

[BSP MEMORANDUM NO. M-2007-006, February 28, 2007]

**MARK-TO-MARKET VALUATION OF DEBT AND EQUITY SECURITIES -
BENCHMARK/REFERENCE PRICES**

The Monetary Board in its Resolution No. 177 dated 8 February 2007 hereby promulgates the general guidelines on the mark-to-market valuation of debt and equity securities as required under Circular Nos. 476 and 538, dated 16 February 2005 and

04 August 2006, as amended.

General Principle

As a general rule, to the extent a credible market pricing mechanism as determined by the Bangko Sentral ng Pilipinas (BSP) exists for a given security, that market price shall be the basis of marking-to-market. However, in the absence of a market price, a calculated price shall be used as prescribed in this Memorandum.

Marking-to-Market Guidelines

To ensure consistency, the following shall be used as bases in marking-to-market debt and equity securities:

Type of Security	Market Price Basis
A. Equity Securities Listed in the Stock Exchange	
1. Traded in the Philippines	Same day closing price as quoted at the Philippine Stock Exchange. In case of halt trading/suspension or holidays, use the last available closing price.
2. Traded Abroad	Latest available closing price from the exchange where the securities are traded.

B. Foreign Currency-Denominated Debt Securities Quoted in Major Information

1. US Treasuries	Price as of end of day, Manila time.
2. US Agency papers (e.g. Fannie Maes, Freddie Macs, Ginnie Maes, Municipal papers)	Latest available price for the day, Manila Time. In the absence of a price, use average quotes of at least three regular brokers/ market makers.*
3. Brady Bonds	Same as B.2
4. For all US\$-denominated government and corporate securities	Same as B.2
5. Other foreign-currency securities	Same as B.2

C. Foreign Currency Denominated Debt Securities Traded in a Local Registered Exchange or Market

The basis for marking-to-market foreign currency-denominated debt securities traded in a local registered exchange or market shall be the same as those used in Peso-Denominated Government Securities in Section D below.

D. Peso-Denominated Government Securities

The benchmark or reference prices shall be based on the weighted average of done or executed deals in a trading market registered with the Securities and Exchange Commission (SEC). In the absence of done deals, the best firm bid per benchmark tenor shall be used in calculating the benchmark; provided that the best firm offer per benchmark tenor shall likewise be included as soon as permissible under securities laws and regulations.

The benchmark or reference rate shall be computed and published in accordance with prescribed guidelines on the computation of reference rates by a Calculation Agent which is recognized by the Bankers Association of the Philippines (BAP), provided that both the Calculation Agent and its method of computation are acceptable to the BSP.

To ensure the integrity of the benchmark or reference prices, the Calculation Agent shall perform the following: