



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1172 Series of 2023

Subject: Amendments to the Currency Rate Risk Protection Program (CRPP) Facility and its Implementing Guidelines

The Monetary Board, in its Resolution No. 448 dated 30 March 2023, approved the following amendments to the implementing guidelines of the Currency Rate Risk Protection Program (CRPP) Facility under Section 629 and Appendix 132 of the Manual of Regulations for Banks (MORB).

Section 1. Section 629 of the MORB is hereby amended, to read, as follows:

629 THE CURRENCY RATE RISK PROTECTION PROGRAM (CRPP) FACILITY

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

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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/transaction 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.

Coverage. Eligible obligations/transactions under the CRPP Facility shall refer to unhedged foreign currency obligations/transactions 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/transactions are not eligible. The maximum tenor of the CRPP contracts is three (3) months.

For this purpose, *unhedged obligations/transactions* shall refer to those without outstanding hedge either through forward contracts, options or matched foreign currency assets.

Partially hedged foreign exchange obligations/transactions shall be evaluated on a case-to-case basis.

The following transactions with payments/settlement/maturity within three (3) months from the date of application are considered eligible foreign exchange obligations/transactions:

- a. Bangko Sentral-approved/registered/reported private sector/public sector/publicly-guaranteed private sector foreign/foreign currency loans/borrowings;

- b. Foreign merchandise trade transactions provided that, the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the Manual of Regulations on Foreign Exchange Transactions (FX Manual);
- c. Non-trade current account and resident to resident foreign exchange (FX) transactions enumerated under Appendix 156, provided, that the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the FX Manual; and
- d. Outward investments provided that, the transactions are duly compliant with relevant provisions, including documentary requirements, stipulated under the FX Manual.

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Supervisory enforcement actions. xxx

In the performance by the Bangko Sentral of the post-verification of the CRPP contracts through on-site examination or off-site verification to ascertain the eligibility of the underlying foreign currency obligation/transaction with the CRPP Facility, the following enforcement actions and procedures shall be employed:

a. Pre-termination Requested by the Bank

- (1) Should the post-verification by Bangko Sentral of pre-termination by the Bank show no proof of actual payment of the foreign exchange (FX) obligation/transaction, or the manner of payment was through the renewal of the loan under a new promissory note or by another form of FX obligation/transaction, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for the amount received by the Bank from Bangko Sentral as a result of the pre-termination of the CRPP contract, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the amount was received from the Bangko Sentral to the date the amount is returned to the Bangko Sentral.

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- (2) Should the post-verification by Bangko Sentral show that the underlying FX obligation/transaction of a CRPP contract pre-terminated by the Bank is ineligible, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for the amount received by the Bank from Bangko Sentral as a result of the pre-termination of the CRPP contract, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the amount was received from the Bangko Sentral to the date the amount is returned to the Bangko Sentral.

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b. Pre-termination Requested by the Bangko Sentral

- (1) The Bangko Sentral shall pre-terminate existing CRPP contracts when the underlying FX obligation/transaction is found ineligible during post-verification by the Bangko Sentral. A monetary penalty of P30,000.00 per calendar day shall be imposed on the Bank from the contract date up to pre-termination date.

(2) The Bangko Sentral shall also pre-terminate CRPP contracts when the underlying FX obligation/transaction is paid before the maturity of the CRPP contract and the client failed to request for pre-termination. A monetary penalty of P30,000.00 per calendar day shall be imposed from the date of payment of the underlying FX obligation/transaction up to pre-termination date.

c. Post-verification of Matured Contracts

Should the post-verification of matured contracts show proof that the supporting FX obligation/transaction is fictitious or ineligible under the CRPP Facility, a monetary penalty of P30,000.00 per calendar day shall be imposed on the Bank for the whole duration of the contract. In addition, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for any gains received by the Bank from the Bangko Sentral, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the contract matured to the date the amount is returned to the Bangko Sentral.

d. Other Sanctions

In addition to the foregoing prescribed penalties, and subject to the confirmation by the Monetary Board, any violation of the provisions of this Section, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the certification required to be submitted to the Bangko Sentral under Sections A.3 and F.4 of Appendix 132, shall constitute grounds for the imposition on the Bank of the following:

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Section 2. Appendix 132 of the MORB is hereby amended, to read, as follows:

