

[BSP CIRCULAR LETTER, August 24, 2000]

FOREIGN EXCHANGE RULES AND REGULATIONS

All universal banks and commercial banks are hereby enjoined to strictly comply and implement the provisions of Circular No. 171 dated 29 August 1998 and Circular-Letter dated 5 September 1997 (as clarified by 17 September 1997), as amended, as follows:

1. The existing limit on a bank's short or oversold foreign exchange position of 20% of its unimpaired capital remains temporarily lifted pending further review.

The limit set on a bank's long (overbought) position, however, remains at 5% of its unimpaired capital or US\$10 million, whichever is lower.

2. While it is recognized that the principal reason for being of forex subsidiaries/affiliates of banks is to trade in foreign exchange, they are nevertheless discouraged from taking net foreign exchange positions and whatever net foreign exchange positions are kept or maintained by them, are to be consolidated into the total net foreign exchange position of the respective banks with whom they are affiliated or are subsidiaries of;

3. To be considered in compliance with applicable foreign exchange rules and regulations of the Bangko Sentral ng Pilipinas (BSP) forex corporations/subsidiaries/affiliates shall not:

- a. sell foreign exchange to non-residents;
- b. sell foreign exchange to resident financial institutions other than Authorized Agent Banks (AABs) of the BSP and bank-affiliated forex corporations.

4. The monthly certification by the President/Chief Executive Officer (CEO) or Country Manager (in case of branches of foreign banks) and Treasurer of the banks as well as the daily reportorial requirement on consolidated foreign exchange position of banks as required under Circular-Letter dated 5 September 1997 (as clarified by Circular-Letter dated 17 September 1997), as amended, shall continue to be in effect. The Certification, as amended, by the President/CEO or Country Manager and Treasurer in the form and language substantially similar to the sample certification shown in ANNEX A HERETO (IN THE CASE OF BRANCHES OF FOREIGN BANKS) AND AS SHOWN IN ANNEX B HEREIN (IN THE CASE OF BANKS INCORPORATED AND REGISTERED UNDER PHILIPPINE LAWS) shall be deemed to satisfy and to be in compliance with this requirement.