



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 603
Series of 2008

Subject: Exclusion from adverse qualitative classification of loans of Philippine branches of foreign banks to subsidiaries and affiliates in the Philippines of multinational companies

Pursuant to Monetary Board Resolution Nos. 808 and 162 dated 19 July 2007 and 7 February 2008, respectively, Appendix 18 of the Manual of Regulations for Banks (MORB) on the guidelines in identifying and monitoring problem loans and other risk assets and setting-up of allowance of probable losses is hereby amended:

Section 1. Section I.A of Appendix 18 of the MORB on unclassified loans is hereby amended by renumbering Item No. 2 thereof as Item No. 3, and adding the following provision as Item No. 2:

"2. Loans granted to Philippine branches of foreign banks to subsidiaries and affiliates in the Philippines of multinational companies which are covered by standby letters of credit (Standby LC) issued by the bank Head Offices in favor of their local branches, and are current in status: *Provided*, That the foreign bank is rated at least "AA-" or its equivalent by a BSP-recognized international credit assessment agency based on the guidelines for the use of third party credit assessments as provided in Part III.C of Circular No. 538 dated 4 August 2006: *Provided, further*, That the Standby LC is direct, explicit, irrevocable and unconditional."

Section 2. This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

DIWA C. GUINIGUNDO
Officer-in-Charge

03 March 2008

PANANALAPING MATATAG, BANSANG PANATAG