



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 536
Series of 2006

Subject : Domestic Standby Letters of Credit

Pursuant to the Monetary Board Resolution No. 799 dated 22 June 2006, Subsection X347.1 of the Manual of Regulations for Banks (MORB) is hereby amended to read as follows:

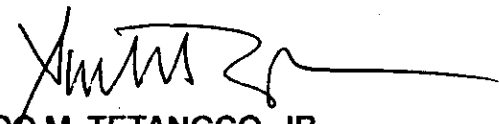
Subsection X347.1 Domestic standby letters of credit.
Domestic standby letters of credit may be issued or used in transactions other than those involving movement of goods under the following guidelines:

- a. The bank's obligation to pay shall be either unconditional (as against presentation of a clean draft) or conditional only upon the presentation of documents and not upon actual existence or non-existence of facts, i.e., the bank must not be called upon to determine disputed questions of facts or law;
- b. The bank's obligation shall be limited to a fixed maximum amount;
- c. The bank's obligation shall have an expressed expiration date;
- d. The standby letters of credit accommodation shall not violate any law or existing BSP directives, rules and regulations, such as the SBL and DOSRI ceilings;
- e. The party who opened the standby letters of credit or the ultimate borrower shall not have any past due obligation with the issuing bank for the ninety (90)-day period preceding the date of issuance of the letter of credit; and
- f. The party who opened the letter of credit (borrower or principal obligor) must have an unqualified obligation to reimburse the bank on the same condition as the bank has paid.

PANANALAPING MATATAG, BANSANG PANATAG

This Circular shall take effect after 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

18th July 2006