

[BSP CIRCULAR NO. 650, March 09, 2009]

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 P1.0 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;
- 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