



**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF THE GOVERNOR

**CIRCULAR NO. 1006**

Series of 2018

**Subject: Amendments to rules on conversion/transfer of foreign currency loans to peso loans**

The Monetary Board, in its Resolution No. 815 dated 17 May 2018, approved the following policy guidelines on the conversion and transfer of foreign currency loans and Real and Other Properties Acquired (ROPA) in the books of the foreign currency deposit unit (FCDU)/Expanded FCDU (EFCDU) to peso loans and ROPA in the books of the Regular Banking Unit (RBU):

- A. FCDU/EFCDU loans may be converted to peso loans and transferred from banks' FCDU books to the RBU books without prior BSP approval, subject to the following conditions:
  - i. The Board of Directors of banks shall approve sound policies for the redenomination of FCDU/EFCDU loans;
  - ii. The banks shall put in place the appropriate risk management system and ensure compliance with the FCDU/EFCDU cover requirement and other relevant FCDU/EFCDU regulations including the timely and accurate accounting and reporting of transactions. No income shall be recognized in the FCDU/EFCDU or RBU books arising from the redenomination of loans; and
  - iii. There shall be actual settlement in foreign currency, simultaneous with the transfer, by the RBU to the FCDU/EFCDU of the total amount of foreign currency-denominated loans/ROPA being transferred to the RBU using the prevailing foreign exchange/conversion rate at the time of transfer.
- B. FCDU/EFCDU ROPA may also be converted to peso ROPA and transferred to the RBU books without prior BSP approval, subject to items (i) to (iii) above.

Attached as Annex A are the prescribed accounting entries on the conversion and transfer of FCDU /EFCDU loans and ROPA to the RBU books.

*Repealing Clause.* This Circular supersedes Circular No. 420 dated 10 February 2004 and accordingly amends Appendix 17 of the Manual of Regulations on Foreign Exchange Transactions (FX Manual), as amended.

*Effectivity.* This Circular shall take effect 15 calendar days after its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

  
**NESTOR A. ESPENILLA, JR.**  
Governor

01 June 2018

**CONVERSION/TRANSFER OF FCDU LOANS TO RBU:**

Amount of FCDU Loans to be  
transferred

US\$ 1 MM

Prevailing exchange rate

US\$ 1: Php 53.00

	FCDU Books		RBU Books			
	US \$		PhP		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
<b>Transfer of a current FCDU Loan:</b>						
Due from RBU FCDU Loan Accrued Interest Receivable	1,013,333.33	1,000,000.00 13,333.33				
Peso Loan Accrued Interest Receivable Due to FCDU			53,000,000.00 706,666.50			1,013,333.33
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks Cash (or any mode of payment)				53,706,666.50	1,013,333.33	
<b>Settlement:</b>						
Due from Foreign Banks Due from RBU	1,013,333.33	1,013,333.33				
Due to FCDU Due from Foreign Banks					1,013,333.33	1,013,333.33
<b>Transfer of a past due FCDU Loan:</b>						
Due from RBU Allowance for Probable Loss FCDU Loan Accrued Interest Receivable	763,333.33 250,000.00	1,000,000.00 13,333.33				
Peso Loan Accrued Interest Receivable Due to FCDU Allowance for Probable Loss			53,000,000.00 706,666.50			763,333.33
				13,250,000.00		
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks Cash (or any mode of payment)				40,456,666.50	763,333.33	
<b>Settlement:</b>						
Due from Foreign Banks Due from RBU	763,333.33	763,333.33				
Due to FCDU Due from Foreign Banks					763,333.33	763,333.33

**CONVERSION/TRANSFER OF FCDU ROPA TO RBU:**

Amount of FCDU ROPA to be  
transferred

US\$ 1 MM

Prevailing exchange rate

US\$ 1: Php 53.00

	FCDU Books		RBU Books			
	US \$		Php		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
<b>Transfer of ROPA:</b>						
Due from RBU	750,000.00					
Allowance for Probable Loss	250,000.00					
ROPA		1,000,000.00				
ROPA			53,000,000.00			
Due to FCDU						750,000.00
Allowance for Probable Loss				13,250,000.00		
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks					750,000.00	
Cash (or any mode of payment)				39,750,000.00		
<b>Settlement:</b>						
Due from Foreign Banks	750,000.00					
Due from RBU		750,000.00				
Due to FCDU					750,000.00	
Due from Foreign Banks						750,000.00

