

UTILIZING DOMESTIC LETTERS OF CREDIT ISSUED BY REPUTABLE FINANCIAL INSTITUTIONS AS GUARANTEE FOR IMPORTS SUBJECT TO RE-EXPORTATION

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1.

Objective

1.1 To hasten collection of duties, taxes and other charges/penalties on conditionally-free importations under Section 105 of the Tariff & Customs Code of the Philippines.

1.2 To make the importer aware that should there be delay in complying with the conditions of the bond or in extending the period covered by the guarantee, the issuing bank shall readily be required to pay the BOC with the amount of the Standby Letter of Credit (SBLC).

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.

2.1.3 Importers from whom Domestic Letters of Credit shall be required are:

2.1.3.1 Foreign Contractors with infrastructure projects for the government

2.1.3.2 Travelers and/or tourist

2.1.3.3 and all others whose shipments are to be used for activities cited in Section 105, Tariff & Customs Code of the Philippines.

2.2 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, immediate settlement of the duties, taxes and other charges shall be settled by the bank without the need of a BOC demand letter for payment.

2.3 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.

2.4 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.

2.5 The banks shall only be authorized to issue domestic letters of credit when all such 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All orders inconsistent with this are considered repealed and/or amended.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: 16 Nov. 1998

(SGD.) PEDRO C. MENDOZA

Commissioner

APPROVED:

(SGD.) EDGARDO B. ESPIRITU

Secretary of Finance

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