



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 937

Series of 2016

Subject: Amendments to Foreign Exchange Regulations

Pursuant to Monetary Board Resolution No. 2190 dated 8 December 2016, the following provisions of the Manual of Regulations on Foreign Exchange Transactions (FX Manual) are revised as follows:

"Section 34. Inward Foreign Direct Investments. Inward foreign direct investments may be in cash or in kind. For registration purposes, foreign exchange funding for the cash investments must be inwardly remitted but need not be converted to pesos, except for investments in foreign bank branches' permanently assigned capital where the foreign exchange funding must be inwardly remitted and converted to pesos at the exchange rate prevailing at the time of remittance, pursuant to the pertinent provisions of the Manual of Regulations for Banks (MORB).

x x x"

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

x x x

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.

x x x"

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

x x x

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.

x x x"

"Section 71. Qualification Requirements

1. UBs/KBs may be authorized to operate an FCDU or EFCDU: *Provided*, That they meet the minimum capital requirements prescribed for local banks and subsidiaries/branches of foreign banks under the pertinent provisions of the MORB.

x x x"

"Section 97. Definition of Terms

x x x

"Unimpaired capital of a local bank" shall refer to a bank's total capital as defined under Section X111 of the MORB.

"Permanently assigned capital" shall refer to the minimum capital required for branches of foreign banks in the Philippines to be inwardly remitted and converted into pesos.

Starting 1 January 2020, the "unimpaired capital of foreign bank branches" shall refer to the capital of a foreign bank branch as defined under Subsection X105.4 of the MORB.

Foreign bank branches established in the Philippines prior to Republic Act No. 10641 shall be given until 31 December 2019 to calculate the unimpaired capital as the sum of "permanently assigned capital" and the "Net Due To Head Office" account for purposes of computing foreign exchange position: *Provided*, That the amount of Net Due To Head Office that may be added to the permanently assigned capital of foreign bank branches that are UBs shall not exceed the equivalent of six (6) times the permanently assigned capital. *Provided* further: That the amount of Net Due To Head Office that may be added to the permanently assigned capital of foreign bank branches that are KBs shall not exceed the equivalent of eight (8) times the permanently assigned capital.

The "unimpaired capital of foreign bank subsidiaries" shall be the same as the unimpaired capital for local banks as provided under the pertinent provisions of the MORB."

The following Appendices of the FX Manual have likewise been revised:

1. Appendix 10: Procedures and Documentation Requirements for the Registration of Inward Foreign Investments (Attachment 1)
2. Appendix 19 : Implementing Guidelines on the Computation of Open Foreign Exchange (FX) Positions of AABs and Reporting Requirements under FX Form 1 (Attachment 2)

Effectivity. This Circular shall take effect 15 calendar days after its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

27 December 2016

(As clarified by Circular Letter No. CL-2010-009 dated 5 February 2010, and as amended by Circular No. 742 dated 21 November 2011, Circular No. 794 dated 18 April 2013, Circular No. 815 dated 18 October 2013, Circular No. 818 dated 06 November 2013, Circular No. 838 dated 20 June 2014, Circular No. 918 dated 2 August 2016 and Circular No. 937 dated 27 December 2016)

Procedures and Documentary Requirements for the Registration of Inward Foreign Investments and Other Investments

"A foreign investment is considered BSP-registered upon issuance of a Bangko Sentral Registration Document (BSRD) by the Bangko Sentral ng Pilipinas (BSP) or a designated custodian bank.

A. For registration with the BSP

Foreign direct investments and investments in other peso-denominated debt instruments, under Section 34 and Section 35.4, respectively, of the "Manual" shall be registered directly with the BSP.

1. Foreign Direct Investments¹

The following are the procedures for registration and the requisite supporting documents:

a. For Cash Investment

x x x

- i. Certificate of inward remittance (CIR) of foreign exchange through an AAB in the prescribed format (Sample CIR and Guide/Instructions for Filling-Out CIR Form hereto attached as Appendix 10.1 and Appendix 10.2, respectively)

Note: Conversion to pesos of the foreign exchange funding the investment is not required for registration of foreign direct investments, except for investments in foreign bank branches' permanently assigned capital where the foreign exchange funding must be inwardly remitted and converted to pesos at the exchange rate prevailing at the time of remittance, pursuant to the pertinent provisions of the Manual of Regulations for Banks (MORB);

x x x"

¹ Foreign direct investments required by law to be registered with the Securities and Exchange Commission or the Bureau of Trade Regulation and Consumer Protection of the Department of Trade and Industry shall be extended a Bangko Sentral Registration Document (BSRD) upon endorsement by either agency and submission of required documents.

**Implementing Guidelines on the Computation of
Open Foreign Exchange (FX) Positions of AABs and
Reporting Requirements under FX Form 1**

“ x x x

3. The data shall be reported in whole currency units (e.g. nearest USD1; EURO1, etc.). The original currencies to be reported in Schedule 13 and Schedule 14 shall be converted to USD using the foreign exchange rates provided in the BSP Reference Exchange Rate Bulletin. The report for a particular banking day shall use the foreign exchange rates in the said BSP Bulletin issued the next banking day.

x x x

4. The reporting bank's unimpaired capital as used in Schedule 13, shall be in accordance with the definition under the pertinent provisions of the Manual of Regulations for Banks (MORB) and shall be converted to USD as provided in Item 3 above. AABs shall use the Unimpaired Capital Accounts as of the month-end two (2) months prior to reference month. For instance, for the October 2016 report, end of August 2016 balances shall be used for this purpose.

x x x”