



MANUAL OF REGULATIONS ON FOREIGN EXCHANGE TRANSACTIONS

Updated as of July 2022



FOREWORD

The Manual of Regulations on Foreign Exchange Transactions, hereinafter referred to as the “FX Manual”, is a consolidation of all regulations governing foreign exchange transactions. This Manual replaces Circular No. 1389 dated 13 April 1993, as amended, which was the first consolidation of foreign exchange regulations. This is an enhanced and complete version of Circular No. 1389, as amended, as it incorporates all amendments made since 1993 and consolidates all regulations on foreign exchange and related transactions.

The FX Manual, which shall be updated upon effectivity of subsequent amendments made thereto as approved by the Monetary Board, is posted at the BSP website (www.bsp.gov.ph) and has hyperlink features to allow users easy access to different sections, appendices, annexes, reports, relevant laws and issuances, and related websites.

In providing users easy access to information, the FX Manual is expected to facilitate compliance with existing regulations and requirements governing foreign exchange and related transactions.



MANUAL OF REGULATIONS ON FOREIGN EXCHANGE TRANSACTIONS

List of Acronyms/Abbreviations

AABs	Authorized Agent Banks
AAB forex corps	subsidiary/affiliate foreign exchange corporations of AABs
AFS	Available for Sale Financial Assets
ASEAN	Association of Southeast Asian Nations
AWB	air waybill
BIR	Bureau of Internal Revenue
BL	bill of lading
BOI	Board of Investments
BOT	Build-Operate-Transfer
BSP	Bangko Sentral ng Pilipinas
BSRD	Bangko Sentral Registration Document
BSRDLA	Bangko Sentral Registration Document Letter Advice
BT	Build and Transfer
CIR	Certificate of Inward Remittance
Coop Banks	cooperative banks
DES	Department of Economic Statistics
DSA	Department of Supervisory Analytics
DA	documents against acceptance
DFP	Duty Free Philippines, Inc.
DOF	Department of Finance
DOSRI	directors, officers, stockholders and their related interests
DP	documents against payment
DR	direct remittance
DTI	Department of Trade and Industry
EFCDU	Expanded Foreign Currency Deposit Unit
FCDU	Foreign Currency Deposit Unit
FSS	Financial Supervision Sector
IBs	Islamic banks
IOD	International Operations Department
HO	Head Office
HTM	Held to Maturity
KBs	commercial banks
LC	letter of credit
MORB	Manual of Regulations for Banks
MORNBFI	Manual of Regulations for Non-Bank Financial Institutions
NBBSEs	non-bank BSP-supervised entities
NBFIs	non-bank financial institutions
NBQBs	non-bank financial institutions with quasi-banking functions
NEDA	National Economic and Development Authority
OA	open account
OBU	offshore banking unit
PAS	Philippine Accounting Standards
PDIC	Philippine Deposit Insurance Corporation
PSE	Philippine Stock Exchange
RBs	rural banks
SEC	Securities and Exchange Commission
SWB	sea waybill
TBs	thrift banks
UBs	universal banks

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PART ONE. RULES ON FOREIGN EXCHANGE TRANSACTIONS

Chapter I

GENERAL PROVISIONS

1. **FX Regulations.** Regulations governing FX transactions are hereby consolidated in this Manual of Regulations on Foreign Exchange Transactions, hereinafter referred to as the “FX Manual”.
2. **Compliance with Applicable Laws, Rules and Regulations.** All FX transactions, including those of [authorized agent banks \(AABs\)/AAB subsidiary/affiliate forex corporations \(AAB forex corps\)](#), must be compliant with applicable laws, rules and regulations, including the “Know Your Customer” policy. In any conduct of FX transaction, [AABs/AAB forex corps](#) shall exercise due diligence, and not participate/assist in any circumvention of existing laws, rules or regulations issued by BSP and appropriate authorities.
3. **Sale of FX.** The following rules shall apply to the sale of FX by [AABs/AAB forex corps](#):
 - a. The sale of FX may be freely made: (i) between and among [AABs](#) (unless otherwise indicated under the FX Manual); (ii) by [AAB forex corps](#) to [AABs](#); and (iii) between and among individuals/entities other than [AABs/AAB forex corps](#); *Provided*, that the sale of FX by BSP-supervised non-bank financial institutions (NBFIs), including qualified entities operating as FX dealers/money changers (FXDs/MCs) and remittance agents (RAs) that are neither [AABs](#) nor [AAB forex corps](#), shall be governed by the pertinent provisions of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) and other applicable BSP regulations, and shall not be covered by the FX Manual.

FX sales by [AABs/AAB forex corps](#) to BSP-supervised NBFIs shall be subject to the rules under the FX Manual.
 - b. The rules (including documentary requirements) on FX that may be sold shall apply to the sale of FX against pesos (and not against another foreign currency) by [AABs/AAB forex corps](#) to individuals/entities that are not [AABs](#).
 - c. All sales of FX by [AABs/AAB forex corps](#) for settlement of FX transactions are subject to the submission by the FX purchaser of a duly accomplished Application To Purchase FX ([Annex A](#)), unless otherwise indicated in the FX Manual.



The duly accomplished Application To Purchase FX ([Annex A](#))¹, as well as supporting documents for sale of FX by [AABs/AAB forex corps](#), may be submitted in hardcopy or through electronic means in accordance with Item 4 (Electronic Submission of Documents) hereof. [AABs/AAB forex corps](#)/transacting parties/FX purchasers shall make available the [original/copy](#) (as applicable) of documents upon request by the BSP for verification.

- d. The total amount of FX to be: (i) sold on spot basis; and/or (ii) hedged by a customer under derivatives contracts, by/with single or multiple [AABs](#) for specific underlying transaction shall not exceed the amount of such underlying transaction.
4. **Electronic Submission of Documents**². The duly accomplished application forms and/or supporting documents³ for the following may be submitted through electronic means to the BSP or [AABs/AAB forex corps](#)⁴:
- a. approval/registration⁵ of foreign/foreign currency loans/borrowings;
 - b. registration of inward investments;
 - c. other requests to the BSP not covered by items (a) and (b); and
 - d. sale of FX by [AABs/AAB forex corps](#) covering FX transactions⁶;

Provided, that the submitting party⁷ shall attest: (i) to the integrity and authenticity of the submitted documents; (ii) that the transmittal of documents was made via official channel; and (iii) to the availability of the [original/copy](#) of documents (as applicable) upon request by the BSP for verification.

¹ [AABs](#) may digitize the Application To Purchase FX ([Annex A](#)) provided that appropriate risk management systems/policies are in place to ensure compliance with the attestation requirement under said form. The duly accomplished digitized form need not bear the signature of the FX purchaser provided that such document explicitly states that "This form is electronically-generated and does not require signature."

² The duly accomplished application forms and/or supporting documents submitted via electronic means may bear [electronic/digital signatures](#). Electronically-generated documents need not bear signature provided that such documents explicitly state that "This document is electronically-generated and does not require signature."

³ Except for BSP-issued documents [e.g., BSP Approval, [Bangko Sentral Registration Document \(BSRD\)](#)] which are required to be presented/submitted in original hardcopies

⁴ (a) BSP – through: (i) iod_loans@bsp.gov.ph (for private sector [foreign/foreign currency loans/borrowings](#)); (ii) iod-iog1@bsp.gov.ph (for public sector [foreign/foreign currency loans/borrowings](#)); (iii) iod_investments@bsp.gov.ph (for inward investments); and (iv) email to the Head of the BSP - International Operations Department (for other requests); and (b) [AABs/AAB forex corps](#) – through official email/electronic/digital channel/system designated by banks subject to their due diligence/"Know Your Customer"/risk management policies. The BSP will not be responsible for electronic messages that may be hacked or cracked, intercepted, copied or disclosed (without authorization) outside BSP's information system.

⁵ Including submission of notice/notification to the BSP

⁶ The documents submitted electronically shall be retained for a period of five (5) years from the time of submission thereof.

⁷ Including applicant/FX purchaser



5. **Reporting to BSP under FX Form 1 and FX Form 1A (FX Form 1/1A).**
All FX receipts/disbursements/sales/payments/remittances on underlying FX transactions covered by the FX Manual shall be duly reported to the BSP by the FX receiving/selling/remitting bank under the relevant schedule/s of FX Form 1 or FX Form 1A (FX Form 1/1A), as applicable.
6. The terms used herein are as defined in the “Glossary of Terms” hereof unless otherwise indicated in specific sections of the FX Manual.

(As introduced by Circular No. 925 dated 13 September 2016 and as amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Chapter II

RESIDENT TO RESIDENT FX TRANSACTIONS

1. **AABs/AAB forex corps** may sell FX (regardless of amount) to non-bank **residents** for their FX transactions⁸ with other **residents** subject to the submission to the FX selling institution of a duly accomplished Application To Purchase FX ([Annex A](#)) and supported by documents listed under [Appendix 1](#).
2. FX sold by **AABs/AAB forex corps** for **resident** to **resident** transactions shall either be:
 - a. remitted directly to the intended **resident** beneficiary's account⁹ (whether onshore or offshore) on the date of FX sale; or
 - b. credited to the **resident** FX purchaser's FCDU account with the FX selling **AAB** (or another **AAB**) for eventual remittance on or before due date to the intended **resident** beneficiary⁹; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended **resident** beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

3. Foreign currency loans shall also be governed by the provisions of Part Three, Chapter I of the FX Manual.

(As introduced by Circular No. 925 dated 13 September 2016 and as amended by Circular No. 1124 dated 10 August 2021)

⁸ **Trade** and **non-trade transactions** (including loans and investments) requiring settlement in foreign currency

⁹ Including payment/treasury centers/hubs, collection agents, and **e-commerce market participants** (e.g., payment system operators, payment service providers/aggregators)

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PART TWO. CURRENT ACCOUNT TRANSACTIONS

Chapter I

NON-TRADE CURRENT ACCOUNT TRANSACTIONS, PESO DEPOSIT ACCOUNTS OF NON-RESIDENTS AND CROSS-BORDER TRANSFER OF LOCAL AND FOREIGN CURRENCIES

Section 1. Disposition of Foreign Exchange Receipts. Foreign exchange receipts, acquisitions or earnings of **residents** from non-trade sources may be used freely for any purpose. Such proceeds may, at the option of said **residents**, be sold for pesos, retained or deposited in foreign currency accounts, whether in the Philippines or abroad.

Resident shall refer to:

- a. an individual citizen of the Philippines residing therein; or
- b. an individual who is not a citizen of the Philippines but is permanently residing¹⁰ therein; or
- c. a corporation or other juridical person organized under the laws of the Philippines; or
- d. a branch, **subsidiary**, **affiliate**, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except **OBUs**.

Non-resident shall refer to an individual, a corporation or other juridical person not included in the definition of **resident**.

Section 2. Sale of FX to Residents for Non-Trade Current Account Transactions with Non-Residents. **AABs/AAB forex corps** may sell FX to **residents** without need for prior BSP approval to cover payments for **non-trade current account transactions** (other than those related to foreign/foreign currency loans and investments) listed under [Appendix 1](#), subject to submission of the following to the FX selling institution:

1. For FX sale not exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

☐ Duly accomplished Application To Purchase FX ([Annex A](#))

¹⁰ **Residents** include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of the International Monetary Fund (IMF) Balance of Payments Textbook, 1996.



2. For FX sale exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day

☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under [Appendix 1](#)

3. For FX sale (regardless of amount) to settle transactions involving netting arrangements¹¹ and/or e-commerce market participants

☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under [Appendix 1](#)

FX sold by [AABs/AAB forex corps](#) for [non-trade current account transactions](#) shall either be:

- a. remitted directly to the intended beneficiary's account¹² (whether onshore or offshore) on the date of FX sale; or
- b. credited to the [resident](#) FX purchaser's FCDU account with the FX selling [AAB](#) (or another [AAB](#)) for eventual remittance on or before due date to the intended beneficiary¹²; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

FX sold for travel and medical expenses abroad not yet incurred, and sales proceeds of emigrant's domestic assets where the emigrant is still in the country, may be held in cash, or directly remitted to the intended beneficiary, or credited to the FX purchaser's FCDU account in accordance with items (a) and (b) above.

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 874 dated 8 April 2015, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

¹¹ Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices [1](#) and [1.5](#), as applicable) but not those involving foreign/foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.

¹² Including payment/treasury centers/hubs, collection agents, and [e-commerce market participants](#) (e.g., payment system operators, payment service providers/aggregators)



Section 3. Peso Deposit Accounts¹³ of Non-Residents

1. Funding for Peso Deposit Accounts of Non-residents. **Non-residents** (including **foreign banks**) may open/maintain peso deposit accounts with **AABs** operating in the Philippines which shall be funded only by the following eligible sources of funds¹⁴, subject to submission to the depository **AABs** of documents listed under [Appendix 1.1](#) (regardless of amount of deposit):

- a. peso proceeds¹⁵ from conversion of inward remittances¹⁶ of convertible FX¹⁷;
- b. peso receipts¹⁸ of **non-residents** from, or peso sales proceeds of:
(i) BSP-registered inward investments; and (ii) properties in the Philippines allowed to be owned by **non-residents** under existing laws¹⁹;
- c. onshore peso receipts of **non-residents** from **residents** for:
(i) services²⁰ rendered by **non-residents** to **residents**; and
(ii) **trade transactions**, under Part Two, Chapters I and II of the FX Manual, respectively;
- d. peso receipts of expatriates working in the Philippines for less than one (1) year representing salary/allowance/other benefits;
- e. peso funds of: (a) foreign students enrolled for at least one (1) school term in the Philippines; and (b) non-resident Filipinos;
- f. cash collateral used for investments under Securities Borrowing and Lending or similar arrangements;
- g. peso receipts of **non-residents** from **residents** for payment of private sector **foreign loans/borrowings** and other loan-/borrowing-related transactions that are duly approved by/registered with/reported to the BSP (as applicable) under Section 24;
- h. peso proceeds from the onshore sale by **non-resident** issuers of their equity and debt securities under Section 34; and

¹³ These exclude settlement/clearing accounts of a foreign bank with its local branches. However, these accounts shall be subject to applicable laws, rules, and regulations (including the rules on cross-border transfer of local currency). The conversion to FX of the peso funds in said accounts for settlement of the underlying FX transactions of its clients shall be subject to rules on FX sale by **AABs/AAB forex corps** under the pertinent provisions of the FX Manual.

¹⁴ Eligible sources of funds covered by derivatives contracts shall also be subject to the FX rules on the underlying transactions including those governing derivatives transactions.

¹⁵ Including peso proceeds from inward remittances of FX initially deposited to the FCDU account of the **non-resident**

¹⁶ Peso proceeds may be used for any legitimate purpose. However, conversion thereof to FX shall be limited to those related to loans and investments in accordance with Item 2.a.i of Section 3.

¹⁷ Refer to convertible currencies indicated in the BSP reference exchange rate bulletin

¹⁸ Including refund of taxes or erroneously withheld taxes related to BSP-registered investments

¹⁹ Excluding condominium units that shall registered with the BSP and supported by documents under item 2 of [Appendix 1.1](#)

²⁰ Including underwriting/brokerage services (involving Philippine shares) rendered to **non-residents** by another **non-resident** entity acting as: (a) underwriter, bookrunner or foreign broker-dealer for initial public offering/follow-on offering; and (b) bookrunner and/or manager for the private placement/secondary block trade of listed securities



- i. peso funds returned to **non-residents** for excess pesos arising from unrealized investments²¹ under Section 38.4.

2. Sale of FX to Non-Residents for Peso Deposit Accounts

a. Depository **AABs** may sell FX up to an amount equivalent to the balance (including accrued interest thereon) of peso deposit accounts of **non-residents** funded by eligible sources of funds under Item 1 hereof, subject to submission of the following:

- i. For sale of FX funded by Item 1.a²² related to loans and investments

- ☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under Appendices [1.3](#), [1.4](#) and [1.8](#) (as applicable)

To allow conversion of pesos to FX, the peso funds must have been used onshore to fund: (a) private sector loans/borrowings which are duly approved by and/or registered with/reported to the BSP in accordance with the provisions of Part Three, Chapter I of the FX Manual; and (b) inward investments which are duly registered with the BSP or registering **AABs** (as applicable) in accordance with the provisions of Part Three, Chapter II of the FX Manual. For funds not yet transferred to the **resident** investee relating to excess pesos arising from unrealized investments²¹, **AABs/AAB forex corps** may sell FX in accordance with Section 38.4.

- ii. For sale of FX funded by Items 1.b to 1.g

- ☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under [Appendix 1.8](#) (as applicable)

In the case of Items 1.b.i, 1.e²³ and 1.g, the **non-resident** or its authorized representative shall also present the **BSRD** (as required under pertinent provisions of the FX Manual) for purposes of annotation of the peso amount converted to FX and reporting to the BSP of the underlying transaction.

- iii. For sale of FX funded by Items 1.h and 1.i

- ☐ Duly accomplished Application To Purchase FX ([Annex A](#))

b. FX sold by depository **AABs** shall be remitted directly to the account of the **non-resident** intended beneficiary (whether onshore or offshore) on the date of FX sale.

²¹ Unrealized investments refer to investments of **non-resident** investors that did not materialize.

²² Excluding peso funds of: (a) foreign students enrolled for at least one (1) school term in the Philippines; and (b) **non-resident** Filipinos

²³ In case the peso funds of the **non-resident** were used for investment and loans/borrowings to **residents**



c. The remitting depository bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchasers and in accordance with the guidelines on reporting of [trade transactions](#) under [Appendix 4](#) and investments under Appendices [10.A](#) and [10.B](#), as applicable.

For remittance arising from Item 1.h, the FX remittance shall be reported to the BSP, through the International Operations Department, using the prescribed form ([Annex Y](#)) within two (2) banking days from date of actual remittance.

d. [Non-resident Tourists/Balikbayan. AABs/AAB forex corps](#) may sell FX to [non-resident](#) tourists or [balikbayan](#) to the extent of the amount of FX shown to have been sold for pesos by the [non-residents](#) to [AABs/AAB forex corps](#). Departing [non-resident](#) tourists or [balikbayan](#) may reconvert at airports or other ports of exit unspent pesos up to a maximum of USD10,000 or its equivalent in other foreign currency, calculated at prevailing exchange rates, without showing proof of previous sale of FX for pesos.

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 815 dated 18 October 2013, 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 4. Cross-Border Transfer of Local and Foreign Currencies

1. Local Currency. A person may import or export, or bring into or take out of the Philippines, or electronically transfer, [legal tender](#) Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount not exceeding PHP50,000 without prior authorization by the BSP.

Amounts in excess of aforementioned limit shall require: (a) prior written authorization from the BSP²⁴; and (b) in case of physical cross-border transfer of Philippine currency, declaration of the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form ([Annex K](#)).

The term "[electronic transfer](#)" as used herein shall mean a system where the authority to debit or credit an account (bank, business or individual) is provided by wire, with or without a source document being mailed to evidence the authority.

²⁴ The application for prior written authorization shall be filed through the International Operations Department. The BSP, however, allows cross-border transfer of local currency in excess of the limit only for the following purposes: (a) testing/calibration/configuration of money counting/sorting machines; (b) numismatics (collection of currency); and (c) currency awareness.



The peso amount of the International Passenger Service Charge (IPSC) refunded to outbound exempt passengers²⁵ shall not be included in the aforecited limit during the implementation of said IPSC refund.

2. Foreign Currency. Any person, who brings into or takes out of the Philippines foreign currency, as well as other foreign currency-denominated bearer monetary instruments, in excess of USD10,000 or its equivalent is required to declare the whole amount brought into or taken out of the Philippines using the prescribed Currencies Declaration Form ([Annex K](#)).

As used herein, “other foreign currency-denominated bearer monetary instruments” shall refer to the following foreign exchange-denominated instruments in bearer form whereby title thereto passes to another by endorsement, assignment or delivery: traveler’s checks, other checks, drafts, notes, money orders, bonds, deposit certificates, securities, commercial papers, trust certificates, custodial receipts, deposit substitute instruments, trading orders, transaction tickets and confirmation of sale/investment.

