



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 292
Series of 2001

The Monetary Board, in its Resolution No. 1233 dated August 09, 2001, approved the expansion of the coverage of the Currency Rate Risk Protection Program (the "CRPP Facility") under BSP Circular No. 261 dated October 12, 2000.

Section 1. The CRPP Facility

The CRPP Facility is a non-deliverable USD/PHP forward contract (NDF) between the Bangko Sentral ng Pilipinas (BSP) and the universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. A derivatives license is not required to avail of the CRPP.

Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the US dollar, the CRPP contract shall be denominated in the US dollar equivalent using the exchange rate indicated in the BSP Treasury Department Reference Exchange Rate Bulletin on deal date.

Section 2. Coverage

Eligible obligations under the CRPP Facility shall refer to *unhedged* foreign exchange obligations, in amounts of not less than US\$50,000.00, which are current and outstanding as of the date of the application. Past due foreign exchange obligations are not eligible. The following are the eligible foreign exchange obligations:

- a) BSP-registered FCDU loans and bonds (with remaining tenors of up to five (5) years) booked as of June 30, 2001;
- b) US dollar trust receipts;



MAG-IMPOK SA BANGKO

- c) Foreign currency import bills/Customers' liabilities under acceptances (CLA); and
- d) BSP-registered DA/OA obligations.

For this purpose, *unhedged obligations* are those without outstanding hedge either thru forward contracts, options or matched foreign currency assets. Partially hedged foreign exchange obligations shall be evaluated on a case-to-case basis.

BSP-registered FCDU loans and bonds incurred after June 30, 2001, including those renewed may also be considered on a case-to-case basis.

Section 3. Terms and Conditions

The terms and conditions of the CRPP Facility are set forth in the implementing guidelines under Annex 1 hereto.

Section 4. Reporting Requirements

Daily reports on executed/preterminated/cancelled CRPP transactions shall be submitted by the bank to the BSP-DCB-I/DCB-II in the prescribed format (Annexes 3 and 3A) not later than 4:30 P.M. of the following banking day.

These reports shall be signed jointly under oath by the bank's authorized signatory who shall at least be a Senior Vice President or his equivalent and by the Compliance Officer. Said reports shall be considered Category A -1 for purposes of imposing monetary penalties on delayed/erroneous reports as prescribed in the Manual of Regulations for Banks.

Section 5. Sanctions

In the event a foreign exchange obligation hedged by a CRPP contract is found to be ineligible, the CRPP contract shall be immediately preterminated by the BSP, and the concerned bank shall be liable to pay a monetary penalty of P30,000.00 per calendar day covering the period from the date the application was filed up to the date the CRPP contract was preterminated. In addition, the net differential shall be settled in pesos subject to the rules on pretermination under Annex 1.

Section 6. Repealing Clause

This Circular supersedes Circular Nos. 149, 150, 151, 261, 265 and all related Circulars inconsistent herewith.

Section 7. Effectivity

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Officer-in-Charge

17 August
_____, 2001

ANNEX 1

**IMPLEMENTING GUIDELINES FOR BSP CIRCULAR NO. 292
THE CURRENCY RATE RISK PROTECTION PROGRAM
(THE “CRPP FACILITY”)**

MECHANICS:

1. A list of eligible FCDU loans outstanding as of June 30, 2001 shall be submitted by the universal/commercial banks to the BSP-DCB-I/DCB-II in the prescribed format (Annex 2) within five (5) banking days after date of Circular.
2. Qualified applicants shall file an application in the attached format (Annex 4) with the universal/commercial bank (the “Bank”) certifying under oath that the underlying foreign exchange obligation qualifies under the Circular and that such obligation is unhedged.
3. The Bank, after reviewing the application and finding the same in order, shall request the BSP-Treasury Department to quote the CRPP rate between 1:00 P.M. and 2:30 P.M. Each application shall be dealt with BSP-Treasury Department separately.
4. The Bank shall transmit the details of the deal done with BSP-Treasury Department to BSP-DCB-I/DCB-II not later than 10:00 A.M. of the following day after deal date. The details shall include a hard copy of the Reuters conversation with BSP-Treasury Department, or if the deal is done thru the telephone, a fax copy of the details of the transaction, i.e., tenor/maturity date, swap points, spot rate, forward rate and amount.
5. The client, thru the Bank, shall provide the relevant documentary requirements that BSP-DCB-I/DCB-II may require. All deals done between the Bank and the BSP-Treasury Department shall be subject to confirmation (approval/disapproval) by the BSP-DCB-I/DCB-II on the basis of the results of its evaluation of the documents submitted.

