NATIONAL ADMINISTRATIVE REGISTER · MARCH 4, 1991

FURTHER AMENDING CIRCULAR 1272 ON THE REGULATION OF FOREIGN EXCHANGE POSITION OF COMMERCIAL BANKS

BSP CIRCULAR NO. 1275, March 04, 1991

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Pursuant to M.B. Res. No. 264 dated March 1, 1991 the following further amendments to Section 3 (Definitions) of Circular 1272 as amended by Circular 1274 are hereby effected:

1. The exclusion of forward purchases without any corresponding restructured obligation or other foreign exchange obligation, from consideration as part of a bank's foreign exchange assets under item 4 of Section 3 of Circular 1272 as amended by Circular 1274. This exclusion applies to overbought banks;

2. The addition, as item No. 5 of Section 3 (b), of "Cash L/Cs collateralized with confirming bank" as part of "foreign exchange liabilities";

3. The addition, as Section 3(f), of the following definition of "Cash L/Cs collateralized with confirming bank":

"f. Cash L/Cs collateralized with confirming bank shall mean those L/Cs where:

> i. the importer has delivered to the bank the 100% equivalent peso value of the importation at L/C opening;
>
> ii. the foreign exchange has been effectively sold to the importer at L/C opening, i.e. exchange rate is based on the spot selling rate as of date of payment, thereby freeing the importer from any exchange risk;
>
> iii. the bank has advised the confirming bank that a portion of the issuing bank's foreign balance with the depository bank has been set aside and hypothecated for the L/C or remittance of foreign exchange has been made in advance to confirming bank to fund the L/C."

All other provisions of Circular 1272 as amended by Circular 1274 shall remain unchanged.

Adopted: 04 March 1991

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

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