FCDU/EFCDU Unrealized Losses Recognized in Profit and Loss and in Equity' exceeds the net debit balance of the immediately preceding Items '1', '2', '3' and '4' above, the excess shall be settled by the FCDU/EFCDU to the RBU book by a credit to the abovementioned eligible foreign currency assets at the end of the reference month.

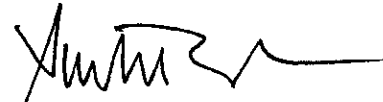
Section 6. Accounting. The following paragraph is hereby added to the provisions of Section X501.16 of the MORB and Section 85 of Circular No. 1389, as amended, on accounting for FCDU/EFCDU transactions:

"For purposes of preparing the FCDU/EFCDU financial statements, the bank shall use the US dollar (USD) as its functional currency. However, for purposes of consolidating the FCDU/EFCDU financial statements with the RBU financial statements, these shall be translated into the presentation currency, i.e. Philippine Peso (Php)."

Section 7. Repealing Clause. This Circular supersedes/amends/modifies the provisions of existing circulars, memoranda and/or regulations that are inconsistent herewith.

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

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read 'Amato', written over the printed name.

AMANDO M. TETANGCO, JR.
Governor

13 February 2008

ANNEX A

DEADLINE : 15 banking days after
end of reference
month

SUBMISSION : Original copy to
Supervisory Data Center

FOR ALL BANKS

(Name of Bank)	(Code)
(Address)	

Report on Compliance with E/FCDU Cover Requirement

As of _____ (Month-End)

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiant exhibiting to me his Community Tax
Certificate No. _____ issued at _____ on
_____, 20____.

Notary Public
Until December 31, 20____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

BANK NAME
REPORT ON COMPLIANCE WITH E/FCDU COVER REQUIREMENT
AS OF MONTH END _____
(in USD 0.000 million)

	Total	Ratio
A. Total E/FCDU Liabilities Requiring Cover [A1 + A2 - A3]	0.00	
1. E/FCDU Liabilities (excluding Net Due to HO/Br Abroad)	0.00	
2. Net Due to HO/Br Abroad - E/FCDU ^{1/}	0.00	
3. Due to RBU - E/FCDU [3.a + 3.b]	0.00	
a. Due to RBU - E/FCDU Realized Losses from Operations	0.00	
b. Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	0.00	
B. Total E/FCDU Asset Cover ^{2/}	0.00	
a. Foreign currency cash on hand (BS Item 1)	0.00	
b. Foreign currency checks and other cash items (BS Item 2)	0.00	
c. Due from BSP Foreign Currency - E/FCDU (BS Item 3)	0.00 5/6	
d. Due from Other Banks - E/FCDUs/OBUs/Non-Resident (Sched 2)	0.00	
	0.00	

Liquid Assets Other Assets Total

	Liquid Assets	Other Assets	Total
e. Derivatives with Positive Fair Value Held for Trading/Hedging			
1. Derivatives with Positive Fair Value Held for Trading (BS Item 5.b)		0.00	0.00
2. Derivatives with Positive Fair Value Held for Hedging (BS Item 13)		0.00	0.00
f. Investments in foreign currency-denominated debt instruments:			
1. Held for Trading (HFT) - E/FCDU [BS Item 5(a)]			
a. Sold/Lent/Collateralized in Repurchase/SLB Transactions		0.00	0.00
b. Structured Products		0.00	0.00
c. Others	0.00 7/	0.00	0.00
2. Financial Assets DFVPL - E/FCDU (BS Item 6)			
a. Sold/Lent/Collateralized in Repurchase/SLB Transactions		0.00	0.00
b. Structured Products		0.00	0.00
c. Others	0.00 7/	0.00	0.00
3. Available for Sale (AFS) - E/FCDU [BS Item 7(i)]			
a. Sold/Lent/Collateralized in Repurchase/SLB Transactions		0.00	0.00
b. Structured Products		0.00	0.00
c. Others	0.00 7/	0.00	0.00
4. Held to Maturity (HTM) - E/FCDU (BS Item 8)			
a. Sold/Lent/Collateralized in Repurchase/SLB Transactions		0.00	0.00
b. Structured Products		0.00	0.00
c. Others	0.00 7/	0.00	0.00
g. Unquoted Debt Securities Classified as Loans - EFCDU (BS Item 9)			
h. Loans and Receivables - E/FCDU authorized by BSP, except those classified by the BSP as loss		0.00 8/	0.00
1. Loans to BSP (BS Item 11.a)	0.00 5/	0.00	0.00
2. Interbank loans receivable (Sched 10)	0.00 5/	0.00	0.00
3. Loans and receivables - others (Sched 11.c)			