(As amended by Circular Nos. 794 dated 18 April 2013, 874 dated 8 April 2015, 922 dated 23 August 2016 and 1146 dated 26 May 2022)

Chapter II

FOREIGN MERCHANDISE TRADE TRANSACTIONS

Section 5. General Policy. As a general rule, all kinds of merchandise imports/exports are allowed. However, the importation and exportation of certain commodities are regulated or prohibited by law or rules and regulations issued by the competent authority for reasons of public health and safety, national security/interest, international commitments, development/rationalization of local industry.

²⁵ Those passengers exempted under Philippine laws from payment of travel tax, airport tax and other travel related taxes or fees, which include the following:

- a. Philippine Sports Commission and its delegations or representatives to any international sports convention, conference and meeting, and athletes, coaches and other officials to any international competition under [Republic Act \(R.A.\) No. 6847](#) (The Philippine Sports Commission Act);
- b. Overseas Filipino Workers (OFWs) under [R.A. No. 10022](#) (Migrant Workers and Overseas Filipinos Act of 1995); and
- c. Other exempted individuals under [Executive Order No. 283](#) (Restructuring the Travel Tax Exemptions and Restoring the Reduced Rates on Certain Individuals, Amending for this Purpose, Presidential Decree No. 1183, series of 1987, as amended);

Provided that, refund is made prior to departure at airports or other ports of exit.



1. Regulated and Prohibited Commodities Involving the BSP²⁶. The BSP is involved in the regulation and prohibition of the following import/export commodities:

Import	Export
A. Regulated Commodities	
Legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in pesos against banks operating in the Philippines in an amount exceeding PHP50,000 ²⁷	
Coin blank essentially of gold, steel, copper, nickel, zinc, tin, aluminum, brass, bronze, all with diameter of less than 30.00 mm and weight of less than 11.50 grams per piece; Coin blank essentially of silver with diameter of 36.8 mm +/- 0.05 mm and weight of 28.28 grams per piece; Nordic Gold coin metal with diameter of 33.55 mm +/- 0.05 mm and weight of 15 grams per piece ²⁸	-
Color reproduction machines with 2,400 dots per inch (dpi) or higher (excluding printers) ²⁹	-
B. Prohibited Commodities	
Any goods manufactured in whole or in part of gold, silver or other precious metals or alloys and the stamp, brand or mark does not indicate the actual fineness of quality of the metals or alloys ³⁰	
Unissued Philippine banknotes, except those authorized by the BSP ³¹	Gold from small scale-mining, including panned gold ³²

2. Domestic Buying and Selling of Gold by Residents. Except as provided in the FX Manual, gold and gold-bearing metals may be bought and sold without specific approval of the **BSP**.

Gold from **small-scale mining**, including panned-gold, shall be sold to the BSP pursuant to **Republic Act No. 7076** (People's Small-Scale Mining Act of 1991) dated 27 June 1991. All other forms or types of gold may, at the option of

²⁶ Commodities that are not under the BSP's purview shall be covered by applicable laws, rules and regulations and governed by the respective trade regulatory government agencies.

²⁷ The application for prior written authorization shall be filed with the BSP, through the International Operations Department. The BSP, however, allows cross-border transfer of local currency in excess of the limit only for the following purposes: (a) testing/calibration/configuration of money counting/sorting machines; (b) numismatics (collection of currency); and (c) currency awareness.

²⁸ The application for prior written authorization shall be filed with the BSP, through the Mint and Refinery Operations Department (MROD).

²⁹ The application for prior clearance shall be filed directly with the National Bureau of Investigation (NBI), which shall forward the matter to the BSP, through the Payments and Currency Investigation Group (PCIG), Office of the Assistant Governor - Payments and Currency Development Sub-Sector (OAG-PCDSS). Clearance to import shall be released by the NBI.

³⁰ Pursuant to Section 118(d) of **Republic Act (R.A.) No. 10863** [Customs Modernization and Tariff Act (CMTA)]. Under Section 1146 of the CMTA, prohibited goods as provided under Section 118 of the CMTA shall be destroyed, except for goods under Section 118(d) which shall be turned over to the BSP.

³¹ Under the purview of the BSP Banknotes and Securities Production Management Department (BSPMD)

³² Pursuant to **R.A. No. 7076** (People's Small Scale Mining Act of 1991)



the owner or producer thereof and with the consent of the BSP, be sold and delivered to the BSP.

The BSP may sell gold grains/pellets/bars and sheets to local jewelry manufacturers and other industrial users upon application, or to banks exclusively for re-sale to jewelry manufacturers/industrial users, at the BSP's gold-selling price plus a service fee to cover costs including cost of conversion and packaging.

(As amended by Circular No. 1124 dated 10 August 2021)

A. IMPORT TRADE TRANSACTIONS

Section 6. Sale of FX to Residents for Trade Transactions with Non-Residents. AABs/AAB forex corps may sell FX to residents for payment of importations³³, subject to submission of the following to the FX selling institution:

- a. For FX sale not exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day
 - ☐ Duly accomplished Application To Purchase FX ([Annex A](#))
- b. For FX sale exceeding USD500,000 (for individuals) and USD1,000,000 (for corporates/other entities) or its equivalent in other foreign currency per client per day
 - ☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under [Appendix 1.5](#)
- c. For FX sale (regardless of amount) to settle transactions involving netting arrangements³⁴ and/or digital payments through e-commerce market participants
 - ☐ Duly accomplished Application To Purchase FX ([Annex A](#)) and documents listed under [Appendix 1.5](#)

³³ Including those involving trade in goods and services under netting arrangements, and Engineering, Procurement and Construction (EPC) contracts or similar contracts/arrangements

³⁴ Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.



FX sold by [AABs/AAB forex corps](#) for payment of importations shall either be:

- a. remitted directly to the seller/intended beneficiary's account³⁵ (whether onshore or offshore) on the date of FX sale; or
- b. credited to the [resident](#) FX purchaser's FCDU account with the FX selling [AAB](#) (or another [AAB](#)) for eventual remittance on or before due date to the intended beneficiary³⁵ for settlement of import obligation; *Provided*, that the FX purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the FCDU account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the FX purchaser shall include the purpose of the remittance in the remittance instructions to the remitting bank.

The remitting bank shall report the FX remittance to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

(As amended by Circular Nos. 742 dated 21 November 2011, 818 dated 6 November 2013, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

Section 7. (Reserved)

(As amended by Circular Nos. 794 dated 18 April 2013 and 1124 dated 10 August 2021)

Section 8. Modes of Payment for Imports. [AABs/AAB forex corps](#) may sell FX to service payments for imports under any of the following arrangements (including those under netting arrangements³⁶) subject to the provisions of Sections 9 to 13 and the guidelines under [Appendix 4](#):

1. [Letter of Credit \(LC\)](#);
2. [Documents Against Payment \(DP\)](#);
3. [Documents Against Acceptance \(DA\)](#);
4. [Open Account \(OA\)](#);
5. [Direct Remittance \(DR\)](#);
6. [Advance Payment](#); and
7. [Digital Payment through E-commerce Market Participants](#).

(As amended by Circular Nos. 874 dated 8 April 2015 and 1124 dated 10 August 2021)

³⁵ Including payment/treasury centers/hubs, collection agents, and [e-commerce market participants](#) (e.g., payment system operators, payment service providers/aggregators)

³⁶ Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices [1](#) and [1.5](#), as applicable) but not those involving foreign/foreign currency loans/borrowing and investments; and (b) involve related or unrelated parties.



Section 9. Letter of Credit (LC)

1. All **LCs** must be opened on or before the date of shipment and only one (1) **LC** should be opened for each import transaction. For purposes of opening an **LC**, importers shall submit to the **AAB** the documents required under [Appendix 4](#). Amendments of **LCs** need not be referred to the BSP for prior approval. **LCs** shall be negotiated in accordance with the terms and conditions set forth in the **LC** and shall be governed by the Uniform Customs and Practice for Documentary Credits.

The guidelines for opening of **LCs** and sale of FX for such importations are shown in [Appendix 4](#).

2. Deferred **L/Cs** shall be governed by the pertinent provisions of [Part Three, Chapter 1](#) (Loans and Guarantees) hereof. For this purpose, deferred **L/Cs** shall refer to those with payment terms of more than one year reckoned from initial shipment date.

(As amended by Circular Nos. 742 dated 21 November 2011, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

Section 10. Documents Against Payment (DP)

1. Under the **DP** arrangement, **AABs** shall advise the importer of the receipt of the complete shipping documents and effect the release of said documents to the importer upon receipt of payment.

2. **AABs** shall remit payment to the seller/intended beneficiary in accordance with Section 6.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 11. Documents Against Acceptance (DA) and Open Account (OA) Arrangements. Under the **DA** arrangement, the shipping documents are released to the importer by the **AAB** concerned at the instance of the seller's bank upon the importer's acceptance of the seller's bill of exchange obligating the importer to pay for the shipment at some future date. Under the **OA** arrangement, the said documents are released by the seller directly to the importer without coursing the documents through the banks, upon the importer's promise to pay at some future date. As used herein, an import transaction to be considered under **DA** or **OA** must be payable at least 30 days after the date of shipment indicated in the bill of lading (BL) or air waybill (AWB)/sea waybill (SWB).

The guidelines for reporting, payments and extensions of maturity of importations under **DA** or **OA** arrangements are shown in [Appendix 4](#).

(As amended by Circular Nos. 874 dated 8 April 2015 and 1124 dated 10 August 2021)

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Section 12. Direct Remittance (DR). AABs/AAB forex corps may service importations under [direct remittance](#) within twenty-nine (29) calendar days after shipment date upon presentation/submission of the complete shipping documents, in accordance with existing rules, and import clearance for regulated items issued by concerned government agencies (as applicable). If the 29th day falls on a non-banking day, the following banking day shall apply and the importation will still be considered [DR](#).

(As amended by Circular No. 1124 dated 10 August 2021)

Section 13. Advance Payment and Digital Payment through E-commerce Market Participants. AABs/AAB forex corps may sell FX without prior BSP approval for [advance payment](#) and digital payment through [e-commerce market participants](#) for importations, subject to the guidelines under [Appendix 4](#).

(As amended by Circular Nos. 698 dated 5 November 2010, 742 dated 21 November 2011, 925 dated 13 September 2016 and 1124 dated 10 August 2021)

Section 14. Other Import Arrangements. The following import arrangements are also allowed without prior BSP approval:

1. Self-Funded/"No Dollar" Imports. These are imports funded by importer's own foreign currency deposit accounts or those sent by suppliers abroad for which no payment in foreign exchange will be made whether immediate or potential.

2. Importations on [Consignment](#) Basis. These are importations by export producers of raw materials and accessories/supplies from foreign suppliers/buyers abroad for the manufacture or processing of products destined for export to said foreign suppliers/buyers. These shall also include machinery/equipment and spare parts consigned to the local manufacturer/processor for eventual re-export to the consignor: *Provided*, That the equipment involved shall be used only in connection with the processing of products for export.

The remitting bank shall report the import payments in Philippine peso and foreign currency to BSP under the relevant schedule/s of FX Form 1/1A, as applicable.

(As amended by Circular No. 1124 dated 10 August 2021)

B. EXPORT TRADE TRANSACTIONS

Section 15. (Reserved)

(As amended by Circular No. 1124 dated 10 August 2021)

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Section 16. (Reserved)

(As amended by Circular No. 1124 dated 10 August 2021)

Section 17. Export Declaration

All export shipments shall be covered by an Export Declaration using the prescribed form. [AABs](#) or [OBUs](#) shall require submission, for record purposes, of a [copy](#) of the duly accomplished Export Declaration form if the export negotiation or payment of the pertinent export shipment is coursed through them.

Section 18. Modes and Currency of Payment for Exports

1. Authorized Modes. Payments for exports may be made under any of the following modes (including those under netting arrangements³⁷) without prior BSP approval:

- a. [Letter of Credit](#) (LC);
- b. [Documents Against Payment](#) (DP)/[Cash Against Documents](#) (CAD);
- c. [Documents Against Acceptance](#) (DA);
- d. [Open Account](#) (OA);
- e. [Consignment](#);
- f. [Export Advances](#)³⁸; and
- g. [Digital Payment through E-commerce Market Participants](#).

2. Acceptable Currencies

Payments for exports may be made in FX that are convertible with the BSP as indicated in the BSP Reference Exchange Rate Bulletin posted at the BSP website. However, payments for the following may be made in Philippine pesos:

- a. Exports to ASEAN countries; *Provided*, that the BSP shall not be asked to intervene in the clearing of any balances from this payments scheme;³⁹ and

³⁷ Netting arrangements may: (a) cover trade in goods and services (subject to documentary requirements under Appendices 1 and 1.5, as applicable) but not those involving foreign/foreign currency loans/borrowings and investments; and (b) involve related or unrelated parties.

³⁸ Export transactions shall be reported under the relevant schedule/s of FX Form 1/1A and Monthly Report on Outstanding Balances of Export Advances ([Annex C](#)), as applicable. Bank draft/telegraphic transfer, buyer's checks, traveler's checks or acceptable foreign currency notes may be used in prepayment/export advance, but for buyer's checks, the same shall be cleared before shipment.

³⁹ Subject to limit on cross-border transfer of local currency under Section 4.1 of the FX Manual [Back to top](#)



- b. Gold sales to the BSP which are considered as constructive exports.

(As amended by Circular Nos. 794 dated 18 April 2013, 874 dated 8 April 2015 and 1124 dated 10 August 2021)

Section 19. Negotiation Procedures

The exporter shall negotiate his bill of exchange/account with the AAB or OBU together with the bill of lading (BL)/air waybill (AWB)/sea waybill (SWB), signed commercial invoice and other documents as required.

In case of availments of [export advances](#), the [AAB](#) through which the availment was made must also be the same bank to negotiate the export documents.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 20. Disposition of Export Proceeds. Foreign exchange receipts, acquisitions or earnings of [residents](#) from exports may be used freely for any purpose. Such proceeds may, at the option of the exporter, be sold for pesos, retained, or deposited in foreign currency accounts, whether in the Philippines or abroad.

Section 21. Constructive Exports

The following sales of [residents](#) paid for in FX shall be considered as constructive exports:

1. Gold sales to the BSP even if paid for in Philippine currency;
2. Sales of [residents](#) paid for in FX to the following entities:
 - a. Bonded manufacturing warehouses of export producers/manufacturers;
 - b. Export processing zones;
 - c. [Board of Investments](#) (BOI)-registered export traders operating bonded trading warehouses supplying raw materials used in the manufacture of export products;
 - d. Diplomatic missions in the Philippines;
 - e. [Duty Free Philippines, Inc.](#) (DFP);
 - f. Foreign buyers of goods/products to be delivered directly to local consumers at the instruction of the former and paid for in foreign currency;



- g. Foreign aircraft and vessel operators⁴⁰ in Philippine ports and other terminal facilities which purchased fuel, oil, parts and supplies from local oil companies; and
- h. Other entities wherein sales thereto by **residents** are considered as constructive exports under relevant laws, rules and regulations of other government agencies.

An Export Declaration for each sale shall be accomplished; *Provided*, that the exporter shall submit a delivery receipt signed by the buyer in lieu of the BL/AWB/sea waybill (SWB).

(As amended by Circular No. 1124 dated 10 August 2021)

PART THREE. FINANCIAL ACCOUNT TRANSACTIONS

Chapter I

LOANS/BORROWINGS AND GUARANTEES

Section 22. General Policy. The BSP shall regulate foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) so that these can be serviced in an orderly manner and with due regard to the economy's overall debt servicing capacity.

1. Projects/programs/purposes to be funded by the foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) must be legitimate and not contrary to laws, regulations, public order, public health, public safety, or public policy.

2. **Foreign loans/borrowings** (including those in the form of bonds/notes/other debt instruments and those covered by derivatives transactions⁴¹) as well as foreign currency loans from banks operating in the Philippines to be obtained by the public sector as well as the private sector that will be **publicly-guaranteed** shall require prior BSP approval unless otherwise indicated in the FX Manual.

⁴⁰ Including privately-owned, leased and chartered aircrafts/vessels

⁴¹ Refer to **foreign loans/borrowings** that are hedged/funded by derivatives



For amendments/changes to these loans, the following shall be complied with:

Nature of Amendment	Requirement
I. For public sector loans with MB approval-in-principle; and For publicly-guaranteed private sector loans with MB approval	
a. Change in: borrower/guarantor; purpose; financial terms and conditions of loans/borrowings ⁴² (e.g., those involving change in: loan amount; interest rate; fees, charges or other costs; frequency of payments/servicing; loan tenor/maturity)	MB approval shall be obtained prior to the signing of the covering agreement/effectivity of change.
b. Change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments; changes other than those in item a above	Notice to the BSP shall be sent within one (1) month from availability of information.
II. For public sector loans with final MB approval; and For publicly-guaranteed private sector loans with BSP registration	
a. Change in: borrower/guarantor; purpose; financial terms and conditions of loans/borrowings ⁴² (e.g., those involving change in: loan amount; interest rate; fees, charges or other costs; frequency of payments/servicing; loan tenor/maturity; prepayments/acceleration of payments)	MB approval shall be obtained prior to the signing of the covering agreement/effectivity of the change.
b. Change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments; changes other than those in item a above	Notice to the BSP shall be sent within one (1) month from availability of information.

3. [Foreign loans/borrowings](#) (including those in the form of bonds/notes/other debt instruments and those covered by derivatives transactions⁴¹) of the [private sector](#)⁴³ that are not publicly-guaranteed shall be registered with the BSP if these will ultimately be serviced with FX resources of [AABs/AAB forex corps](#).

4. All foreign currency loans (whether in favor of [residents](#) or [non-residents](#)) extended by banks operating in the Philippines shall be reported by the creditor bank to the BSP using the prescribed forms (Annexes [E.4](#) and [E.5](#)). For loans extended to [non-residents](#), these cannot be serviced with FX resources of [AABs/AAB forex corps](#).

5. [Foreign loans/borrowings](#) (including those in the form of bonds/notes/other debt instruments)/[foreign currency loans](#) (including interbank loans) that are not publicly-guaranteed obtained by private sector banks

⁴² Excluding change in: creditor or creditor's name (e.g., due to merger; corporate restructuring; among others); availability/closing date; financial ratios; covenants; related hedging instruments

⁴³ But excluding [foreign loans/borrowings](#) of the following private sector entities: (a) banks; and (b) non-bank financial institutions with quasi-banking functions covered by Section 22.5 of the FX Manual



operating in the Philippines, as well as those obtained by private sector non-bank financial institutions with quasi-banking functions, shall not be subject to prior BSP approval and subsequent registration but shall comply with: (a) Sections 22.7 and 22.8, and Appendices 1 and 1.3 (as may be applicable) of the FX Manual; (b) pertinent provisions of the MORB/MORNBFI; and (c) other applicable laws, rules and regulations.

6. Applications for BSP approval/registration of loans shall be filed through the BSP's online system and shall be assessed the applicable fee as indicated under [Appendix 20](#) of the FX Manual.

7. To allow the BSP to determine the possible magnitude of foreign funding requirements of the economy for the succeeding year, all [resident](#) entities (public⁴⁴ and private sectors) intending to obtain [medium- and long-term foreign loans/borrowings](#) (including offshore issuances of debt instruments) shall submit to the BSP, through the International Operations Department (IOD), their medium- and long-term foreign borrowings plan (FBP) using the prescribed form ([Annex D.3](#)) not later than end-September of each year for borrowings for the fourth quarter of the current year and the succeeding full year. Proposed onshore issuances by [residents](#) of debt instruments that require settlement in foreign currency shall likewise be reported in the FBP.

Any changes to the submitted plans shall be communicated in writing to the BSP, through the IOD, within two (2) weeks from availability of information for monitoring purposes.

8. For statistical purposes, all [foreign loans/borrowings](#) (including those in the form of bonds/notes/other debt instruments), whether BSP-approved/registered or not, shall be regularly reported to the BSP-IOD, using the prescribed forms (Annexes [E.1](#), [E.2](#), and [E.3](#)⁴⁵) within the prescribed deadline until the obligations are fully extinguished.

(As amended by Circular Nos. 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 23. Public Sector⁴⁴ Loans/Borrowings –

1. Prior [Monetary Board](#) approval shall be obtained for public sector foreign/foreign currency loans/borrowings, including issuances of the following except those covered by Section 23.2:

- a. FX-denominated bonds/notes/other debt instruments, whether to be issued onshore or offshore; and

⁴⁴ Public sector entities include the following: (a) National Government, its agencies and instrumentalities; (b) government-owned and controlled corporations (GOCCs); (c) government financial institutions (GFIs); and (d) local government units (LGUs).

