



**FREQUENTLY ASKED QUESTIONS (FAQ)**

**BANGKO SENTRAL NG PILIPINAS (BSP) CURRENCY RATE RISK  
PROTECTION PROGRAM (CRPP FACILITY)**

*CIRCULAR NOS. 1014 AND 1015 DATED 24 SEPTEMBER 2018 AND 5 OCTOBER 2018*

**INTRODUCTION**

The CRPP Facility<sup>1</sup> is a non-deliverable USD/PHP forward contract (NDF) between the BSP and a universal/commercial bank (UB/KB) in response to the request of bank clients desiring to hedge their eligible foreign currency obligations.

The guidelines of the CRPP Facility are enhanced by streamlining the documentary and reportorial requirements and the approval processes of the CRPP Facility under Circular Nos. 1014 and 1015 dated 24 September 2018 and 5 October 2018, respectively. Relevant regulatory relief are also provided as added incentives for UB/KB to avail of the Facility aimed towards easing the demand pressures in the foreign exchange spot market.

In order to address relevant concerns of stakeholders in the implementation of the Circulars, the BSP is posting the following FAQs.

**A. OVERVIEW**

**1. *Why do bank clients cannot directly transact with the BSP in availing the CRPP Facility?***

The BSP's Domestic Markets Operations Department (DMOD) shall only transact with the universal/commercial banks. Bank clients who wish to hedge their eligible foreign currency obligations from foreign exchange (FX) volatility through the CRPP Facility may wish to contact their respective banks.

**2. *Why is the CRPP Facility limited to non-deliverable forward contract?***

The use of the non-deliverable forward is suitable given the eligibility requirements of the underlying foreign currency obligations, which should be short-term and trade-related. The non-deliverable feature will provide convenience and efficiency in the settlement of the CRPP contracts as only the net payments shall be paid by either the BSP or the counterparty banks without the need to deliver the whole notional amount of the contract. It should be noted that the net payments shall be settled in Philippine peso.

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<sup>1</sup> The Facility was first introduced after the 1997 Asian Crisis under Circular No. 149 dated 22 December 1997 and the guidelines undergone various amendments with the existing provisions of Circular No. 470 dated 17 January 2005 enhanced recently by Circular Nos. 1014 and 1015.



**3. *Is the CRPP Facility a continuing facility or is it available for limited time coverage only?***

The CRPP Facility is a continuing facility between the BSP and the universal/commercial banks to bank clients desiring to hedge their foreign currency obligations from FX fluctuations. Circular Nos. 1014 and 1015 enhanced the guidelines formerly contained under Circular No. 470 dated 17 January 2005. The BSP is committed to maintain this Facility unless otherwise revoked or suspended by the Monetary Board.

**B. ELIGIBLE FOREIGN CURRENCY OBLIGATIONS**

**4. *What foreign currency obligations are deemed eligible under the CRPP Facility?***

Obligations eligible for the CRPP Facility refer to those unhedged foreign currency obligations amounting to at least USD50,000.00 that are current and outstanding as of date of application. These include the following:

- a. BSP-reported short-term (ST)<sup>2</sup> trade-related loans from banks operating in the Philippines;
- b. BSP-reported medium/long-term (MLT)<sup>3</sup> trade-related Foreign Currency Deposit Unit (FCDU)/Regular Banking Unit (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 BSP under Schedule 10.

Past due foreign currency obligations are not eligible to be hedged under the CRPP.

**5. *What is the coverage of the BSP-reported ST trade-related loans from banks operating in the Philippines?***

BSP-reported ST loans from banks operating in the Philippines cover the following:

- ST foreign currency loans of the public sector from banks operating in the Philippines that are duly reported under Section 23.2(b) of the Manual of Regulations on Foreign Exchange Transactions (the "FX Manual"), as amended; and

<sup>2</sup> ST loans are loans with maturity not exceeding one (1) year.

<sup>3</sup> MLT loans are loans with maturity exceeding one (1) year.



- ST foreign currency loans of the private sector from banks operating in the Philippines that are: (a) not publicly-guaranteed; and (b) reported by the creditor bank to the BSP under Section 24.3(a) of the FX Manual, as amended;

*Provided, that the purpose of the above such loans are trade-related.*

**6. What is the coverage of the BSP-reported MLT trade-related FCDU/RBU loans?**

BSP-reported trade-related MLT FCDU/RBU loans cover MLT foreign currency loans of the private sector from banks operating in the Philippines that are: (a) not publicly-guaranteed; (b) reported by the creditor bank to the BSP under Section 24.3(a) of the FX Manual, as amended; and (c) trade-related.

