



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 470

Series of 2005

The Monetary Board, in its Resolution No. 2 dated 6 January 2005, approved the following revised guidelines for the Currency Rate Risk Protection Program (the "CRPP Facility").

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 a universal/commercial bank (the "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 currency obligations in amounts of not less than US\$50,000.00 which are current and outstanding as of date of application. Past due foreign currency obligations are not eligible. For this purpose, **unhedged obligations** are those without outstanding hedge either through forward contracts, options or matched foreign currency assets. Partially hedged foreign exchange obligations shall be evaluated on a case-to-case basis.

The following are the eligible foreign exchange obligations:

- a) BSP-registered medium/long-term (MLT) FCDU loans and bonds [with remaining tenors of up to five (5) years] booked as of 31 December 2003;
- b) BSP-registered short-term (ST) trade-related FCDU loans;



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- c) BSP-registered ST trade-related borrowings of oil companies from offshore banking units (OBUs) and offshore banks;
- d) US dollar trust receipts;
- e) Foreign currency import bills/customers' liabilities under acceptances; and
- f) Documents against acceptance (DA)/open account (OA) import obligations duly reported by an AAB to BSP Under Schedule 10 of FX Form 1.

BSP-registered MLT FCDU loans and bonds incurred after 31 December 2003 may also be considered on a case-to-case basis.

In the case of oil companies that intend to cover under a single CRPP contract an importation initially made under an OA arrangement to be rolled over or refinanced with a ST FCDU loan upon maturity, BSP approval through the International Operations Department may be granted 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 (Annex 1).

Section 4. CRPP Application Form

The CRPP application form should be completely accomplished. Forms with missing information shall not be accepted.

Section 5. Reporting Requirements

Daily reports on executed/preterminated/cancelled CRPP transactions shall be submitted by the Bank to the appropriate BSP-Supervision and Examination Department (SED-I/SED-II/SED-III) in the prescribed format (Annexes 2 and 2A) 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 6. Pretermination

Pretermination of a CRPP contract shall be allowed subject to the rules on pretermination under Annex I, including settlement of net differential in pesos.

Section 7. Sanctions

In the event a CRPP contract is preterminated for reasons other than those allowed by the BSP, monetary penalties shall be imposed as detailed in the pertinent provisions of Annex 1.

Furthermore, in case the CRPP contract has matured and was subsequently found to be ineligible, a monetary penalty of PhP30,000.00 per calendar day shall be applied reckoned from the date of ineligibility up to maturity of the contract.

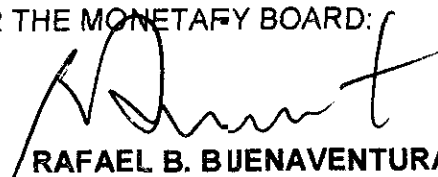
Section 8. Repealing Clause

This Circular supersedes Circular Nos. 292 and 300 dated 17 August 2001 and 24 September 2001, respectively, as well as parts of other circulars inconsistent herewith.

Section 9. Effectivity

This Circular shall take effect fifteen (15) calendar days after publication in the Official Gazette or a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

17 January 2005