	Liquid Assets	Other Assets	Total
a. Outstanding export bills purchased	0.00 8/		0.00
b. Short-term E/FCDU loans to exporters in the form of export packing credits up to the extent guaranteed by TIDCORP or SBGFC, provided not overdue	0.00 8/		0.00
c. Others			
(i) Loans with specific approval by the BSP		0.00 9/	0.00
(ii) Short-term loans to resident private sector borrowers which under existing regulations requires no prior BSP approval and allowed to be serviced using foreign exchange purchased from the banking system		0.00 9/	0.00
(iii) Loans to resident private sector borrowers to be serviced using foreign exchange purchased from outside the banking system		0.00 9/	0.00
(iv) Loans to non-resident to be serviced using foreign exchange purchased from outside the banking system		0.00 8/	0.00
i. Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions - E/FCDU (Sched 12)	0.00 5/	0.00	0.00
j. Foreign currency accrued interest income from financial assets - E/FCDU (BS Item 16)		0.00	0.00
k. Accounts receivable arising from the sale of financial assets under trade date accounting - E/FCDU 3/	0.00 10/	0.00	0.00
l. Loans to RBU by E/FCDU net of transactions outstanding for over 1 year (part of Sched 19)		0.00	0.00
C. Exempt Liabilities 4/			0.00
D. Excess/(Deficiency) in Liquid Assets [Liquid Assets - 30% * (Item A - Item C)]			0.00 11/
E. Excess/(Deficiency) in Cover Requirement (Total Assets - Item A)			0.00 12/

	Liquid Assets	Other Assets	Total
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- | | | | |
|-----|--|--|--|
| 1/ | Applicable to Philippine branches of foreign banks only. If resulting balance is a Net Due from HO/Br Abroad, the amount to be shown as Net Due to HO/Br shall be zero. Net Due from HO/Br Abroad shall not be eligible for both the 100% asset and 30% liquid asset cover | | |
| 2/ | At net carrying amount (i.e. net of premiums/(discounts), accumulated market gains/(losses) and allowance for impairment loss) | | |
| 3/ | Accounts Receivable arising from sale of financial assets under the trade date accounting pending actual settlement/delivery of the underlying assets/securities | | |
| 4/ | Refers to liabilities exempt from 30% liquid cover requirement as may be approved by the Monetary Board | | |
| 5/ | Maturing within 1 year | | |
| 6/ | Unencumbered | | |
| 7/ | Readily marketable | | |
| 8/ | EFCDU only | | |
| 9/ | Maturing within 1 year for FCDU and regardless of maturity for EFCDU | | |
| 10/ | Arising from sale of readily marketable debt instruments | | |
| 11/ | $\left[\frac{\text{Liquid Assets}}{\text{Total Assets}} \right] \times 100$ | | |
| 12/ | $\left[\frac{\text{Total Assets}}{\text{A}} \right] \times 100$ | | |

ILLUSTRATIVE ACCOUNTING ENTRIES

I. Transfer of Net Realized Profits

E/FCDU Account Balances						
	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Realized Losses from Operations	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
To record net realized profits						
Dr. Assets/Liability	100					
Cr. Income	100					
To close net realized profits to Undivided Profits/(Losses)						
Dr. Income	100					
Cr. Undivided Profits/(Losses)	100					
Balance as of year-end before transfer of net realized profits and assets to RBU	100	-				-
To close Undivided Profits/(Losses) to Retained Earnings - Free - E/FCDU						
Dr. Undivided Profits/(Losses)	100	(100)				
Cr. Retained Earnings - Free - E/FCDU	100	100				
The Undivided Profits/(Losses) shall be closed to Retained Earnings - Free - E/FCDU at the end of the calendar/fiscal year adopted by the bank pending transfer of eligible assets to the RBU which shall be made within 1 month after the end of the reference year						
To transfer assets to RBU representing net realized profits						
Dr. Retained Earnings - Free - E/FCDU	100	(100)				(100)
Cr. Due from Other Banks/Cash	100					
The corresponding journal entry in the RBU for the transfer of net realized profits from E/FCDU is as follows:						
Dr. Due from Other Banks/Cash	100					
Cr. Retained Earnings - Free - RBU	100					
Balance as of year-end after transfer of net realized profits and assets to RBU	-	-				(100)