**7. What is the coverage of the BSP-reported/registered ST trade-related borrowings of oil companies?**

BSP-reported ST trade-related borrowings of oil companies cover ST trade-related loans of the private sector from OBUs and offshore non-bank sources that have been granted under BSP-reported lending programs under Section 24.3(d) of the FX Manual, as amended.

Meanwhile, BSP-registered ST trade-related borrowings of oil companies from offshore banks cover ST loans of the private sector that are registered with the BSP under Section 24 of the FX Manual, as amended.

**C. DOCUMENTARY REQUIREMENTS**

**8. Under the CRPP Facility, what documents should be: (a) submitted by the clients; and (b) retained by the banks?**

- a. Clients shall submit the original duly accomplished application form and present the original supporting documents to the counterparty banks.
- b. Counterparty banks shall keep the original duly accomplished application form and the copies of the supporting documents, and make these documents available for post-verification by the BSP.

**9. Is there a standard BSP template for the required certification by the lending banks/creditors?**

Lending banks/creditors have reasonable flexibility to develop their own certification template provided that the minimum information required under Circular No. 1015 dated 5 October 2018 are included therein.



- 10. For documentation purposes, are the amounts availed by the client under the CRPP Facility included in computing the daily threshold of USD500,000 for individuals and USD1 million for corporate clients under the FX Manual?**

The amounts availed of under the CRPP facility will not be included in computing the daily threshold of USD500,000 (for individuals) and USD1 million (for corporates) that are currently prescribed under the FX Manual, as amended. It is emphasized, however, that the availment by the client of the CRPP facility shall be subject to documentation required under Circular No. 1015, regardless of amounts involved.

#### **D. PROCEDURE**

- 11. What time can banks avail of the CRPP?**

Banks can avail CRPP by calling the BSP's Domestic Market Operations Department (DMOD) through Bloomberg (*Bloomberg Deal Code: CBPH*) or Reuters (*Reuters code: CBPH*) from 1:00 - 2:00 P.M. and 4:00 - 5:00 P.M.

- 12. How can we get prices/quotes for CRPP?**

DMOD will publish quotes for the 1 month, 2 month and 3 month tenors in *Bloomberg's CBPH <go>* page and Reuters' *PHPCRPP=CBPH and BANGKO=* pages. For odd tenors, banks can call DMOD through Bloomberg (*Bloomberg Deal Code: CBPH*) or Reuters (*Reuters code: CBPH*) for quotes.

- 13. What is the maximum tenor of the CRPP contract?**

The maximum tenor of a CRPP contract is 90 days but not to exceed the remaining tenor of the underlying FX obligation. At the expiration of the contract, the qualified applicant has the option to reavail of the CRPP Facility for the remaining eligible unpaid FX obligation (interest or principal amortization). A new application and supporting documents are required for each CRPP reavailment.

- 14. How is the CRPP priced?**

Pricing of the non-deliverable forward (NDF) contract under the CRPP Facility will be based on the formula below:

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

\* Peso interest Rate will be determined by the BSP-DMOD

\*\* US Dollar interest Rate will be based on the relevant LIBOR



**15. What spot rates are we going to use if we transact between 1:00 and 2:00 pm? 4:00 and 5:00 pm?**

For the 1:00 - 2:00 P.M. CRPP window, the DMOD will use the A.M. Bankers Association of the Philippines (BAP) weighted average rate for spot transactions or the weighted average of the last five (5) transactions mapped at the BAP during the morning session (up to 12 noon), whichever is higher, on deal date as the Spot Rate.

If both are not available, the previous banking day's BAP weighted average rate or the weighted average rate of the last five (5) transactions dealt in the afternoon session (up to 4:00 P.M.), whichever is higher, will be used as the Spot Rate.

For the 4:00 - 5:00 P.M. CRPP window, the DMOD will use the BAP weighted average rate for spot transactions (weighted average rate of transactions for the whole day) or the weighted average of the last five (5) transactions mapped at the BAP during the afternoon session (up to 4:00 P.M.), whichever is higher, on deal date as the Spot Rate.

**16. What will happen on the Fixing Date? How can we compute the Peso Net Settlement Amount?**

One banking day prior to the maturity date of the CRPP contract, the Fixing Rate will be agreed upon by the banks and the BSP, using the A.M. BAP weighted average rate. 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, the BSP pays/receives the Peso Net Settlement Amount.

The applicable formula for computing the peso net settlement amount will be as follows:

Peso Net Settlement Amount = (NDF Rate - Fixing Rate) x Notional US Dollar Amount

**17. What time can Banks request for pre-termination?**

The DMOD shall quote the NDF Reversal Rate upon request of the banks on behalf of its clients, between 1:00 – 2:00 PM one banking day before the pre-termination date.

**18. How will the NDF Reversal Rate be computed?**

The 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.

