

**[BSP CIRCULAR LETTER, SEPTEMBER 24, 2002,
September 24, 2002]**

**REVERSE REPURCHASE AGREEMENTS (REPO) WITH THE BANGKO
SENTRAL NG PILIPINAS SOLD TO CLIENTS**

To properly monitor transactions involving reverse repurchase agreements with the Bangko Sentral ng Pilipinas (BSP), all investment houses and financing companies with quasi-banking functions (IH/FC with QB) shall record properly its Reverse Repurchase Agreements (REPO) with the Bangko Sentral ng Pilipinas sold to clients.

When an IH/FC sells an outstanding reverse REPO agreement with the BSP to a client, the securities under REPO support two loan transactions — the IH/FC's claim on the BSP under the original REPO and the client's claim on the IH/FC under the new REPO. The IH/FC's claim on the BSP arising from the reverse REPO should not be offset against its loan payable to clients in the subsequent sale of the REPO because the counter-parties to the two transactions are different. Thus, the IH/FC's reverse REPO transaction with the BSP shall remain to be recorded as **"Government Securities Purchased under Reverse Repurchase Agreements with BSP" under "Trading Account Securities — Loans"**. The IH/FC's payable to clients arising from the subsequent sale of the reverse REPO shall be recorded as **"Reverse Repurchase Agreements with BSP Sold to Clients" under "Bills Payable — Others"**. The subsequent sale of the reverse REPO agreements is not subject to reserve requirements. The pro-forma accounting entries are in Annex "A"

[1]

Accordingly, the Manual of Accounts for Investment Houses and Financing Companies with quasi-banking functions is hereby amended as shown in Annex "B"

[2] Annex "C"[3] is the revised Schedule 5 ("Schedule of Bills Payable and Bonds Payable") of the Statement of Condition (BSP 7-26-02).

This Circular Letter shall take effect immediately.

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Sector-in-Charge

[1] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

[2] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

[3] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.