⁴⁵ [Annex E.3](#) shall be submitted for initial reporting of foreign loans obtained without prior BSP approval/registration.



- b. Peso-denominated bonds/notes/other debt instruments issued offshore, whether to be settled in foreign or local currency.
2. The following public sector loans shall not require prior BSP approval:
- a. [Short-term](#) interbank borrowings; and
 - b. [Short-term](#) foreign currency loans of the following from banks operating in the Philippines that are duly reported to the BSP using the prescribed forms (Annexes [E.4](#) and [E.5](#)):

- i. Commodity and service exporters: *Provided*, That these loans are used to finance export-related import costs of goods and services as well as peso cost requirements.

Service exporters shall refer to Philippine [residents](#) engaged or proposing to engage in rendering technical, professional or other services which are paid for in FX.

Indirect exporters may likewise borrow in foreign currency from banks operating in the Philippines to fund export-related costs in FX and pesos. 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 credit](#) or a confirmed purchase order/sales contract from a foreign buyer.

- ii. Producers/manufacturers, including oil companies and public utility firms: *Provided*, That the loans are used to finance import costs of goods and services necessary in the production of goods by the borrower concerned. Producers/manufacturers shall refer to Philippine [residents](#) that undertake 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 result in a change in the nature or state of the products.

Public utility firms shall refer to business organizations that regularly supply the public with commodities or services such as electricity, gas, water, transportation, telegraph/telephone services and the like.

3. Applications for approval of foreign/foreign currency loans/borrowings shall be submitted using the prescribed form ([Annex D.1](#)), supported by required documents/information:

- a. For approval-in-principle: Requests shall be filed before commencement of actual negotiations or issuance of mandate/commitment to foreign funders/arrangers; and



- b. For final approval: Requests shall be filed after signing of the loan/borrowing documents but before drawdown/receipt of proceeds from loans and issuances of bonds/notes/other debt instruments.

Signed loan/borrowing documents/agreements submitted for final approval shall not be notarized.

4. Proceeds of foreign/foreign currency loans/borrowings (including those from issuances of bonds/notes/other debt instruments) of the National Government, its political subdivisions and instrumentalities, and GOCCs⁴⁶ shall be deposited with the BSP pending utilization, pursuant to Section 113 of [Republic Act \(R.A.\) No. 7653](#) (The New Central Bank Act) dated 14 June 1993.

(As amended by Circular No. 984 dated 22 December 2017)

Section 24. Private Sector Loans/Borrowings –

1. Prior BSP approval shall be obtained for [publicly-guaranteed private sector foreign/foreign currency loans/borrowings](#), including issuances of the following:

- a. FX-denominated bonds/notes/other debt instruments, whether issued onshore or offshore; and
- b. Peso-denominated bonds/notes/other debt instruments issued offshore, whether to be settled in foreign or local currency.

The loans/borrowings shall be registered with the BSP to allow servicing of payments using FX resources of [AABs/AAB forex corps](#). Applications for loan approval ([Annex D.2.A](#)) and registration ([Annex D.2.B](#)) shall be in the prescribed BSP forms and filed with the BSP, together with supporting documents/information, as follows:

a. For loan approval – at least 30 banking days before the target signing date of the loan/borrowing documents. Loan/borrowing agreements which have been signed and/or drawn/availed of prior to securing the requisite BSP approval shall not be eligible for approval and registration.

b. For registration – within six (6) months from utilization of proceeds. Covering loan/borrowing documents/agreements shall not be notarized.

⁴⁶ For the purpose of this provision, GOCCs shall refer to those created by special laws. The term excludes government financial institutions such as Development Bank of the Philippines, Land Bank of the Philippines and Al-Amanah Islamic Investment Bank of the Philippines, corporations created under the provisions of the Corporation Law (Act No. 1459, as amended) or the Corporation Code of the Philippines (Batas Pambasa Blg. 68, as amended), and private corporations taken over by the GOCCs.



2. **Private sector foreign loans/borrowings** (including those in the form of bonds/notes/other debt instruments issued offshore) that are **not publicly-guaranteed**⁴⁷ and not covered by Section 24.3 shall be subject to registration with the BSP if these will ultimately be serviced using FX resources of **AABs/AAB forex corps**. The borrower shall:

- a. Submit a Notice to the BSP ([Annex E.3](#)), supported with a **copy** of the signed covering agreement(s)/document(s), within one (1) month from date of signing⁴⁸;
- b. Send a notification to BSP⁴⁹ for: (i) change/s in the loan's financial terms and conditions⁵⁰; or (ii) cancellation (whether partial or in full) of the loan/commitment/agreement, within one (1) month from availability of information/signing of the amended or supplemental agreement/effectivity date as the case may be, for monitoring purposes; and
- c. Apply for loan registration with the BSP within one (1) month from drawdown date (for **short-term loans**) and within six (6) months from utilization of proceeds (for **medium- and long-term loans**), using the prescribed form ([Annex D.2.B](#)), if the loan will ultimately be serviced with FX resources of **AABs/AAB forex corps**.

3. The following private sector loans shall not require prior BSP approval and subsequent registration; *Provided*, these are duly reported to the BSP by the borrower/creditor using the prescribed forms:

- a. **Foreign currency loans** of **resident** borrowers from banks operating in the Philippines; *Provided*, that the obligations: (i) are not publicly-guaranteed; and (ii) are reported by the creditor bank to the BSP using the prescribed forms (Annexes [E.4](#) and [E.5](#));
- b. Foreign obligations of **residents** under deferred letters of credit (**L/Cs**) or under **documents against acceptance** or **open account (D/A-O/A)** arrangements with a term of more than one (1) year that are not guaranteed by foreign governments/official export credit agencies ([Annex E.2](#) for the **resident** borrower); and

⁴⁷ Including those that do not involve any exposure of a government-owned/controlled entity

⁴⁸ Submission of [Annex E.3](#) to the BSP [together with a copy of the signed covering agreement(s)/document(s)] and request for BSP authority to purchase FX will allow payment of fees (excluding interest) prior to registration, subject to the documentary requirements under [Appendix I.3](#) of the FX Manual.

⁴⁹ [Annex E.3](#) may be used for this purpose.

⁵⁰ Financial terms and conditions refer to committed amount, purpose, currency, interest rate, fees/charges, tenor, amortization schedule, default rate and prepayment. Changes in borrower/issuer/creditor/guarantor, availability/closing date, financial ratios/covenants, and/or availments/amendments/cancellation of related hedging instruments shall also be included in the notification to BSP.



- c. Short-term trade loans of **resident** exporters/importers from **OBU**s and **non-resident** non-bank creditors that have been granted under BSP-reported lending programs; *Provided*, that the following reports shall be submitted to the BSP:
 - i. By the borrower – monthly report on transactions and status of their **short-term loans** within five (5) banking days after end of reference month using the prescribed form ([Annex E.1](#)) until the obligations are fully settled; and
 - ii. By the creditor **OBU** – [Schedule 4A \(Part I\)](#) & [4B \(Part II\)](#) – “Consolidated Report on Loans Granted by **OBU**s to Residents” of the “Statement of Assets and Liabilities” report of **OBU**s.

4. **Private sector foreign loans/borrowings that are not publicly-guaranteed** obtained without the requisite BSP approval⁵¹ may be registered with the BSP to allow servicing using FX resources of **AABs/AAB forex corps**. The application for registration shall be assessed an applicable processing fee as indicated under [Appendix 20](#) of the FX Manual.

5. Private sector **foreign/foreign currency loans/borrowings** may be obtained to refinance outstanding **foreign/foreign currency loans/borrowings**; *Provided*, that the **foreign/foreign currency loans/borrowings** to be refinanced are duly registered (for those requiring registration) with, or reported (for those requiring mere reporting) to, the BSP, pursuant to Sections 24.1 to 24.3 if the **foreign/foreign currency loan/borrowing** is to be serviced using FX resources of the banking system. Otherwise, the application for registration of the refinancing **foreign loan/borrowing** shall be assessed an applicable processing fee as indicated under [Appendix 20](#) of the FX Manual.

(As amended by Circular Nos. 742 dated 21 November 2011, 794 dated 18 April 2013, 818 dated 6 November 2013, 874 dated 8 April 2015, 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 25. Servicing of Foreign/Foreign Currency Loans/ Borrowings

1. The following shall be subject to prior BSP approval:
 - a. Prepayment of public sector/**publicly-guaranteed private sector loans**; and
 - b. Payment by the public sector: (i) for loans that are past due⁵² for more than one (1) month; and (ii) under the guarantee covering **publicly-guaranteed private sector loans** that are past due⁵²

⁵¹ I.e., **foreign loans/borrowings** outstanding and booked in the borrower's records as of 22 December 2017

⁵² Those beyond original/amended due date/s duly approved by the BSP



2. The borrower or its duly authorized representative shall submit a notice to the BSP at least one (1) month prior to target date of purchase of FX for the following [private sector loans/borrowings that are not publicly-guaranteed](#):

- a. Prepayment of BSP-registered loans/borrowings [except for prepayment of BSP-registered [short-term private sector](#) loans/borrowings (including those in the form of bonds/notes/other debt instruments) that are not publicly-guaranteed, which do not require prior BSP notification]; and
- b. Payments on loans/borrowings that are past due⁵³ for more than one (1) month.

3. All prepayments shall be subject to the following:

- a. The FX selling [AAB/AAB forex corp](#) shall require documents prescribed in [Appendix 1.3](#) of the FX Manual to support sale of FX for debt servicing;
- b. The FX sold/outwardly remitted shall be duly reported by the FX selling/remitting [AAB](#) under the appropriate schedules of FX Form 1, based on instructions of, and declared purpose by, the FX purchaser.

4. [AABs/AAB forex corps](#) may sell FX for servicing of foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) of the public and private sectors upon submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX ([Annex A](#)), supported by documents listed under Appendices [1](#) and [1.3](#) (as applicable).

5. FX sold by [AABs/AAB forex corps](#) for payments on loans/borrowings (including those in the form of bonds/notes/other debt instruments) and related fees/charges shall either be:

- a. remitted directly to the account of the creditor/intended beneficiary on the date of purchase; or
- b. credited to the [FCDU](#) account of the [resident](#) borrower (or the guarantor in case payment will be made by the guarantor) with the FX selling [AAB](#) (or another [AAB](#)) for eventual remittance on or before due date to the intended beneficiary; *Provided*, that the applicant purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the [FCDU](#) account shall eventually be remitted to the intended beneficiary on or before due date; and (iii) the [resident](#) borrower shall include in the remittance instructions to the remitting bank, the purpose of the remittance.

⁵³ Those beyond original/amended due date/s duly approved/registered/noted by the BSP (as applicable)



The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

6. All loan payments (including prepayments) made, irrespective of the source of FX funding, shall be reported by the borrower to BSP-IOD using the prescribed forms (Annexes [E.1](#) and [E.2](#)).

(As amended by Circular Nos. 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 26. (Reserved)

(As amended by Circular No. 984 dated 22 December 2017)

Section 27. (Reserved)

(As amended by Circular Nos. 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 28. (Reserved)

(As amended by Circular Nos. 742 dated 21 November 2011, 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 29. (Reserved)

(As amended by Circular Nos. 698 dated 5 November 2010, 794 dated 18 April 2013, 818 dated 6 November 2013, 925 dated 13 September 2016 and 984 dated 22 December 2017)

Section 30. Guarantees and Other Similar Arrangements

1. Guarantees for account of the public sector or similar arrangements (other than those covered by Section 30.3 hereof) that may give rise to actual foreign obligations of the public sector to [non-residents](#), as well as those to be issued by government-owned and controlled corporations (excluding public sector banks and non-bank financial institutions with quasi-banking functions) in favor of [non-residents](#), shall require prior BSP approval.

2. The following guarantees (including risk take-over and similar arrangements) for account of [non-residents](#) and private sector [residents](#) shall neither require prior BSP approval nor registration but shall be reported regularly to the BSP by [AABs](#) as issuer/beneficiary using the prescribed form ([Annex C-Part A](#) if [AAB](#) is issuer; or [Annex C-Part B](#) if [AAB](#) is beneficiary) until the

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contingent obligations are fully extinguished, to be eligible for servicing using FX resources of [AABs/AAB forex corps](#):

- a. Guarantees to be issued by [resident](#) banks (including public sector banks) and non-bank financial institutions with quasi-banking functions, in favor of [non-residents/residents](#) such as:
 - i. Payment guarantees (e.g., bid bonds, performance bonds, [advance payment](#) bonds); and
 - ii. Guarantees to secure foreign obligations of [residents](#) which do not partake the nature of a [foreign loan](#).
- b. Guarantees to be issued by [non-resident](#) banks/financial institutions as well as other [non-resident](#) entities to secure peso loans/[foreign currency loans](#) of the private sector from banks operating in the Philippines under Section 24.3.a and non-bank financial institutions with quasi-banking functions.

Payments related to duly reported guarantees [e.g., guarantee fees/charges; payments for: (a) call on the guarantees; and (b) obligation resulting from such call on the guarantee] may be serviced using FX resources of [AABs/AAB forex corps](#).

3. Guarantees that are related to foreign/foreign currency loans/borrowings under Sections 23 and 24 (except those covered under Section 24.3.a) must already form part of the loan terms submitted/reported to BSP (as applicable). In case of a call on such guarantee:

- a. The borrower/guarantor shall notify the BSP at least 10 banking days prior to target date of settlement of the call on the guarantee to allow servicing using FX resources of [AABs/AAB forex corps](#); and
- b. The borrower shall comply with pertinent rules covering the underlying obligation (including reportorial requirements).

4. Guarantees or similar arrangements⁵⁴ which may give rise to actual foreign obligations of [residents](#) to [non-residents](#) that do not fall under Sections 30.1 to 30.3 shall be:

- a. Registered with the BSP to allow servicing of payments related thereto [e.g., guarantee fees/charges; payments for: (i) call on the guarantees; and (ii) obligation resulting from such call on the guarantee] using FX resources of [AABs/AAB forex corps](#). The filing of applications for registration shall be made within six (6) months from date of signing of the covering agreement but not later than 15 banking days from target date of purchase of FX; and

⁵⁴ Such as guarantees issued by: (a) [non-residents](#) for transactions between non-bank [residents](#); and (b) non-bank [residents](#) for transactions between [non-residents](#)



- b. Reported regularly to the BSP by the **resident** obligee using the prescribed form ([Annex H](#)) until the contingent obligations are fully extinguished.

5. **AABs/AAB forex corps** may sell FX to settle obligations of **residents**/convert to FX the peso receipts of **non-residents** under the guarantees, as these fall due without prior BSP approval, upon submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX ([Annex A](#)), supported by documents listed under [Appendix 1.3](#).

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and the purpose declared by, the FX purchaser.

(As amended by Circular Nos. 925 dated 13 September 2016, 984 dated 22 December 2017, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 31. Other Financing Schemes/Arrangements

1. Financing schemes which will involve option to purchase arrangement or transfer of ownership after a certain period of time, as in the case of Build-Operate-Transfer (BOT), Build and Transfer (BT) arrangements, shall be registered with the BSP to be eligible for servicing using FX resources of **AABs/AAB forex corps**. Applications for registration shall be filed by the implementing agency/proponent with the BSP within one (1) month from contract signing.

Implementing agencies/proponents of projects under BOT/similar financing arrangements shall submit the following reports to BSP:

- a. Yearly Projected Funding Requirements for BOT/Other Similar Financing Schemes ([Annex I-Part A](#)), on or before September 30 of the year preceding the reference period; and
- b. Monthly Report on Payments under BOT/Other Similar Financing Schemes ([Annex I-Part B](#)) within ten (10) banking days from end of reference month.

2. Offshore issuances by **non-residents** of peso-denominated bonds/notes and similar debt instruments (whether to be settled in foreign or local currency) shall be registered with the BSP to be eligible for servicing using FX resources of **AABs/AAB forex corps**, where the transaction will involve:

- a. inward remittance of FX to the Philippines by the **non-resident** issuer/investor; or
- b. participation of a **resident** enterprise or any of its offshore offices, branches, subsidiaries and affiliates as issuer, guarantor or beneficiary under the transaction.

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The transaction shall comply with rules on cross-border transfer (import and export) of Philippine currency as well as pertinent rules and regulations of other government agencies/entities.

The issuer shall: (a) submit to the BSP a notice on: (i) the bond transactions using the prescribed form ([Annex E.3](#)), together with copies of the signed covering agreements/documents and final offering circular (if any) within 30 calendar days from issue date; and (ii) change/s in the financial terms and conditions⁵⁵ of the issuance within two (2) weeks from availability of information for monitoring purposes; and (b) register with the BSP within 30 calendar days from issue date if same will be serviced using FX resources of [AABs/AAB forex corps](#).

3. [Non-resident](#) issuances of notes/bonds or similar instruments in the domestic market shall require BSP approval before execution.

4. [AABs](#) may extend peso financing to [non-residents](#) to fund the following:

- a. Without prior BSP approval – specific cases allowed under the [MORB](#); or
- b. Subject to prior BSP approval – for use in projects/programs/ purposes that are: (i) not covered by item (a) above; and (ii) legitimate and not contrary to laws, regulations, public order, public health, public safety, or public policy. The creditor-bank shall submit to the BSP-IOD its application for approval of proposed peso financing program to [non-residents](#).

(As amended by Circular Nos. 794 dated 18 April 2013, 984 dated 22 December 2017 and 1030 dated 5 February 2019)

Chapter II

INWARD INVESTMENTS

Section 32. General Policy. The BSP supports the country's thrust to promote a policy environment conducive to sustained inflow of foreign investments to help foster economic development and growth.

1. Inward foreign investments are investments by [non-residents](#) in the form of: (a) foreign direct investments covered by Sections 33.1 and 33.3; (b) foreign portfolio investments covered by Sections 33.2 and 33.3; and (c) other investments covered by Section 33.4.

⁵⁵ Financial terms and conditions refer to committed amount, purpose, currency, interest rate, fees/charges, tenor, amortization schedule, default rate and prepayment. Changes in borrower/issuer/creditor/guarantor, availability/closing date, financial ratios/covenants, and/or availments/amendments/cancellation of related hedging instruments shall also be included in the notice to BSP.



Non-resident investors may likewise invest in instruments covered by Sections 34 and 35.

2. These investments need not be registered with the BSP unless the repatriation of capital and/or the remittance of related earnings in pesos thereon shall be funded with FX resources of **AABs/AAB forex corps**.

A **Bangko Sentral Registration Document** (BSRD) shall evidence the BSP registration of investments.

3. These investments may be funded as follows:
- a. In cash (e.g., inward remittance of FX), as well as funding from:
(i) peso balances of the **non-resident** investor's onshore peso deposit account under Section 3.1 and interim peso deposit accounts under Section 41; and (ii) constructive remittance of FX⁵⁶; and
 - b. In kind (e.g., machinery and equipment, raw materials, supplies, spare parts and other items that are actually transferred to the Philippines, as well as intangible assets).
4. The categories of investments referred to in Sections 33 and 34 shall be used for reporting purposes to the BSP.
5. Investments shall comply with all applicable laws, rules and regulations, including those issued by the BSP (e.g., prohibition against **non-resident** investments, whether directly or indirectly, in the BSP term deposit facility).

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Section 33. Inward Foreign Investments⁵⁷ in Instruments Issued by Residents. These refer to the following investments by **non-residents** in instruments issued/created onshore by **residents**:

1. *Foreign direct investment* is a category of cross-border investment associated with a **resident** in one economy having control⁵⁸ or a significant

⁵⁶ Constructive remittance refers to FX funding credited to offshore FX account of **resident** investee firm/intended beneficiary/onshore bank without actual inward remittance of FX but such funding is booked onshore as investment in the records of the investee firm.

⁵⁷ For details on the definition of foreign investments, International Monetary Fund's Balance of Payments and International Investment Position Manual, 6th Edition (BPM6) shall apply.

