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FOREIGN INVESTMENT FUNDED BY FOREIGN EXCHANGE

BSP CIRCULAR NO. 142, September 16, 1997

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Pursuant to Monetary Board Resolution No. 1174 dated September 12, 1997, banks are reminded that the registration of a foreign investment gives to an investor the right to source from the banking system the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings arising from such an investment. Consequently, foreign exchange remittances to fund an investment in a Philippine firm must culminate in their completed infusion as equity in that Philippine firm before they can and should be registered as foreign investment.

Consistent with this general policy guideline, an investment funded by foreign exchange deposited in an investee's FCDU account for investment purposes pursuant to Section 32 of CB Circular No. 1389 as amended by BSP Circular No. 53 dated November 5, 1994, shall be issued a Bangko Sentral Registration Document (BSRD) evidencing BSP registration only after the amount deposited has been converted into pesos as certified by the AAB maintaining the said FCDU account, in addition to the following supporting documents required under existing rules:

1. Credit advice or bank certification of inward remittance required under Items 1.a.1 and 2.a.2 of Appendix 10 of CB Circular No. 1389, as amended; and

2. Sworn certification of the officer of the investee firm concerned attesting to the number of shares and amount paid for the investment, for direct equity investments; or purchase invoice, or subscription agreement and/or proof of listing in the local stock exchange for new/additional issues/stock rights, for foreign investment in government/listed securities.

If the AAB effecting the conversion is different from the AAB maintaining the FCDU account, the former shall likewise certify that such conversion has actually taken place.

Section 32 and Items 1.a.1 and 2.a.2 of Appendix 10 of CB Circular No. 1389, as amended, are deemed amended by this Circular.

This Circular shall take effect immediately.

For the Monetary Board:

Adopted: 16 Sept. 1997

(SGD.) GABRIEL C. SINGSON
Governor

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