¹ For branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad

ILLUSTRATIVE ACCOUNTING ENTRIES

II. Transfer of Net Realized Losses

E/FCDU Account Balances						
	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Realized Losses from Operations	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
Month 1 (M1)						
To record M1 net realized losses						
Dr. Expense	10					
Cr. Assets/Liability	10					
To close M1 net realized losses to Undivided Profits/(Losses)						
Dr. Undivided Profits/(Losses)	(10)					
Cr. Expense	10					
Balance as of M1 before transfer of assets from RBU	(10)					
To transfer assets from RBU representing net realized losses						
Dr. Due from Other Banks/Cash	10					
Cr. Due to RBU - E/FCDU Realized Losses from Operations	10			10		10
The "Due to RBU - E/FCDU Realized Losses from Operations" shall not be subject to E/FCDU cover requirements						
Balance as of M1 after transfer of assets from RBU	(10)			10		10
Month 2 (M2)						
To record M2 net realized losses						
Dr. Expense	5					
Cr. Assets/Liability	5					
To close M2 net realized losses to Undivided Profits/(Losses)						
Dr. Undivided Profits/(Losses)	(5)					
Cr. Expense	5					
Balance as of M2 before transfer of assets from RBU	(15)			10		10

¹ "For branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad"

II. Transfer of Net Realized Losses

"For branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad"

ILLUSTRATIVE ACCOUNTING ENTRIES

II. Transfer of Net Realized Losses

EIFCDU Account Balances					
	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Realized Losses from Operations	Due to RBU E/FCDU Unrealized Losses Recognized in Profit or Loss and in Cash Inflow (Outflow)
To settle excess Due to RBU - E/FCDU Realized Losses from Operations Dr. Due to RBU - E/FCDU Realized Losses from Operations 3 Cr. Due from Other Banks/Cash 3 Computation of amount to be settled to RBU Cumulative net realized losses from operations incurred from beginning of year 12 Due to RBU - E/FCDU Realized Losses from Operations 15 Excess amount to be settled to RBU ² (3) ² Whenever the balance of "Due to RBU - E/FCDU Realized Losses from Operations" exceeds the cumulative net realized losses incurred from the beginning of the year, the excess shall be settled to the RBU.				(3)	(3)
Balance as of M3 after settlement of excess Due to RBU	(12)			12	12
Balance as of year-end before transfer of net realized losses to RBU	(12)			12	12
To close Undivided Profits/(Losses) to Due to RBU - E/FCDU Realized Losses from Operations Dr. Due to RBU - E/FCDU Realized Losses from Operations 12 Cr. Undivided Profits/(Losses) 12 The corresponding journal entry in the RBU for the transfer of unrealized losses from EIFCDU is as follows: Dr. Retained Earnings - Free - RBU 12 Cr. Due from EIFCDU - E/FCDU Realized Losses from Operations 12	12			(12)	
Balance as of year-end after transfer of net realized losses to RBU	-			-	12

¹ For branches of foreign banks the account to be used is Net Due to/from HOD/branches/agencies Abroad