⁵⁸ "Control" is determined to exist if the direct **non-resident** investor owns more than 50 percent of the voting power in the **resident** enterprise.



degree of influence⁵⁹ on the management of an enterprise that is **resident** in another economy. This includes the following:

- a. (i) Assigned Capital and Operational Working Fund – for onshore branches/regional headquarters/regional operating headquarters and offices/representative offices; and (ii) Contributed Capital – for onshore partnerships/joint ventures;
- b. Ownership or purchase of condominium unit; and
- c. Capitalized expenses incurred by foreign firms pursuant to government-approved service contracts/similar contracts for oil, gas, and geothermal energy exploration/development.

2. *Foreign portfolio investment* is a cross-border transaction and position involving debt or equity securities, other than those included in foreign direct investment. This includes debt securities issued by the National Government and other public sector entities.

3. The following investment instruments may fall under the category of foreign direct investments or foreign portfolio investments depending on the degree of control or influence of the investor in the investee firm⁶⁰ which can be determined regardless of the investment instruments as defined under Sections 33.1 and 33.2:

- a. Equity securities that are – (i) not listed; and (ii) listed at an **onshore exchange** [e.g., **Philippine Stock Exchange (PSE)**];
- b. **Debt securities** (e.g., notes, bonds and non-participating preferred shares) issued by private sector **residents** that are not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees) – (i) not listed; and (ii) listed at an **onshore exchange** [e.g., **PSE, Philippine Dealing and Exchange Corporation (PDEX)**];
- c. **Exchange traded funds (ETFs)**;
- d. Investment funds [e.g., mutual funds (MFs) and unit investment trust funds (UITFs)]; and
- e. **Philippine Depositary Receipts (PDRs)** that are – (i) not listed; and (ii) listed at an **onshore exchange**.

4. *Other investment* is a residual category of financial account other than those included in direct investment, portfolio investment and financial

⁵⁹ A “significant degree of influence” is determined to exist if the **non-resident** investor owns at least 10 percent of the voting power in the **resident** enterprise.

⁶⁰ Foreign Direct Investment: Investment instruments that meet the control and influence criteria under Section 33.1.

Foreign Portfolio Investment: Investment instruments that do not meet the control and influence criteria under Section 33.1.



derivatives. This includes investment in peso time deposits with an [AAB](#) with a maturity of at least 90 days.

Loans/borrowings and guarantees are covered by Part Three, Chapter I of the FX Manual.

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Section 34. Inward Investments in Instruments Issued by Non-Residents. These refer to investments by [non-residents](#) in the following instruments issued by [non-residents](#):

1. Equity securities issued onshore or offshore that are listed at an [onshore exchange](#); and
2. Debt securities issued onshore that are – (a) not listed; and (b) listed at an [onshore exchange](#).

(As amended by Circular Nos. 742 dated 21 November 2011, 937 dated 27 December 2016 and 1030 dated 5 February 2019)

Section 35. Other Forms of Investments. For registration purposes, these refer to investments by [non-residents](#) in instruments issued by [residents](#) and [non-residents](#) which are not covered by Sections 33, 34 and the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees), and not contrary to applicable laws, rules and regulations.

(As amended by Circular Nos. 742 dated 21 November 2011, 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Section 36. Registration with BSP

1. The following inward investments shall be registered with the BSP:

Investment/Instrument		Section
a.	<ol style="list-style-type: none">i. (a) Assigned Capital and Operational Working Fund – for onshore branches/regional headquarters/regional operating headquarters and offices/representative offices; and (b) Contributed Capital – for onshore partnerships/joint ventures;ii. Ownership or purchase of condominium unit; andiii. Capitalized expenses incurred by foreign firms pursuant to government-approved service contracts/similar contracts for oil, gas, and geothermal energy exploration/development	Section 33.1.a-c
b.	Equity securities issued onshore by residents that are not listed at an onshore exchange	Section 33.3.a.(i)



Investment/Instrument		Section
c.	Debt securities issued onshore by private sector residents that are not listed at an onshore exchange and not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees)	Section 33.3.b.(i)
d.	Investment funds created onshore by residents (e.g., MFs and UITFs) whether listed or not listed at an onshore exchange	Section 33.3.d
e.	PDRs that are not listed at an onshore exchange	Section 33.3.e.(i)
f.	Debt securities issued onshore by non-residents that are not listed at an onshore exchange	Section 34.2.a
g.	Instruments issued by residents and non-residents which are not covered by Sections 33, 34 and the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees), and not contrary to applicable laws, rules and regulations	Section 35
h.	Instruments under Section 36.1(a-g) used as collateral involving transfer of legal/beneficial ownership of the collateral to the non-resident investor ⁶¹	-

2. The value of assets actually transferred to the Philippines as investments in kind referred to in Section 32.3.b shall be assessed and appraised by the BSP for registration purposes.

3. FX inwardly remitted to fund investments under Section 36.1 need not be converted to pesos, except for the following:

- a. foreign direct investments in foreign bank branches' permanently assigned capital with such conversion to be made at the exchange rate prevailing at the time of remittance, pursuant to applicable laws and the Manual of Regulations for Banks (MORB); and
- b. if investment is required to be funded by pesos.

4. For new/additional⁶² investment/s of a non-resident investor, all applications for registration of inward investments (Annex W) under Section 36.1 shall be filed with the BSP within the one (1) year prescriptive period.

5. The guidelines on registration/reporting of investments and supporting documents (Appendices 10.A and 10.C) shall be duly observed/complied with.

(As amended by Circular Nos. 743 dated 15 December 2011, 794 dated 18 April 2013, 818 dated 6 November 2013, 918 dated 2 August 2016, 925 dated 13 September 2016, 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

⁶¹ Investments in instruments under Section 36.1 (a-g) arising from return/refund of collateral shall be registered with the BSP.

⁶² Those arising from purchase of additional shares, stock splits, corporate restructuring and other similar cases.



Section 37. Registration with AABs

1. A registering **AAB** is a bank with authority to operate a **foreign currency deposit unit (FCDU)** that has been designated by the **non-resident** investor to register his investments. The registering **AAB** shall regularly report all transactions on the registered investments under the [Report on Investments Registered with AABs](#).

2. Registration of investments in the following instruments shall be done with the designated registering **AAB**:

	Investment/Instrument	Section
a.	Debt securities issued onshore by the National Government and other public sector entities	Section 33.2
b.	Equity securities issued onshore by residents that are listed at an onshore exchange (e.g., PSE)	Section 33.3.a.(ii)
c.	Debt securities issued onshore by private sector residents that are listed at an onshore exchange and not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees)	Section 33.3.b.(ii)
d.	ETFs issued/created onshore by residents	Section 33.3.c
e.	PDRs that are listed at an onshore exchange	Section 33.3.e.(ii)
f.	Peso time deposits with an AAB with a maturity of at least 90 days	Section 33.4
g.	Equity securities issued onshore or offshore by non-residents that are listed at an onshore exchange	Section 34.1
h.	Debt securities issued onshore by non-residents that are listed at an onshore exchange	Section 34.2.b
i.	Instruments under Section 37.2(a-h) used as collateral involving transfer of legal/beneficial ownership of the collateral to the non-resident investor ⁶³	-

3. FX inwardly remitted to fund investments under Section 37.2 must be converted to pesos with **AABs/AAB forex corps** except if investment is required to be funded by FX.

4. The **non-resident** investor or his duly authorized representative shall submit to each designated registering **AAB** a duly accomplished “Authority to Disclose Information”⁶⁴ in the prescribed format ([Appendix 10.4](#)) covering all his investments registered with each designated registering **AAB**.

5. The guidelines on registration/reporting of investments and supporting documents (Appendices [10.B](#) and [10.C](#)) shall be duly observed/complied with.

(As amended by Circular Nos. 794 dated 18 April 2013, 815 dated 18 October 2013, 838 dated 20 June 2014 and 1030 dated 5 February 2019)

⁶³ Investments in instruments under Section 37.2 (a-h) arising from return/refund of collateral shall be registered with **AABs**.

⁶⁴ The “Authority to Disclose Information” submitted to a registering **AAB** shall cover all investments existing as of date of the authority, as well as any subsequent investments of said **non-resident** investor.



Section 38. Servicing of Investments⁶⁵ –

1. BSP-registered investments shall be entitled to full and immediate repatriation of capital and remittance of related earnings thereon using FX resources of [AABs/AAB forex corps](#).

2. [AABs/AAB forex corps](#) may sell to the [non-resident](#) investor or his [resident](#) agent/authorized representative the equivalent FX of the peso sales/divestment proceeds and related earnings from BSP-registered investments, upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX ([Annex A](#)), with the document/s listed under [Appendix 1.4](#).

3. a. FX sold by [AABs/AAB forex corps](#) for repatriation of capital and remittance of related earnings shall be directly remitted to the account (whether onshore or offshore) of the [non-resident](#) investor/intended beneficiary on the date of FX sale, except as indicated in item (b) below.

b. In the case of investments in instruments under Sections 33.1 (foreign direct investment) and 33.3.a.(i) (equity securities not listed at an [onshore exchange](#)), FX sold may also be credited to the [FCDU](#) account of the [non-resident](#) investor's [resident](#) agent/authorized representative with the FX selling [AAB](#) (or another [AAB](#)) for: (i) future reinvestment onshore; or (ii) eventual remittance to the intended beneficiary; *Provided*, that the applicant purchaser shall certify that: (i) the crediting of funds to the [FCDU](#) account of the designated [resident](#) agent/authorized representative is duly authorized by the [non-resident](#) investor; (ii) the FX shall be used for the declared purpose; (iii) funds credited to the [FCDU](#) account shall eventually be remitted to the [non-resident](#) investor/intended beneficiary unless intended to be reinvested onshore; and (iv) the [non-resident](#) investor or his [resident](#) agent/authorized representative shall include the purpose of the remittance in the remittance instructions to the remitting bank.

c. The remitting bank shall report the FX remittances to BSP under the applicable schedule/s of FX Form 1, based on the instructions of, and declared purpose by, the FX purchaser and in accordance with the guidelines under Appendices [10.A](#) and [10.B](#).

4. For excess pesos arising from unrealized investments⁶⁶, [AABs/AAB forex corps](#) may sell FX equivalent to: (a) the excess pesos that are funded by inward remittance of FX, computed as follows: peso proceeds of FX inward remittance less the peso amount actually used for onshore investment/s; plus (b) interest earned on the excess pesos, if any, subject to the following:

a. At least 50 percent of the inwardly remitted FX should have been invested onshore. For: (i) disapproved subscription/investments or oversubscriptions in equity and debt securities issued by residents

⁶⁵ Including refund of taxes or erroneously withheld taxes related to BSP-registered foreign investments

⁶⁶ Unrealized investments refer to investments of [non-resident](#) investors that did not materialize.



and non-residents; (ii) erroneously remitted funds relating to investments; and (iii) similar cases relating to investments, [AABs/AAB forex corps](#) may sell the FX equivalent of excess pesos arising therefrom without complying with the 50 percent minimum utilization under this item; and

- b. Submission to the FX selling institution of a duly accomplished and signed Application To Purchase FX ([Annex A](#)), with the documents listed in [Appendix 1.4](#).

The remitting bank shall report the FX remittance to BSP using the prescribed form ([Annex AA](#)).

5. [AABs/AAB forex corps](#) may likewise sell FX upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX ([Annex A](#)), with the documents listed under [Appendix 1.4](#), for the following:

- a. Settlement of FX obligations/payables of [residents](#) to [non-resident](#) investors relative to FX-denominated equity and debt securities issued by [residents](#) that are not covered by the provisions of Part Three, Chapter I of the FX Manual (Loans and Guarantees); and
- b. Remittance in equivalent FX of peso proceeds from onshore sale by [non-resident](#) issuer of their equity and debt securities under Section 34.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

(As amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 39. (Reserved)

(As amended by Circular No. 1030 dated 5 February 2019)

Section 40. (Reserved)

(As amended by Circular No. 1030 dated 5 February 2019)

Section 41. Deposit of Peso Divestment/Sales Proceeds. Pending onshore reinvestment or repatriation offshore in equivalent FX, peso divestment/sales proceeds of duly registered investments, as well as related earnings thereon, may be deposited temporarily in the peso account of the [non-resident](#) investor held with any [AAB](#). The eventual repatriation in

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equivalent FX of such peso proceeds, including interest earned (net of applicable taxes), shall be effected in full through any [AAB](#) without prior BSP approval in accordance with the guidelines in Appendices [10.A](#) and [10.B](#).

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Section 42. Reinvestment. [Non-resident](#) investors may reinvest onshore peso divestment/sales proceeds and/or earnings on their duly registered onshore investments. It is understood that the new investments shall be registered with the BSP or registering [AABs](#), as provided under Sections 36 and 37, if the repatriation of capital/divestment proceeds and the remittance of earnings on the new investment which accrued thereon shall be funded with FX resources of [AABs/AAB forex corps](#).

(As amended by Circular Nos. 794 dated 18 April 2013 and 1030 dated 5 February 2019)

Chapter III

OUTWARD INVESTMENTS

Section 43. General Policy. The BSP supports [residents'](#) legitimate outward investments in line with the increasing globalization of the Philippine economy.

1. [Residents](#) may invest in any instrument requiring settlement in FX without prior BSP approval, where such investments are funded with:

- a. the investors' own FX deposited in their foreign currency deposit account/s (whether offshore or onshore); and/or
- b. FX obtained from sources other than [AABs/AAB forex corps](#).

2. [Residents](#) may invest in instruments covered by Section 44 without prior BSP approval, funded with FX resources of [AABs/AAB forex corps](#) in amounts of up to USD60 million or its equivalent in other foreign currency per investor per year, or per fund per year subject to compliance with all applicable laws, rules and regulations, including the bank's "Know Your Customer" policy and existing regulations on anti-money laundering.

3. [Resident](#) investors may purchase FX in excess of the USD60 million annual threshold without prior BSP approval; *Provided*, that the investor shall submit to the BSP a notification ([Annex U](#)) at least 15 banking days after determination that total FX requirements will exceed the threshold and present to the FX selling institution a [copy](#) of the notice duly received/acknowledged by the BSP.

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4. Investments by banks and non-bank financial institutions with quasi-banking functions are not covered by the provisions of this Section but shall be subject to prudential regulations of the BSP (e.g., [MORB/MORNBFI](#)) and other applicable laws, rules and regulations.

5. FX received by [residents](#) representing dividends/earnings and/or divestment proceeds from investments made under this Section may be freely disposed of and need not be inwardly remitted and sold for pesos.

6. FX sold for investments to be made by [residents](#) under this Section shall either be:

- a. remitted directly to the account of the intended beneficiary (e.g., [non-resident](#) investee firm, fund manager, broker/dealer, and/or [non-resident parent company/subsidiary](#)) on the date of FX sale; or
- b. credited to the [resident](#) investor's [FCDU](#) account with the FX selling [AAB](#) (or another [AAB](#)) for eventual remittance to the intended beneficiary for funding of the [resident's](#) investment; *Provided*, that the applicant purchaser shall certify that: (i) the FX shall be used for the declared purpose; (ii) funds credited to the [FCDU](#) account shall eventually be remitted to the intended beneficiary; and (iii) the applicant purchaser/[resident](#) investor shall include in the remittance instructions to the remitting bank the purpose of remittance.

The remitting bank shall report the FX remittances to BSP under the relevant schedule/s of FX Form 1/1A, as applicable, based on instructions of, and purpose declared by, the FX purchaser.

7. [AABs/AAB forex corps](#) shall submit a monthly report ([Annex V](#)) to the BSP on the sale of FX for investments covered by this Section, as well as investments by [residents](#) falling under [resident](#) to [resident](#) transactions under Part I, Chapter II hereof, within the prescribed deadline.

8. [AABs/AAB forex corps](#) may sell FX for investments to be made by [residents](#) covered by Section 44, upon submission to the FX selling institution of a duly accomplished and signed Application to Purchase FX ([Annex A](#)), with documents listed under [Appendix 1.4](#). All FX sold shall be consolidated for purposes of determining compliance with the threshold under item 2 of this Section.

(As amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 44. Outward Investments by Philippine Residents. [Residents](#) may invest in any form of instruments issued/created offshore by [non-residents](#) (except foreign currency deposit accounts offshore) to be funded

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by FX resources of **AABs** and **AAB forex corps**, as well as those issued/created onshore by **non-residents** requiring settlement in foreign currency, that are not contrary to applicable Philippine laws, rules and regulations.

(As amended by Circular No. 1030 dated 5 February 2019)

PART FOUR. OFFSHORE BANKING UNITS, REPRESENTATIVE OFFICES AND FOREIGN CURRENCY DEPOSIT UNITS

Chapter I

OFFSHORE BANKING UNITS OF FOREIGN BANKS

Section 45. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

1. “Offshore Banking” shall refer to the conduct of banking transactions in foreign currencies involving the receipt of funds principally from external sources and, as allowed in this Manual, from internal sources and utilization of such funds, as provided herein.

2. “Offshore Banking Unit” or “OBU” shall refer to a branch, subsidiary, or affiliate of a foreign banking corporation which is duly authorized by the BSP to transact offshore banking business in the Philippines.

3. “Net office funds” shall refer to the net credit balance of the “Due to Head Office (HO)/Branches” after deducting the “Due from HO/Branches”, as shown in the following computation:

Due to HO/Branches

Remittances/Advances/Deposits to OBU by HO/Branches	x x x x x x x
Unremitted earnings of OBU	x x x x x x x
T o t a l	USD x x x x x x x
Less: Due from HO/Branches	
Remittances/Advances/Deposits of OBU with its HO/Branches	x x x x x x x
Net Office Funds	USD x x x x x x x

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4. “Deposits” shall refer to funds in foreign currencies which are accepted and held by an **OBU** in the regular course of business, with the obligation to return an equivalent amount to the owner thereof, with or without interest.

5. “**Resident**” shall refer to –

- a) an individual citizen of the Philippines residing therein; or
- b) an individual who is not a citizen of the Philippines but is permanently residing⁶⁷ therein; or
- c) a corporation or other juridical person organized under the laws of the Philippines; or
- d) a branch, **subsidiary**, affiliate, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except **OBUs**.

6. “**Non-resident**” shall refer to an individual, a corporation or other juridical person not included in the definition of **resident**.

7. “Foreign Currency Deposit Unit” or “FCDU” shall refer to that unit of a local bank or of a local branch of a **foreign bank** authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of **Republic Act No. 6426** (Foreign Currency Deposit Act) dated 4 April 1974, as amended.

8. “Local bank” shall refer to a rural bank (RB)/cooperative bank (Coop Bank), thrift bank (TB), commercial bank (KB) or universal bank (UB) organized under the laws of the Republic of the Philippines.

9. “Local branch of a **foreign bank**” shall refer to a branch of a foreign bank doing business in the Philippines, pursuant to the provisions of **Republic Act No. 7653**, **Republic Act No. 8791**, and **Republic Act No. 7721**, as amended.

10. “Acceptable foreign exchange” comprise those foreign currencies which are acceptable to and exchangeable at the BSP and which form part of the international reserves of the country.

(As amended by Circular Nos. 937 dated 27 December 2016 and 1124 dated 10 August 2021)

Section 46. Approvals Required. A **foreign bank** may operate an **OBU** in the Philippines, upon issuance of a Certificate of Authority to operate by the **Monetary Board** and registration with the **SEC**.

⁶⁷ **Residents** include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of the IMF Balance of Payments Textbook, 1996.



Section 47. Criteria for Selection. The following factors shall serve as basis for the issuance of certificate of authority to operate an **OBU**: (1) liquidity and solvency positions; (2) net worth and resources; (3) managerial and international banking expertise of applicant bank; (4) contribution to the Philippine economy; and (5) other relevant factors, such as participation in the equity of local UBs/KBs and appropriate geographic representations.

Section 48. Pre-Operation Requirements. Upon advice from the BSP, a qualified bank shall submit a sworn undertaking of its head office through any of its duly authorized officers, supported by an appropriate resolution of its board of directors, to the effect that it shall:

1. provide, on demand, the necessary currencies to cover liquidity needs that may arise or other shortfall that its **OBU** may incur;
2. manage the operations of its **OBU** soundly and with prudence;
3. continually train a specific number of Filipinos in international banking and foreign exchange trading with a view to reducing the number of expatriates;
4. provide and maintain in its **OBU** at all times net office funds in the minimum amount of USD1 million;
5. start operations of its **OBU** within 180 days from receipt of its certificate of authority to operate such unit;
6. comply with all applicable local laws relating to labor and employment; and
7. submit, before start of operations, other documents as may be required by the BSP such as certification or similar documents showing that it is duly authorized by the proper government entity of its country to engage in offshore banking business in the Philippines.

