



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
BUREAU OF CUSTOMS  
MANILA 1099

March 22, 1999

CUSTOMS MEMORANDUM ORDER

NO. 6-99

TO : All Deputy Commissioners of Customs  
Directors of Customs  
District/Port Collectors of Customs  
Chiefs of Divisions  
Other Customs Officers & Employees Concerned  
Customs Brokers  
Commercial Banks / Financial Institutions  
And Others Concerned

Subject: Implementing Rules and Regulations - CAO No. 1-99

Pursuant to the Customs Administrative Order No. 1-99 which was signed by the Honorable Secretary of Finance on January 22, 1999, the following rules and regulations shall be used as guide in the implementation thereof.

1. OBJECTIVE -

- 1.1 To provide for an alternative that is more convenient to the importer and easily enforced by the Bureau of Customs, for the bond required by the laws and regulations for articles imported temporarily for re-exportation.
- 1.2 To prescribe the procedure and guidelines for the use and processing of the domestic letter of credit submitted pursuant to this Order.

2. COVERAGE AND DEFINITION OF TERMS -

- 2.1 Domestic Letter of Credit shall alternatively be considered as a bond to guarantee compliance of the conditional release of the shipment. It shall also be referred to as a Standby Letter of Credit (SBLC) or an Irrevocable Letter of Credit as required in the Tariff & Customs Code of the Philippines
- 2.2 Financial Institutions - shall refer to authorized agent banks duly accredited by the Bureau of Customs to issue Domestic Letters of Credit as guarantee in lieu of bonds from the surety companies

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2.3 Importers from whom Irrevocable Domestic Letter of Credit may be required are:

- 2.3.1 Foreign Contractors with infrastructure projects for the government
- 2.3.2 Travelers and/or tourist
- 2.3.3 Importers whose shipments are to be used for activities cited in Section 105, Tariff & Customs Code of the Philippines, and
- 2.4.4 Importations of enterprises for which a bond is required under E.O. 226.

3. GENERAL ADMINISTRATIVE PROVISIONS -

- 3.1 Accreditation Requirement - Financial or banking institutions may only be allowed to issue irrevocable Domestic Letters of Credit in lieu of bonds for as long as they are given an accreditation to transact with BOC during a specific quarter following the immediately preceding reviewed quarter. The bank to be accredited must be fully cleared of any accountabilities. It must, therefore, support its application with clearances from the ports where irrevocable Domestic Letters of Credit are issued and the Collection Service.
- 3.2 The form to be used by the banks must be in accordance with the wordings of the Irrevocable Domestic L/C or Standby Letter of Credit form which has the prior approval of the Bureau of Customs.
- 3.3 For expediency, the guaranty to re-export an article may be in the form of cash bond at the equivalent rate required by the Secretary of Finance and as implemented by the District Collector of Customs, or in lieu thereof, may apply for the issuance of a Irrevocable Letter of Credit by any Customs accredited commercial bank.

4. PROCEDURAL PROVISIONS -

- 4.1 The importer/Customs broker shall request for the approval of the Secretary of Finance for the release of its shipment under the specific provision of Sec. 105 of the Tariff & Customs Laws and other related laws.
- 4.2 BOC's Assessment Division will compute the corresponding import duties for each shipment which shall serve as the basis for the importer's request for a Irrevocable Domestic L/C from the bank.

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- 4.3 Importer shall accomplish the application form for the issuance of an Irrevocable Domestic Letter of Credit to cover the requirement imposed by the Secretary of Finance.
- 4.4 The Customs Broker submits the signed application form to the Bank for the issuance of an Irrevocable Domestic Letter of Credit.
- 4.5 The Bank issues and releases the irrevocable Domestic Letter of Credit for official delivery to the Port of Entry, copy furnished the Collection Service, Bureau of Customs and the importer/Customs Broker.
- 4.6 Bonds Division of the Port of Entry concerned shall set up a unit to confirm receipt of the irrevocable Domestic Letter of Credit, secure the document and effectively implement collection from the bank or cancellation thereof.
- 4.7 A month prior to the expiration of the Irrevocable Domestic Letter of Credit the Bonds Division of the Port of Entry thru the Bonds Audit Division of the Collection Service shall send an ADVICE OF DUE AND DEMANDABILITY signed by the authorized signatory of the BOC, to the Bank. Said advice should indicate that the importer failed to accomplish the conditions of the Irrevocable Domestic Letter of Credit.
- 4.8 In the event that no extension of the period of guarantee or cancellation of the bond is received by the Bank from the Bureau, immediate settlement of the duties, taxes and other charges shall be settled by the bank without the need of a BOC demand letter for payment. The Advice of Due and Demandability as mentioned in Item 4.7 will serve as the trigger for the Bank to pay the BOC. However, in the event that the BOC received from the importer/Customs Broker before the expiration of the Irrevocable Domestic Letter of Credit the required documents from the Department of Finance for extension and renewal and on the day of expiry of the said L/C, while the BOC is still in the process of assessing the importer's documents, then the BOC will not draw on the L/C. The importer with the signed concurrence of the Collector of Customs of the BOC will, instead, instruct the issuing bank to amend the expiry date of the said L/C for another period (maximum of another year) or which shall not last beyond the extension date approved by the Commissioner of Customs before the expiration date of the first six months in case of conditionally exempted shipments under Sec. 105 of the TCCP.



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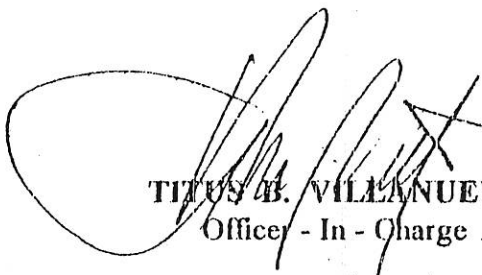
- 4.9 Any renewal to the Irrevocable Domestic Letter of Credit will be in the form of an extension of the maturity date for a maximum period of another term subject to the usual endorsements from the BOI, if needed, as well as that of DOF and BOC.
- 4.10 The amount of penalty due to delayed settlement of the letter of credit shall be in accordance with the amount presently imposable under the law and provisions of existing Customs Administrative Order.
- 4.11 The Amendment to the Irrevocable Domestic Letter of Credit will be submitted by the Broker to the Bonds Division, copy furnished the Bonds Audit Division of the Collection Service for its recording, safekeeping and monitoring.
- 4.12 In case the traveller and/or tourist elects to deposit a cash guarantee, the corresponding Customs Official Receipt shall be issued at the Port of Entry before the goods are released. Refund thereof shall be made to the traveller/tourist at the time specified and upon presentation of at least three identification cards and the original copy of the Customs Official Receipt of the Cash bond. All unrefunded cash guarantee shall be remitted immediately to the Bureau of Treasury after one year.

5. Operating Units at the Ports of Entry -

The personnel assigned at the Bonds Division of the Port concerned and the Bonds Audit Division (Collection Service) shall work with the accredited bank in putting up the corresponding computer system to maintain an effective flow of the Irrevocable Domestic Letter of Credit. procedure.

6. Effectivity Clause -

This system shall be made effective immediately.

  
TITUS B. VILLANUEVA  
Officer - In - Charge