The DMOD will use the AM BAP weighted average rate for spot transactions or the



weighted average of the last five transactions dealt during the morning session, whichever is lower, on the date of request.

**19. How will the settlement amount during pre-termination be computed?**

On the pre-termination date, if the NDF Reversal Rate is higher/lower than the original NDF Rate, the BSP pays/receives the Pre-termination Peso Net Settlement Amount, as calculated using the formula below.

Pre-termination Peso Net Settlement Amount =

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

\* Peso interest Rate will be determined by the BSP-DMOD

**20. How do we communicate with the BSP regarding trade and settlement confirmation?**

For trade confirmation, banks can reach DMOD through Bloomberg and Reuters conversation.

For settlement confirmation and concerns, banks can communicate with our Market Support Services Office. Contact details are listed below:

Group Email Address: [td-ssd@bsp.gov.ph](mailto:td-ssd@bsp.gov.ph)  
Tel No. : (632) 708-7028 and (632) 708-7041  
Fax No.: (632) 708-7032, (632) 708-7034 or (632) 708-7033

*Settlement Services Division III (For confirmation):*

- Abigail N. Dela Paz – Mandap - Settlement Services Officer - [delapazan@bsp.gov.ph](mailto:delapazan@bsp.gov.ph)
- Mary Grace P. Manlutac - Settlement Services Officer - [ManlutacMP@bsp.gov.ph](mailto:ManlutacMP@bsp.gov.ph)
- Ma. Victoria S. Rodriguez - Settlement Services Officer - [RodriguezMS@bsp.gov.ph](mailto:RodriguezMS@bsp.gov.ph)
- Milagros I. Pineda - Settlement Services Officer - [MilagrosPineda@bsp.gov.ph](mailto:MilagrosPineda@bsp.gov.ph)
- Ma. Candelaria J. Cristobal – Manager - [mcristobal@bsp.gov.ph](mailto:mcristobal@bsp.gov.ph)

*Settlement Support Division (For investigation/reconciliation):*

- Pio G. Mico - Settlement Services Officer - [pmico@bsp.gov.ph](mailto:pmico@bsp.gov.ph)
- Aileen D. Manianglung - Acting Settlement Services Officer - [manianglungad@bsp.gov.ph](mailto:manianglungad@bsp.gov.ph)
- Maria Margarita G. Espiritu - Settlement Services Specialist -



[EspirituMG@bsp.gov.ph](mailto:EspirituMG@bsp.gov.ph)

- Nenita M. Cadapan – Manager - [NCadapan@bsp.gov.ph](mailto:NCadapan@bsp.gov.ph)

*Escalation:*

- Grace G. Lazarte - Acting Deputy Director - [GLazarte@bsp.gov.ph](mailto:GLazarte@bsp.gov.ph)

**21. For multiple transaction of a single bank, will debiting/crediting of proceeds be done on a per transaction basis or net of all CRPP transaction during the day?**

All CRPP deals will be settled (credit/debit) on a per transaction basis.

**22. When quoting the CRPP rate provided by the BSP, are banks allowed to take a spread on the rate facing its clients?**

DMOD will provide the forward rate directly when it quotes for the CRPP Facility. The basis of the calculation is indicated in the implementing guidelines for transparency purposes only.

Meanwhile, banks are allowed to charge spreads to clients on top of the price quoted by the DMOD. However, the banks are expected to disclose to their clients the costs/fees involved with the non-deliverable forward and the CRPP Facility. In addition, the banks are required to disclose to the BSP the forward rates charged to clients as indicated in the details of the CRPP availment supporting the prudential report electronically submitted to the BSP.

**23. Can the client company reavail of the CRPP Facility if the supplier or creditor extended the payment of the underlying foreign currency obligation?**

The client company can reavail of the CRPP facility upon the advice of the supplier or creditor of an extension of payment. After the expiration and settlement of the initial CRPP contract, a new application and supporting documents shall be required by the bank for every CRPP reavailment. The copy of the new application form and relevant supporting documents shall be submitted to the BSP.

It must be noted that the underlying FX obligation must not have been covered by a pre-terminated CRPP contract as underlying FX obligations of pre-terminated CRPP contracts shall no longer be eligible for the CRPP facility.

**24. Despite the client submitting the requirements on deal date and the bank certifying the same, why are clients still required to submit on maturity date given this is an NDF and not a deliverable forward contract?**

The documentation on settlement/ maturity date is intended to ascertain the existence and payment of the underlying foreign currency obligation.



**25. Do banks need to submit to the BSP the application form and the notarized certifications on availment and pre-termination (i.e., Annex 3, 3a, 4, and 4a) on a per transaction basis?**

While a copy of each client's application form for CRPP availment is needed to be submitted on a per transaction basis, for practical purposes, the banks are allowed to submit (1) one Certification and Deed of Undertaking on the Availment of the CRPP Transactions with the BSP and (2) one Details of Availments of CRPP Transactions with Clients covering all transactions made during a particular day. The same procedure is allowed in cases of pre-termination of CRPP contracts. Templates of aforesaid reports are shown in Circular No. 1015.

