



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 650

Series of 2009

Subject : **Authority of Thrift Banks to Issue Foreign Letters of Credit (LCs) and Pay/Accept/Negotiate Import/Export Drafts/Bills of Exchange**

Pursuant to Monetary Board Resolution No. 283 dated 19 February 2009, the Manual of Regulations for Banks (MORB) is hereby amended, as follows:

Section 1. Subsec. 2101.7 on authority of thrift banks to issue foreign letters of credit (LCs) and pay/accept/negotiate import/export drafts/bills of exchange is hereby added and shall read, as follows:

"Subsec. X2101.7 Authority of thrift banks to issue foreign letters of credit (LCs) and pay/accept/negotiate import/export drafts/bills of exchange. With prior Monetary Board approval, thrift banks may be authorized to issue foreign letters of credit (LCs) and pay/accept/negotiate import/export drafts/bills of exchange, subject to compliance with the following conditions (at the time of application unless otherwise indicated):

- a) Minimum capital requirement of ₱ 1.0 billion;
- b) Ten percent (10%) risk-based capital adequacy ratio (CAR);
- c) CAMELS composite rating not lower than "3", with Management component score not lower than "3" in the latest examination of the bank;
- d) Risk management system appropriate to its operations, characterized by clear delineation of responsibility for risk management, adequate risk measurement system, appropriately structured risk limits, effective internal control system and complete, timely and efficient risk reporting system;

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- e) Articles of incorporation which shall include among its powers or purposes, the issuance of foreign LCs and payment/acceptance/negotiation of import/export drafts/bills of exchange (which may be submitted any time prior to engaging in said activities);
- f) Correspondent banking relationship or arrangement with reputable foreign banks (which should be in place prior to engaging in said activities);
- g) Appointment of the officer with actual experience of at least two (2) years as in-charge or at least as assistant in-charge of import and export financing operations in a universal/commercial bank who will be in-charge of the said operations (prior to engaging in said activities);
- h) Appointment of bank personnel with actual experience and/or training of at least six (6) months in import and export financing operations in a universal/commercial bank who will handle the said operations (prior to engaging in said activities);
- i) No net weekly regular and liquidity reserve deficiencies during the twelve (12) week period immediately preceding the date of application;
- j) No deficiency in asset and liquid asset cover for FCDU liabilities for three (3) months immediately preceding the date of application;
- k) No deficiency in liquidity floor requirement for government funds held during the twelve (12) week period immediately preceding the date of application;
- l) No float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Offices" and "Due from BSP" accounts exceeding 1% of the total resources as of end of month preceding the date of application;
- m) No unbooked valuation reserves;
- n) Compliant with ceilings on loans, other credit accommodations and guarantees to directors, officers, stockholders, and their related interests (DOSRI) for the quarter immediately preceding the date of application;
- o) Compliant with the single borrower's loan limit (SBL);
- p) Compliant with the limit on real estate and improvements, including bank equipment;

- q) No uncorrected findings of unsafe and unsound banking practices;
- r) Generally compliant with banking laws, rules and regulations, orders or instructions of the Monetary Board and/or BSP Management; and
- s) No past due obligations with the BSP or with any financial institution.

Section 2. Subsec. 2101.8 on application for authority to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange is hereby added, and shall read as follows:

"Subsec. 2101.8 Application for authority to issue foreign letters of credit (LCs) and pay/accept/negotiate import/export drafts/bills of exchange. An application for authority to issue foreign LCs and pay/accept/negotiate import/export drafts/bills of exchange shall be signed by the president of the bank or officer of equivalent rank and shall be accompanied by a certified true copy of the resolution of the bank's board of directors authorizing the application."

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

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.
Governor

9 March 2009