



Bangko Sentral ng Pilipinas

Maynila, Pilipinas

Circular No. 561 Series of 2007

Subject: Amendments to Circular Nos. 1327 and 1389 dated 30 January 1992 and 13 April 1993, respectively

Pursuant to Monetary Board Resolution No. 230 dated 22 February 2007, approving certain reforms to liberalize foreign exchange rules and regulations, the following provisions of Circular Nos. 1327 and 1389 dated 30 January 1992 and 13 April 1993, respectively, as amended, are hereby further amended, as follows:

Section 1. Item 2 of Circular No.1327, as amended, shall now read as follows:

"2. Allowable open FX position - Banks' allowable open FX position (either overbought or oversold) shall be the lower of 20 percent (20%) of their unimpaired capital or US\$50 million.

For purposes of this section, unimpaired capital of foreign banks that are universal banks shall be defined as permanently assigned capital plus the Net Due To Head Office account; *Provided That* the amount of Net Due To Head Office that may be added to the permanently assigned capital shall not exceed the equivalent of six (6) times the permanently assigned capital. For foreign banks that are commercial banks, unimpaired capital shall be defined as permanently assigned capital plus the Net Due To Head Office account; *Provided That* the amount of Net Due To Head Office that may be added to the permanently assigned capital shall not exceed the equivalent of eight (8) times the permanently assigned capital.

Any excess beyond the allowable limit shall be settled on a daily basis.

Penalties on excess overbought and oversold positions of banks when PDS trading is suspended shall be waived."

Section 2. The following sections of Circular No. 1389, as amended, are hereby further amended, as follows:

1. Section 2 shall now read as follows:

"Section 2. Sales of Foreign Exchange by AABs, NBBSEs and Forex Corporations for Non-Trade Transactions. AABs, Non-Bank Bangko Sentral ng Pilipinas-Supervised Entities (NBBSEs), and their subsidiary/affiliate forex corporations may sell foreign exchange to

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residents to cover payments to foreign beneficiaries for non-trade current account purposes (e.g., educational expenses, medical expenses, travel expenses and salaries of foreign expatriates) without need for prior Bangko Sentral ng Pilipinas approval, subject to the following documentary requirements and guidelines:

a. For sales not exceeding US\$10,000

-Application to purchase foreign exchange using the prescribed format;

b. For sales exceeding US\$10,000

-Application to purchase foreign exchange using the prescribed format and supported by documents specified under existing rules.

For sale of foreign exchange, **regardless of amount**, for payment of non-trade obligations that are foreign currency loan- or foreign investment-related, the documents prescribed under existing rules shall apply.

NBBSEs, including Forex Corporations, **shall not** sell foreign exchange to:

a. Non-residents; and

b. Residents for –

- 1) Investment purposes (whether domestic or abroad) including capital repatriation and remittance of profits and dividends thereon;
- 2) Payment of foreign exchange obligations to residents other than AABs;
- 3) Payment of unregistered foreign currency loans/ obligations to non-resident financial institutions.

However, outstanding unregistered loans/obligations as of 27 October 2000 may continue to be serviced by forex corporations.

- 4) Payment of FCDU loans not eligible to be serviced with foreign exchange purchased from the banking system.

However, FCDU loans outstanding as of 27 October 2000 may continue to be serviced by forex corporations.

AABs **shall not** sell foreign exchange to residents for payment of foreign exchange obligations to residents other than AABs.

2. Section 44 shall now read as follows:

“Section 44. Outward Investments by Philippine Residents.

A resident may invest provided that:

1. the investments are funded by withdrawals from FCDUs; or
2. the funds to be invested are not among those required to be sold to AABs for pesos; or
3. the funds to be invested are sourced from AABs but in amounts not exceeding US\$12 million per investor per year.

An application to purchase foreign exchange for outward investments, whether or not prior Bangko Sentral ng Pilipinas approval is required, shall be accompanied by the documents specified under existing rules.

For purposes of this section, investments in foreign currency denominated bonds/notes of the Republic of the Philippines (ROP) or other Philippine entities are considered outward investments.

Outward investments by residents (excluding BSP-supervised entities) funded with foreign exchange purchased from AABs in amounts exceeding US\$12 million per investor per year shall require prior approval and registration by the Bangko Sentral ng Pilipinas. Existing rules on outward investments of BSP-supervised entities shall continue to apply.

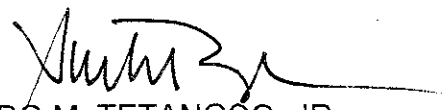
Foreign exchange acquired or received by residents as dividends/earnings or divestment proceeds from outward investments funded by foreign exchange purchased from AABs shall be inwardly-remitted within 15 banking days from date of receipt and sold for pesos thru AABs within three (3) banking days from receipt in the Philippines.”

Section 3. Repealing Clause. All provisions of existing BSP issuances that are inconsistent herewith are deemed modified accordingly.

Notwithstanding the liberalization of foreign exchange rules and regulations, banks are reminded to adopt and adhere to sound policies in undertaking their foreign exchange transactions.

This Circular shall take effect on 2 April 2007.

FOR THE MONETARY BOARD


AMANDO M. TETANGCO, JR.
Governor

8 March 2007