

REGULATION OF FOREIGN EXCHANGE POSITION OF COMMERCIAL BANKS

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The Monetary Board, in its Resolution No. 101 dated January 25, 1991 promulgated the following rules on the foreign exchange position of commercial banks:

SECTION 1. Basic Policy — As a general rule, banks shall maintain a balanced foreign exchange position.

SECTION 2. Allowable Overbought Position — Banks' foreign exchange assets may only exceed foreign exchange liabilities, as both terms are defined in Sec. 3 hereof, provided the excess does not go beyond the average of their negotiated letters of credit for the immediately preceding 3 months.

Any resultant positive balance shall be sold on a daily basis.

SECTION 3. Definitions —

a. "Foreign exchange assets" shall include total monetary foreign assets under the Manual of Instructions of IOS Form I including the following:

1. Loans and Discounts — Resident: Circular 343/547 — Item 14; and
2. Interbank Loan Receivables — Local: Item 15
3. Investment in Bonds and

Other Debt Instruments — Item 16

Besides the above, it shall also include as reported in SES I/6, Form 2A.1 CBP 7-16-05, the following:

1. Spot Exchange Bought net of Spot Exchange Sold; and
2. Future Exchange Bought (including forward contracts).

b. "Foreign exchange liabilities" shall include total Monetary foreign liabilities under the Manual of Instructions of IOS Form I, except:

1. Restructured foreign exchange obligations; and
2. Due to Head Office/Branches/Agencies Abroad - Regular - Item 28 (only the amount which form part of needed assigned capital).

It shall however include the following:

1. Deposit Liabilities — Local Banks: Circular 343/547 — Item 32
2. Special FX Deposits under CB FX Incentive Circular — Regular — Item 33;
3. Bills Payable — Local Banks: Circular 343/547 Item 34;
4. Bills Payable — CB FX - Item 35

5. Accrued Interest and Other Expenses Payable — Item 37

- c. “Balanced foreign exchange position” shall refer to the situation of a bank whose total foreign exchange liabilities is matched by its total foreign exchange assets.
- d. “Overbought foreign exchange position” shall refer to the situation of a bank whose total foreign exchange assets exceed its total foreign exchange liabilities.
- e. “Oversold foreign exchange position” shall refer to the situation of a bank whose total foreign exchange liabilities exceed its total foreign exchange assets.

SECTION 4. Reports — Commercial banks shall submit daily reports in the attached format to the Foreign Exchange Regulations Department, copy furnished SES I.

SECTION 5. Sanctions — Non compliance with the provisions of this Circular and any misrepresentation or submission of false reports shall subject the bank and officers concerned to the following sanctions.

a. First Offense

Warning to/reprimand for the officers concerned and penalty on the bank at the rate of P5,000.00 per day until cancellation.

b. Second Offense

Suspension of officers concerned for 90 calendar days, suspension of foreign exchange operation of the bank for 30 calendar days and penalty on the bank at the rate of P5,000.00 per day until cancellation.

b. Subsequent Offenses

Suspension of officers concerned for 180 calendar days in addition to the 90 calendar days suspension for second offense, suspension of foreign exchange operation of the bank for 180 calendar days in addition to the 30 calendar days suspension for second offense and penalty on the bank at the rate of P5,000.00 per day for each violation.

The foregoing shall take effect on March 1, 1991.

Adopted: 28 Jan. 1991

(SGD.) JOSE L. CUISIA, JR.
Governor

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