

[BSP CIRCULAR-LETTER S. 1992, July 17, 1992]

SECTION 2 OF CIRCULAR 1318 CLARIFIED

It has come to our attention that questions have been raised from various quarters asking whether in view of the broadened definition of "authorized agent banks" now contained in Section 2 of Circular 1318 of the Central Bank which reads as follows:

"SECTION 2. Authorized Agent Banks (AABs) — All categories of banks duly licensed by the Central Bank (CB) shall be considered as Authorized Agent Banks."

thrift banks and rural banks can now engage in *all* banking transactions and activities allowed commercial banks.

We wish to emphasize that above-quoted provisions of Circular 1318 shall not be understood as eliminating all existing functional differentiations among the various categories of banks, *viz.*, commercial banks, expanded commercial banks, specialized government banks, thrift banks and rural banks. While all banks licensed by the Central Bank are its authorized agent banks, it must be clearly understood that each should function within the operational parameters defined by existing laws and regulations for the specific bank category to which they respectively belong. Thus, a rural bank or a thrift bank still cannot engage in transactions which may involve opening/negotiating export or import letters of credit or such other type of banking transactions as these do not form part of the normal banking operations of banks in their category as provided under existing laws, rules and regulations.

In the matter however of the buying and selling of foreign exchange, Circular 1318 of the Central Bank which has liberalized the rules on non-trade transactions, has made this activity open not only to banks but also to non-bank entities, provided the foreign exchange involved are not among those required to be sold to the banking system for pesos. Thus, thrift banks and rural banks can now engage in the buying and selling of foreign exchange over-the-counter in accordance with the provisions of Chapters I and II of Central Bank Circular 1318. They can now do so because of the deregulation of this activity, and not simply because they are now also considered authorized agent banks of the Central Bank.

Please be guided accordingly.

Adopted: 17 July 1992

(SGD.) JOSE L. CUISIA, JR.
Governor