**IMPLEMENTING GUIDELINES OF THE CURRENCY RATE RISK
PROTECTION PROGRAM (CRPP) FACILITY
(Appendix to Section 629)**

A. Mechanics on the availment of the CRPP facility

1. Qualified applicants shall file with a UB/KB (the "Bank"): (a) Application for the Bangko Sentral Currency Rate Risk Protection Program (The "CRPP Facility") certifying that the underlying foreign currency obligation/transaction qualifies under the CRPP Facility and that such obligation/transaction is unhedged (Annex 1); and (b) supporting documents in Item "B" hereof.
2. The Bank, after reviewing the application and finding the same in order, shall request the Domestic Market Operations Department (DMOD) under the Financial Markets to quote the CRPP rates at least five minutes after the close of trading of the USD/PHP market. Such quote will be made available for one (1) hour after the close of trading (or up to 5:00 P.M. if trading closes at 4:00 P.M.). Each application shall be dealt with by DMOD separately.
3. The bank shall submit in hardcopy or through electronic means to the appropriate supervising department of the Bangko Sentral not later than 5:00 P.M. of the banking day following the date of availment of the CRPP contract:

- a. xxx
- b. Upon first application of client, Certification and Deed of Undertaking on the Availment of CRPP Transactions with the Bangko Sentral (Annex 2) and Details of Availment of CRPP Transactions with Clients (Annex 2a). Said certification and deed of undertaking shall be jointly signed by the Bank's authorized signatories who shall at least be a senior vice president or officer of equivalent rank and the compliance officer. The Bank shall notify the Bangko Sentral in writing of any change in the Bank's authorized signatory/ies specifying that the commitments under the previously executed Certification and Deed of Undertaking per client shall be assumed by the new authorized signatory/ies.

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B. Documentary requirements

On or before the deal date, the qualified applicant shall submit to the Bank the following documents:

1. For Bangko Sentral-approved/registered/reported private sector/public sector/publicly-guaranteed private sector foreign/foreign currency loans/borrowings:
 - a. Duly accomplished CRPP application form, bearing the Bangko Sentral Registration Document (BSRD) Number and BSP-IOD Debt Account Number (where applicable); and
 - b. Proof of reporting/approval/registration.
2. For: (a) foreign merchandise trade transactions; (b) non-trade current account transactions; (c) resident to resident FX transactions; and (d) outward investments:
 - a. Duly accomplished CRPP application form; and
 - b. Applicable supporting documents/information under the FX Manual.

It is understood that the FX obligations/transactions to be covered by the CRRP Facility shall not exceed the amounts of the underlying FX obligations/transactions.

On or before the settlement/maturity date, the qualified applicant shall likewise submit to the Bank a proof showing the amount to be paid (e.g., billing statement) or payment of the underlying FX obligation/transaction.

C. Tenors

The maximum tenor of the CRPP contracts is three (3) months but not to exceed the remaining tenor of the underlying FX obligation/transaction. At the expiration of the contract, the qualified applicant has the option to re-avail the CRPP Facility for the remaining eligible unpaid FX obligation/transaction (e.g., interest or principal amortization). A new application and supporting documents are required for each CRPP re-availment.

D. Pricing

The DMOD will provide forward rates for tenors up to three (3) months. Pricing of the non-deliverable forward (NDF) contract under the CRPP Facility will be based on this formula:

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

**Peso and US Dollar Interest Rates will be determined by the DMOD*

The CRPP facility will be available for one (1) hour after the close of trading of the USD/PHP market. The DMOD shall provide CRPP quotes to banks at least five minutes after the close of the USD/PHP market. The DMOD will use the relevant Bankers Association of the Philippines (BAP) weighted average rate for spot transactions or the weighted average rate of the last five (5) transactions mapped before the close of trading, whichever is higher, on deal date as the Spot Rate. If the relevant BAP weighted average rate for spot transactions is not available, DMOD will use the weighted average rate of the last five (5) transactions mapped at the BAP.

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F. Pre-Termination of CRPP Contract

1. Pretermination requested by client
 - a. Pre-termination of a CRPP contract shall be allowed if the corresponding FX obligation/transaction will be paid in full or is in default. Pre-termination will also be allowed if a portion of the underlying FX obligation/transaction of the CRPP contract is paid. The manner of prepayment should not be done through renewal of the loan under a new promissory note or by another form of FX obligation/transaction.

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2. xxx
3. Pre-terminated CRPP contracts

Underlying FX obligations/transactions of pre-determined CRPP contracts shall no longer be eligible for the CRPP Facility.

