



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

MEMORANDUM NO. M-2011- 062

**To: All Universal and Commercial Banks and Their Subsidiary
Banks and Quasi-Banks**

**Subject: Amendment of the Reporting Template of the Revised Risk-
Based Capital Adequacy Framework pursuant to Circular
No. 740 dated 16 November 2011**

Pursuant to Circular No. 740 dated 16 November 2011 on the Amendment of Appendix 46 (Guidelines to Incorporate Market Risk in the Risk-Based Capital Adequacy Framework) of the Manual of Regulations for Banks (MORB), covered banks and quasi-banks using either the Standardized Approach or the Internal Models Approach in computing the capital charge for market risk shall use Part IV.3a of the CAR Reporting Template in calculating the incremental capital charge on their foreign exchange exposures arising from non-deliverable forward (NDF) transactions.

The revised portions of Part IV of the Capital Adequacy Ratio (CAR) Reporting Template incorporating the abovementioned amendment are attached as Annex A.

Covered banks and quasi-banks shall integrate the revised schedules in the CAR Reports, on both solo and consolidated bases, to be submitted to the Supervisory Data Center starting with the quarter ending 31 March 2012.

For strict compliance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

13 December 2011

Att: A/S

PART IV. MARKET RISK-WEIGHTED ASSETS (Amounts in P0.000 million)

Item	Nature of Item	Reference	Amount
A.	Using Standardized Approach		
A.1	Interest Rate Exposures	Part IV.1, Item E	
A.2	Equity Exposures	Part IV.2, Item J	
A.3	Foreign Exchange Exposures	Part IV.3, Item H	
A.4	Options	Part IV.4, Item E	
A.5	Sub-total (Sum of A.1 to A.4)		
B.	Using Internal Models Approach	Part IV.5, Item A.11	
C.	TOTAL MARKET RISK-WEIGHTED ASSETS ^{1/} (Sum of A.5 and B)		

^{1/} A.5 = 0, for banks that calculate capital charge for all its risk exposures, covering both general market and specific risks, using the internal models approach. If computation of specific risk charge is not yet incorporated in the model, report in items A.1 and A.2 above the specific risk charge only.

B = 0, for banks that calculate capital charge for all its risk exposures using the standardized approach.

Name of Bank
CAR REPORT (Solo/Consolidated)
As of _____

Part IV. 3 FOREIGN EXCHANGE EXPOSURES

Item	Nature of Item	Currency	In Million USD Equivalent					Closing Rate USD/PHP:	In Million Pesos
			Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position ^{2/}		
			Banks	Subsidiaries/Affiliates ^{1/}					
A.	Currency								
A.1	U.S. Dollar	USD							
A.2	Japanese Yen	JPY							
A.3	Swiss Franc	CHF							
A.4	Pound Sterling	GBP							
A.5	Euro	EUR							
A.6	Canadian Dollar	CAD							
A.7	Australian Dollar	AUD							
A.8	Singapore Dollar	SGD							
A.9	Foreign currencies not separately specified above								
A.10	Sum of net long positions								
A.11	Sum of net short positions								
B.	Overall net open positions ^{3/}								
C.	Risk Weight								8%
D.	Total Capital Charge For Foreign Exchange Exposures (B. times C.)								
E.	Adjusted Capital Charge For Foreign Exchange Exposures (D. times 125%) ^{4/}								
F.	TOTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES, EXCLUDING INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (E. times 10) ^{5/}								
G.	INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3a, Item F.)								
H.	TOTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and H.)								

^{1/} For consolidated reporting only

^{2/} Conversion rate shall be defined under existing regulations.

^{3/} Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.

^{4/} Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.

