

[BSP CIRCULAR NO. 433, S. 2004, May 13, 2004]

TO ALLOW BANKS TO ENGAGE IN REPURCHASE AGREEMENTS INVOLVING FOREIGN CURRENCY DENOMINATED GOVERNMENT SECURITIES

The Monetary Board, in its Resolution No. 518 dated 15 April 2004, decided to allow banks to engage in repurchase agreements involving foreign currency denominated government securities, subject to the following conditions:

- a. The repurchase agreements shall involve only government securities held as Trading Account Securities under the foreign currency deposit unit (FCDU)/expanded FCDU (EFCDU) books;
- b. The government securities subject of repurchase agreements are to be booked under the account "Government Securities Sold under Repurchase Agreements - FCDU/EFCDU";
- c. The borrowings shall only be from FCDUs/EFCDUs, non-resident financial institutions and offshore banking units;
- d. The maximum term of the repurchase agreements shall be one (1) year;
- e. 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% liquidity cover;
- f. The government securities used as collateral of the borrowing and any margin (in the form of cash or securities) that the lender will collect from the bank anytime the market value of the collateralized securities fall below the amount of the loan shall be considered as eligible asset cover for the 100% cover requirement of the said borrowings. Any excess in the value of the securities or cash used as collateral in a repurchase arrangement cannot be used as cover for the other FCDU/EFCDU liabilities;
- g. The government securities used as collateral of the borrowings and any margin (in the form of cash or securities) that the lender will collect from the bank anytime the market value of the collateralized securities fall below the amount of the loan shall not be eligible for the 30% liquid asset cover requirement;
- h. Banks shall, at all times, comply with the 100% FCDU/EFCDU asset cover and 30% liquidity cover; and