

602 THE JAPANESE YEN/PHILIPPINE PESO (JPY/PHP) SWAP FACILITY UNDER  
THE CROSS-BORDER LIQUIDITY ARRANGEMENT (CBLA) BETWEEN THE  
BANGKO SENTRAL AND THE BANK OF JAPAN (BOJ)

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**Policy statement.** Financial crises and other emergency situations may lead to severe shortage in PHP liquidity that may curtail financing activities in the Philippines and affect the Philippine economy. The establishment of the JPY/PHP Swap Facility in the Philippines allows banks operating in the Philippines to access PHP liquidity against said banks' JPY holdings.

**Availment of the JPY/PHP Swap Facility.** Banks may avail of the JPY/ PHP Swap Facility from the Bangko Sentral during emergency situations.

For purposes of this facility, an “*emergency situation*” arises when a bank is under a state of severe shortage of PHP liquidity or under serious financial pressures brought about by unforeseen events or events which though foreseeable, cannot be prevented by the bank concerned.

**Eligibility requirements.** A bank can avail of the JPY/PHP Swap Facility provided it has met the following eligibility requirements:

- a. Has established the presence of an “*emergency situation*” as defined under this Section on Availment of the JPY/PHP Swap Facility;
- b. Has JPY holdings which can be delivered and deposited to the Bangko Sentral’s account at the BOJ;
- c. Has a CAMELS/ROCA composite rating of at least “3” and a Management/Risk Management component rating of at least “3” in the latest Report of Examination;
- d. Has no unsafe or unsound banking cited in the latest Report of Examination; and
- e. Has complied with the minimum capital requirement and risk-based CAR as provided under applicable and existing capital adequacy framework.

The bank shall submit an application letter to the appropriate supervising department of the Bangko Sentral, copy furnished the Treasury Department (TD), along with the following documents:

- a. A certification under oath that the applicant bank meets the eligibility requirements and a declaration that there is an emergency situation in the bank as defined under this Section on Availment of the JPY/PHP Swap Facility.
- b. A duly notarized secretary’s certificate together with a copy of the resolution of the board of directors of the bank (or its equivalent in the case of foreign bank branches):

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- (1) Authorizing the application for the JPY/PHP Swap Facility of the Bangko Sentral;
  - (2) Indicating the bank's purpose for the availment and amount to be availed of under the JPY/PHP Swap Facility with supporting documents that indicate the existence of an emergency situation as defined under this Section Availment of the JPY/PHP Swap Facility and certifying that the PHP proceeds of the JPY/PHP Swap Facility shall be utilized by the bank to address PHP liquidity needs specified in its application as approved by the Bangko Sentral;
  - (3) Committing to deposit the JPY currencies to the account of the Bangko Sentral at the BOJ in exchange for the PHP liquidity that it will receive from the Bangko Sentral;
  - (4) Committing to comply with the guidelines set forth under this Section and other terms and conditions that may be imposed by the Bangko Sentral; and
  - (5) Designating authorized officers to sign and execute an agreement and other relevant documents in connection with the availment of the JPY/PHP Swap Facility.

The bank shall execute with TD a Master Swap Agreement (MSA) which TD will provide containing the following provisions, among others:

- a. *Valuation of JPY.* A haircut on the JPY shall be determined by the TD. The TD may make margin calls, as necessary, to cover changes in the value of the JPY against the PHP.
- b. *Pricing and terms.* The price of the JPY/PHP swap transaction shall be determined by the TD, taking into account prevailing liquidity/market conditions. A maximum tenor of thirty (30) days shall apply. Trading time shall be set from 10:00 AM to 12:00 NN, then from 2:00 PM to 3:00 PM.
- c. *Pretermination.* Bangko Sentral shall have the right to terminate any transaction in any of the following events:
  - (1) Funds from the transaction are found to have been used by the bank for purposes other than those they were originally approved for and specified in its application; or
  - (2) Any misrepresentation by the bank.

In addition, any outstanding transaction may be terminated at any time before maturity, subject to mutual agreement of both parties.

***Delivery of the JPY to the BOJ.*** In exchange for the PHP liquidity, banks shall deliver the required amount of JPY to the BOJ. The Bangko Sentral will hold the JPY in its JPY account at BOJ for the term of

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the JPY/PHP swap transaction.

**Allowable amounts.** The amount of PHP that may be availed of by the bank will be determined by the Bangko Sentral taking into account, among others, the amount applied for and the bank's JPY holdings.

**Execution.** The TD will advise the bank of the approval of the swap transaction and execute it in accordance with the MSA referred in Sec. 602 (*Eligibility Requirements*).

**Enforcement actions.** Consistent with Sec. 002, the Bangko Sentral may employ the appropriate enforcement tools to ensure compliance with the rules and regulations for the operation of the JPY/PHP Swap Facility, including the imposition of sanctions on the bank and/or its directors, officers and/or employees.

The imposition of sanctions shall be without prejudice to the application of administrative sanctions under Section 37 of R.A. No. 7653 (The New Central Bank Act) and/or to the filing of appropriate criminal charges against culpable persons as provided under Sections 34, 35, and 36 of R.A. No. 7653 for refusing to make reports or permit examination, making a false/misleading statement or for willfully violating banking laws or any order, instruction, rule or regulation issued by the Monetary Board.

*(Circular No. 919 dated 02 August 2016)*