^{5/} Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%) (to Part IV, Item A.3)

Part IV. 3a FOREIGN EXCHANGE EXPOSURES - NON-DELIVERABLE FORWARD TRANSACTIONS

Closing Rate USD/PHP:

Item	Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
			Net Long/(Short) Position (excluding options)		Net Delta- Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
			Banks	Subsidiaries/Affiliates ^{1/}			
			1	2	3	4=1+2+3	5
A.	Exposures on Non-Deliverable Forwards (NDF)						
A.1	U.S. Dollar	USD					
A.2	Japanese Yen	JPY					
A.3	Swiss Franc	CHF					
A.4	Pound Sterling	GBP					
A.5	Euro	EUR					
A.6	Canadian Dollar	CAD					
A.7	Australian Dollar	AUD					
A.8	Singapore Dollar	SGD					
A.9	Foreign currencies not separately specified above						
A.10	Sum of net long positions						
A.11	Sum of net short positions						
B.	Overall net open positions ^{3/}						
C.	Risk Weight						4%
D.	Incremental Capital Charge For Foreign Exchange Exposures Arising from NDF Transactions (B. times C.)						
E.	Adjusted Incremental Capital Charge For Foreign Exchange Exposures Arising from NDF Transactions (D. times 125%) ^{4/}						
F.	INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (E. times 10) ^{5/}						

^{1/} For consolidated reporting only

^{2/} Conversion rate shall be defined under existing regulations.

^{3/} Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.

^{4/} Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.

^{5/} Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%) (to Part IV.3, Item G. for Standardized Approach and to Part IV.5, Item A.10 for Internal Models Approach)

Name of Bank
CAR REPORT (Solo/Consolidated)
As of _____

Part IV. 5 INTERNAL MODELS APPROACH (Amounts in P0.000 million)

A. Value-at-Risk (VaR) Results

Item	Nature of Item	End of Quarter VaR	Average VaR Over the Past 60 Trading Days	No. of Backtesting Exceptions		Multiplication Factor ^{2/}	Capital Charge
				Actual Profit & Loss	Hypothetical Profit & Loss		
1.	Interest rates	(a)	(b)	(c)	(d)	(e)	(f)
2.	Foreign exchange						
3.	Equities						
4.	Aggregate of risk categories ^{1/}						
5.	Average VaR x multiplication factor[(4)(b) X (4)(e)]						
6.	Capital Charge For General Market Risk Calculated By Internal Models ^{3/}						
7.	Capital Charge For Specific Risk Calculated By Internal Models						
8.	Total Capital Charge Calculated By Internal Models [(6) + (7)]						
9.	TOTAL RISK-WEIGHTED EXPOSURES CALCULATED BY INTERNAL MODELS [(8) x 10] ^{4/}						
10.	INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3a, Item F.)						
11.	TOTAL RISK-WEIGHTED EXPOSURES USING INTERNAL MODELS APPROACH [(9) + (10)] ^{5/}						

^{1/} Item 4 does not necessarily equal to the arithmetic sum of items 1 to 3 because of the correlations across the risk categories
^{2/} Multiplication factor equals sum of: minimum multiplication factor of 3, the "plus" factor based on backtesting results, and any additional "plus" factor as maybe prescribed by the BSP.
^{3/} Capital charge for general market risk is Item 4 column (a) or Item 5, whichever is larger.
^{4/} Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%).
^{5/} To Part IV, Item B.

B. Largest daily losses over the quarter

Date (dd/mm/yy)	Amount of Loss (Absolute Value)	VaR

Part IV. 5 INTERNAL MODELS APPROACH (Amounts in P0.000 million)

C. Calculation of multiplication factor

Day	Var ^{2/} (1)	Actual Profit or Loss (2)	Hypothetical Profit or Loss (3)	No. of Backtesting Actual ^{4/} (4)	Exceptions ^{3/} Hypothetical ^{4/} (5)
1					
2					
3					
250					
Multiplication Factor ^{1/}					

^{1/} Multiplication factor is computed on a quarterly basis. It is the sum of minimum multiplication factor of 3, the "plus" factor associated with the relevant number of exceptions as shown in the table below:

Zone	No. of Exceptions	"Plus" Factor
Green Zone	4 or less	0.00
	5	0.40
	6	0.50
	7	0.65
Yellow Zone	8	0.75
	9	0.85
	10 or more	1.00
Red Zone		

and any additional "plus" factor as may be prescribed by the BSP.

^{2/} For backtesting purposes, Var is calibrated to a one-day holding period.

^{3/} The relevant number of exceptions for determining the "plus" factor as set out above is the larger of (4) or (5).

^{4/} Number of exceptions is equal to the number of times that actual/hypothetical loss exceeds the Var.