DOCUMENTARY REQUIREMENTS:

Unless otherwise indicated, all of the following documents shall be certified as true copies by the bank's authorized signatory who shall at least be a Senior Vice-President or its equivalent and by the Compliance Officer, and submitted to the BSP-DCB-I/DCB-II together with the application to avail of the CRPP Facility:

1. BSP-registered FCDU loans and bonds

For medium/long-term (MLT – with remaining tenors of up to 5 years)
FCDU loans and bonds

- a. BSP registration letter and accompanying Schedule of Principal and Interest Payments on BSP-registered Foreign Credits (Schedule RA-2); or
- b. BSP letter-notation of partial utilization of loan proceeds **and** BSP letter indicating the approved loan terms

together with bond prospectus (optional).

In case document b is presented, amount eligible for hedging shall be limited to total amount noted per BSP letter.

For short-term (ST – with original maturity of up to 1 year) FCDU loans

- a. Promissory note certified by the Head of the lending bank's Loans Department; and
- b. Certification from lending bank on the date when loan account has been reported to BSP-IOD under IOS Form 4; **or** Certification from lending bank that the loan is outstanding (for loans which have not been reported to BSP-IOD under IOS Form 4 which is due for submission 15 banking days from end of reference month) indicating the following details: date granted, amount outstanding as of date of application, loan purpose and due date/s.

For purposes of this Circular, the eligible ST FCDU loans are those that satisfy the eligibility criteria for registration under BSP Circular No. 1389, as amended.

2. US Dollar trust receipts (\$ TRs)
 - a. Letter of credit, if applicable;
 - b. Commercial invoice;
 - c. Bill of lading;
 - d. \$ TR draft; and
 - e. Trust receipt agreement
3. Foreign currency import bills/Customers' liabilities under acceptances (CLA)
 - a. Commercial invoice;
 - b. Bill of exchange (import bill or customer's acceptance);
 - c. Bill of lading; and
 - d. Letter of credit
4. BSP-registered DA/OA obligations
 - a. BSP registration letter; and
 - b. Bill of exchange with importer's acceptance in the case of DA

TENORS:

Contract tenors will be from one to twelve (12) months but not to exceed the final maturity date of the underlying foreign exchange obligation. The eligible foreign exchange obligations falling due beyond twelve (12) months from application date may be hedged by entering into a series of CRPP contracts. A new application is required for each CRPP contract.

PRICING:

The BSP-Treasury Department will provide forward rates in tenors of up to 1 year. Pricing of the non-deliverable forward (NDF) contract under the CRPP Facility will be based on this formula:

$$\text{NDF Rate} = \frac{\text{Spot Rate} \times (1 + (\text{Peso Interest Rate}^* \times \text{Tenor}/360))}{1 + (\text{US Dollar Interest Rate}^{**} \times \text{Tenor}/360)}$$

* *Peso Interest Rate will be determined by BSP*

** *US Dollar Interest Rate will be based on the relevant SIBOR on Bridge Telerate Page 7311*

BSP-Treasury will use the A.M. Philippine Dealing System (PDS) weighted average rate for spot transactions or the last transacted deal during the morning session, whichever is higher, on deal date as the Spot Rate, or if not available, the previous day's P.M. weighted average rate or the closing rate, whichever is higher.

