

[BSP CIRCULAR NO. 443, August 13, 2004]

COMMERCIAL OR BUSINESS PAPERS

Pursuant to Monetary Board Resolution No. 841 dated 10 June 2004, a paragraph is hereby added under Subsection X303.11 of the Manual of Regulations for Banks (MORB) to read as follows:

"I. *Commercial or business paper actually owned by the person negotiating the same* shall mean a paper arising from an actual business transaction. A trade acceptance or promissory note actually owned by the person negotiating the same is a commercial or a business paper. However, if a bill is drawn against an agent or fictitious drawee, or if a promissory note is executed by an agent or fictitious drawee, neither is a commercial nor a business paper. Commercial or business papers actually owned and discounted by the person negotiating the same, which are past due or the maturity of which have been extended, shall be considered as money borrowed and shall be subject to the limitation of twenty-five percent (25%) provided in the first paragraph of this Section: PROVIDED, THAT COMMERCIAL OR BUSINESS PAPERS PURCHASED BY BANKS FROM SMALL AND MEDIUM ENTERPRISES (SMEs) WHICH BECAME PAST DUE OR THE MATURITIES OF WHICH HAVE BEEN EXTENDED, SHALL BE CONSIDERED ADDITIONAL LOAN BY THE BANK TO THE PURCHASER OF GOODS OR SERVICES FROM THE SME AND SHALL BE ENTITLED TO AN INCREASED SBL EQUIVALENT TO TEN PERCENT (10%) OF THE NET WORTH OF THE CONCERNED BANK IF THE PURCHASERS ARE COMPANIES WITH CREDIT RATINGS OF AT LEAST "AA" OR EQUIVALENT FROM A BSP-RECOGNIZED RATING AGENCY.

This Circular shall take effect fifteen (15) days following its publication either in the Official Gazette or in a newspaper of general circulation.

Adopted: 13 Aug. 2004

(SGD.) AMANDO M. TETANGCO, JR.
Officer-in-Charge



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