4. Reporting requirements on the pre-termination

The Bank shall submit the Certification on the Pre-termination of CRPP Transaction with the Bangko Sentral (Annex 3) and Details of Pre-terminated CRPP Contracts with Clients (Annex 3a) to the appropriate supervising department of the Bangko Sentral not later than 5:00 P.M. of the banking day following the date of pre-termination of the CRPP contract. Said certification shall be jointly signed by the Bank's authorized signatories who shall at least be a senior vice president or officer of equivalent rank and the compliance officer.

The Bank shall also keep the relevant documentary requirements supporting the pre-termination of CRPP contracts and make these available for inspection upon request by the Bangko Sentral during on-site examination and off-site verification, as warranted.

Section 3. Appendix 7 of the MORB is hereby amended to include the following reportorial requirements of the CRPP Facility:

Category	Form No.	MOR Ref.	Report Title	Frequency	Submission Deadline	Submission Procedure/ e-mail Address
PRIMARY REPORTS						
A. UBs/KBs						
xxx	xxx	xxx	xxx	xxx	xxx	xxx
A-2	Unnumbered	629	Copy of the qualified client's Application for the BSP Currency Rate Risk Protection Program (The "CRPP Facility")	Per Availment	Not later than 5:00 PM the banking day following the date of availment	crpp@bsp.gov.ph
			Certification and Deed of undertaking on the Availment of CRPP Transactions with the Bangko Sentral	Upon first application of client	do	do
			Details of Availments of CRPP Transactions with Clients	Per Availment	do	do
			Certification on the Pretermination of CRPP Transactions with the Bangko Sentral	Per pre-termination	Not later than 5:00 PM the banking day following the date of the pre-termination	do
			Details of Pre-terminated CRPP Contracts with Clients	do	do	do
xxx	xxx	xxx	xxx	xxx	xxx	xxx

Section 4. The amended templates covering reportorial requirements of the CRPP Facility and the appendix covering the list of eligible non-trade current account and resident to resident FX transactions are attached, as follows:

Annex	Report Title
1	Copy of qualified client's Application for the BSP Currency Rate Risk Protection Program (The "CRPP Facility")

Annex	Report Title
2	Certification and Deed of Undertaking on the Availment of CRPP Transactions with the BSP
2a	Details of Availments of CRPP Transactions with Clients
3	Certification on the Pre-termination of CRPP Transactions with the BSP
3a	Details of Pre-terminated CRPP Contracts with Clients
Appendix	Appendix Title
156	List of Eligible Non-trade Current Account and Resident to Resident FX Transactions under the CRPP Facility

Section 5. This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


CHUCHI G. FONACIER
Officer-in-Charge

18 April 2023

APPLICATION FOR THE 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/Transactions:

Type : _____ Orig. Due Date¹ : _____
Purpose/Utilization: _____
Amount of FCY Obligation/Transaction: _____ BSP-IOD Reg. No.: _____
(Original Currency) (US Dollar Equivalent)

Where applicable:

Original Date Granted: _____
Ref. No. (PN NO., LC/IB/TR No., etc.): _____
Interest repricing/Resetting Date: _____
BSP-issued Debt Account Number (DAN): _____
Bangko Sentral Registration Document (BSRD) Number: _____
Amount Approved²/registered³: _____

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)
ID No. _____
Issued on _____
Issued at _____

(Signature over Printed Name)
For and in behalf of _____
(CORPORATION)
ID No. _____
Issued on _____
Issued at _____

BANK

Deal Date:
Spot Rate:

Bank Ref. No.:
Swap Points:

Maturity Date:
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)
For and in behalf of _____
(CORPORATION)
ID No. _____
Issued on _____
Issued at _____

¹ In case of MLT Loans, these should refer to final maturity dates

² For the public sector

³ For the private sector

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 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 operation resources, and other relevant circumstances and whether you have 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 of other governing body. You should also consider the legal, tax, and accounting implications of availing 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 advisor 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 derivatives activity entered into with you. We may have business or other commercial relationships with the BSP.

This brief statement does not support 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 disclose 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

(Name of Bank)

**CERTIFICATION AND DEED OF UNDERTAKING ON THE AVAILMENT OF THE
CRPP TRANSACTIONS WITH THE BSP**

We, (Name of Officer), (at least a Senior Vice-President or Officer of Equivalent Rank), and (Name of Officer), Bank's Compliance officer, in behalf of (Name of Bank), with office address at (Head/Principal Office), after having been duly sworn to in accordance with law, hereby certify that the Bank will evaluate and verify the application(s) of (Name of the Corporation) who will be availing the BSP Currency Rate Risk Protection Program (CRPP Facility) and that the underlying foreign currency obligation/transaction will qualify for inclusion under the CRPP Facility pursuant to Section 629 of the Manual of Regulations for Banks (MORB).

