

[BSP CIRCULAR NO. 1348, July 28, 1992]

REVISED MANUAL OF RULES AND REGULATIONS GOVERNING FOREIGN TRADE TRANSACTIONS

Pursuant to Resolution No. 560 dated June 19, 1992 the Monetary Board hereby adopts and promulgates the following rules and regulations governing foreign trade transactions:

PART I IMPORT TRANSACTIONS

Chapter I Basic Policy

SECTION 1. General Policy. - As a general rule, all kinds of merchandise imports are allowed. However, certain commodities are regulated or prohibited for reasons of public health and safety, national security, international commitments, and development/rationalization of local industry.

Chapter II Classification of Imports According to the Degree of Restriction Involved

SECTION 2. Freely Importable Commodities. - These are commodities the importation of which is neither regulated nor prohibited as defined under Sections 3 and 4 of this Circular. They may be effected without the prior approval of or clearance from any government agency.

SECTION 3. Regulated Commodities. - These are commodities the importation of which requires clearances/permits from appropriate government agencies including the Central Bank. They are enumerated as follows:

Commodity Description/ Commodity Group (PSCC Code)	Government Agency Issuing Permit/ Clearance
1. Acetic anhydride (513.77-01) (DDB)	Dangerous Drugs Board
2. Dangerous Drugs	DDB
3. Fish and Fish Preparations (Appendix 1)* (BFAR)	Bureau of Fisheries and Aquatic Resources
4. Animals, animal effects, animal products, meat and meat products including meat of bovine animals of subgroup 011.1 (Appendix 2)*	National Meat Inspection Commission (NMIC)/Bureau of Animal Industry (BAI)
5. Rice and Corn	National Food Authority

6. Sodium Cyanide (523.81-01)	Bureau of Food & Drug (BFAD)
7. Chlorofluorocarbon (511.38-01)	BFAD
8. Penicillins/derivatives (541.31-00/542.13-01/542.13-09)	BFAD
9. Refined petroleum products (Appendix 3) *	Energy Regulatory Board (ERB)
10. Coal and Coal derivatives (Appendix 4) *	ERB
11. Color Reproduction Machines (Subgroup 751.3) *	NBI and Cash Department Central Bank
12. Various Chemicals for the manufacture of explosives (Appendix 5) *	PNP Firearms and Explosives Office (PNP-FEO)
13. Firearms, Ammunition, and Parts	PNP-FEO
14. Onions, garlic, potatoes and cabbage, for seedling purposes	Bureau of Plant Industry
15. Specific Consumer Durable Goods (Appendix 6) *	DTI/BOI
16. Pesticides incl. Agricultural Chemicals (Appendix 7) *	Fertilizer & Pesticide Authority
17. Motor Vehicles, Parts and Components (Appendix 8) *	DTI/BOI
18. Raw Sugar (061.11-01/061.11-02/061.11-09/061.12-00)	Sugar Regulatory Administration
19. Truck and automobile tires and tubes, used, of all sizes (LOI 1086-November 25, 1980)	DTI
20. No-dollar imports of used motor vehicles.	DTI
21. All commodities originating from Socialist and other centrally-planned economy countries	Philippine International Trading Corporation
22. All commodities originating from the Union of South Africa	PITC/DFA
23. Warships of all kinds	Maritime Industry Authority
24. Computers/peripherals imported by government agencies in excess of P 2M within a fiscal year.	National Computer Center

SECTION 4. Prohibited Commodities. - These are commodities the importation of which is not allowed under existing laws. They are the following:

- a. Those specifically listed under Section 101 of the Tariff and Customs Code (Appendix 10)*;
- b. Onions, potatoes, garlic and cabbages, except for seedling purposes (R.A. 1296.);
- c. Coffee (R.A. 2712.);
- d. Used clothing and rags (R.A. 4653.);
- e. Toy guns (LOI 1264 dated July 31, 1982.);

Chapter III Modes of Payment for Imports

SECTION 5. General Guidelines. - All foreign exchange remittances for imports under the following modes of payment shall be transacted thru the AABs:

- a. Letter of Credit (L/C)
- b. Documents Against Payment (D/P)
- c. Documents Against Acceptance (D/A)
- d. Open Account Arrangement (O/A)

SECTION 6. Letter of Credit. —

a. **Requirements for L/C opening.** - All L/Cs must be opened on or before the date of shipment. Likewise, only one L/C should be opened for each import transaction. For purposes of L/C opening, importers shall submit to the AAB the following documents:

- 1. The duly accomplished L/C application;
- 2. Firm offer/proforma invoice which shall contain information on specific quantity of the importation, unit cost and total cost, complete description/specification of the commodity and PSCC statistical code;
- 3. Permits/clearances from appropriate government agencies, whenever applicable;
- 4. Duly accomplished Import Entry Declaration (IED) which shall serve as basis for payment of advanced duties as required under PD 1853.

b. **Negotiation of L/Cs.** - L/Cs must be negotiated in accordance with the terms and conditions set forth in the approved L/C and shall be governed by the Uniform Customs and Practices on Documentary Credits (ICC 400). The requirement of pre-shipment inspection/Clean Report of Findings (CRF) shall be strictly observed for L/Cs valued at US\$ 500.00 and above.

SECTION 7. Documents Against Payment (D/P). - (a) D/P is a mode of payment whereby the shipping documents are released to the importer by the local bank concerned thru the seller's bank only upon receipt of the importer's payment for the shipment thru the former bank.

b. AABs shall advise the importer of the receipt of the complete original shipping documents (inclusive of the CRF whenever applicable) and shall effect the release of said documents to the importer upon receipt of payment or credit extension.

c. AABs shall remit payment to the supplier through the correspondent bank abroad.

