

[BSP CIRCULAR LETTER, September 17, 1997]

FOREX SUBSIDIARIES/AFFILIATES OF BANKS

Upon the request of the Bankers Association of the Philippines (BAP) and to ensure the proper understanding and implementation of the Circular-Letter dated 5 September 1997, the Monetary Board, in its Resolution No. 1177 and 12 September 1997 decided to make the following clarifications to BSP Circular-Letter dated 5 September 1997:

1. While it is recognized that the principal reason for being of forex subsidiaries/affiliates of banks is to trade in foreign exchange, they are nevertheless discouraged from taking net foreign exchange positions and whatever net foreign exchange positions are kept or maintained by them, are to be consolidated into the total net foreign exchange position of the respective banks with whom they are affiliated or are subsidiaries of;
2. To be considered in compliance with applicable foreign exchange rules and regulations of the BSP within the contemplation of paragraph 1 of aforesaid Circular-Letter, forex corporations/subsidiaries/affiliates shall not:
 - a. sell foreign exchange to non-residents;
 - b. sell foreign exchange to resident financial institutions other than Authorized Agent Banks (AABs) of the BSP and bank-affiliated forex corporations.
3. The certification that the Chief Executive Officer (CEO) and Treasurer of a bank are required to sign and submit under paragraphs 2 and 3 of the Circular-Letter, when submitted in the form and language substantially similar to the sample certification shown in Annex A* hereto (in the case of banks incorporated and registered under Philippine Laws) and as shown in Annex B* herein (in the case of branches of foreign banks) shall be deemed to satisfy and to be in compliance with, this requirement.

The effectivity date set forth in Paragraph 4 of the September 5 Circular-Letter of the requirement for the submission by banks of their report on their daily consolidated foreign exchange positions is hereby moved from 10 September 1997 to 17 September 1997.

The first report to be submitted under the September 5 Circular-Letter, as clarified by this Circular-Letter, shall still be for 08 September transactions per reporting required under CB Circular No. 1327 dated 30 January 1992, as amended.

Adopted: 17 Sept. 1997