FIXING DATE:

One business day prior to the maturity date of the CRPP contract, the Fixing Rate will be agreed upon by the Bank and the BSP, using the A.M. PDS weighted average rate on page 2920 of Bridge Telerate. The net difference between the NDF Rate and the Fixing Rate will be applied against the Notional US Dollar Amount to compute the Peso Net Settlement Amount. If the Fixing Rate is higher/lower than the NDF Rate, BSP pays/receives the Peso Net Settlement Amount. The Peso Net Settlement Amount will then be paid on the maturity date of the CRPP contract by crediting or debiting the regular demand deposit account of the Bank with the BSP. The applicable formula for computing the peso net settlement amount will be as follows:

$$\text{Peso Net Settlement Amount} = (\text{NDF Rate} - \text{Fixing Rate}) \times \text{Notional US Dollar Amount}$$

PRETERMINATION OF CRPP CONTRACT:**A. PRETERMINATION REQUESTED BY CLIENT**

1. Pretermination of a CRPP contract shall be allowed if the corresponding foreign exchange (FX) obligation will be paid in full or in an amount at least equal to the amount of the CRPP contract. The manner of prepayment should not be done thru renewal of the loan under a new promissory note or by another form of FX obligation.
2. The client should apply for the pretermination of the CRPP contract with its Bank by submitting a document evidencing the creditor's conforme to the proposed prepayment. The proof of payment shall be submitted on prepayment date.
3. BSP-Treasury shall quote the NDF Reversal Rate upon request of Banks on behalf of their clients, between 1:00 P.M. and 2:30 P.M. one banking day before the pretermination date.

A NDF Reversal Rate shall be computed following the NDF Rate formula based on the Remaining Tenor of the CRPP contract and the New Spot Rate.

BSP-Treasury will use the A.M. Philippine Dealing System (PDS) weighted average rate for spot transactions or the last transacted deal during the morning session, whichever is **lower**, on the date of request, adjusted for the prevailing bid-offer spread, as the New Spot Rate. If not available, the New Spot Rate shall be the previous banking day's P.M. PDS weighted average rate or the closing rate, whichever is **lower**, adjusted for the prevailing bid-offer spread.

4. On pretermination date, if the NDF Reversal Rate is higher/lower than the original NDF Rate, BSP pays/receives the Pretermination Peso Net Settlement Amount, as calculated using the formula below. The Pretermination Peso Net Settlement Amount shall be paid by crediting or debiting the regular demand deposit account of the Bank with the BSP.

Pretermination Peso Net Settlement Amount =

$$\frac{(\text{NDF Rate} - \text{NDF Reversal Rate}) \times \text{Notional US Dollar Amount}}{1 + (\text{Peso Interest Rate}^* \times \text{Remaining Tenor} / 360)}$$

* *Peso Interest Rate will be determined by BSP*

5. Should post-verification of pretermination show no actual payment of the FX obligation or the manner of payment was thru the renewal of the loan under a new promissory note or by another form of FX obligation, the BSP shall debit the Bank's regular demand deposit account with the BSP for the amount received by the Bank from BSP as a result of the pretermination of the CRPP contract, if any, plus interest calculated using BSP's overnight lending rate from the date the amount was received from the BSP to the date the amount is returned to the BSP. In addition, the Bank shall be liable to pay a monetary penalty of P30,000.00 per calendar day covering the period from the date the application for pretermination was filed up to the date BSP-DCB-I/DCB-II completes post-verification of pretermination, which shall not be longer than fifteen (15) banking days from the pretermination date.
6. Should post-verification by BSP-DCB-I/DCB-II show that the underlying FX obligation of a preterminated CRPP contract is ineligible, the BSP shall debit the Bank's regular demand deposit account with the BSP for the amount received by the Bank from BSP as a result of the pretermination of the CRPP contract, if any, plus interest calculated using BSP's overnight lending rate from the date the amount was received from the BSP to the date the amount is returned to the BSP. The monetary penalty of P30,000.00 per calendar day imposed by the BSP as set out in Section 5 of this Circular shall apply. In addition, the Bank shall be liable to pay a monetary penalty of P30,000.00 per calendar day covering the period from the date the application for pretermination was filed up to the date BSP-DCB-I/DCB-II completes post-verification of the FX eligible obligation, which shall not be longer than fifteen (15) banking days from the date of the CRPP contract.
7. If a client requests for pretermination of a CRPP contract but fails to satisfy the conditions set out in number 1 above, the pretermination deal shall be settled as described in part B.3. below.

