

[CIRCULAR NO. 1006, June 08, 2018]

**AMENDMENTS TO RULES ON CONVERSION/TRANSFER OF
FOREIGN CURRENCY LOANS TO PESO LOANS**

Adopted: 01 June 2018

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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.