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REVISED POLICY AND GUIDELINES ON SHORT-TERM FOREIGN CURRENCY LOANS

Pursuant to MB Res. No. 769 dated August 14, 1992, the following revised policy and guidelines shall govern short-term foreign currency loans:

I

Loans from FCDUs

A. The following short-term foreign currency loans may be granted by Foreign Currency Deposit Units (FCDUs) without the prior approval of the Central Bank:

1. Normal interbank transactions (not exceeding 360 days), *e.g.*, interbank call loans and interbank loans for general liquidity purposes;
2. Borrowings of commodity and service exporters;
3. Borrowings of producers/ manufacturers, including oil companies and public utility concerns; and
4. Borrowings of resident FCDU depositors against their own FCDU deposits provided - (a) The borrower/end-user of the FCDU loan is also the depositor in whose name the FCDU account is recorded in the bank's FCDU books; and

B. The loan amount shall not exceed the amount of the FCDU deposit and repayment of the loan shall not be funded by purchases of foreign exchange from the local banking system.

Producers/manufacturers referred to in item A.3 above shall refer to any person or entity who undertakes the processing/ conversion of raw materials into marketable form through physical, mechanical, chemical, or other means or by special treatment or a series of actions that results in a change in the nature or state of the products.

B. Proceeds of loans to be granted under item A above shall be availed of as follows:

1. For commodity and service exporters - directly in foreign exchange to pay foreign currency requirements or in pesos thru the sale of the foreign exchange to the lending local commercial bank to pay local costs/working capital requirements.
2. For producers/manufacturers directly in foreign exchange to pay for the import costs of goods and services necessary in the production of goods by the borrower concerned.