B. PRETERMINATION BY THE BSP

1. BSP shall preterminate CRPP contracts when the underlying FX obligation is found ineligible during post-verification by BSP-DCB-I/DCB-II.
2. BSP shall also preterminate CRPP contracts when the underlying FX obligation is paid before the maturity of the CRPP contract and the client failed to request for pretermination.

3. Settlement on pretermination date of the Pretermination Peso Net Settlement Amount will be as follows:

- a) If the NDF Reversal Rate is lower than the original NDF Rate, the Bank will pay the Pretermination Peso Net Settlement Amount;
- b) If the NDF Reversal Rate is higher than the original NDF Rate, the BSP shall **not** pay the Pre-termination Peso Net Settlement Amount.

Underlying FX obligations of preterminated CRPP contracts shall no longer be eligible for CRPP.

Reporting requirements under Mechanics 4 and 5 of this Annex shall apply to all pretermination deals.

(NAME OF BANK)
Inventory of Outstanding FCDU Loans Eligible for CRPP Facility
As of June 30, 2001
(In US Dollars)

Name of Bank's Client	PN Number	Bank Reference Number ^{1/}	Date of Original Grant	Original Due Date ^{2/}	Date of Latest Renewal/Roll-over	Extended Due Date	Amount		Outstanding Balance	
							Hedged	Unhedged	Orig. Currency	USD Equivalent
T O T A L										

^{1/} Latest Bank Reference No. used in reporting the loan to BSP-IOD under IOS Form 4 for the month of June 2001

^{2/} In case of MLT loans, these should refer to final maturity dates

We hereby certify that this inventory of foreign exchange obligations consist only of those which are eligible for the CRPP Facility as prescribed in
BSP Circular No. dated , 2001.

Senior Vice President

Compliance Officer

Date

ANNEX 3

(To be submitted daily to
BSP-DCB-I/DCB-II not later
than 4:30 PM of the following
banking day)

(NAME OF BANK)

DAILY REPORT ON EXECUTED CRPP TRANSACTIONS WITH BSP

(Date)

Type of FX Obligation	Name of Bank's Client	Ref. No.	Amount		Forward Rate	Maturity Date/ Int. Repricing Date
			Actual Curr.	In USD		

CERTIFIED CORRECT:

Date Submitted

Senior Vice President

Compliance Officer

ANNEX 3A

(To be submitted daily to BSP-DCB-I/
DCB-II not later than 4:30 PM of the
following banking day)

(NAME OF BANK)

DAILY REPORT ON PRETERMINATED CRPP CONTRACTS WITH THE BSP

(Date)

Type of FX Obligation	Name of Bank's Client	Ref. No.	Original Contract Amt		Amount Cancelled/ Preterminated		CRPP Maturity Date	Amt. Received/ (Paid) by Client on Settlement	Reason for Cancellation/ Pretermination
			Actual Curr	In USD	Actual Curr	In USD			

CERTIFIED CORRECT:

Date Submitted

Senior Vice President

Compliance Officer

**APPLICATION FOR BSP CURRENCY RATE RISK PROTECTION
PROGRAM (THE "CRPP FACILITY")**

TO: _____
(Name of Bank)

I hereby apply for a Non-Deliverable Forward contract under the BSP CRPP Facility.

Name: _____
Address: _____
Telephone No/s.: _____
Nature of Business: _____
Details of Foreign Exchange Obligations: _____

(To be supported by documents required under Annex 1 of Cir. No. _____ dated _____, 2001)

Type: _____	Orig. Date Granted: _____	Interest Repricing/ Resetting Date: _____	BSP-IOD Debt Debt Acct. No. _____ where applicable _____
Ref. No. _____ (PN NO., LC/IF/TR No., etc.)	Original Due Date: _____		
Loan Purpose/Utilization: _____			
Amount of FXCY obligation: _____	Original Currency _____	US Dollar Equiv. _____	BSP-IOD Registration No. _____
Amount Applied For: _____			
Tenor: _____			

I (We) hereby certify that the above information are true and correct and the amount applied for is outstanding and unhedged as of the date of this application. Further, I hereby represent that (the corporation) is an eligible obligor of this Facility. I hereby confirm that I have fully read and understood the contents of the Risk Disclosure Statement for the BSP CRPP Facility printed in the reverse side hereof.

