



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 261

Series of 2000

The Monetary Board, in its Resolution No. 1716 dated October 4, 2000 approved the expansion of the coverage of the Currency Rate Risk Protection Program (the "CRPP Facility") otherwise known as the Non-Deliverable Forward (NDF) Facility under Circular No. 149 dated December 22, 1997, as amended.

Section 1. The CRPP Facility

The CRPP Facility is a non-deliverable forward contract (NDF) between the BSP and the universal/commercial bank with the foreign exchange obligations of bank clients as the underlying transaction.

Under the CRPP Facility, a US Dollar-Philippine Peso forward foreign exchange contract is entered into whereby the parties agree that instead of the actual delivery of the contracted amount, 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 their US dollar equivalent. For the purpose of availing of the CRPP Facility, the Bank and its customer shall certify that the availment is being made to hedge a foreign exchange requirement under the guidelines set forth in this Circular.

Universal and commercial banks, including those without derivatives license, may avail of the CRPP Facility for the specific purpose of hedging the foreign exchange obligations of their clients.

Section 2. Coverage

Eligible obligations under the CRPP Facility shall refer to **Fully Unhedged** and **without natural hedge** foreign exchange (FX) obligations, in amounts not less than US\$ 50,000.00, which are current and booked as of September 30, 2000 and outstanding as of the date of the application. Past due foreign exchange obligations are not eligible. The following are the eligible FX obligations:

- a) Short term FCDU loans (with original maturities of up to one (1) year), that are duly registered with BSP-International Operations Department (IOD);
- b) US dollar Trust Receipts;
- c) Foreign Currency Import Bills/Customers' Liabilities Under Acceptances (CLA); and
- d) DA/OA (for oil companies only).

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MAG-IMPOK SA BANGKO

Foreign exchange obligations of exporters falling under (a) to (c) above shall be eligible provided that the exporter shows proof that upon application with the universal/commercial bank, he sells foreign exchange for pesos to the bank in an amount at least equal to the amount applied for under the facility. The sale of foreign exchange should be supported by a bank credit advice, or a document evidencing the sale of foreign exchange duly certified by a bank officer with the rank of Senior Vice President or its equivalent and by the bank's Compliance Officer.

For this purpose, **unhedged obligations** are those without outstanding hedge either thru forward contracts, options, or matched foreign currency deposits securing said obligation. Obligations with natural hedge, such as those of exporters (except those which qualify under the preceding paragraph) and companies with Currency Exchange Rate Adjustments (CERA), i.e., public utilities, are not eligible. Partially hedged FX obligations shall be evaluated on a case to case basis.

Foreign exchange obligations incurred after September 30, 2000, including renewed obligations, which are eligible under the provisions of this Circular, may be considered on a case-to-case basis. In cases wherein the maturity of the foreign exchange obligation is extended, a new application is required and the original CRPP availment shall be settled. Only one extension of the CRPP contract shall be considered provided the original term plus the extended term shall not exceed one year.

Renewal of obligations eligible for the CRPP Facility shall continue to be so qualified provided that the applicant commercial bank shall certify that the obligation applied for is not a new one but is the same eligible obligation previously granted access to the CRPP Facility. The amount of the renewed obligation may be less but in no case more than the original amount.

Section 3. Terms and Conditions

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

Section 4. Reporting Requirements

1. A list of eligible foreign exchange obligations outstanding as of September 30, 2000, shall be submitted to the BSP-DCB-I/DCB-II in the prescribed format (Annexes 2A – 2C) and
2. Daily reports on executed/preterminated 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

Foreign exchange obligations subject of the CRPP contract when found to be ineligible under this Circular shall automatically render the CRPP contract cancelled, and the concerned Bank shall be liable to pay monetary penalty of P30,000.00 per day covering the period from the date the application was filed up to the date the CRPP contract was cancelled. In addition, the net differential shall be settled in pesos subject to the rules on pretermination under Annex I using the prevailing spot rate on the date of cancellation of the CRPP contract.

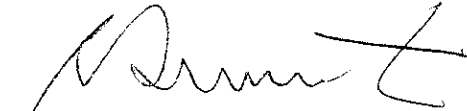
Section 6. Repealing Clause

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

Section 7. Effectivity

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

October 12, 2000

ANNEX 1

IMPLEMENTING GUIDELINES FOR BSP CIRCULAR NO. 251
THE CURRENCY RATE RISK PROTECTION PROGRAM
(THE "CRPP FACILITY")

MECHANICS:

1. Qualified applicants shall file an application in the attached format (Annex 4) with the universal/commercial bank certifying that the underlying foreign exchange obligation qualifies under the Circular, and that no existing hedge has been put up to cover the said obligation.
2. 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. to 2:30 P.M. Treasury will use the AM Philippine Dealing System (PDS) weighted average of the 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. PDS weighted average rate or the closing rate, whichever is higher.
3. Details of the deal done between the Bank and the BSP-Treasury shall be transmitted to BSP-DCB-I/DCB-II not later than 10:00 A.M. of the following day after deal date. It shall include a copy of the Reuters/Telerate conversation document, or if the deal is done thru the telephone, a fax copy of the details of the transaction, i.e., name of client, reference number, amount of eligible foreign exchange obligation, date contracted and maturity date.
4. 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 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.
5. At the end of the day, the universal/commercial bank shall submit a report on all executed/cancelled/preterminated forward contracts to BSP-DCB-I/DCB-II. These transactions shall be subject to post-verification by the BSP to ensure compliance with the Circular.