**Guidelines on the Conversion to Peso Loans/ROPA and  
Transfer to RBU of FCDU/EFCDU Loans/ROPA**

- A. FCDU/EFCDU loans may be converted to peso loans and transferred from banks' FCDU books to the RBU books without prior BSP approval, subject to the following conditions:
  - i. The Board of Directors of banks shall approve sound policies for the redenomination of FCDU/EFCDU loans;
  - ii. The banks shall put in place the appropriate risk management system and ensure compliance with the FCDU/EFCDU cover requirement and other relevant FCDU/EFCDU regulations including the timely and accurate accounting and reporting of transactions. No income shall be recognized in the FCDU/EFCDU or RBU books arising from the redenomination of loans; and
  - iii. There shall be actual settlement in foreign currency, simultaneous with the transfer, by the RBU to the FCDU/EFCDU of the total amount of foreign currency-denominated loans/ROPA being transferred to the RBU using the prevailing foreign exchange/conversion rate at the time of transfer.
- B. FCDU/EFCDU ROPA may also be converted to peso ROPA and transferred to the RBU books without prior BSP approval, subject to items (i) to (iii) above.

(As amended by Circular No. 1006 dated 1 June 2018)

**C. The prescribed accounting entries on the conversion and transfer of FCDU/EFCDU loans and ROPA to the RBU books are as follows:**

**CONVERSION/TRANSFER OF FCDU LOANS TO RBU:**

Amount of FCDU Loans to be

transferred

US\$ 1 MM

Prevailing exchange rate

US\$ 1: Php 53.00

	FCDU Books		RBU Books			
	US \$		PhP		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
<b>Transfer of a current FCDU Loan:</b>						
Due from RBU FCDU Loan Accrued Interest Receivable	1,013,333.33	1,000,000.00 13,333.33				
Peso Loan Accrued Interest Receivable Due to FCDU			53,000,000.00 706,666.50			1,013,333.33
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks Cash (or any mode of Payment)				53,706,666.50	1,013,333.33	
<b>Settlement:</b>						
Due from Foreign Banks Due from RBU	1,013,333.33	1,013,333.33				
Due to FCDU Due from Foreign Banks					1,013,333.33	1,013,333.33
<b>Transfer of a past due FCDU Loan:</b>						
Due from RBU Allowance for Probable Loss FCDU Loan Accrued Interest Receivable	763,333.33 250,000.00	1,000,000.00 13,333.33				
Peso Loan Accrued Interest Receivable Due to FCDU Allowance for Probable Loss			53,000,000.00 706,666.50			763,333.33
				13,250,000.00		
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks Cash (or any mode of payment)				40,456,666.50	763,333.33	
<b>Settlement:</b>						
Due from Foreign Banks Due from RBU	763,333.33	763,333.33				
Due to FCDU Due from Foreign Banks					763,333.33	763,333.33

## APPENDIX 17

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(As amended by Circular No. 1006 dated 1 June 2018)

### CONVERSION/TRANSFER OF FCDU ROPA TO RBU:

Amount of FCDU ROPA to be transferred

US\$ 1 MM

Prevailing exchange rate

US\$ 1: Php 53.00

	FCDU Books		RBU Books			
	US \$		PhP		US \$	
	Dr	Cr	Dr	Cr	Dr	Cr
<b>Transfer of ROPA:</b>						
Due from RBU	750,000.00					
Allowance for Probable Loss	250,000.00					
ROPA		1,000,000.00				
ROPA			53,000,000.00			
Due to FCDU						750,000.00
Allowance for Probable Loss				13,250,000.00		
<b>Purchase of Foreign Exchange:</b>						
Due from Foreign Banks					750,000.00	
Cash (or any mode of payment)				39,750,000.00		
<b>Settlement:</b>						
Due from Foreign Banks	750,000.00					
Due from RBU		750,000.00				
Due to FCDU					750,000.00	
Due from Foreign Banks						750,000.00