

[BSP CIRCULAR NO. 448, September 03, 2004]

AMENDMENTS TO THE PROVISIONS OF BSP CIRCULAR NO. 1389 DATED 13 APRIL 1993, CIRCULAR NO. 433 DATED 13 MAY 2004, THE MANUAL OF ACCOUNTS FOR UNIVERSAL BANKS AND COMMERCIAL BANKS, AND THE MANUAL OF ACCOUNTS FOR THRIFT BANKS

Pursuant to Monetary Board Resolution No. 1181 dated 19 August 2004, the provisions of BSP Circular No. 1389 dated 13 April 1993, Circular No. 433 dated 13 May 2004, the Manual of Accounts for Universal Banks and Commercial Banks, and the Manual of Accounts for Thrift Banks, are hereby amended as follows:

SECTION 1. Items 1 and 2, Section 72 of Circular No. 1389 and Item a of Circular No. 433 are hereby amended so as to allow the use of IBODI holdings in securities lending and repurchase agreements by banks subject to the following conditions:

- a. the lending bank in case of securities lending and the selling bank in case of repurchase agreement, had the positive intention and ability to maintain or recover control of the same or substantially similar securities as those lent or sold, as the case may be.
- b. The counterparty's failure to redeliver the securities lent or sold at maturity or at the date agreed upon could not have been reasonably anticipated by the lender or seller, as the case may be, at the time of the transaction.
- c. In case of failure or default of the counterparty to redeliver the securities lent or sold, the same shall be immediately replaced by identical or substantially similar securities. For this purpose, a replacement security may only be considered substantially similar to the securities lent or sold if all of the following circumstances are present:
 - i. the security must have the same primary obligor and must have the same guarantor under the same terms and conditions, if guaranteed;
 - ii. the security must be identical in form and type so as to give the same risks and rights to the holder; and