PHILIPPINES CENTRAL BANK CURBS DOLLAR TRADING.
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MANILA, Nov 24 - The Philippines has moved to defend its foreign exchange reserves by curbing U.S. dollar trading between banks, easing bank deposit rules for overseas workers and cutting purchases of debt paper with foreign exchange.

The new rules were announced as the peso stumbled to a 20-month low of 20.938 to the U.S. dollar from 20.833 despite strong Central Bank intervention on Monday, a Bankers Association of the Philippines (BAP) spokesman said.

The BAP spokesman said the Bank, which unloaded 21.5 million dollars in a bid to arrest the slide on Monday, has poured 139.4 million dollars into the foreign exchange market so far in November, against 83.8 million in October and 86.2 million in September.

Central Bank figures show foreign exchange reserves shrank to a 1987 low of 39.7 million dollars at the end of October from 73.58 million a year earlier and 58.4 million at the end of September.

In an apparent bid to curb rising speculation and dollar hoarding, the Bank's policy-making Monetary Board has banned so-called off-floor foreign exchange transactions among commercial banks, the spokesman said.

"All interbank trading in foreign exchange, whether spot or forward, shall be conducted at the forex trading floor of the BAP premises," the Monetary Board said in a statement.

It said erring banks would have their licences to trade in foreign exchange suspended or revoked.

Bankers have said political uncertainty and a seasonal surge in imports have fuelled a scarcity of dollars and led to unofficial dollar sales among some private banks.

The Bank also relaxed rules governing foreign currency bank accounts held by Filipinos overseas or their relatives in the Philippines.

The Monetary Board said that, in addition to cheques, overseas workers can now deposit foreign currency notes, coins and travellers cheques in foreign currency accounts.

Bankers said tight regulation of foreign currency accounts had forced overseas workers to sell foreign currency on the black market. The dollar was quoted at 21.90 pesos on the black market on Monday.

Local banks have also been barred from using foreign currency deposits to purchase Philippine debt paper, which is currently discounted at 45 pct. Any debt paper purchases will now be subject to Central Bank approval.

The Monetary Board said the curb was prompted mainly by concern the purchases would drain foreign exchange reserves and hurt the balance of payments if left totally unregulated.

Banks have been ordered to submit an inventory of debt paper holdings as of November 20 and to report weekly to the Central Bank on any future debt paper transactions.

The Philippines' gross international reserves, which comprises foreign exchange, gold, special drawing rights and foreign investment, shrank to 1.98 billion dollars at the end of October, marginally higher than 1.9 billion at the end of October 1986, but down from 2.36 billion at the end of June.

The government had originally set an end-1987 target of 3.4 billion dollars. A senior Central Bank official said the drop in reserves was likely to affect economic growth in 1988.

A senior local banker said wild swings in the peso's exchange rate and the Central Bank's latest dollar sales, reflected pressure on the pesos, as well as foreign reserves.

He said the Bank broke its own policy of selling dollars at the prevailing exchange rate when it sold three million dollars at 21 pesos on Monday. It sold 10.5 million dollars at 20.880, 500,000 dollars at 20.86, but only 7.5 million dollars at the prevailing rate of 20.833. A private bank also sold three million dollars at 21.40.

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