ILLUSTRATIVE ACCOUNTING ENTRIES

III. Transfer of Net Unrealized Gains/(Losses)

		E/FCDU ACCOUNT BALANCES				
		Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
Case A						
Month 1 (M1)						
To record M1 MTM adjustment on derivatives						
Dr. Gains/(Losses) on Financial Assets/Liabilities HFT	20					
Cr. Derivatives with Negative Fair Value HFT						
To close net unrealized losses to Undivided Profits/(Losses)						
Dr. Undivided Profits/(Losses)	20	(20)				
Cr. Gains/(Losses) on Financial Assets/Liabilities HFT						
To record MTM adjustment on AFS Financial Assets						
Dr. Net Unrealized Gains/(Losses) on AFS Financial Assets (Equity Account)	50			(50)		
Cr. Accumulated Market Gains/(Losses) on AFS Financial Assets (Contra Asset Account)						
Balance as of M1 before transfer of assets from RBU		(20)	-	(50)	-	-
To transfer assets from RBU representing net unrealized losses						
Dr. Due from Other Banks/Cash	70					70
Cr. Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity					70	
Computation of amount to be transferred from RBU						
Net Unrealized Gains/(Losses) from Operations (debit balance)	20					
Net Unrealized Gains/(Losses) on AFS Financial Assets (debit balance)	50					
Net Unrealized Losses (net debit balance)	70					
The "Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity" shall not be subject to E/FCDU cover requirements						
Balance as of M1 after transfer of assets from RBU		(20)	-	(50)	70	70

¹ "For branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad"

ILLUSTRATIVE ACCOUNTING ENTRIES

III. Transfer of Net Unrealized Gains/(Losses)

E/FCDU ACCOUNT BALANCES							
	Dr.	Cr.	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
Month 2 (M2)							
To record M2 MTM adjustment on derivatives							
Dr. Derivatives with Positive Fair Value HFT	80						
Cr. Gains/(Losses) on Financial Assets/Liabilities HFT		80					
To close net unrealized gains to Undivided Profits/(Losses)							
Dr. Gains/(Losses) on Financial Assets/Liabilities HFT	80		80				
Cr. Undivided Profits/(Losses)							
To record MTM adjustment on AFS Financial Assets							
Dr. Accumulated Market Gains/(Losses) on AFS Financial Assets (Contra Asset Account)	30				30		
Cr. Net Unrealized Gains/(Losses) on AFS Financial Assets (Equity Account)		30					
Balance as of M2 before settlement of excess Due to RBU			60	-	(20)	70	70
To settle excess Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity							
Dr. Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	70					(70)	
Cr. Due from Other Banks/Cash		70					(70)
Computation of amount to be settled to RBU							
Cumulative net unrealized losses recognized in profit or loss and in equity ³	0						
Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	70						
Excess amount to be settled to RBU ⁴		(70)					
³ Computation of cumulative net unrealized losses recognized in profit or loss and in equity							
(1) Net unrealized gains from operations	(60)						
(2) Net unrealized losses on AFS Financial Assets	20						
Cumulative net unrealized gains	(40)						

¹ "Fo" branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad"

ILLUSTRATIVE ACCOUNTING ENTRIES

III. Transfer of Net Unrealized Gains/(Losses)

E/FCDU ACCOUNT BALANCES							
	Dr.	Cr.	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
Since the sum of items (1) and (2) results to net unrealized gains, cumulative net unrealized losses is considered zero.							
⁴ Whenever the "Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity" exceeds the cumulative net unrealized losses, the excess shall be settled to the RBU							
Balance as of M2 after settlement of excess Due to RBU			60	-	(20)	-	-
Balance as of year-end before closing Undivided Profits/(Losses) to Retained Earnings - Free - E/FCDU			60	-	(20)	-	-
To close Undivided Profits/(Losses) to Retained Earnings - Free - E/FCDU							
Dr. Undivided Profits/(Losses)	60		(60)				
Cr. Retained Earnings - Free - E/FCDU		60		60			
Balance as of year-end after closing Undivided Profits/(Losses) to Retained Earnings - Free - E/FCDU			-	60	(20)	-	-

¹ "For branches of foreign banks the account to be used is Net Due to/from HO/Branches/Agencies Abroad"

ILLUSTRATIVE ACCOUNTING ENTRIES

III. Transfer of Net Unrealized Gains/(Losses)

EIFCDU ACCOUNT BALANCES								
	Dr.	Cr.	Undivided Profits / (Losses)	Retained Earnings - Free ¹	Net Unrealized Gains / (Losses) Recognized in Equity	Due to RBU - E/FCDU Realized Losses from Operations	Due to RBU - E/FCDU Unrealized Losses Recognized in Profit or Loss and in Equity	Due from Other Banks/ Cash Inflow (Outflow)
Case B								
Assume the following computation of cumulative net unrealized losses recognized in profit and loss and in equity requiring transfer of assets from RBU								

¹ For branches of foreign banks the account to be used is "Net Due to/from HO/Branches/Agencies Abroad"