

**GUIDELINES ON THE AVAILMENT OF US DOLLAR DENOMINATED  
REPURCHASE AGREEMENT FACILITY WITH THE BANGKO SENTRAL  
(Appendix to Sec. 601 on Repurchase Agreements with Bangko Sentral)**

The guidelines on the availment of USD denominated repo agreement facility of banks with the Bangko Sentral are as follows:

A. Eligible borrowers

RBU or FCDU/EFCDUs of banks with FCDU/EFCDU authority who can demonstrate legitimate funding needs can avail of this facility.

B. Qualifying purposes

Proceeds from the borrowings shall be used for legitimate liquidity requirements of FCDU/EFCDU or RBU for local operations as follows:

1. Compliance with FCDU/EFCDU cover requirements;
2. Servicing of withdrawals of FCDU/EFCDU; and
3. 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 USD- denominated evidences of indebtedness issued directly by the Government of the Philippines (ROP Bonds) held by the applicant bank. These can be lodged in FCDU/EFCDU's or RBU's Available-for- Sale, HFT and HTM portfolios.

ROP Bonds to be pledged have to be transferred/credited to Bangko Sentral 's designated securities account before availment of the USD repo agreement 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 repo agreement.

Said valuation will be subject to periodic review and will be modified when necessary.

#### E. Available credit line

Credit lines shall be based on outstanding USD-denominated evidences of indebtedness issued directly by the Government of the Philippines (ROP Bonds) held by the applicant bank as of 30 September 2008.

#### F. Rate, term and trading time

The rates of the USD denominated repo agreement 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 USD denominated repo agreement facility shall be set by the Treasury Department, with the concurrence of the Governor: *Provided*, That, should a bank become disqualified for the repo agreement facility, the outstanding repo agreement shall immediately become due and payable.

Trading time for the USD repo agreement transactions shall be set from 10:00 AM to 12 Noon, then from 1:00 PM to 2:00 PM.

#### G. 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 CPCD and SES, to aid Bangko Sentral evaluate applications:

1. Application for availment 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;
2. 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:
  - (a) Specific purpose of fund utilization;
  - (b) Proceeds of borrowing shall be used exclusively to fund liquidity requirements of FCDU/EFCDU or RBU local operations;

(c) That the Bank is not a conduit for another bank nor will the Bank take arbitrage positions on the availment of the repo agreement facility.

#### H. Reportorial requirements

Banks with outstanding USD denominated repo agreement with the Bangko Sentral are required to submit to the appropriate supervising department of the Bangko Sentral the following:

1. Report on the deployment/utilization of USD repo borrowing and other documents and supplemental information, as may be required, to enable Bangko Sentral to assess the legitimacy of the utilization of such funds, within three (3) banking days from release of the proceeds of the repo agreement; and
2. All documents and records relative to the Bank's availment and use of proceeds of the USD denominated repo agreement facility shall be made available to the Bangko Sentral upon request.

#### I. Pre-termination

1. The repo agreement may be paid at any time before maturity, subject to mutual agreement of both parties.
2. The Bangko Sentral may unilaterally pre-terminate the borrowing arrangements under the following conditions:
  - (a) Funds are found to have been used for ineligible purposes
  - (b) Collateral margins, if any, are not met.

#### J. Documentation

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

#### K. Accounting treatment

The USD denominated repo agreement facility shall be treated as collateralized borrowings from the Bangko Sentral and shall be accounted for in accordance with the FRP issued under Sec. 172.

Eligible securities booked under the HTM category shall be subject to the tainting provision provided

under Sec. 381 upon default/non-payment of the amount due three (3) banking days after the maturity of the repo agreement or disqualification of borrowers.

#### L. Penalty clauses

Violations of the terms and conditions of the USD repo agreement facility are governed by sanctions provided under Sec. 601, including but not limited, to termination of eligibility and pre- termination of any outstanding balance through repayment and/or sale of the collateral.