



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE of the GOVERNOR

CIRCULAR No. 342
Series of 2002

Pursuant to Monetary Board Resolution No. 999 dated 11 July 2002, excess FCDU/EFCDU funds of universal and commercial banks may be lent to RBU to fund the latter's on-balance sheet foreign exchange trade transactions, subject to the following conditions –

- (a) FCDU/EFCDU may lend funds to RBU only after it has fully complied with the prescribed 100% asset cover/30% liquidity cover on FCDU/EFCDU liabilities and only if RBU incurred an average net fund outflow on its foreign currency transactions as computed in Item 1.b.1.
- (b) FCDU/EFCDU lending to RBU shall be –
 - 1) Capped at the lower of 30% of the level of RBU's on-balance sheet foreign currency trade assets^{1/} or the net fund outflow on RBU's foreign currency transactions^{2/}, computed at the average daily balance (using 2-month rolling data) as of end of week immediately preceding the reference week (refer to Annex "A" for sample computation). Total outstanding balance of FCDU/EFCDU lending to RBU shall, at all times, be within the prescribed cap.
 - 2) Charged interest at prevailing market rates, computed monthly at the average daily balance of the receivable from RBU.
 - 3) On short-term maturity, or for a period of one year or less. Balances shall be settled, within a year from availment, by way of actual transfer of foreign currency assets from the RBU books to the FCDU/EFCDU books.
- (c) The lending transaction shall be booked as "Lending-RBU" in the FCDU/EFCDU books and "Borrowing-FCDU/EFCDU" in the RBU books, which accounts shall be added to the Manual of Accounts for Banks.

^{1/} i.e., *Customers' Liability on Import Bills-Foreign, Customers' Liability under Trust Receipts-Foreign, Customers' Liability for this Bank's Acceptances Outstanding-Foreign & Export Bills Purchased, excluding past due accounts and Items in Litigation*

^{2/} i.e., *Net FX Disposition (Regular Books only) in Schedule I (Daily Summary of Foreign Exchange Acquisitions/Dispositions) of FX Form I (Consolidated Report on Foreign Exchange Assets and Liabilities)*



MAG-IMPOK SA BANGKO

- (d) The "Lending-RBU" account balance (net of transactions outstanding for more than one year) shall qualify as eligible asset cover, but not as liquidity cover, for FCDU/EFCDU liabilities.
- (e) Banks shall establish and maintain systems to –
 - 1) monitor the foreign currency funds flow of RBU and the average daily balances of foreign currency trade assets, with minimum database covering a 2-month rolling period; and
 - 2) account for the utilization of funds borrowed from FCDU/EFCDU.

The systems as well as periodic reports generated therefrom shall be made available to the Bangko Sentral ng Pilipinas (BSP) examiners for verification.

- (f) Banks shall submit to the appropriate BSP supervising department, within five (5) banking days from end of reference month, a certification under oath (prescribed format attached as Annex "B"), signed by the Bank's President or Country Manager, in case of local branch/subsidiary of foreign banks, Compliance Officer and Head of Treasury, to the effect that, at any day of the reference month, funds borrowed from FCDU/EFCDU did not exceed the prescribed cap (i.e., lower of 30% of RBU's average on-balance sheet foreign currency trade assets or net fund outflow on RBU's foreign currency transactions) and were utilized by RBU solely for foreign currency trade transactions.