Banks are not required to submit the aforesaid reports if there are no CRPP availment or pre-termination in a given day.

**26. Are banks allowed to issue the Risk Disclosure Statement (RDS) on a per client basis as against per transaction basis?**

The RDS provided in Annex 2 of Circular 1015 is only a sample document and may serve as a guideline for banks in drafting their own RDS to capture other risks that banks may deem relevant or significant in the CRPP transaction.

The RDS contained in Annex 2, however, is applicable only to a CRPP transaction. Issuance of an RDS on a per client basis is not appropriate as the risks are borne out of different product characteristics and not on differing client sophistication.

**27. Why is there a need to submit to the BSP the reports prescribed in Circular 1015?**

The documentation needed to support an application to avail of the Facility has been simplified in line with BSP's efforts to liberalize the foreign exchange market. The enhanced implementing guidelines remove the provisions of Circular No. 470 which requires that all deals done between banks and the DMOD shall be subject to confirmation (approval/disapproval) by the FSS. The streamlining of the facility aims to emphasize the importance of good corporate governance in banks by ensuring that all underlying obligations are eligible and the transaction by the banks with the BSP complies with the existing regulation. The supporting documents need not be submitted to the BSP but shall be made available to the BSP during on-site examination or off-site verification, if necessary. The prudential reports prescribed in Circular No. 1015 will now be submitted to BSP electronically.

Daily reporting requirement on executed and pre-terminated CRPP contracts has also been dispensed with. In lieu of the same, banks shall be required to submit to the BSP notarized certification and deed of undertaking stating that the banks' CRPP



transactions are in compliance with the regulation.

The BSP shall make the necessary announcements if there are revisions in the reporting requirements, whenever necessary.

## E. OTHER CONCERNS

**28. *What will trigger the relevant supervising units of the Financial Supervision Sector to carry out the off-site verification or on-site supervision relative to the bank clients' availment of the CRPP Facility?***

The CRPP Facility is an avenue for bank clients to hedge their eligible foreign currency obligations. The BSP, with simplified reportorial requirements of the CRPP Facility, will strengthen its conduct of off-site monitoring and post-verification procedures. The primary objective is to ensure that underlying foreign currency obligations are eligible as indicated in Subsection 1603.1 of the Manual of Regulations for Banks (MORB). Pre-termination shall also be scrutinized if it is in compliance with Section F, Appendix 122 of the MORB.

The CRPP supporting documents may be requested for off-site verification by the FSS supervising department, whenever warranted, which may involve a sample or the whole population of outstanding, matured or pre-terminated CRPP contracts. Nevertheless, the relevant supervising departments are not prevented from doing spot checking of the transactions.

**29. *In the conduct of bank examination, does the BSP expect the CRPP to have a product code, different from the regular NDF already offered by the banks?***

It is the prerogative of each bank whether to provide a different product code for the CRPP transactions with the BSP in their treasury or accounting systems. There may be instances where a bank will enter into an NDF contract with the BSP but the transaction is not deemed a transaction under the CRPP Facility (e.g., an NDF transaction for the bank's own account). The banks must, however, institute a system that will enable them to tag transactions under the CRPP Facility and segregate these transactions for various purposes, such as for management information, regulatory reportorial requirements (e.g., capital adequacy ratio report), limit monitoring (e.g., NDF limit), on-site examination or off-site examination, among others.

**30. *For non-compliant pre-termination of the CRPP contract by a bank, will the bank's regular demand deposit account with the BSP be credited for the amount received by the BSP from the bank as a result of the CRPP pre-termination?***

No, this shall be treated as a sanction to the bank for the pre-termination of CRPP contract which is not in compliance with the regulations and guidelines of the CRPP



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Facility. The same procedure shall be applied to post-verification of matured contracts where the bank is the net payer.

#### **F. CONTACT INFORMATION**

For queries regarding the eligibility of underlying foreign currency obligation and relevant documentation, you may email the International Operations Department at [iod-ipds@bsp.gov.ph](mailto:iod-ipds@bsp.gov.ph).

For concerns on the electronic submission of certifications and supporting client documentation on the CRPP availment, you may contact the Supervisory Data Center at [crpp@bsp.gov.ph](mailto:crpp@bsp.gov.ph).

For queries on dealing and settlement of the CRPP Facility, you may contact DMOD at the information provided above.

For any other concerns, you may contact the Office of Supervisory Policy and Development at [ospd@bsp.gov.ph](mailto:ospd@bsp.gov.ph).

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