

UTILIZING DOMESTIC LETTERS OF CREDIT ISSUED BY REPUTABLE FINANCIAL INSTITUTIONS AS GUARANTEE FOR IMPORTS SUBJECT TO RE-EXPORTATION, AMENDING CAO NO. 5-98

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1. Objective

1.1 To provide for an alternative that is both more convenient to the importer and easily enforced by the Bureau of Customs, for the bond required by the laws and regulations for articles imported temporarily for reexportation.

1.2 To prescribe the procedure and guidelines for the use and processing of the domestic letter of credit submitted pursuant to this Order.

2. General-Operating Provisions

2.1 Definition of Terms

2.1.1 Domestic Letter of Credit shall alternatively be considered as a bond to guarantee compliance of the conditional release of the shipment. It shall also be referred to as a Standby Letter of Credit (SBLC).

2.1.2 Financial Institutions — shall refer to authorized agent banks duly accredited by the Bureau of Customs to issue Domestic Letters of Credit as guarantee in lieu of bonds from the surety companies.

2.2 Scope

2.2.1 Importers from whom Domestic Letters of Credit may be required are:

2.2.1.1 Foreign Contractors with infrastructure projects for the government;

2.2.1.2 Travelers and/or tourist;

2.2.1.3 Importers whose shipments are to be used for activities cited in Section 105, Tariff & Customs Code of the Philippines; and

2.2.1.4 Importations of enterprises for which a bond is required under E.O. 226.

2.3 In the event that no extension of the period of guarantee or cancellation of the bond is received by the financial institution from the Bureau, the duties, taxes and other charges shall be immediately settled by the bank without the need of a BOC demand letter for payment.

2.4 The Bonds Division of the Port of Entry concerned shall accordingly set up a unit to supervise and monitor the timely and effective use of Domestic Letters of Credit as guarantee.

2.5 The Bonds Audit Division of the Collection Service shall audit monthly the movement of all the domestic L/C's and the collections therefrom taking into account the advice sent by the Bonds Division of the port one month before due date and the collections from the banks thereafter.

2.6 The banks shall only be authorized to issue domestic letters of credit when letters of credit earlier issued were promptly paid to and/or cancelled by the Bureau of Customs.

3. Repealing Clause.

All orders inconsistent with this are considered repealed and/or amended.

4. Effectivity Clause.

This order shall be made effective upon approval by the Secretary of Finance.

Please be guided accordingly.

Adopted: 21 Jan. 1999

(SGD.) NELSON A. TAN

Acting Commissioner

APPROVED:

(SGD.) SOLOMON S. CUA

OIC-Secretary

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