Violation on the monthly reportorial requirement shall be subject to the imposition of penalties as follows –

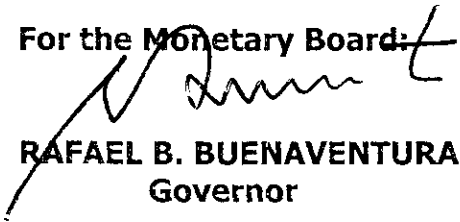
- 1) Maximum monetary penalty of ₱30,000 per day (reckoned from due date until date corrected) for any false/erroneous certification issued, without prejudice to the imposition, on the erring bank and/or the concerned bank officers, of the penal sanctions provided under Sections 35 and 36 of R.A. No. 7653.
 - 2) Monetary penalty of ₱1,200 per day for delayed and/or incomplete certifications.
- (g) Any deficiency in the 100% FCDU/EFCDU cover and/or 30% liquidity cover that may be incurred due to violation of the foregoing conditions shall be subject to the imposition of a monetary penalty of 1/10 of 1% of the deficiency, converted to its peso equivalent at the

exchange rate prevailing on the date the deficiency was incurred but not to exceed ₱30,000 per deficiency, per day.

The foregoing rule shall be subject to quarterly review by BSP.

This Circular shall take effect immediately.

For the Monetary Board:


RAFAEL B. BUENAVENTURA
Governor

8

August 2002

FCDU LENDING to RBU
SAMPLE COMPUTATION - 30% CAP
(Amounts in Million USD)

		Average On-Balance Sheet		Net FX	"Lending to RBU"		
		Forex Trade Assets ^{1/}		Funds Flow			
		Amount	30%	(RBU) ^{2/}	Debit	Credit	Balance
March	29	100	30	(40)			
April	1					10	10
	2					5	15
	3					5	20
	4					8	28
	5	150	45	(42)		2	30
	8						30
	9					6	36
	10					2	38
	11					4	42
	12	120	36	(38)			42
	15				6	^{3/}	36
	16						36
	17						36
	18						36
	19	140	42	35			36
	22				36	^{4/}	-
	23						-
	24						-
	25						-
	26	90	27	(30)			-
	29					12	12
	30					8	20
May	2					5	25
	3					2	27

^{1/} Computed using 2-month rolling data (i.e., for week ended 29 March, average of daily data from 30 Jan to 29 March; week ended 5 April, daily data from 6 Feb to 5 April, etc.)

^{2/} FX acquisitions less FX Dispositions (RBU only) per Schedule I (Daily Summary of Foreign Exchange Acquisitions/Dispositions) of FX Form I (Consolidated Report on Foreign Exchange Assets and Liabilities)

^{3/} RBU should pay off to reduce outstanding balance to within prescribed limit, i.e., 30% of previous week's computed average daily balance of on-Balance Sheet Forex Trade Assets which is less than the net fund outflow on RBU's forex transactions.

^{4/} RBU is not eligible to borrow since it had average net foreign exchange fund inflow on its foreign currency transactions during the preceding week. RBU should, therefore, pay off its outstanding balance.

Annex "B"

To be submitted to the
appropriate BSP supervising
department, within five (5)
banking days from end of
reference month

(Name of Bank)

C E R T I F I C A T I O N

Pursuant to the requirement under BSP Circular No. _____, dated
_____, we hereby certify that on all banking days of the month ended
_____, 200__ :

- a) Total outstanding balance of foreign currency borrowings by the Regular Banking Unit (RBU) from the Foreign Currency Deposit Unit (FCDU)/Expanded FCDU (EFCDU) did not exceed the prescribed cap (i.e., lower of 30% of RBU's average on-Balance Sheet Foreign Currency Trade Assets or Net Fund Outflow on RBU's foreign currency transactions), and
- b) The borrowed foreign currency funds were utilized by RBU solely for its foreign currency trade transactions.

We further certify that, to the best of our knowledge, the foregoing statements are true and correct.

President or Country
Manager (for FX Banks)
TIN:
Com. Tax Cert No.:
Issued on:
Issued at:

Compliance Officer
TIN:
Com. Tax Cert No.:
Issued on:
Issued at:

Head of
Treasury Department
TIN:
Com. Tax Cert No.:
Issued on:
Issued at:

Subscribed and sworn to before me, this _____ day of _____,
200__, affiants exhibiting their respective Community Tax Certificates as
indicated above.

Person administering oath