[BSP CIRCULAR NO. 1272, January 28, 1991]

REGULATION OF FOREIGN EXCHANGE POSITION OF COMMERCIAL BANKS

The Monetary Board, in its Resolution No. 101 dated January 25, 1991 promulgated the following rules on the foreign exchange position of commercial banks:

SECTION 1. Basic Policy — As a general rule, banks shall maintain a balanced foreign exchange position.

SECTION 2. Allowable Overbought Position — Banks' foreign exchange assets may only exceed foreign exchange liabilities, as both terms are defined in Sec. 3 hereof, provided the excess does not go beyond the average of their negotiated letters of credit for the immediately preceding 3 months.

Any resultant positive balance shall be sold on a daily basis.

SECTION 3. Definitions —

a. "Foreign exchange assets" shall include total monetary foreign assets under the Manual of Instructions of IOS Form I including the following:

1. Loans and Discounts — Resident: Circular 343/547 — Item 14; and

2. Interbank Loan Receivables — Local: Item 15

3. Investment in Bonds and

Other Debt Instruments — Item 16

Besides the above, it shall also include as reported in SES I/6, Form 2A.1 CBP 7-16-05, the following:

1. Spot Exchange Bought net of Spot Exchange Sold; and

2. Future Exchange Bought (including forward contracts).

b. "Foreign exchange liabilities" shall include total Monetary foreign liabilities under the Manual of Instructions of IOS Form I, except:

1. Restructured foreign exchange obligations; and

2. Due to Head Office/Branches/Agencies Abroad - Regular - Item 28 (only the amount which form part of needed assigned capital).