



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1014

Series of 2018

Subject: Currency Rate Risk Protection Program (CRPP Facility)

The Monetary Board, in its Resolution No. 1487 dated 13 September 2018, approved the following revised guidelines for the Currency Rate Risk Protection Program (the "CRPP Facility").

Section 1. Section 1603 of the Manual of Regulations for Banks is hereby created and shall read as follows:

"Section 1603 The CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract (NDF) between the Bangko Sentral ng Pilipinas and a universal/commercial bank (the "Bank") in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorized Derivatives Activities (GADA).

Banks' exposures arising from NDF transactions under the CRPP facility shall not be included in the computation of total gross NDF exposures for the purpose of determining compliance with the limit prescribed in *Appendix 101*. In addition, the market risk capital charge for the net open position for NDFs under this facility shall be calculated by applying the standard 125 percent multiplication factor instead of the 187.5 percent factor prescribed for other NDFs under *Appendix 46*.

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 Bangko Sentral Reference Exchange Rate Bulletin on deal date."

"Subsec. 1603.1 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. The maximum tenor of the CRPP contracts is 90 days.

For this purpose, *unhedged obligations* shall refer to 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 considered eligible foreign exchange obligations:

- a. BSP-reported short-term (ST) trade-related loans from banks operating in the Philippines [Foreign Currency Deposit Unit/Expanded Foreign Currency Deposit Unit (FCDU/EFCDU) and Regular Banking Unit (RBU)] ;
- b. BSP-reported medium/long-term trade-related FCDU/RBU loans with payments maturing within 90 days as of date of application;
- c. BSP-reported/registered ST trade-related borrowings of oil companies from offshore banking units (OBUs) and offshore banks/sources;
- 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 Bangko Sentral under Schedule 10 – Import Letters of Credit (L/Cs) and DA-OA Import Availments and Extensions of FX Form 1.”

“Subsecs. 1603.2 - 1603.4. (Reserved)”

“Subsec. 1603.5 *Supervisory enforcement actions.* The Bangko Sentral ng Pilipinas reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines under this Section and bring about timely corrective actions and compliance with the Bangko Sentral directives.”

Section 2. The terms, conditions and the reporting requirements of the CRPP Facility will be covered by a separate issuance on the implementing guidelines of the CRPP Facility.

Section 3. Repealing Clause

This Circular repeals Circular No. 470, as well as parts of other circulars inconsistent herewith.

Section 4. Effectivity

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

FOR THE MONETARY BOARD:



CHUCHI G. FONACIER
Officer-In-Charge

24 September 2018