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. Short Term FCDU Loans
 - Promissory Note certified by the Head of the Lending Bank's Loans Department.
 - Certification from lending bank on the date when loan account has been reported to BSP-IOD under IOS Form 4.
2. US Dollar Trust Receipts (\$ TRs)
 - Letters of Credit, if applicable
 - Commercial Invoice
 - Bill of Lading
 - \$ TR draft
 - Trust Receipt Agreement
3. Foreign Currency Import Bills
 - Commercial Invoice
 - Bill of Lading
 - Letters of Credit
4. Eligible Foreign Currency Obligations of Exporters
 - In addition to the above listed documentary requirements, a certified Bank Credit Advice or Official Receipt evidencing sale of foreign exchange should also be submitted.
5. DA/OA obligations of oil companies
 - Commercial Invoice
 - Bill of Lading
 - Records of Goods Imported (RGI) registered with BSP

TENORS:

Tenors will be up to twelve (12) months but the actual tenor of the CRPP contract will be co-terminus with the final maturity date or the interest repricing/resetting date of the underlying foreign exchange obligation.

PRICING:

The BSP-Treasury Department will provide forward rates in tenors of 30, 60, and 90 days while reserving the right to issue other tenors as it sees fit. Pricing of the non-deliverable forward (NDF) contract under the CRPP Facility will be based on this formula:

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

* PHP interest rate will be determined by BSP

** US Dollar interest rate will be based on SIBOR on Bridge Telerate Page 7311

FIXING DATE:

One business day prior to the maturity date of the CRPP, the fixing rate will be agreed upon by the Bank and the BSP, using the AM 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 settlement amount will then be transferred/delivered at the maturity date of the CRPP contract. The applicable formula for computing the net settlement amount will be as follows:

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

PRETERMINATION OF CRPP CONTRACT:

In case the CRPP contract is preterminated prior to maturity date, settlement of the net differential in pesos will be as follows:

- a) If the prevailing spot rate is lower than the NDF contract rate, the client will pay the net difference;
- b) If the prevailing spot rate is higher than the NDF contract rate, BSP shall not pay the net difference.

(NAME OF BANK)

Inventory of Outstanding FCDU Loans

Eligible For CRPP Facility

As of September 30, 2000

(in US Dollars)

TOTAL

- 1/ Marked E if client is an eligible exporter
- 2/ Latest Bank Reference No. used in reporting the loan to BSP-10D under IOS Form 4 for the month of September 2000

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. 261 dated October 12, 2000.

Date:

Senior Vice President

Compliance Officer

Inventory of Outstanding Foreign Currency Import Bills, Trust Receipts and Customer Liabilities Under Acceptances (CLA)

Eligible For CRPP Facility

As of September 30, 2000

(FIELD 574)

Name of Bank's Client	LC No.	Date LC Opened	Export Bill				Trust Receipt				Customer Liabilities Under Acceptances								
			Reference No.	Date Booked	Due Date	Outstanding Balance		Reference No.	Date Granted	Due Date	Outstanding Balance		Reference No.	Date Booked	Due Date	Outstanding Balance			
						Orig. Cy	USD Equiv.				Orig. Cy	USD Equiv.				Orig. Cy	USD Equiv.	Orig. Cy	USD Equiv.
1/																			
TOTAL																			

T / Marked E if client is an eligible exporter

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. 261 dated October 12, 2000.

Date:

Senior Vice President

Compliance Officer

ANNEX 3

(To be submitted daily to
RSP-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 F X 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

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

(JLVG)

[illegible]

Compliance Officer

Date Submitted:

ANNEX 4

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 I of Cir. No. 261 dated Oct. 12, 2000)

Type: _____ Orig. Date Granted _____ Interest Repricing/
Ref. No. _____ Current Maturity Date _____ Resetting Date _____
(PN NO., LC/IB/TR No., etc.)
Loan Purpose/Utilization : _____
Amount of FXCY obligation : _____
Original Currency _____ US Dollar Equiv. _____

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

(Signature over Printed Name)
for and in behalf of

CORPORATION

BANK

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

**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 CONSTRUE 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