We certify, further, that all relevant documents, including the client's CRPP application form, supporting the Bank's availment of the CRPP Facility set forth under Section 629 and Appendix 132 of the MORB, will be adequately kept on file.

We obligate ourselves to undertake the following:

1. That the availment of CRPP Facility by (Name of Bank Clients), even in the event of pre-termination of said contract, shall at all times comply with the provisions under BSP Circular No. ___;
2. That all relevant documents shall be made available for verification upon request by the BSP during on-site and off-site examination;
3. That the above undertaking shall be strictly complied with and observed at all times by the management of the (Name of Bank); and
4. That non-compliance with these undertakings shall subject the undersigned and the (Name of Bank) to appropriate sanctions as the Monetary Board may impose.

To the best of our knowledge, the foregoing statements are true and correct.

This certification and undertaking executed on _____ is being submitted in compliance with the requirements of above-mentioned regulation.

Signed:

Signed:

Name
Position *(at least a Senior Vice-President
or Officer of Equivalent Rank)*

Name
Compliance Officer

(Name of Bank)

**CERTIFICATION ON THE PRE-TERMINATION OF CRPP TRANSACTIONS
WITH THE BSP**

We, *(Name of Officer)*, *(at least a Senior Vice-President or Officer of Equivalent Rank)*, and *(Name of Officer)*, Bank's Compliance Officer, in behalf of (Name of Bank), with office address at *(Head/Principal Office)*, after having been duly sworn to in accordance with law, hereby certify that the pre-termination of non-deliverable forward (NDF) contract of *(Name of the Bank Client)* under the BSP Currency Rate Risk Protection Program (CRPP) Facility is in compliance with the rules on pre-termination provided under Section 629 and Appendix 132 of the Manual of Regulations for Banks (MORB).

The details of the pre-terminated CRPP contracts with the BSP are shown in the attached schedule.

We certify, further, that all relevant documents supporting the pre-termination of CRPP contracts set forth under Section 629 and Appendix 132 of the MORB, are adequately kept on file and are available for verification upon request by the BSP during on-site and off-site verification.

To the best of our knowledge, the foregoing statements are true and correct.

This certification executed on _____ is being submitted in compliance with the requirements of above-mentioned regulation.

Signed:

Signed:

Name
Position *(at least a Senior Vice-President
or Officer of Equivalent Rank)*

Name
Compliance Officer

**LIST OF ELIGIBLE RESIDENT TO RESIDENT AND NON-TRADE CURRENT ACCOUNT
TRANSACTIONS UNDER THE CRPP FACILITY**
(Appendix 156 to Sec. 629 on Currency Rate Risk Protection Program Facility)

Resident to Resident FX Transactions

1. Obligations/payables to residents
2. Resident investments in instruments (including time deposit with at least 90-day maturity but excluding other bank deposits such as savings and demand) that are issued by other residents
3. Transactions related to trading of foreign currency-denominated investment instruments (e.g., funding of cash collateral accounts, settlement of cash fails)
4. Payables of e-commerce market participants related to resident-to-resident FX transactions

Resident to Non-Resident Non-Trade Current Account Transactions

1. Sales proceeds of foreign nationals' domestic assets
2. Producers' share in multimedia/ movie revenue/TV film rentals
3. Export commissions due to foreign agents
4. Freight charges on exports/ imports
5. Charters and leases of vessels/ aircrafts
6. Leases of equipment and other capital goods owned and/or leased by non-resident entities to residents
7. Port disbursements abroad for aircraft and vessels of Philippine registry or chartered by domestic operators and salvage fees
8. Satellite and other Telecommunications services
9. Underwriting/brokerage services involving Philippine shares
10. Insurance/reinsurance premium due to foreign insurance companies
11. Claims against domestic insurance companies by brokers abroad
12. Net peso revenues of foreign airlines/shipping companies
13. Royalty/copyright/franchise/ patent/trademark/licensing fees (including FX payments for digital products/apps not in CDs/media devices)
14. Net peso revenues of embassies/ consulates of foreign countries
15. Other non-trade current account fees or services provided by non-residents (e.g., advertising, consultancy, research and development, architectural/engineering/other technical services)
16. FX obligations of Philippine credit card companies to international credit card companies/non-resident merchants
17. FX non-trade current account transactions between residents and non-residents involving e-commerce market participants
18. Settlement by Philippine Deposit Insurance Corporation (PDIC) of FCDU deposit claims