



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2020-023

To : **All Banks**

Subject : **Treatment of Net Unrealized Losses in the EFCDU/FCDU Book for Purposes of Determining Compliance with the EFCDU/FCDU Asset Cover Requirement**

The Monetary Board, in its Resolution No. 507 dated 7 April 2020, approved the following alternative treatment of net unrealized losses arising from marking-to-market of financial assets/liabilities and revaluation of third currencies to US dollar of assets in the Expanded Foreign Currency Deposit Unit/Foreign Currency Deposit Unit (EFCDU/FCDU) book for purposes of determining compliance with the EFCDU/FCDU asset cover requirement:

Whenever the total of the following EFCDU/FCDU accounts, as defined under Appendix 16 of the Manual of Regulations for Foreign Exchange Transactions (MORFXT):

1. Items comprising the 'Net Unrealized Gains/(Losses) from Operations' credited/debited to 'Undivided Profits/(Losses)', as well as those not yet credited/debited to 'Undivided Profits/(Losses)',
2. 'Net Unrealized Gains/(Losses) on Available For Sale (AFS) Financial Assets'¹ recognized directly in equity, and
3. 'Gains/(Losses) on Fair Value Adjustments of Hedging Instruments' recognized directly in equity,

results in a net "debit balance", a bank may for the period beginning the effectivity of this Circular until 30 September 2020, add back the "net debit amount" to total assets in the EFCDU/FCDU book for purposes of determining compliance with the 100 percent asset cover requirement instead of transferring eligible foreign currency assets from the Regular Banking Unit book to EFCDU/FCDU book as required under Appendix 16 of the MORFXT.

For guidance and implementation.

BENJAMIN E. DIOKNO
Governor

8 April 2020

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RECORD ON FILE**

05/06/2020
RYA ROSE D. NUNEZ
Manager, RMD
Administrative Services Department

¹ The AFS Financial Asset account is mapped against the 'Financial Assets Measured at Fair Value Through Other Comprehensive Income' account under the Philippine Financial Reporting Standards 9.