Section 49. Annual Fee. Upon issuance of a certificate of authority to operate an **OBU** in the Philippines, and yearly thereafter, the authorized bank shall pay the BSP a fee of not less than USD20,000.00.

Section 50. Transactions with Non-Residents and/or with Other OBUs. An **OBU** may freely engage in all normal banking transactions with **non-residents** and/or with other **OBUs**, involving any currency other than the Philippine peso.



Section 51. Transactions with Foreign Currency Deposit Units (FCDUs)/ Expanded Foreign Currency Deposit Units (EFCDUs). Subject to BSP regulations, an **OBU** may engage in the following transactions with FCDUs/EFCDUs of local banks in any currency other than the Philippine peso:

1. Accept time, savings and demand deposits or issue negotiable certificates of time deposit;
2. Borrow with maturities not exceeding 360 days;
3. Deposit;
4. Extend loans and advances;
5. Deal in foreign currency financial instruments;
6. Discount bills, acceptances, and negotiable certificates of deposits;
7. Engage in foreign exchange trading;
8. Engage in foreign currency, foreign currency swap; and
9. Engage in such other transactions as authorized under this Section between **OBUs** and **resident** banks authorized to accept foreign currency deposits under the provisions of **Republic Act No. 6426**, as amended.

Interbank short-term transactions of not exceeding 360 days such as credit lines of Philippine banks with correspondent banks, interbank call loans and interbank loans for general liquidity purposes shall not require prior BSP approval.

Section 52. Transactions with Residents which are not Banks. An **OBU** may engage in the following transactions with **residents** which are not banks:

1. Deal in foreign currency financial instruments;
2. Extend foreign currency loans and advances, subject to existing regulations on foreign borrowings;
3. Service importations through **LC, DA, OA** and **DP** of **resident**-borrowers: *Provided*, that **DA/OA** imports coursed through and serviced by **OBUs** shall be subject to the reporting requirements under [Appendix 4](#);
4. Negotiate inward (export) **LCs** and handle other export transactions (including **DP, DA** and **OA**) coursed through their worldwide network of branches and correspondents: *Provided*, That **OBUs** share in the total export **LC** negotiation business shall be limited to ½ of the growth (incremental) element in the country's total annual export. This limit shall be observed yearly until this

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equals ten percent (10%) of total exports. Exports not covered by **LCs**, i.e., done through **DA/OA** arrangements shall be considered subject to this overall limit;

5. Provide full foreign exchange service for all foreign currency non-trade and trade remittances resulting from or related to their own negotiation of export **LCs**;

6. Render financial, advisory and related services; and

7. Refinance trust receipts without prior BSP approval arising from import transactions of Philippine **residents** in U.S. dollars or in other acceptable foreign currencies. The refinancing shall be evidenced by banker's acceptances.

However, **OBU**s may hold peso-denominated assets arising from restructuring or other repayment scheme of outstanding loans, subject to the terms and conditions of the approval of such restructuring/other repayment scheme and to the following clarifications and conditions:

a. That term 'assets' as used in this Section shall refer to bonds or other certificates of indebtedness, shares of stocks and other properties;

b. That bonds or other certificates of indebtedness issued by a third party as well as shares of stocks and other properties acquired as a result of restructuring/other payment scheme shall be accounted for in accordance with Philippine Accounting Standards (PAS) 39; and

c. That shares of stock and other properties acquired as a result of restructuring/other repayment scheme shall be sold/disposed of within a period of five (5) years from date of acquisition.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 53. Peso Deposits. **OBU**s may open and maintain peso deposit accounts with **AABs** exclusively for the following purposes:

1. To meet administrative and other operating expenses, such as salaries, rentals and the like;

2. To pay the peso equivalent of foreign exchange sold by beneficiaries of inward remittances of Filipino overseas workers or of Filipino or multinational companies, coursed through the **OBU**s' correspondent banks abroad;

3. To pay the designated beneficiaries in the Philippines the peso equivalent of foreign exchange inward remittances other than those related to (a) **trade**, or (b) inward foreign investments that are intended to be serviced using foreign exchange purchased from **AABs** or **AAB-forex corps**; and

4. To pay the peso equivalent of FX sold by beneficiaries of export **LCs** negotiated with the **OBU**s.



The peso deposit accounts shall be funded exclusively by inward remittances of foreign exchange eligible to form part of the Philippine international reserves.

OBUs may also sell inward remittances of foreign exchange for pesos to the BSP through the Treasury Department, for credit to the demand deposit account of the designated **AABs** for the account of the **OBU**.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 54. Financial Assistance to Officers/Employees. **OBUs** may extend financial assistance (real estate, car, personal loans, etc.) in local or foreign currency to their Filipino officers and employees as part of their fringe benefit program.

They may likewise grant foreign currency loans to their expatriate officers without need for BSP approval.

Section 55. Secrecy of Deposits. The provisions of **Republic Act No. 6426**, as amended, shall apply to deposits in **OBUs**; *Provided*, That numbered deposit accounts shall not be used.

Section 56. Exemption from Certain Laws. The provisions of Republic Act No. 2655 (Usury Law) dated 1 May 1915, as amended⁶⁸, and **Republic Act No. 3591** (An Act Establishing the Philippine Deposit Insurance Corporation) dated 22 June 1963, as amended, shall not apply to transactions and/or deposits in **OBUs** in the Philippines.

Section 57. Accounting and Reporting. **OBUs** shall maintain an accounting system in accordance with guidelines prescribed by the BSP. Periodically or as required, existing reports shall continue to be submitted in the prescribed forms to the BSP.

Section 58. Supervision. The operations and activities of **OBUs** shall be conducted under the supervision of the BSP.

Section 59. Taxes, Customs Duties. Transactions of **OBUs** in the Philippines shall be subject to such taxes as are prescribed in **Presidential Decree No. 1034** (Authorizing the Establishment of an Offshore Banking System in the Philippines) dated 30 September 1976, as implemented by regulations of the **BIR**.

⁶⁸ Suspended by CBP Circular No. 905-82 dated 10 December 1982, effective 1 January 1983.



Section 60. Revocation/Suspension. The **Monetary Board**, upon recommendation of the **Governor**, may revoke or suspend the authority of an **OBU** to operate in the Philippines for violation of **Presidential Decree No. 1034** or relevant provisions of this Manual.

Chapter II

REPRESENTATIVE OFFICES OF FOREIGN BANKS

Section 61. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

1. "Foreign Bank" shall refer to a bank or banking corporation formed, organized and existing under any foreign law.
2. "Representative Office" shall refer to a liaison office of a **foreign bank** which deals directly with the public by promoting and giving information about the services offered by the **foreign bank**. It does not include the regional or area headquarters of a **foreign bank** registered and licensed under existing laws.

Section 62. Criteria for Approval. The **Monetary Board** may authorize qualified **foreign banks** to open **representative offices** in the Philippines if, in its judgment, the public interest and economic conditions, both general and local, justify the establishment of such office. The following factors, among others, shall serve as basis for issuance of authority to open a **representative office** in the Philippines: (1) liquidity and solvency positions; (2) net worth and resources; (3) financial and credit standing in the international banking community; (4) exposure in the Philippines; and (5) other relevant factors, such as Philippine commercial and financial relationships with the country where applicant bank is based.

Section 63. Authorized Activities of Representative Offices. Authorized **representative offices** may promote and provide information about the services/products offered by the **foreign banks** but may not transact banking business, such as acceptance of deposits, issuance of letters of credit and foreign exchange trading. Transactions generated through the promotional efforts of the **representative office** may be booked only by the **foreign bank** abroad.

Section 64. Fees. **Foreign banks** intending to establish a **representative office** shall, upon issuance by the BSP of a Certificate of Authority, pay the BSP a license fee of USD2,000.



Section 65. Use of the term “Representative Office”. Foreign banks authorized to operate representative offices shall, in their representation with the public, carry with their name the additional term “Representative Office” to properly guide the public on the nature and extent of their activities.

Section 66. Licensing. The licensing and operations of representative offices including the implementation of these regulations and such other rules and regulations that may be issued from time to time shall be the responsibility of the BSP Financial Supervision Sector (BSP-FSS).

(As amended by Circular No. 1086 dated 6 May 2020)

Section 67. Visitorial Power. The BSP may, from time to time, look into the affairs of the representative offices to determine the extent of their compliance with these regulations and/or other related BSP issuances.

Section 68. Reporting. Representative offices shall submit to the BSP annual reports of their Head Office and, periodically as may be required, reports on the transactions of their Head Office in the Philippines in such form as may be prescribed for the purpose.

Section 69. Revocation of License. The Monetary Board may revoke the license of a representative office if it finds after due investigation that: (1) the representative office or its officers have violated the provisions of this Manual and any other applicable rules and regulations of the BSP; or (2) its Head Office is found to be in imminent danger of insolvency or that its continuance in business will involve probable loss to those transacting business with it, pursuant to Section 37 of Republic Act No. 7653, and Section 78 of Republic Act No. 8791.

Chapter III

FOREIGN CURRENCY DEPOSIT SYSTEM

Section 70. Definition of Terms. As used in this Chapter, the following terms shall have the meaning indicated unless the context clearly indicates otherwise:

1. “Foreign Currency Deposit Unit” (FCDU) and “Expanded Foreign Currency Deposit Unit” (EFCDU) shall refer to a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of Republic Act No. 6426, as amended.



2. “Local bank” shall refer to an RB/Coop Bank, TB, KB or UB organized under the laws of the Republic of the Philippines.

3. “Local branch of a [foreign bank](#)” shall refer to a branch of a foreign bank doing business in the Philippines, pursuant to the provisions of [Republic Act No. 7653](#), [Republic Act No. 8791](#), and [Republic Act No. 7721](#), as amended.

4. “Short-term” loans and securities shall refer to those with maturities of one (1) year or less.

5. “Medium-term” loans and securities shall refer to those with maturities of more than one (1) year but not more than five (5) years.

6. “Long-term” loans and securities shall refer to those with maturities of more than five (5) years.

The definition of such other terms used in this Chapter shall be consistent with the definition of terms used under the Chapters on [OBUs](#) and [Representative Offices of Foreign Banks](#).

(As amended by Circular No. 937 dated 27 December 2016)

Section 71. Qualification Requirements⁶⁹

1. A UB/KB and IB may be authorized to operate an [EFCDU](#) while a TB, Digital Bank, and RB/Coop bank may be authorized to operate an [FCDU](#): *Provided*, That the prudential criteria and the pre-qualification requirements for the corresponding license type under Section 111 and Appendix 5 of the [MORB](#), respectively, are met.

2. A bank seeking to operate an [FCDU](#) or [EFCDU](#) shall submit the following documents to the appropriate supervising department of the BSP:

- a. Application letter for a type A license or notification letter for a type C license, as applicable, signed by the president, or officer of equivalent rank, with justification on how the license is aligned with the bank’s business model and strategic direction;
- b. Corporate secretary’s certificate on the approval of the board of directors (or equivalent management committee in the case of foreign bank branches) to operate an [FCDU](#) or [EFCDU](#); and

⁶⁹ Banks with existing [E/FCDU](#) license may continue to operate the same license provided that it complies with the standard pre-qualification and prudential requirements under Section 111 (*Prudential Criteria*) of the [MORB](#), as amended, on a continuing basis. Such banks shall have the option to apply for a new license following the foregoing provisions.



- c. Certification signed by the president, or the officer of equivalent rank, and the chief compliance officer certifying that the bank has complied with all the prudential criteria and the pre-qualification requirements for the grant of authority to operate an [FCDU](#) or [EFCDU](#).

(As amended by Circular Nos. 937 dated 27 December 2016, 1086 dated 6 May 2020 and 1134 dated 28 December 2021)

Section 72. Authorized Transactions

1. A TB, Digital Bank, or RB/Coop Bank which is granted authority to operate an [FCDU](#) is authorized to engage in the following transactions in any acceptable foreign currency: *Provided*, That, these are allowed under the bank's existing powers and scope of authorities:

- a. Accept deposits and trust accounts (for banks authorized to engage in trust operations) from [residents](#) and [non-residents](#);

- b. Deposit, regardless of maturity, with [foreign banks](#) abroad, [OBUs](#) and other [FCDUs/EFCDUs](#);

- c. Invest in readily marketable foreign currency denominated debt instruments subject to the requirements under existing regulations. For this purpose, 'readily marketable' debt instruments shall refer to debt instruments that are quoted in an active market and the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

- d. Grant [short-term](#) foreign currency loans as may be allowed by BSP regulations: *Provided*, That [FCDUs](#) of RBs/Coop Banks shall not grant loans to producers/manufacturers, including oil companies and public utility concerns;

- e. Borrow, subject to existing rules on foreign/foreign currency borrowings, (i) from [EFCDUs](#), [foreign banks](#) abroad and [OBUs](#), regardless of maturity; and (ii) from other [FCDUs](#), on [short-term](#) maturity;

- f. Engage in foreign currency stand-alone derivatives referencing currency pairs not including the Philippine peso, as specifically allowed under Section 613 of the MORB and other existing regulations;

- g. Engage in securities lending activities as lender *Provided*, That it shall comply with the [Securities and Exchange Commission \(SEC\)](#) regulations on securities lending transactions and/or with the guidelines of the organized market in which the deal is transacted;



The foreign currency denominated debt securities lent or used as collateral by the borrowing bank in securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% cover requirement.

h. Engage in repurchase agreements involving foreign currency denominated debt securities pursuant to Section 242 of the [MORB](#), subject to the following conditions:

1) The borrowings shall only be from [FCDUs/EFCDUs](#), [non-resident](#) financial institutions and [OBUs](#);

2) The maximum term of the repurchase agreements shall be one (1) year;

3) The borrowings shall be booked under "Bills Payable" and included in the computation of the total [FCDU/EFCDU](#) liabilities, subject to the mandatory 100 percent asset cover; and

4) The foreign currency-denominated debt securities sold or used as additional collateral in repurchase agreement shall be considered as eligible asset cover for the 100% cover requirement.

i. Purchase foreign currency denominated debt securities under resale agreements from other banks' [FCDU/EFCDU](#), [non-resident](#) financial institutions and [OBUs](#), subject to the following conditions:

1) That the maximum term of the resale agreements shall be one (1) year; and

2) That such debt securities purchased under resale agreements shall be classified as Loans and Receivables Arising from Repurchase Agreements/Certificates of Assignment/Participation with Recourse and Securities Lending and Borrowing Transactions.

j. Issue capital instruments subject to the requirements under existing regulations;

k. Except RBs/Coop Banks, engage in USD-denominated repurchase agreements (R/P) with the BSP as provided under Section 601 of the [MORB](#).

The [Monetary Board](#) may at its discretion impose the sanctions for violations of the provisions on the terms and conditions of the USD-denominated R/P agreement with the BSP under Section 601 of the [MORB](#) to a bank and/or its director/s, officer/s, or employees found to be responsible for violation of Item "1(k)" of this Section.



2. A UB/KB which is authorized to operate under the expanded foreign currency deposit system may engage in the following transactions in any acceptable foreign currency:

a. Accept deposits and trust accounts (for banks authorized to engage in trust operations) from **residents** and **non-residents**;

b. Deposit with **foreign banks** abroad, **OBU**s and other **FCDUs/EFCDUs**;

c. Invest in foreign currency-denominated debt instruments;

d. Grant foreign currency loans as may be allowed by the Bangko Sentral;

e. Borrow from other **FCDUs/EFCDUs** and from **non-residents** and **OBU**s, subject to existing rules on foreign borrowings;

f. Engage in foreign currency stand-alone derivatives referencing currency pairs not including the Philippine peso, as specifically allowed under Section 613 of the Manual of Regulations for Banks and other existing regulations;

g. Engage in foreign exchange trading;

h. On request/instructions of its foreign correspondent bank, it may:

1) issue letters of credit for a **non-resident** importer in favor of a **non-resident** exporter;

2) pay, accept, or negotiate drafts/bills of exchange drawn under the **letter of credit**; and

3) make payment to the order of the **non-resident** exporter.

Provided, That the foreign correspondent bank shall deposit sufficient foreign exchange with the **EFCDU** issuing the **letter of credit** to cover all drawings;

i. Engage in direct purchase of export bills of **resident** exporters subject to the following conditions:

1) Export transactions covered by usance or sight letters of credit shall be allowed to be purchased by **EFCDUs**; and

2) Export bills negotiated/purchased by the bank's Regular Banking Unit (RBU) and outstanding in its books shall not be allowed to be purchased by its **EFCDUs**.



j. Engage in securities lending activities as lender: *Provided*, That it shall comply with the [SEC](#) regulations on securities lending transactions and/or with the guidelines of the organized market in which the deal is transacted;

k. Engage in repurchase agreements involving foreign currency denominated debt securities pursuant to Section 242 of the [MORB](#) and subject to the conditions as enumerated in Item 1.h of this Section, except Item 1.h(2);

l. Invest in foreign currency denominated structured products issued by banks and special purpose vehicles (SPVs) subject to the provisions in Section 613 of the [MORB](#);

m. Purchase foreign currency denominated debt securities under resale agreements from other banks' [FCDU/EFCDU](#), [non-resident](#) financial institutions and [OBUs](#).

Such debt securities purchased under resale agreements shall be classified as Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions.

n. Issue capital instruments subject to the requirements under existing regulations;

o. Engage in USD-denominated repurchase agreements (R/P) with the Bangko Sentral as provided under Section 601 of the [MORB](#).

The [Monetary Board](#) may at its discretion impose any or all of the sanctions for violations of the provisions on the terms and conditions of the USD-denominated R/P agreement with the BSP under Section 601 of the [MORB](#) to a bank and/or its director/s, officer/s, or employees found to be responsible for violation of Item "2(o)" of this Section.

3. The foreign currency funds of the bank's [FCDU/EFCDU](#) may be lent to the bank's RBU: *Provided*, That no interest shall be charged on the lending: *Provided, further*, That the loan shall be for a period of one (1) year or less, in the case of [FCDU](#). [EFCDU](#), however, will be allowed to lend to RBU in tenors that are more than one (1) year. Balance of [FCDU/EFCDU](#) loan to RBU shall be settled on gross basis by way of actual transfer of foreign currency assets from the RBU books to the [FCDU/EFCDU](#) books: *Provided*, That no gain or loss shall be recorded on the transfer of foreign currency assets from RBU to [FCDU/EFCDU](#) to facilitate settlement of [FCDU/EFCDU](#) loans to RBU.

The lending from [FCDU/EFCDU](#) to RBU shall be booked as "Loans to RBU by [FCDU/EFCDU](#)" in the [FCDU/EFCDU](#) books and "Loans by RBU from



FCDU/EFCDU" in the RBU books. The "Loans to RBU by **FCDU/EFCDU**" account balance shall qualify as eligible asset cover for **FCDU/EFCDU** liabilities.

(As amended by Circular Nos. 1086 dated 6 May 2020, 1119 dated 7 June 2021 and 1134 dated 28 December 2021)

Section 73. Foreign Currency Cover Requirements and Risk Management on Foreign Currency Transactions and Positions.

Depository banks under the foreign currency deposit and expanded foreign currency deposit systems shall maintain at all times a 100% cover for their foreign currency liabilities, except for USD-denominated repurchase agreements (R/P) with the BSP. *Provided*, That violation of the terms and conditions of the USD-denominated R/P facility shall subject the borrowings of the bank under the R/P facility to the **FCDU/EFCDU** asset cover requirements. For purposes of complying with these requirements, the principal offices in the Philippines of the authorized banks and all their branches located therein shall be considered a single unit. The foreign currency cover shall consist of the net carrying amount of the following:

1. For banks authorized to operate an **FCDU**:
 - a. Foreign currency cash on hand;
 - b. Foreign currency checks and other cash items;
 - c. Due from BSP – Foreign Currency;
 - d. Due from other banks (other **FCDUs/EFCDUs**, **OBUs**, and **non-resident** banks);
 - e. Derivatives with Positive Fair Value Held for Trading and/or Hedging (Derivatives with Negative Fair Value Held for Trading and/or Hedging shall require corresponding asset cover);
 - f. Investments in readily marketable foreign currency-denominated debt instruments, booked under the following control accounts: (i) Held for Trading (HFT); (ii) Designated at Fair Value through Profit or Loss (DFVPL); (iii) Available for Sale (AFS); and (iv) Held to Maturity (HTM).