SECTION 8. Documents Against Acceptance (D/A) and Open Account (O/A) Arrangements. – (a) **D/A** is a mode of payment whereby the shipping documents are released to the importer by the local bank concerned thru the seller's bank upon the importer's written acceptance of the seller's bill of exchange, obligating the importer to pay for the shipment at some future date.

b. **O/A** is a mode of payment whereby the shipping documents are sent and released by the seller directly to the importer without coursing the documents thru the banks, upon the importer's promise to pay at some future date after shipment.

c. **Eligible Firms.** – The following firms are allowed to import under D/A and O/A arrangements:

1. Export producers/manufacturers, oil firms and franchised public utility concerns, without prior CB approval; and
2. domestic producers/manufacturers, with prior CB approval.

d. **Registration and Payment of D/A and O/A imports.** (1.) Importations under D/A and O/A arrangements shall be registered with the Central Bank.

2. Payments shall not be effected for unregistered DA/OA imports. Payments prior to maturity date can be made provided these have already been registered. Payments subsequent to the original maturity date may be allowed, provided that:

(i) the importers report the extension of the maturity period to a specific date; and

(ii) the cumulative length of the maturity periods, including all extensions, does not in any case exceed 360 days from date of draft acceptance for D/A and B/L date for O/A.

3. Payments of D/A and O/A obligations, the maturities of which have exceeded 360 days from date of draft acceptance in case of D/A or B/L date in case of O/A shall be referred to the Central Bank for approval.

4. **Mechanics of Registration.** – Appendix 11* of this Circular contains the mechanics of reporting and registration of D/A and O/A imports.

Chapter IV

Other Import Payments/Arrangements

SECTION 9. Self-funded (No-dollar) Imports. – These are importations effected without foreign exchange remittance from the banking system. These include imports funded from importer's own foreign currency deposit accounts and those sent by suppliers abroad for which no payment in foreign exchange will be made. Imports under this arrangement shall be subject to existing provisions of the Tariff and Customs Code and do not require the prior approval of the Central Bank.

SECTION 10. Importations on Consignment Basis. – These are importations by export producers of raw materials and accessories/supplies from foreign suppliers/buyers abroad for the manufacture/processing of products destined for export to said foreign suppliers/buyers. These shall also include machinery/equipment and spare parts consigned to the local manufacturer/processor for eventual re-export to the consignor, provided that the equipment involved shall be used only in connection with the processing of products for export.

Consignment imports do not require the prior approval of the Central Bank. However, the said imports shall be governed by existing rules and regulations of the Bureau of Customs on the matter.

SECTION 11. Importation under Lease/Lease-Purchase and Similar Arrangements. – The pertinent lease or charter contract involving importations of capital equipment shall be referred to the

Central Bank for prior approval.

Chapter V

Comprehensive Imports Supervision Scheme (CISS)

SECTION 12. General Guidelines. - Goods destined for importation into the Philippines shall be subject to inspection by the inspector(s) duly authorized by the Government, in the countries of supply, as to the quality, quantity, price/HCV, verification of Tariff and Customs Code, classification and verification of Tariff rate, under a Comprehensive Import Supervision Scheme (CISS). The following requirements shall apply:

a. L/Cs opened for importations subject to inspection shall contain the following clause:

"Drawings against this credit shall be subject to the presentation of a copy of final settlement invoice bearing an adhesive security label affixed by Societe General de Surveillance S.A. (SGS S.A.) or its authorized affiliates and representatives bearing the number and date of the corresponding Clean Report of Findings (CRF). No letter of Guarantee shall be accepted from the supplier for non-presentation of the prescribed adhesive security label."

b. For importations effected without letter of credit (D/P, D/A and O/A arrangements) including consignment and no-dollar basis, the importer shall submit written details of the proposed importations together with the pertinent *proforma* invoice to the CICCD for endorsement to the SGS MLO for inspection.

SECTION 13. Commodities Covered. - Except as otherwise provided for under Joint Order 1-91 implementing the CISS, the following commodities are subject to inspection:

a. Goods sold and/or supplied from all countries with FOB value of US\$500.00 and above.

b. Goods invoiced or declared in the shipping documents as off-quality under such descriptive terms as stocklots, side-runs, cull rolls, seconds, mill lots, scraps, off-grade, reconditioned, used, junk or similar terms conveying or purporting to convey the condition of the article as not being brand-new or first quality, regardless of value.

SECTION 14. Applicable rules and procedures. - The provisions of Joint Order 1-91 shall govern the implementation of the CISS.

Chapter VI

Use of Philippine Flag Vessels/Air Carriers

SECTION 15. Basic Guidelines. - Pursuant to P.D. 1466 dated June 11, 1978, unless the prescribed waiver is obtained:

a. Whenever any office, agency or instrumentality of the government, including government-owned or-controlled corporations, shall procure, contract from, or otherwise obtain any transportation or export and import cargoes by air or water between the Philippines and a place outside thereof, the payment for which is made or will ultimately be made from funds of the Republic of the Philippines or such instrumentalities or corporations, the head of the government-owned or -controlled corporation concerned shall obtain such transportation services from Philippine flag air carriers and/or vessels.

b. Any person, partnership, corporation or entity granted a loan or credit or whose obligations is guaranteed by the Government or any of its financial institutions, shall, upon the effectivity of these rules and regulations, utilize the services of Philippine flag air carriers and/or vessels in the transportation of export and import cargoes between the Philippines and a place outside thereof whenever such cargo are paid from the proceeds of such loan, credit or guaranteed loan or credit. Whenever such parties ship or agree to ship on FOB basis, they shall select/nominate suitable