

[BSP CIRCULAR LETTER, July 19, 1994]

GRANT OF FCDU LOANS TO PRIVATE SECTOR BORROWERS

The Monetary Board under its Resolution No. 652 dated July 14, 1994 decided to clarify and modify the policies governing the grant of foreign currency loan by FCDUs as provided for under Circular No. 1389, as amended as follows:

1. Foreign currency loans may be granted to private sector borrowers for any purpose without prior Bangko Sentral approval, provided such loans shall not be serviced using foreign exchange purchased from the banking system. These loans may have short, medium or long term maturities.

2. Short-term foreign currency loans may be granted to the following private sector borrowers without prior Bangko Sentral approval. These loans may be serviced using foreign exchange purchased from the banking system.

- a. Commodity and service exporters-provided these loans are used to finance the production of goods and/or services for export. The loans may fund 100% of the exporter's total requirements for foreign exchange and pesos.

Service exporters shall refer to Philippine residents engaged or proposing to engage in rendering technical, professional or other services which are paid for in foreign exchange.

Indirect exporters may likewise avail themselves of foreign currency loans, provided these are used to fund export-related costs. The loans may fund both foreign exchange as well as peso costs. Indirect exporters shall refer to cottage/small and medium industries (producers/manufacturers) that have supply arrangements with direct exporters who are holders of an export letter of creditor or a confirmed purchase order/sales contract from a foreign buyer.

- b. Producers/manufacturers, including oil companies and public utility concerns-provided the loans are used to finance import costs of goods and services i.e., foreign exchange requirements, necessary in the production of goods by the borrower concerned.

Producers/manufacturers shall refer to any person or entity who undertakes the processing/conversion of raw materials into marketable form through physical, mechanical, chemical or other means, or by special treatment or a series of actions that results in a change in the nature or state of the product/s.

Public utility shall refer to any business organization which regularly supplies the