Foreign currency-denominated debt securities sold/lent in repurchase agreement/securities lending and borrowing transactions shall be considered as eligible asset cover for the 100% asset cover requirement. The same treatment shall likewise apply to foreign currency denominated debt securities used as additional collateral in repurchase agreements or as collateral by borrowing bank in securities lending and borrowing transactions.



g. Foreign currency loans and receivables as allowed by the BSP, booked under the following:

- i. Loans to BSP
- ii. Interbank loans receivable
- iii. Loans and receivables – others

Provided, that all applicable banking rules and regulations are complied with, including the single borrower's limit as provided in the [MORB](#);

h. Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions;

i. Foreign currency accrued interest income from financial assets;

j. Accounts receivable, including those arising from sale of financial assets under the trade date accounting pending actual settlement/delivery of the underlying securities (Accounts payable arising from the purchase of financial assets under the trade date accounting pending actual settlement/receipt of the underlying securities shall require corresponding asset cover);

k. Loans to RBU: *Provided*, That the conditions under Section 72 are complied with;

l. Due From Head Office/Branches/Agencies Abroad – [FCDU](#), up to the extent of the Due To Head Office/Branches/Agencies Abroad – [FCDU](#). Any resulting balance of Net Due From Head Office/Branches/Agencies Abroad – [FCDU](#) shall not be eligible for 100% asset cover: *Provided*, That in the case of a designated clearing and settlement bank, Due From Head Office/Branches/Agencies Abroad – [FCDU](#) representing deposits placed in the Head Office up to the extent of the deposits maintained by other resident banks in the designated clearing and settlement bank (as defined under Item "f" of Section 342 of the MORB *on Transactions not covered*) relative to its function shall be considered as eligible asset cover for the 100% asset cover requirement; *Provided further*, That the designated clearing and settlement bank shall adopt appropriate control measures to ensure that such deposits placed in the Head Office are appropriately accounted for and segregated from the other items in the Due From Head Office/Branches/Agencies Abroad – [FCDU](#) Account; and

m. Such other assets as may be determined by the [Monetary Board](#) as eligible asset cover.

2. For banks authorized to operate an [EFCDU](#) – The foregoing accounts, regardless of maturity, and in the case of investment in foreign currency denominated debt instruments, regardless of maturity and marketability, shall be considered as eligible asset cover.



In addition, the following shall also be considered as eligible asset cover:

- a. Loans and Receivables granted by [EFCDU](#): *Provided*, That all applicable banking rules and regulations are complied with including single borrower's limit as provided in Section 362 of the [MORB](#);
- b. Outstanding Export Bills Purchased in the [EFCDU](#) books, booked under the following control accounts:
 - i. Interbank loans receivable - if without recourse
 - ii. Loans and receivables – others - if with recourse

For this purpose, net carrying amount shall refer to the gross amount of financial asset, plus or minus, as the case may be, the following: (i) unamortized premium/(discount) determined using the effective interest method; (ii) any accumulated market gains/(losses) in the case of AFS financial assets; and (iii) any allowance for credit losses determined based on existing regulations.

3. The 100% asset cover shall be unencumbered, except as otherwise provided in second paragraph of Item f of Section 73.1.

Banks are expected to regularly monitor compliance with the asset cover requirement, subject to the guidelines under [Appendix 15b](#). In determining compliance with [FCDU/EFCDU](#) cover requirements, a bank shall be allowed to offset any deficiency in asset cover occurring in one (1) or more days of the week by the excess cover that it may hold on the same week and in the immediately succeeding week. A simple moving average for every two (2)-week reference period shall be used in the measurement of the asset cover. For purposes of monitoring [FCDU/EFCDU](#) asset cover, the week refers to business days from Monday to Friday.

The report on compliance with [FCDU/EFCDU](#) asset cover requirements shall be made available during on-site examination or when required by the BSP for submission for off-site verification. The bank shall continue to submit to the Department of Supervisory Analytics a certification under oath and signed by the bank's President or Country Manager, in the case of [local branch of foreign banks](#), Compliance Officer and Head of Treasury, to the effect that the bank has fully complied with the [FCDU/EFCDU](#) asset cover requirements on all the moving two-week periods of the reference quarter.

The applicable template on certification of compliance with the [FCDU/EFCDU](#) cover requirements shall be [Appendix 15a](#) for UBs/KBs, TBs, RBs/Coop Banks.

4. A bank should have a risk management framework commensurate with the size, nature, complexity and risk profile of its foreign currency denominated positions and foreign exchange (FX) activities. This framework should cover all material risks from foreign currency denominated transactions

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including market risk, liquidity risk and operational risk, among others, in accordance with the existing risk management standards in the [MORB](#). A bank should have strong governance arrangements that ensure the material risks are properly identified, measured, monitored and controlled and are integrated to the over-all risk management process.

5. The Due from Other Banks – Non-resident (DFOB-Non-Resident) account representing cover for foreign currency liabilities of [FCDU/EFCDU](#) shall be kept separate and distinct from the DFOB – Non Resident account for the regular banking unit (RBU).

(As amended by Circular Nos. 925 dated 13 September 2016, 946 dated 17 February 2017, 996 dated 08 February 2018, 1086 dated 6 May 2020, 1107 dated 23 December 2020 and 1134 dated 28 December 2021)

Section 74. Foreign Currency Deposits with the Bangko Sentral. Foreign currency deposit with the BSP equivalent to at least fifteen percent (15%) as a form of foreign currency cover referred to in Section 4 of [Republic Act No. 6426](#), as amended, shall be optional on [FCDUs/EFCDUs](#) of UBs/KBs and [FCDUs](#) of TBs and RBs/Coop Banks. The BSP may pay interest on the foreign currency deposit and if requested, shall exchange the foreign currency notes and coins into foreign currency instruments drawn on its depository banks.

Section 75. Currency Composition of the Cover. [FCDUs](#) of TBs and RBs and Coop Banks shall maintain the foreign currency cover in the same currency as that of the corresponding foreign currency deposit liability until 31 December 2018. Starting 01 January 2019, TBs, RBs and Coop Banks may maintain the foreign currency cover in any foreign currency acceptable with the Bangko Sentral.

[FCDUs/EFCDUs](#) of UBs/KBs shall maintain not less than seventy percent (70%) of the foreign currency cover in the same currency as that of the liability and thirty percent (30%) or less, at the option of the [FCDU/EFCDU](#), may be denominated in other acceptable foreign currencies until 31 December 2017. Starting 01 January 2018, UBs/KBs may maintain the foreign currency cover in any foreign currency acceptable with the BSP.

(As amended by Circular Nos. 946 dated 17 February 2017 and 996 dated 08 February 2018)

Section 76. Secrecy of Deposits. Pursuant to [Republic Act No. 6426](#), as amended, all foreign currency deposits are declared as and considered of an absolutely confidential nature and, except upon the written permission of the depositor, in no instance shall such foreign currency deposits be examined, inquired or looked into by any person, government official, bureau or office whether judicial, administrative or legislative, or any other entity whether public or private.

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The absolutely confidential nature of foreign currency deposits under [Republic Act No. 6426](#), as amended, shall not apply in instances expressly provided under other special laws, including the following:

1. Directors, officers, stockholders, and related interests who contract a loan or any form of financial accommodation from their bank or related bank, and are required to execute a written waiver of secrecy of deposits of whatever nature in all banks in the Philippines, in accordance with Section 26 of [Republic Act No. 7653](#) (New Central Bank Act), as amended;

2. A covered institution that reports foreign currency deposits in covered transaction reports or suspicious transaction reports to the Anti-Money Laundering Council (AMLC), pursuant to Section 9(c) of [Republic Act No. 9160](#), as amended (The Anti-Money Laundering Act of 2001);

3. Upon order by the Court of Appeals, the AMLC may inquire into or examine foreign currency deposits, including related accounts, with any banking institution or non-bank financial institution in cases of violation of [Republic Act No. 9160](#), as amended, when it has been established that the foreign currency deposits, including the related accounts involved, are related to an unlawful activity as defined in Section 3(i) of [Republic Act No. 9160](#) or a money laundering offense defined under Section 4 thereof, pursuant to Section 11 of [Republic Act No. 9160](#), as amended by [Republic Act No. 10167](#);

4. Without need of court order, the AMLC may inquire into or examine foreign currency deposits with any banking institution or non-bank financial institution when probable cause exists that a particular foreign currency deposit, including related accounts involved, with any banking institution or non-bank financial institution is related to:

- a. Section 3(i)(1), (2) and (12) of [Republic Act No. 9160](#), as amended, (i.e., kidnapping for ransom, violation of [Republic Act No. 9165](#) or the Comprehensive Dangerous Drugs Act, hijacking and other violations under [Republic Act No. 6235](#), destructive arson and murder as defined under the Revised Penal Code, including those perpetrated by terrorists against noncombatant persons and similar targets);
- b. Felonies and offenses of a nature similar to those mentioned in Section 3(i)(1), (2) and (12) of [Republic Act No. 9160](#), as amended, which are punishable under the penal laws of other countries; and
- c. Terrorism and conspiracy to commit terrorism as defined and penalized under [Republic Act No. 9372](#) (Human Security Act of 2007).

The inquiry into or examination of foreign currency deposits by the AMLC in the abovesaid instances are in accordance with Section 11 of [Republic Act No. 9160](#), as amended by [Republic Act No. 10167](#).



5. The BSP may, to ensure compliance with [Republic Act No. 9160](#), as amended, and in the course of periodic or special examination, check the compliance of a covered institution with the requirements of the Anti-Money Laundering Act and its implementing rules and regulations, pursuant to Section 11 of [Republic Act No. 9160](#), as amended by [Republic Act No. 10167](#);

6. The BSP is authorized to inquire into or examine foreign currency deposits when it conducts an annual testing solely limited to the determination of the existence and true identity of the owners of foreign currency non-checking numbered accounts, pursuant to Section 9 of [Republic Act No. 9160](#), as amended;

7. The [Philippine Deposit Insurance Corporation](#) and the BSP are authorized to inquire into or examine foreign currency deposits and all information related thereto in case there is a finding of unsafe or unsound banking, in accordance with Section 9(8) of [Republic Act No. 3591](#) (Philippine Deposit Insurance Charter), as amended;

8. The Commissioner of the Bureau of Internal Revenue, as provided in Section 3 of [Republic Act No. 10021](#) (Exchange of Information on Tax Matters Act), is authorized to inquire into the foreign currency deposits and other related information held by financial institutions of:

- a. a decedent to determine his gross estate;
- b. any taxpayer who has filed an application for compromise of his tax liability by reason of financial incapacity to pay. In case a taxpayer files an application to compromise the payment of his tax liabilities, his application shall not be considered unless and until he waives in writing his privilege under [Republic Act No. 6426](#), and such waiver shall constitute the authority of the Commissioner to inquire into the foreign currency deposits of the taxpayer; and
- c. a specific taxpayer or taxpayers subject of a request for the supply of tax information from a foreign tax authority pursuant to an international convention or agreement on tax matters to which the Philippines is a signatory or a party.

9. Without a court order, the Anti-Money Laundering Council is authorized to inquire into or examine foreign currency deposits with any banking institution or non-bank financial institution and their subsidiaries and affiliates, for purposes of investigating any property or funds that are in any way related to financing of terrorism or acts of terrorism, as well as property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of terrorism or acts of terrorism as defined in [Republic Act No. 10168](#) (Terrorism Financing Prevention and Suppression Act of 2012), pursuant to Section 10 of said law.



Additionally, the Commission on Audit, pursuant to its mandate under Section 2(1) Article IX-D of the 1987 Constitution, is authorized to examine and audit government deposits or funds and properties, owned or held in trust by, or pertaining to the Government or any of its subdivisions, agencies or instrumentalities, subdivisions, government-owned and -controlled corporations with original charters. The Presidential Commission on Good Government, in accordance with its statutory authority under Section 3(e), Executive Order No. 1, S. 1986, in the conduct of its investigations to recover ill-gotten wealth, may issue *subpoena* requiring the production of books, records, and other statement of accounts and other documents.

(As amended by Circular Nos. 794 dated 18 April 2013 and 1086 dated 6 May 2020)

Section 77. Numbered Accounts. Pursuant to Section 9 of [Republic Act No. 9160](#) (The Anti-Money Laundering Act of 2001) dated 29 September 2001, as amended, and its Revised Implementing Rules and Regulations, foreign currency non-checking numbered accounts shall be allowed: *Provided*, that the true identity of the customers of all foreign currency non-checking numbered accounts are satisfactorily established based on official and other reliable documents and records and the information and documents required are obtained and recorded by the bank.

Section 78. Withdrawability and Transferability of Deposits. There shall be no restrictions on the withdrawal by the depositor of his deposit or on the transfer of the same abroad except those arising from the contract between the depositor and the bank.

Section 79. Insurance Coverage. Foreign currency deposits shall be insured under the provisions of [Republic Act No. 3591](#), as amended. Depositors are entitled to receive payment in the same currency in which the insured deposits are denominated.

Section 80. Rates of Interest. Foreign currency deposits shall not be subject to interest rate ceilings.

Section 81. Eligibility as Collateral. Deposits under the foreign currency deposit system are eligible as collateral for peso loans or for foreign currency loans to [residents](#) and [non-residents](#).



Section 82. Taxes

The foreign currency denominated transactions shall be subject to tax treatment pursuant to the provisions of the National Internal Revenue Code, as amended and its Implementing Rules and Regulations.

(As amended by Circular Nos. 1086 dated 6 May 2020 and 1134 dated 28 December 2021)

Section 83. Exemption from Court Order or Process. Subject to the provisions of [Republic Act No. 9160](#), as amended, foreign currency deposits shall be exempt from attachment, garnishment, or any other order or process of any court, legislative body, government agency or any administrative body whatsoever.

Section 84. Accounting

[AABs](#) shall maintain a separate accounting - for [FCDU/EFCDU](#) transactions covered by these rules that will enable preparation of the [FCDU/EFCDU](#) Balance Sheet and Income Statement, as well as reports for risk management and tax purposes.

For purposes of preparing the [FCDU/EFCDU](#) financial statements, the bank shall use the US dollar (USD) as its functional currency. However, for purposes of consolidating the [FCDU/EFCDU](#) financial statements with the RBU financial statements, these shall be translated into the presentation currency, i.e. Philippine Peso (PHP).

The transfer of net realized/unrealized losses recognized in profit or loss and in equity' and Undivided Profits/(Losses) from [FCDU/EFCDU](#) to the Regular Banking Unit (RBU) shall be subject to the guidelines and conditions under [Appendix 16](#).

The policy guidelines on the conversion and transfer of foreign currency-denominated loans, and Real and Other Properties Acquired (ROPA) in the books of the [FCDU/EFCDU](#) to peso loans and ROPA in the books of the RBU shall be subject to the conditions provided under [Appendix 17](#).

Banks which are authorized to operate under this Chapter shall submit to the appropriate supervising department of the Bangko Sentral a separate audited financial statement (category B report) of the [FCDU/EFCDU](#) for the past year not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank in accordance with the provisions of Section 174 of the [MORB](#).

(As amended by Circular Nos. 1074 dated 7 February 2020 and 1134 dated 28 December 2021)



Section 85. Supervision. The Governor and the head of the appropriate department of the BSP personally, or by deputies, are authorized to verify the books of account and transactions of each [AAB](#), to verify the eligible cover, as well as review all other requirements under these regulations and the bank's compliance with the provisions of law and these regulations.

Section 86. Prospective Effect of Regulations. In the event a new enactment or regulation is issued decreasing the rights hereunder granted, such new enactment or regulation shall not apply to foreign currency deposits already made or existing at the time of issuance of such new enactment or regulation, but such new enactment or regulation shall apply only to foreign currency deposits made after its issuance.

Section 87. Supervisory Enforcement Actions

1. Any willful violation of [Republic Act No. 6426](#), as amended, or any regulation duly promulgated by the [Monetary Board](#) pursuant thereto shall subject the offender upon conviction to an imprisonment of not less than one (1) year nor more than five (5) years or a fine of not less than Five Thousand Pesos (PHP5,000.00) nor more than Twenty-Five Thousand Pesos (PHP25,000.00), or both such fine and imprisonment at the discretion of the court.

The BSP may revoke or suspend the authority of a bank to accept new foreign currency deposits for violation of [Republic Act No. 6426](#), as amended, or these regulations, or if such bank ceases to possess the minimum qualifications required.

2. Delayed submission of report by a bank and/or submission of erroneous/incomplete report shall be subject to the monetary penalties under Section 103.

3. Consistent with Section 002 of the [MORB](#), the BSP reserves the right to deploy its range of supervisory tools to ensure compliance with the requirements set forth in these guidelines. Non-compliance with the prescribed 100% [FCDU/EFCDU](#) asset cover requirement, and issuance by a bank of false/erroneous certification on its compliance with the [FCDU/EFCDU](#) asset cover requirement, and any other violations in these guidelines shall constitute reasonable grounds for the BSP to deploy its enforcement tools, including but not limited to, citing a bank for conducting business in an unsafe or unsound manner should its activities result in abnormal risk to the institution. A bank may likewise be directed to refrain from engaging in specific activities with serious supervisory issues. Lastly, sanctions may be imposed on the bank and responsible persons, i.e., directors, officers, and employees, which may include restrictions or suspension from certain authorities/activities; monetary sanctions against the bank and/or directors, officers, and employees, under Section 1102 of the [MORB](#); and reprimand, suspension, disqualification and removal of concerned directors, officers, and employees.

(As amended by Circular Nos. 988 dated 20 December 2017 and 1086 dated 6 May 2020)

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PART FIVE. FOREIGN EXCHANGE FORWARDS AND SWAPS AND OPEN FOREIGN EXCHANGE POSITION OF BANKS

Chapter I

FOREIGN EXCHANGE FORWARDS AND SWAPS WITH AABs INVOLVING THE PHILIPPINE PESO

Section 88. General Policy. It is the policy of the BSP to support the deepening of the Philippine financial markets.

1. **Customers** may, through **FX forwards** with **AABs**, hedge their market risks arising from **FX obligations** and/or **exposures**; *Provided*, That **forward sale of FX** (deliverable and non-deliverable) may only be used when the underlying transaction is eligible for servicing using FX resources of **AABs** or **AAB forex corps**. **Customers** may, likewise, cover their funding requirements through **FX swaps**.

2. **AABs** may only engage in **FX forwards** and **swap** transactions with **customers** if the latter is hedging market risk or covering funding requirements. There shall be no double/multiple hedging such that at any given point in time, the total notional amount of the FX derivatives transaction/s shall not exceed the amount of the underlying **FX obligation/exposure**.

3. The **customer** shall no longer be allowed to purchase FX from **AABs** or **AAB forex corps** for **FX obligations/exposures** that are fully covered by deliverable **FX forwards** and **FX swaps**.

4. Derivatives transactions of **resident** banks as end-user shall be governed only by the rules under the **MORB**. For this purpose, **resident** banks shall refer to UBs, KBs and other banks with Type 3 (limited user) derivatives authority.

(As amended by Circular Nos. 1030 dated 5 February 2019 and 1124 dated 10 August 2021)

Section 89. Definition of Terms

"Customers" shall refer to: (a) **resident** banks [except UBs, KBs and other banks with Type 3 (limited user) derivatives authority]; (b) non-bank **residents**; and (c) **non-residents**, both banks and non-banks.

"Foreign exchange obligation" shall refer to an actual commitment to repatriate or pay to a **non-resident** or any **AAB** a specific amount of foreign currency on a pre-agreed date.



“Foreign exchange exposure” shall refer to FX risk arising from an existing commitment which will lead to an actual payment of FX to, or receipt of FX assets from, [non-residents](#) or any [AAB](#) based on verifiable documents (e.g., FX risks arising from BSP-registered foreign investments without specific repatriation dates). Foreign exchange exposure shall also include those FX transactions that do not fall under the definition of [FX obligation](#).

“Foreign exchange swap” shall refer to a transaction involving the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed on deal date (the first leg), and a reverse exchange of the same two currencies at a date further in the future (the second leg) at a rate (different from the rate applied to the first leg) agreed on deal date.