(Signature over Printed Name)
For and in behalf of _____
CORPORATION
Com. Tax Cert. No. _____
Issued on _____
Issued at _____

(Signature over Printed Name)
For and in behalf of _____
CORPORATION
Com. Tax Cert. No. _____
Issued on _____
Issued at _____

BANK

Deal Date: _____ Bank Ref. No.: _____
Spot Rate: _____ Swap Points: _____

Maturity Date: _____
Forward Rate: _____

We hereby certify that we have verified the foregoing representations of our client and that subject application is qualified for inclusion under the CRPP Facility.

(Signature over Printed Name)
Bank's Authorized Signatory
Com. Tax Cert. No. _____
Issued on _____
Issued at _____

if In case of MLT loans, these should refer to final maturity dates

Subscribed and sworn to before me this _____ affiants exhibiting to me their Community Tax Certificates as indicated above.

Notary Public

**RISK DISCLOSURE STATEMENT FOR BANGKO SENTRAL NG PILIPINAS
CURRENCY RATE RISK PROTECTION PROGRAM
(THE "CRPP FACILITY")**

To : Name of Client

We are providing this Risk Disclosure Statement to you in order to draw your attention to certain risks associated with your availing of the BSP CRPP Facility ("Transaction") and to confirm the nature of our relationship with you in the context of the Transaction between you and us.

Similar to other financial transactions, the CRPP Facility may provide significant benefits and involve a variety of significant risks.

Before availing of the CRPP Facility, you should ensure that you fully understand the nature of the transaction and the terms of the transaction, the relevant risk factors, the nature and the extent of your risk of loss and the contractual relationship into which you are entering. You should carefully evaluate whether the Transaction is appropriate for you in light of your objective, experience, financial and operational resources, and other relevant circumstances and whether you have the operational resources in place to monitor the associated risks and contractual obligations over the term of the Transaction.

The CRPP Facility may involve risks, which include, among others, the risk of adverse or unanticipated market, financial or political developments, risk of counterparty including but not limited to risk of default and settlement risk, other credit and enforcement risks, Risk of illiquidity and related risks, and operational risks.

As in any financial transaction, you should ensure that you understand the requirements applicable to you that are established by your regulators or by your board of directors or other governing body. You should also consider the legal, tax and accounting implications of availing of the CRPP Facility.

In availing of the CRPP Facility with us, you should also understand that we are acting solely in the capacity of an arm's length contractual counterparty and not in the capacity of your financial adviser or fiduciary unless we have so agreed in writing and then only to the extent so provided. Whether or not we have established a written financial advisory or fiduciary relationship we may from time to time have substantial long or short positions in, and may make a market in or otherwise buy or sell instruments identical or economically related to the derivative activity entered into with you. We may have business or other commercial relationships with the BSP.

THIS BRIEF STATEMENT DOES NOT PURPORT TO DISCLOSE ALL OF THE RISKS OR OTHER RELEVANT CONSIDERATIONS OF AVAILING OF THE CRPP FACILITY. YOU SHOULD REFRAIN FROM AVAILING OF SAID FACILITY UNLESS YOU FULLY UNDERSTAND ALL SUCH RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE ACTIVITY IS APPROPRIATE FOR YOU.

YOU SHOULD NOT CONSTRUCT THIS DISCLOSURE STATEMENT AS BUSINESS, LEGAL, TAX OR ACCOUNTING ADVICE OR AS MODIFYING APPLICABLE LAW. YOU SHOULD CONSULT YOUR OWN BUSINESS, LEGAL, TAX AND ACCOUNTING ADVISERS WITH RESPECT TO THE TRANSACTION.

Bank's Authorized Signatory