



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2008- 031

To : ALL BANKS WITH FCDU/EFCDU AUTHORITY

Subject : Guidelines on the Availment of US Dollar Denominated Repurchase Agreement Facility with the BSP

Pursuant to BSP Circular No. 627 dated 23 October 2008 respectively, amending the regulations on the general guidelines governing the US dollar denominated repurchase agreement of banks with the BSP (USD R/P), the following terms and conditions shall be observed in the availment of the facility:

A. Eligible Borrowers

- RBUs or FCDU/EFCDUs of banks with FCDU/EFCDU authority who can demonstrate legitimate funding needs can avail of this facility.
- Continuing eligibility is contingent on compliance with the qualifying purposes and continuing conditions specified in sections B and G below.

B. Qualifying Purposes

- Proceeds from the borrowings shall be used for legitimate liquidity requirements of FCDU/EFCDU or RBU for local operations as follows:
 - Compliance with FCDU/EFCDU cover requirements;
 - Servicing of withdrawals of FCDU/EFCDU; and
 - Servicing trade-related requirements.
- Borrowing shall be for the account of the applicant bank and shall not be used to fund liquidity requirements of foreign head office, foreign branches, affiliates, or subsidiaries

C. Acceptable Collateral

- Eligible securities shall cover US Dollar-denominated evidences of indebtedness issued directly by the Government of the Philippines (ROP Bonds) held by the applicant bank as of 30 September 2008. These can be lodged in FCDU/EFCDU's or RBU's Available-for-Sale (AFS), Held-for-Trading (HFT) and Held-to-Maturity (HTM) portfolios.

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- Remaining maturity of the collateral must not exceed 10 years from value date of the repurchase agreement. The BSP, however, may accept ROP bonds with remaining maturity exceeding 10 years in exceptional circumstances, as may be determined by the Treasury Department, and concurred by the Governor. ROP Bonds to be pledged have to be transferred/credited to BSP's designated securities account before availment of the USD R/P facility.
- The tenor of the underlying security should not be shorter than the overlying instrument

D. Valuation of Securities

- The haircut on the underlying securities shall be determined by the Treasury Department, with the concurrence of the Governor. Collateral cover will be maintained through periodic margin calls as specified in the repurchase agreement.
- Said valuation will be subject to periodic review and will be modified when necessary.

E. Available Credit Line

- Credit lines shall be set by the BSP upon evaluation of application documents and such other information as may be deemed necessary.

F. Rate, Term and Trading Time

- The rates of the US dollar denominated R/P facility shall be set by the Treasury Department, with the concurrence of the Governor, taking into account prevailing liquidity/market conditions.
- The term of the US dollar denominated R/P facility shall be set by the Treasury Department, with the concurrence of the Governor; Provided, that, should a bank become disqualified for the R/P facility, the outstanding repurchase agreement shall immediately become due and payable.
- Trading time for the USD R/P transactions shall be set from 10:00 AM to 12 Noon, then from 1:00 PM to 2:00 PM.

G. Continuing Conditions

- Qualified banks should maintain net foreign exchange (FX) overbought or oversold position of not more than 20% of its unimpaired capital or USD 50 million, whichever is lower, for the duration of the USD repo availment.
- Borrowing banks should not be net USD lenders to the swaps and interbank markets nor conduits for another bank for the duration of the USD R/P availment.

- Borrowings must be used for the qualifying purposes outlined in Section B for the duration of the USD R/P avallment.

H. Application Requirements

Applicant bank shall submit the following information/documents, and such other documents as may be deemed necessary, to the Treasury Department, copy furnished the appropriate Central Point of Contact Department (CPCD) of the Supervision and Examination Sector (SES), to aid BSP evaluate applications:

- Application for avallment of the facility stating therein the amount, requested term, specific purpose of the borrowing, including disclosure of the specific collateral, including source, i.e. RBU or FCDU/EFCDU;
- FX position report as of latest month-end and as of two (2) banking days prior to the date of application;
- Report on Compliance with FCDU/EFCDU Cover Requirements as of latest month-end and as of two days prior to application date;
- Such other documents or reports supporting bank's underlying purpose for the avallment of the US dollar denominated R/P facility (e.g., trade documents as provided under existing FX rules and regulations);
- Notarized undertaking/certification signed by the bank's President or Country Manager (in the case of local branch of a foreign bank), Compliance Officer and Head of Treasury, indicating the following:
 - ✓ Specific purpose of fund utilization;
 - ✓ Proceeds of borrowing shall be used exclusively to fund liquidity requirements of FCDU/EFCDU or RBU local operations;
 - ✓ The Bank is not a net US Dollar lender to the swaps and interbank markets nor conduit for another bank at the time of application and for the duration of the USD R/P avallment.

I. Reportorial Requirements

Banks with outstanding US dollar denominated R/P agreement with the BSP are required to submit to the appropriate Central Point of Contact Department (CPCD) of the Supervision and Examination Sector (SES) the following :

- Report on the deployment/utilization of borrowed funds and other documents and supplemental information, as may be required, to enable BSP to assess the legitimacy of the utilization of such funds, within three (3) banking days from release of the proceeds of the R/P agreement;
- FX Position Report as of end of reference week, within two (2) banking days from the end of each reference week until the maturity of the R/P agreement; and

- All documents and records relative to the Bank's availment and use of proceeds of the US dollar denominated R/P facility shall be made available to the BSP upon request.

J. Pre-termination

- The R/P agreement may be paid at any time before maturity, subject to mutual agreement of both parties.
- The BSP may unilaterally pre-terminate the borrowing arrangements under the following conditions:
 - ✓ The borrower becomes ineligible;
 - ✓ Funds are found to have been used for ineligible purposes;
 - ✓ Collateral margins, if any, are not met;
 - ✓ Continuing conditions are not met.

K. Documentation

- The repurchase agreement between the bank and the BSP shall be covered by a master repurchase agreement, repurchase agreement confirmation and such other documentation as may be necessary to facilitate the transaction.

L. Accounting treatment.

- The US dollar denominated R/P facility shall be treated as collateralized borrowings from the BSP and shall be accounted for in accordance with the Financial Reporting Package (FRP) issued under Subsection X161.3 of the MORB, as amended.
- Eligible securities booked under the HTM category shall be subject to the tainting provision provided under Subsection X388.5 of the MORB upon default/non-payment of the amount due three (3) banking days after the maturity of the R/P agreement or disqualification of borrowers.

M. Penalty Clauses

- Violations of the terms and conditions of the USD R/P facility are governed by sanctions provided under BSP Circular No. 627 dated 23 October 2008, including but not limited, to termination of eligibility and pre-termination of any outstanding balance through repayment and/or sale of the collateral.

For guidance.


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 Officer-in-Charge

23 October 2008