“Foreign exchange forward” shall refer to a contract to purchase/sell a specified amount of currency against another at a specified exchange rate for delivery at a specified future date three or more business days after deal date.

“Non-Deliverable Forward (NDF)” shall refer to a [foreign exchange forward](#) contract where only the net difference between the contracted forward rate and the market rate at maturity (i.e., the fixing rate) shall be settled on the forward date.

(As amended by Circular Nos. 690 dated 23 June 2010 and 1030 dated 5 February 2019)

Section 90. Documentation. Minimum documentary requirements for [FX forward](#) and [swap](#) transactions are listed in [Appendix 18](#). [AABs](#) shall make available the [original](#)/electronic/digital/photocopy of documents (as applicable) upon request by the BSP for verification.

(As amended by Circular No. 1124 dated 10 August 2021)

Section 91. Tenor/Maturity and Settlement

a. Forward Sale of FX (whether deliverable or non-deliverable)

The tenor/maturity of such contracts shall not be longer than:

- (i) the maturity of the underlying [FX obligation](#); or
- (ii) the approximate due date or settlement of the [FX exposure](#).

For deliverable [FX forward](#) contracts, the tenor/maturity shall be co-terminus with the maturity of the underlying [obligation](#) or the approximate due date or settlement of the [FX exposure](#). This shall not preclude pretermination of the contract due to prepayment of the underlying [obligation](#) or [exposure](#); *Provided*, That Section 25 of the



FX Manual shall be complied with for the prepayment of foreign/ foreign currency loans.

b. **Foreign Exchange Swaps**

No restriction on tenor.

c. **Settlement of NDFs**

All **NDF** contracts with **residents** shall be settled in pesos.

d. **Remittance of foreign exchange proceeds of deliverable forward and swap contracts**

Foreign exchange proceeds of deliverable **forward** and **swap** contracts shall either be:

- i. delivered by the **AAB** counterparty directly to the beneficiaries concerned, except for foreign investments where said FX proceeds are reconverted to Philippine pesos and re-invested in eligible peso instruments such as those listed in [Appendix 18](#). For this purpose, beneficiaries shall refer to the **FCDU/EFCDU** of a bank, a **non-resident** entity (e.g., creditor, supplier, investor), or a **resident** (for **resident** to **resident** transactions) to whom the **customer** is committed to pay/remit foreign exchange; or
- ii. credited to the **FCDU** account of the **customer** (with the same or another **AAB**) for eventual use⁷⁰/remittance by the depository **AAB** to the intended beneficiary (including payment/treasury centers/ hubs of a group of companies, as may be applicable): *Provided*, that if the depository bank is different from the **AAB** counterparty: (i) the **AAB** counterparty shall directly transfer the foreign exchange proceeds to the depository bank of the **customer**; and (ii) the depository bank shall also be the foreign exchange remitting **AAB**.

(As amended by Circular Nos. 794 dated 18 April 2013 and 925 dated 13 September 2016)

Section 92. (Reserved)

(As amended by Circular No. 790 dated 6 March 2013)

⁷⁰ In case of peso funding requirements covered by foreign exchange swaps



Section 93. Cancellations, Roll-overs or Non-delivery of Deliverable Foreign Exchange Forward and Swap Contracts

All cancellations, roll-overs or non-delivery of all foreign exchange deliverable forward contracts and the forward leg of swap contracts shall be subject to the following guidelines to determine the validity thereof:

- a. **Eligibility Test** - Contracts must be supported by documents listed in [Appendix 18](#);
- b. **Frequency Test** - the reasonableness of the cancellation, roll-over or non-delivery shall be based on the results of the evaluation of the justification/explanation submitted by banks as evidenced by appropriate documents;
- c. **Counterparty Test** – the cancellation or roll-over of contracts must be duly acknowledged by the counterparty to the contract as shown in documents submitted by banks, e.g., there should be *conforme* of counterparty as evidenced by the counterparty signature on pertinent documents; and
- d. **Mark-to-Market Test** – the booking or recording in the books of accounts of the profit or loss on contracts and cash flows/settlement to counterparties must be fully supported by appropriate documents such as authenticated [copy](#) of debit/credit tickets, schedules showing among others, mark-to-market valuation computation, etc.

Section 94. Reporting Requirements

Banks duly authorized to engage in derivatives transactions shall continue to be covered by the BSP's existing reporting requirements on financial derivatives. Cancellations, roll-overs or non-delivery of deliverable [foreign exchange forward](#) contracts and under the forward leg of [swap](#) contracts shall be reported electronically in excel format to the BSP not later than five (5) banking days after reference month using the prescribed format in [Annex L](#).

[Swap](#) contracts with counterparties involving purchase of foreign exchange by banks at the initial leg shall likewise be reported electronically in excel format to the BSP not later than five (5) banking days after reference month using the prescribed format in [Annex M](#).

The reports shall be transmitted to the International Operations Department at iod@bsp.gov.ph, copy furnished the Department of Supervisory Analytics (DSA) at the following addresses: sdcfxkbdom@bsp.gov.ph (for Domestic Banks) and sdcfxkbfor@bsp.gov.ph (for Foreign Banks).

(As amended by Circular No. 1086 dated 6 May 2020)



Section 95. Non-Bank BSP-Supervised Entities (NBBSEs)

NBBSEs that may subsequently be authorized to engage in [foreign exchange forwards](#) and [swaps](#) as dealers shall likewise be covered by the provisions of this Chapter.

Chapter II

OPEN FOREIGN EXCHANGE POSITION OF BANKS

Section 96. General Policy. It is the policy of the BSP to promote the growth and development of the foreign exchange market. In order to ensure that banks are able to provide ample liquidity in the market but, at the same time, conduct their business in a sound manner, banks shall manage their open foreign exchange positions in accordance with these guidelines. Banks shall likewise ensure faithful adherence to ethical standards in carrying out their foreign exchange transactions.

(As amended by Circular No. 1120 dated 7 June 2021)

Section 97. Definition of Terms

"Open Foreign Exchange Position" shall refer to the extent that banks' foreign exchange assets do not match their foreign exchange liabilities. An open position may either be "positive", "long", or "overbought" (i.e., foreign exchange assets exceed foreign exchange liabilities) or "negative", "short", or "oversold" (i.e., foreign exchange liabilities exceed foreign exchange assets).

An [Authorized Agent Bank \(AAB\)](#)'s "Qualifying Capital" shall be determined in accordance with the Risk-Based Capital Adequacy Framework under Appendix 59 of the [Manual of Regulations for Banks](#).

(As amended under Circular Nos. 937 dated 27 December 2016 and 1120 dated 7 June 2021)

Section 98. Computation of the Consolidated Net Open Foreign Exchange Position. An [AAB](#)'s consolidated net open foreign exchange position is the higher of the absolute value of the sum of the net long positions or the sum of the net short positions in individual currencies.

The net long/short position in each currency shall consist of:

(1) FX assets and FX liabilities, excluding the following:

- i. 100% FX cover required by a foreign Monetary Authority to be deposited by a Philippine UB/KB with its advising/confirming bank in the foreign country for letters of credit issued;

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- ii. Equity investments in foreign subsidiaries;
 - iii. Investments in Global Peso Notes issued by the Republic of the Philippines;
 - iv. Foreign exchange holdings resulting from original investments in New Money Bonds (NMB);
 - v. "Due from Head Office/Branches/Agencies Abroad-Assigned Capital" account, to the extent of the lower of assigned capital approved by the BSP or the amount of capital actually remitted; and
 - vi. Amount of foreign currency-denominated assets pertaining to the net proceeds of outstanding issues of foreign currency denominated Additional Tier 1 capital instruments.
- (2) Contingent FX assets and contingent FX liabilities, including forward purchases and sales, which shall be reported at notional amount;
- (3) Options positions, in accordance with the following:
- a. **AABs** with Dealer Authority to write options shall include the net delta weighted positions of their foreign currency options.
 - b. **AABs** without the said authority shall include the notional amounts of all options positions that are in or at the money and exclude those that are out of the money;
- (4) Net position in outstanding foreign currency-denominated derivatives other than FX forwards, FX swaps and FX options, which shall be reported as the difference between (a) the positive fair value and (b) the negative fair value of these contracts; and
- (5) The net open foreign currency position of any of the **AAB's** branches/offices, subsidiaries and affiliates here and abroad, whether or not they are financial institutions, as long as the bank and its shareholders/officers exercise reasonable influence or control over such institutions. This item shall likewise include the net open foreign currency position of any entity that is engaged in foreign exchange trading or is a foreign exchange corporation that is affiliated with the **AAB** either by ownership, management control, or influence by the **AAB** itself or its retirement fund, officers, directors, or shareholders.

(As amended under Circular No. 1120 dated 7 June 2021)

Section 99. Net Open Foreign Exchange Position Limit. A bank's consolidated net open foreign exchange position (either overbought or oversold) shall not exceed 25 percent (25%) of its **Qualifying Capital** or USD150.0 million, whichever is lower.



AABs shall use the **Qualifying Capital** as of the month-end two months prior to the reporting date to determine the net foreign exchange position limit. For example, the amount of **Qualifying Capital** as of the end of January shall be the basis of the limit for all the days in March.

A bank's consolidated net open foreign exchange position shall be computed on a daily basis based on its FX Form 1/1A. The reporting requirements are outlined in [Appendix 19](#) of the FX Manual, while [Appendix 19.1](#) provides an illustrative example of the computation of the net open position.

(As amended under Circular Nos. 1120 dated 7 June 2021 and 1124 dated 10 August 2021)

Section 100. Supervisory Framework. The Bangko Sentral shall monitor **AABs'** compliance with the net open foreign exchange position limit set out under Section 99 of the FX Manual.

The Bangko Sentral will pay particular attention to **AABs** that breach the limit five (5) times within a 20-banking day period. The 20-banking day period shall be reckoned on a rolling basis. The Bangko Sentral shall evaluate the instances of breaches, with due regard to the following:

- The frequency and the gravity of the breaches;
- The underlying cause/s of the breaches and the extent to which these are consistent with the **AAB's** declared business strategies;
- The strength of the **AAB's** risk management system; and
- Actions taken by the **AAB**, if any, to address the breaches and restore compliance with the limit.

Consistent with Section 002 of the Manual of Regulations for Banks, the Bangko Sentral may deploy supervisory actions to ensure that foreign exchange risk does not threaten an **AAB's** safety and soundness. The Bangko Sentral may recommend corrective actions, curtail activities that give rise to excessive risk, and/or impose sanctions on the **AAB**, its directors and officers, as appropriate.

(As amended under Circular No. 1120 dated 7 June 2021)



PART SIX. GENERAL PROVISIONS

Chapter I

REPORTS AND POST VERIFICATION

Section 101. Reportorial Requirements. The following reports are required to be submitted to the BSP by [AABs](#), [OBUs](#), and [AAB forex corps](#), where applicable:

Title of Report		Submission Frequency/ Deadline	Submission Procedure
Category	A. Consolidated Report on Foreign Exchange Assets and Liabilities		
A-3	<i>ForUBs/KBs:</i> FX Form 1, Main Report, Schedules 1 to 7, 9 to 12	Weekly, within five (5) banking days after end of reference week	Email to DES at der-bopirg@bsp.gov.ph (Hard copy of Schedule 10 & 11 to IOD)
A-3	FX Form 1, Schedules 8 & 13	Daily, within two (2) banking days from reference date	Email to DSA at fed@bsp.gov.ph
	Sworn Certification on the correctness of data reported under FX Form 1, Main Report and Schedules 2 to 13, (Annex I)	Weekly, within five (5) banking days after end of reference week	Email to DES at der-bopirg@bsp.gov.ph
A-3	Consolidated Foreign Exchange Position Report (Annex Q)	Daily, within three (3) banking days from reference date	Email to DSA at DSA-CFXPR@bsp.gov.ph
	Sworn Certification on the Accuracy and Completeness of the Consolidated Foreign Exchange (FX) Position Report (Annex P)	Monthly, within five (5) banking days after end of reference month	Email to DSA at DSA-CFXPR@bsp.gov.ph



Title of Report		Submission Frequency/ Deadline	Submission Procedure
B	For TBs: FX Form 1A, Main Report and Schedules 2 to 11	Monthly, within 10 banking days after end of reference month	Email to DES at der-itrs@bsp.gov.ph
A-3	FX Form 1A, Schedules 8 & 13	Monthly, within three (3) banking days after end of reference month	Email to DSA at fed@bsp.gov.ph
	Sworn Certification on the correctness of data reported under FX Form 1A, Main Report and Schedules 2 to 11	Monthly, within 10 banking days after end of reference month	Email to DES at der-itrs@bsp.gov.ph
A-3	Consolidated Foreign Exchange Position Report (Annex Q)	Monthly, within three (3) banking days after end of reference month	Email to DSA at DSA-CFXPR@bsp.gov.ph
	Sworn Certification on the Accuracy and Completeness of the Consolidated Foreign Exchange (FX) Position Report (Annex P)	Monthly, within five (5) banking days after end of reference month	Email to DSA at DSA-CFXPR@bsp.gov.ph
	B. Foreign Trade Transactions		
	Monthly Report on Sale/ Remittance of Foreign Exchange (FX) for Advance Payment of Importations (Annex B)	Monthly, within the first five (5) banking days of the month succeeding the date of FX sale	Email to IOD at iod_tradeinv@bsp.gov.ph
	Monthly Report on Purchase of Foreign Exchange (FX) from Refund of Advance Payment of Importations (Annex C)	Monthly, within the first five (5) banking days of the month succeeding the receipt of the refund	Email to IOD at iod_tradeinv@bsp.gov.ph



Title of Report		Submission Frequency/ Deadline	Submission Procedure
	Report on Transactions under Intercompany Netting Arrangements (Annex Z)	Weekly, within five (5) banking days from end of reference week	Email to IOD at iod-net@bsp.gov.ph
	C. Foreign Currency Loans and Related Transactions		
A-2	Report on Bank Liabilities to Non-Residents (ID-Form 5) including Certification for correctness and consistency with the FRP	Monthly, within 15 banking days after end of reference month	Email to IOD at id-form5@bsp.gov.ph For ID-Form 5 report – in .dbf format For Certification – in .pdf format
A-2	Consolidated Report on Foreign Currency Loans Granted by Regular Banking Units (Annex E.5) including Certification for correctness and consistency with the FRP (Appendix 21-Part A)	Monthly, within 15 banking days after end of reference month	Email to IOD at REP_RBU_FXLOAN@bsp.gov.ph (Certification in .pdf format)
A-2	Consolidated Report on Loans Granted by FCDUs (Annex E.4) including Certification for correctness and consistency with the FRP (Appendix 21-Part B)	Monthly, within 15 banking days after end of reference month	Email to IOD at ID_FCDU_REP@bsp.gov.ph (Certification in .pdf format)
B	Report on Guarantees (Annex C)	Quarterly, within 15 banking days from end of reference quarter	Email to IOD at iod_guarantees@bsp.gov.ph
B	Report on Cancellations, Roll-overs and Non-delivery of Deliverable Foreign Exchange Forward Purchase and Sale Contracts and Forward Leg of Swap Contracts (Annex L)	Monthly, within five (5) banking days after end of reference month	Email to IOD at iod@bsp.gov.ph
B	Report on Foreign Exchange Swaps with Customers where the First Leg is a Purchase of Foreign Exchange Against Pesos (Annex M)	-do-	-do-



Title of Report		Submission Frequency/ Deadline	Submission Procedure
	D. FCDUs/EFCDUs		
B	Audited Financial Statement of FCDU/EFCDU	Annually, not later than 120 calendar days after the close of the calendar year or fiscal year adopted by the bank	Hardcopy to the appropriate supervising department of the Bangko Sentral
A-2	Report on Compliance with FCDU/EFCDU Cover Requirements (Appendix 15)	Quarterly, within fifteen (15) banking days after end of reference quarter	Generated by DSA using FRP data submitted by bank
	Sworn Certification of Compliance with FCDU/EFCDU Cover Requirements (Appendix 15.1) ⁷¹ Sworn Certification of Compliance with the FCDU/EFCDU Cover Requirements (Appendix 15a) ⁷²	Quarterly, within fifteen (15) banking days from end of reference quarter	Hardcopy to DSA
	E. Offshore Banking Units		
	Statement of Assets and Liabilities	Monthly, within fifteen (15) banking days after end of reference month	Hard copy to DSA
	Schedule 1 – Maturity Profile of Sources and Uses of Funds	-do-	
	Schedule 2 Page 1 – Currency Classification of Funds (In US Dollars)	-do-	

⁷¹ Template effective until 31 December 2017 pursuant to Circular No. 946 dated 17 February 2017

⁷² Template effective starting 01 January 2018



Title of Report		Submission Frequency/ Deadline	Submission Procedure
	Schedule 2 Page 2 – Currency Classification of Funds (In Original Currencies)	-do-	
	Schedule 3 – Country Classification of Interbank Funds/ Non-Bank Funds	-do-	
	Schedule 4A – Report on Loans Granted by OBUs : Part I – Credit Information (In Original Currencies)	-do-	
	Schedule 4B- Report on Loans Granted by OBUs : Part II – Credit Status	-do-	
	Schedule 4C – Loans and Discounts – Residents: By Borrower/By Economic Activity/By Status	-do-	
	Schedule 5 – Investments in Bonds and Other Debt Instruments (In Original Currencies and USD Equivalent)	-do-	
	Schedule 5A – Investments in Bonds and Other Debt Instruments Issued by Residents	-do-	
	Schedule 6 – Indebtedness Among Banks Operating in the Philippines	-do-	
	Schedule 7 – Report on OBU Liabilities to Non-Residents (In Original Currencies and USD Equivalent)	-do-	
	Schedule 8 – Report on Spot and Forward Foreign Exchange Transactions of OBUs	-do-	



Title of Report		Submission Frequency/ Deadline	Submission Procedure
	Schedule 9 – Report of Foreign Exchange Flows	-do-	
	Schedule 9A – Foreign Exchange Actually Sold to Authorized Agent Banks (AABs)	-do-	
	Schedule 9B – Details of Investment Receipts/ Disbursements	-do-	
	Statement of Earnings and Expenses, BSP 6.40.02	Semi-annual, within fifteen (15) banking days after end of reference semester	
	Updated List and Bio-Data of Expatriates	Annually, within ten (10) banking days after end of reference year	
F. Representative Offices of Foreign Banks			
	Annual Report of Head Office	Within five (5) months after end of fiscal/calendar year	Hard copy to DSA
G. Registering/FX selling/Remitting Banks			
A-2	Report on Foreign Investments Registered with the BSP (Annex X), together with supporting documents under Appendix 1.4	For FX selling bank: Within five (5) banking days from date of sale of FX For remitting banks: Within five (5) banking days from date of actual remittance	Hard copy to IOD



Title of Report		Submission Frequency/ Deadline	Submission Procedure
A-2	Report on Investments Registered with AABs ⁷³ with supporting documents required under Appendix 10.B	Within two (2) banking days from registration/ settlement/ actual remittance date (as applicable)	Email to IOD at iod-pid@bsp.gov.ph
A-2	Report on Philippine Debt Papers (Annex J)	Monthly, within 15 banking days after end of reference month	Email to IOD at: (a) iod-pdp@bsp.gov.ph for AABs ; or (b) iod-sadc@bsp.gov.ph for all other reporting entities
A-2	Report on PSE-Listed Equity Securities Issued by Non-Residents (Annex Y) , with supporting documents required under Appendix 1.2	Within two (2) banking days from date of actual remittance	softcopy to IOD at iod-pid@bsp.gov.ph with hard copies of supporting documents required under Appendix 1.2
A-2	Report on Investments by Residents (Annex V)	Monthly, within five (5) banking days after end of reference month	Email to IOD at iod_tradeinv@bsp.gov.ph
A-2	Report on Foreign Exchange (FX) Remittances For Excess Pesos From Unrealized Investments (Annex AA)	Within five (5) banking days from date of repatriation/ remittance	Email to IOD at iod_tradeinv@bsp.gov.ph
A-2	Report on Outstanding Balances of Foreign Investments Registered with AABs (Annex AB)	Quarterly, within 15 banking days after end of reference quarter	Email to IOD at iod-pid@bsp.gov.ph
A-2	Report on Interim Peso Deposits (IPDs) of Registered Foreign Investments (Annex AC)	Within two (2) banking days from transaction date	Email to IOD at iod-pid@bsp.gov.ph
A-2	Report on Foreign Direct Investments Registered with AABs (Annex AD)	Monthly, within five (5) banking days from end of reference month	Email to IOD at iod-pid@bsp.gov.ph

⁷³ The report form may be downloaded at the BSP website:
<https://www.bsp.gov.ph/Regulations/MOREXT/MOREXT-faas.zip>



Title of Report		Submission Frequency/ Deadline	Submission Procedure
	H. AAB-forex corps		
	Report on Foreign Exchange Transactions	Weekly, within five (5) banking days after end of reference week	Email to DES

(As amended by Circular Nos. 751 dated 16 March 2012, 794 dated 18 April 2013, 815 dated 18 October 2013, 846 dated 22 August 2014, 874 dated 8 April 2015, 925 dated 13 September 2016, 946 dated 17 February 2017, 1030 dated 5 February 2019, 1074 dated 7 February 2020, 1086 dated 6 May 2020, 1120 dated 7 June 2021, 1124 dated 10 August 2021 and 1134 dated 28 December 2021)

Section 102. Procedures for Reporting. Reports shall be filed with the BSP Main Office or with the BSP Regional Offices or by sending them by mail or special delivery, unless otherwise specified. The date of acknowledgment of receipt on the copy of the report (if mailed) shall be considered as the date of submission.

