



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 301

The Monetary Board, in its Resolution No. 1256 dated August 9, 2001, decided to consider the proposed P50 billion worth of 5- and 10-year Special Purpose Treasury Bonds (SPTBs) to finance the Comprehensive Agrarian Reform Program (CARP)-related expenditures as alternative compliance with the agrarian reform credit requirement under Sec. 4(a) of P. D. No. 717, and as eligible reserve for trust duties.

The bonds may be considered eligible as alternative compliance with the agrarian reform credit requirement under Sec. 4(a) of P. D. No. 717, provided the proceeds of the bonds will be used exclusively for the agrarian reform sector in keeping with the spirit and intent of the law. The National Government should be reminded and given notice beforehand of the proviso under the aforementioned section that "the issuing entity shall stand ready to monetize, encash or repurchase such securities whenever funds are needed by the banks holding the said securities, for lending to the beneficiaries of agrarian reform".

Investments by banks in SPTBs for the CARP should only be allowed as alternative compliance with the agrarian reform credit requirement if they comply with the following conditions:

- a. Such bonds shall not be hypothecated in any way or earmarked for any other purposes; and
- b. In case the bonds are subject of a repurchase/resale agreement, only the buying/lending bank may use such bonds as compliance with the agrarian reform credit requirement during the holding period and provided that the repurchase/resale agreement shall be for a term of at least thirty (30) days without pre-termination during the first 30 days.

The bonds may also qualify as eligible reserve for trust duties only when they meet the three-year remaining maturity requirement to ensure that such bonds are liquid.

This Circular shall take effect immediately.

For the Monetary Board:


RAFAEL B. BUENAVENTURA
Governor

October 2, 2001



MAG-IMPOK SA BANGKO