

## 318 STANDBY LETTERS OF CREDIT

The following shall govern the issuance of standby letters of credit.

***Domestic standby letters of credit.*** Domestic standby letters of credit may be issued or used in transactions other than those involving movement of goods under the following guidelines:

- a. The bank's obligation to pay shall be either unconditional (as against presentation of a clean draft) or conditional only upon the presentation of documents and not upon actual existence or non-existence of facts, i.e., the bank must not be called upon to determine disputed questions of facts or law;
- b. The bank's obligation shall be limited to a fixed maximum amount;
- c. The bank's obligation shall have an expressed expiration date;
- d. The standby letters of credit accommodation shall not violate any law or existing Bangko Sentral directives, rules and regulations, such as the SBL and DOSRI ceilings;
- e. The party who opened the standby letters of credit or the ultimate borrower shall not have any past due obligation with the issuing bank for the ninety (90)-day period preceding the date of issuance of the letter of credit; and
- f. The party who opened the letter of credit (borrower or principal obligor) must have an unqualified obligation to reimburse the bank on the same condition as the bank has paid.