Section 103. Fines and Penalties

1. The following schedule of fines for delayed submission of reports and/or incomplete/erroneous reporting shall apply:

A. For Category A-1, A-2, and A-3 reports:

- a. UBs/KBs : PHP 1,200 per calendar day
- b. TBs : PHP 600 per calendar day
- c. RBs/Coop Banks : PHP 180 per calendar day

B. For Category B reports:

- a. UBs/KBs : PHP 240 per calendar day
- b. TBs : PHP 120 per calendar day
- c. RBs/Coop Banks : PHP 60 per calendar day

C. For Reports of Representative Offices of Foreign Banks and Reports of UBs/KBs, TBs, and RBs/Coop Banks Not Classified as Category A or B Reports:

- a. PHP100 per calendar day for the first five (5) successive calendar days of delay



- b. PHP150 per calendar day for the next five (5) successive calendar days of delay
- c. PHP200 per calendar day after the first ten (10) successive calendar days of delay until the particular report has been filed

D. For Reports of [OBUs](#)

PHP500 per calendar day except for the following reports where the above fines and penalties for representative offices of foreign banks shall apply:

- a. Statement of Earnings and Expenses;
- b. Financial Assistance and Training Granted by [OBUs](#) to its Filipino Staff; and
- c. Updated List and Bio-Data of Expatriates.

E. For Reports of [AAB-forex corps](#)

PHP1,000 per calendar day of delay until complied.

- F. Chronic delayed reporting including submission of amended reports required for FX Form 1 shall be subject to an additional monetary penalty of PHP2,000.00 per banking day until the respective report and schedules are correctly submitted.**

Submission of delayed reports, including amended reports, shall be considered chronic based on the following:

Name of Report/ Schedule	Frequency of Submission	No. of times delay
Schedules 8 & 13	Daily	More than seven (7) times delayed per month
Main Report, Schedules 2 - 7 and 9 - 12	Weekly	At least two (2) times delayed per month or five (5) banking days of continuous delay from submission deadline
Schedule 14 and Reconciliation Statement	Monthly	More than two (2) times delayed per semester or ten (10) banking days of continuous delay from the submission deadline

2. Manner of payment or collection of fines:

a. Fines shall be collected through debit to the [AAB's](#) current account deposit maintained with the BSP by the Financial Accounting Department upon receipt of notice from the department/s concerned; or

b. In case payment of fines is effected through check or cash, the same shall be remitted to the Cash Department of the BSP through the department/s concerned.

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Section 104. Post-Verification. Post-verification of foreign exchange transactions covered by this Manual and reported under Section 101 hereof shall be undertaken by the BSP to verify compliance with the provisions of this Manual and for monitoring purposes.

Chapter II

FINAL PROVISIONS

Section 105. Compliance with Anti-Money Laundering Rules

All transactions under this Manual shall comply with existing regulations on anti-money laundering pursuant to the provisions of [Republic Act No. 9160](#), as amended.

Section 106. Penal Sanctions. Any person violating the provisions of this Manual shall suffer the penalties prescribed under Section 36 of [Republic Act No. 7653](#).

Administrative sanctions may also be imposed upon institutions within BSP's administrative authority found violating this Manual, including their directors and officers responsible for such violation.

These penalties may be any or all of the following as circumstances warrant:

1. Monetary sanction - The amount of PHP30,000.00 penalty imposed per day per violation committed shall be based on a per transaction basis;
2. Non-monetary sanction - This shall be based on the gravity of the offense or violation:
 - a. Reprimand of bank officers who approved the transaction;
 - b. Suspension of bank officers who approved the transaction;
 - c. Suspension of directors (for local banks) and Country Manager (for foreign banks);
 - d. Permanent disqualification of bank officers/directors;
 - e. Reduction or suspension of overbought/oversold limits;
 - f. Suspension of opening of [L/Cs](#) and over-the-counter sale of foreign exchange for a period of up to six (6) months;
 - g. Suspension of derivatives activities for a period of up to six (6) months; and
 - h. Suspension of FCDU/EFCDU authority for a period of up to six (6) months.



Section 107. Repealing Clause. All existing BSP rules and regulations on current accounts, capital accounts, **OBUs**, **representative offices** of foreign banks, **FCDUs/EFCDUs**, **foreign exchange forwards** and **swaps** involving the Philippine peso, and **open foreign exchange position of banks**, as well as all other existing BSP rules and regulations or parts thereof which are inconsistent with or contrary to the provisions of this Manual are hereby repealed or modified accordingly: *Provided*, That regulations, violations of which are the subject of pending actions or investigations, shall not be considered repealed insofar as such pending actions or investigations are concerned, it being understood that as to such pending actions or investigations, the regulations existing at the time the cause of action accrued shall govern.

Section 108. Separability Clause. Nothing herein is intended nor shall be construed, to repeal or amend any law or statute. Should any provision of this Manual be declared unconstitutional or invalid, the remaining provisions or parts thereof shall remain in full force and effect, and continue to be valid and binding.



Glossary of Terms

FOR PURPOSES OF THIS MANUAL, the following definitions are adopted:

Advance Payment is an arrangement between the seller/service provider and purchaser where the purchaser pays, (either partial or in full), the seller/service provider prior to the shipment of the goods/delivery of services.

(As amended by Circular No. 1124 dated 10 August 2021)

Affiliate refers to an entity linked directly or indirectly to a bank/non-bank by means of:

- a. Ownership, control or power to vote, of ten percent (10%) to fifty percent (50%) of the outstanding voting stock of the entity, or vice-versa;
- b. Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- c. Common stockholders owning ten percent (10%) to fifty percent (50%) of the outstanding voting stock of each entity;
- d. Management contract or any arrangement granting power to the bank/non-bank to direct or cause the direction of management and policies of the entity, or vice-versa; and
- e. Permanent proxy or voting trusts in favor of the bank or quasi-bank/non-bank constituting ten percent (10%) to fifty percent (50%) of the outstanding voting stock of the entity, or vice-versa.

(As amended by Circular No. 1124 dated 10 August 2021)

Authorized Agent Banks (AABs) shall refer to all categories of banks [except Offshore Banking Units (OBUs)] duly licensed by the BSP. It is understood that each category of bank should function within the operational parameters defined by existing laws/regulations for the specific bank category to which they respectively belong.

Authorized officer/official refers to an officer with a rank equivalent to at least Head of the agency/President/Chief Executive Officer/Chief Operating Officer/Chief Finance Officer/Chief Treasury Officer; otherwise, he/she must be duly authorized by the Board of Directors or any of the foregoing/appropriate approving authority or its equivalent.

(As introduced by Circular No. 1030 dated 5 February 2019)

AAB forex corps, whether or not named as such, shall refer to **AAB subsidiary/affiliate forex corporations** whose business include buying and selling of foreign exchange.

(As amended by Circular No. 1124 dated 10 August 2021)

Balikbayan is a Filipino that has established permanent residence abroad.

Bangko Sentral Registration Document (BSRD) is a document evidencing registration of foreign investments and loans. The registration allows the transacting party to access the FX resources of, or purchase FX from,

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AABs/AAB forex corps against Philippine Pesos for servicing/settlement of these transactions.

(As introduced by Circular No. 1030 dated 5 February 2019)

Cash Against Document (CAD) is an arrangement whereby the buyer pays the exporter upon the former's receipt of the shipping documents sent to him by the exporter either directly or through the banks.

Consignment is an arrangement whereby payment is contingent upon the sale to third parties abroad of the exported commodities by consignee.

Copy refers to a document that is a reproduction (in any form) of the **original**.

(As introduced by Circular No. 1124 dated 10 August 2021)

Cross currency swap is an arrangement in which two parties exchange a series of cash flows in one (1) currency for a series of cash flows in another currency, at specified exchange rate and/or interest rate and at agreed intervals over an agreed period.

(As introduced by Circular No. 1030 dated 5 February 2019)

Debt securities referred to in Section 33.3.b of the FX Manual are **negotiable instruments** (e.g., notes, bonds and convertible notes) that serve as evidence of a debt. Non-participating preferred shares that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution, are also classified as debt securities. The term, however, excludes those debt falling under the provisions of Part Three, Chapter I (Loans and Guarantees) of the FX Manual.

(As introduced by Circular No. 1030 dated 5 February 2019)

Digital payments through e-commerce market participants referred to in Sections 8 and 18 of the FX Manual pertain to FX payments through electronic platforms for **trade transactions** by **e-commerce market participants** (e.g., payment system operators, payment service providers/aggregators).

(As introduced by Circular No. 1124 dated 10 August 2021)

Digital signature is a specific type of **electronic signature** which uses certificate-based digital IDs and demonstrate proof of signing by binding each signature to the document with cryptography.

(As introduced by Circular No. 1124 dated 10 August 2021)

Direct Remittance (DR) is a supplier-buyer arrangement where payment is made within 29 calendar days from bill of lading/airway bill date.

Documents Against Acceptance (DA) is an arrangement under documentary collection in which an exporter instructs the presenting bank to hand over shipping and title documents to the importer only if the importer accepts and signs the accompanying bill of exchange or draft.

(As amended by Circular No. 1124 dated 10 August 2021)

Documents Against Payment (DP) is an arrangement under documentary collection in which an exporter instructs the presenting bank to hand over

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shipping and title documents to the importer only if the importer fully pays the accompanying bill of exchange or draft.

(As amended by Circular No. 1124 dated 10 August 2021)

E-commerce market participants refer to entities (excluding actual end-user of goods/services) involved in transactions using electronic means, such as through the internet or other computer-mediated networks.

(As introduced by Circular No. 1124 dated 10 August 2021)

Electronic signature refers to any distinctive mark, and/or characteristic in electronic form, representing the identity of a person and attached to or logically associated with the electronic data message or electronic document or any methodology or procedures employed or adopted by a person and executed or adopted by such person with the intention of authenticating or approving an electronic data message or electronic document.

(As introduced by Circular No. 1124 dated 10 August 2021)

Electronic transfer is a system where the authority to debit or credit an account (bank, business or individual) is provided by wire, with or without a source document being mailed to evidence the authority.

Exchange Traded Fund (ETF) refers to an open-end investment company that continuously issues and redeems its shares of stock in the form of creation units, in exchange for the delivery of a basket of securities representing an index whose performance the ETF endeavors to track; *Provided*, that the terms and conditions relative to the issuance and redemption of creation units shall be prescribed and disclosed in the Fund's SEC Registration Statement.

(As introduced by Circular No. 1030 dated 5 February 2019)

Export advances refer to all payments/remittances received before shipment, including prepayments and **Red Clause** advances.

(As introduced by Circular No. 1124 dated 10 August 2021)

Financial Institutions shall refer to business organizations that offer a broad base of financial services or specialize in specific financial functions, products, or services, e.g. banks, investment houses, pension funds, pawnshops, credit unions, investment companies, insurance companies, securities brokers and dealers, stock exchanges, mutual funds, trust corporations, leasing companies, financing companies, credit card companies, companies engaged in foreign exchange dealership/brokerage and others that deal in money.

Foreign Bank shall refer to a bank or banking corporation formed, organized and existing under any foreign law.

Foreign Currency Deposit Unit (FCDU)/Expanded Foreign Currency Deposit Unit (EFCDU) shall refer to a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions, pursuant to the provisions of **Republic Act No. 6426**, as amended.



Foreign currency loans of the private sector refer to loans owed to banks operating in the Philippines that are denominated in currencies other than the Philippine peso.

(As introduced by Circular No. 1124 dated 10 August 2021)

Foreign Exchange (FX) shall be used interchangeably with foreign currency.

(As introduced by Circular No. 984 dated 22 December 2017)

Foreign Loans/Borrowings arise when a **non-resident** creditor lends funds (regardless of currency of denomination) directly to a **resident** debtor, and are evidenced by documents that are not negotiable.

(As amended by Circular No. 1030 dated 5 February 2019)

Forex Corporations, whether or not named as such, refer to entities whose business include buying and selling of foreign exchange.

Intercompany Netting Arrangement is an arrangement whereby a **resident** entity offsets its payables to against its receivables from its **non-resident** non-bank related party (i.e., parent/subsidiaries/affiliates/head office/branches).

(As introduced by Circular No. 1124 dated 10 August 2021)

Legal Tender refers to money recognized by law as acceptable payment for debts owed to creditors.

Letter of Credit (LC), which gives the seller assurance that he will receive the payment for the goods, is a binding document that a buyer can request from his bank in order to guarantee that the payment for goods will be transferred to the seller. In order for the payment to occur, the seller has to present the bank with the necessary shipping documents confirming the delivery of goods within a given time frame.

(As amended by Circular No. 1124 dated 10 August 2021)

Low-Cost Housing refers to housing packages with loan ceilings ranging from above PHP400,000 up to PHP3 million or in such other amounts which the Housing and Urban Development Coordinating Council may prescribe in the future.

(As amended by Circular No. 724 dated 13 June 2011)

Medium- and Long-Term Loans are credits with maturities exceeding one (1) year.

Negotiable instruments are instruments considered negotiable, and conform to the requirements for negotiability, under Act No. 2031, otherwise known as "The Negotiable Instruments Law".

(As introduced by Circular No. 1030 dated 5 February 2019)

Non-bank BSP-supervised entities (NBBSEs) refer to non-bank entities that fall under the supervisory authority of the BSP under **Republic Act No. 7653** (The New Central Bank Act), **Republic Act No. 8791** (The General Banking Law of 2000) and other special laws. These include quasi-banks, subsidiaries and affiliates of **AABs/quasi-banks**, non-banks with trust or investment



management activities license, non-stock savings and loan associations, and pawnshops.

Non-resident refers to an individual, a corporation or other juridical person not included in the definition of **resident**. (See "**Resident**")

Non-trade current account transactions refer to all **non-trade transactions** (also referred to as invisibles) with **non-residents** not included in the definition of **trade transactions**, but excluding those related to foreign/foreign currency loans, foreign investments and other investments by both **residents** and **non-residents**.

(As amended by Circular No. 925 dated 13 September 2016)

Non-trade transactions refer to all other foreign exchange transactions not included in the definition of **trade transactions**. These shall include **foreign loans**, foreign investments, and other investments by both **residents** and **non-residents**. (See "**Trade Transactions**")

(As amended by Circular No. 925 dated 13 September 2016)

Offshore Banking refers to the conduct of banking transactions in foreign currencies involving the receipt of funds principally from external sources and, as allowed in this Manual, from internal sources and utilization of such funds, as provided herein.

Offshore Banking Unit (OBU) refers to a branch, **subsidiary**, or affiliate of a foreign banking corporation which is duly authorized by the BSP to transact offshore banking business in the Philippines. For purposes of this Manual, OBUs are classified as **non-residents**.

Onshore exchange refers to an organized and regulated financial exchange in the Philippines (e.g., Philippine Stock Exchange, Philippine Dealing and Exchange Corporation) where financial instruments are listed and traded.

(As introduced by Circular No. 1030 dated 5 February 2019)

Open Account (OA) is an arrangement whereby the shipping documents are sent and released by the exporter directly to the buyer, without coursing the documents through the banks, upon the buyer's promise to pay at some future date after shipment.

(As amended by Circular No. 1124 dated 10 August 2021)

Original refers to the document issued by the relevant party which may be in hardcopy/softcopy. This document shall bear signature (i.e., wet or **electronic/digital signature**), except in the case of electronically-generated (i.e., through a system) document which need not bear signature provided that it contains a statement that it is electronically-generated and does not require signature.

(As introduced by Circular No. 1124 dated 10 August 2021)

Parent Company shall refer to an entity which owns more than fifty percent (50%) of the voting stock of another entity.

(As introduced by Circular No. 794 dated 18 April 2013)



Philippine Depositary Receipt (PDR) refers to an instrument which gives the holder the right to the delivery or sale of the underlying securities, and to certain other rights, including acquisition of additional PDRs, or adjustments to the terms thereof, or upon the occurrence of certain events, in respect of rights issues, capital reorganizations, offers and analogous events or the distribution of cash dividends.

(As introduced by Circular No. 1030 dated 5 February 2019)

Private sector loans/borrowings that are not publicly-guaranteed – foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) of the private sector that do not involve any of the following public sector entities as co-borrower, guarantor, or co-issuer: (a) National Government, its agencies and instrumentalities; (b) Government-owned and controlled corporations (GOCCs); (c) Government financial institutions (GFIs), except **short-term** interbank borrowings; (d) Local government units (LGUs); and (e) Other public sector entities.

(As introduced by 984 dated 22 December 2017)

Publicly-guaranteed private sector loans/borrowings – foreign/foreign currency loans/borrowings (including those in the form of bonds/notes/other debt instruments) that are guaranteed by public sector entities such as Government-owned and controlled corporations (GOCCs); Government financial institutions (GFIs), except **short-term** interbank borrowings; and Local government units (LGUs).

(As introduced by 984 dated 22 December 2017)

Red Clause is a clause (originally typed in red) added to a **letter of credit** authorizing the advising/negotiating bank to make an **advance payment** to the beneficiary (exporter) before the actual shipment to the buyer. The advance may be up to 100% of the export contract value and may be used by the exporter to buy the inputs for manufacturing or shipment. Red clause credits are used primarily when the buyer (importer) has an agent in the exporting country. To finance its purchases, the importer may arrange for the opening of a red clause **letter of credit**. Negotiations of red clause credits are limited to the bank making the advances in order to assure that revenues from the shipment are used to repay the advances made.

Representative Office shall refer to a liaison office of a foreign bank which deals directly with the public by promoting and giving information about the foreign bank's services offered. It does not include the regional or area headquarters of a foreign bank registered and licensed under existing laws.

Resident shall refer to –

- a) an individual citizen of the Philippines residing therein; or
- b) an individual who is not a citizen of the Philippines but is permanently residing⁷⁴ therein; or

⁷⁴ Residents include any individual, citizen or otherwise, who has resided in the Philippines for a year or longer, as defined in Section 83 of IMF Balance of Payments Textbook, 1996.



- c) a corporation or other juridical person organized under the laws of the Philippines; or
- d) a branch, **subsidiary**, affiliate, extension office or any other unit of corporations or juridical persons which are organized under the laws of any country and operating in the Philippines, except **OBUs**.

Short-term loans are credits with maturity not exceeding one (1) year.

Socialized housing refers to housing packages with loan ceilings of not more than PHP400,000, or in such other amounts which the Housing and Urban Development Coordinating Council may prescribe in the future.

(As amended by Circular No. 724 dated 13 June 2011)

Small-scale mining refers to mining activities which rely heavily on manual labor using simple implement and methods and do not use explosives or heavy mining equipment.

Subsidiary (of a bank) refers to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by a bank.

Subsidiary shall refer to an entity more than fifty percent (50%) of the voting stock of which is owned by another entity (known as the **parent company**).

(As introduced by Circular No. 794 dated 18 April 2013)

Trade transactions refer to merchandise export and/or import transactions.