

**IMPLEMENTING GUIDELINES OF THE CURRENCY RATE RISK PROTECTION PROGRAM (CRPP)
FACILITY
(Appendix to Sec. 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 under oath that the underlying foreign currency obligation qualifies under the CRPP Facility and that such obligation is unhedged; 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 Market Operations Sub-Sector to quote the CRPP rates between 1:00-2:00 P.M. and 4:00-5:00 P.M. Each application shall be dealt with by Bangko Sentral-DMOD separately.
3. The Bank shall submit 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. Copy of qualified client's Application for the CRPP Facility required in Item "A.1"; and
 - b. Certification and Deed of Undertaking on the Availment of CRPP Transactions with the Bangko Sentral and Details of Availment of CRPP Transactions with Clients. Said certification and deed of undertaking shall be jointly signed under oath by the Bank's authorized signatories who shall at least be a senior vice president or officer of equivalent rank and the compliance officer.
4. The Bank shall keep the original duly accomplished application form and supporting documents, and make these available for inspection upon request by the Bangko Sentral during on-site examination and off-site verification, as may be warranted.
5. It is understood that prior to the application by the qualified client, the Bank has conducted the necessary client suitability assessment procedures and has explained to the client the information, risks and costs associated with the NDF product and the CRPP facility.

B. Documentary requirements

On or before the deal date, the qualified applicant shall submit to the Bank the duly notarized accomplished application for the Bangko Sentral CRPP Facility, together with the following

documents:

1. Bangko Sentral-reported short-term (ST) trade-related loans from banks operating in the Philippines [FCDU/EFCDU and RBU], and medium/long-term trade-related FCDU/RBU loans with payments maturing within ninety (90) days as of date of application:
 - a. Promissory note certified as true copy by the Head of the lending bank's Loans Department or equivalent unit; and
 - b. Certification from the lending bank that the loan is trade-related; and indicating the following: (i) date when the loan was reported to the Bangko Sentral-International Operations Department (Bangko Sentral-IOD) under the prescribed form; (ii) total amount outstanding as of date of application; and (iii) amounts payable within ninety (90) days (with due date/s) as of date of application.
2. Bangko Sentral-reported ST trade-related borrowings of oil companies from offshore banking units (OBUs) and offshore sources:
 - a. Proof of reporting to the Bangko Sentral; and
 - b. Certification from the creditor that the loan is trade-related; and indicating the following: (i) date when the loan was reported to the Bangko Sentral-IOD under the prescribed form; (ii) total amount outstanding as of date of application; and (iii) amounts payable within ninety (90) days (with due date/s) as of date of application.
3. Bangko Sentral-registered ST trade-related borrowings of oil companies from offshore banks:
 - a. Bangko Sentral registration letter and accompanying Schedule; and
 - b. Certification from the creditor that the loan is trade-related; and indicating the following: (i) total amount outstanding as of date of application; and (ii) amounts payable within 90 days (with due date/s) as of date of application.
4. US dollar trust receipts (US\$ TRs):
 - a. Shipping document/s [e.g., Bill of lading (BL)] and commercial invoice;
 - b. US\$ TR draft;
 - c. Trust receipt agreement; and
 - d. Letter of credit, as applicable.

5. Foreign currency import bills/customers' liabilities under acceptances;
 - a. Shipping document/s (e.g., BL) and commercial invoice;
 - b. Bill of exchange [import bill or customer's acceptance]; and
 - c. Letter of credit, as applicable.

6. Bangko Sentral-reported Documents Against Acceptance (DA)/Open Account (OA) import obligations:
 - a. Certification from the reporting bank indicating the following: (i) date when the import obligation is reported to the Bangko Sentral under Schedule 10 of FX Form 1; (ii) unpaid balance as of date of application; and (iii) Bank Reference Number for DA; and
 - b. Shipping document/s (e.g., BL) and commercial invoice.

It is understood that the FX obligations to be covered by the CRRP Facility shall not exceed the amounts that are duly reported and/or registered with the Bangko Sentral.

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.

C. Tenors

The maximum tenor of the CRPP contracts is ninety (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 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 reavilment.

D. Pricing

The DMOD will provide forward rates for tenors up to 90 days. 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 Interest Rate will be determined by the BSP-DMOD

***US Dollar Interest Rate will be based on the relevant LIBOR*

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 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.

E. Fixing date

One (1) banking day prior to the maturity date of the CRPP contract, the Fixing Rate will be agreed upon by the Bank and the Bangko Sentral, 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, Bangko Sentral pays/receives the Peso Net Settlement Amount.

The Peso Net Settlement Amount will then be paid on the maturity date of the CRPP contract by crediting or debiting the regular demand deposit account of the Bank with the Bangko Sentral.

The applicable formula for computing the Peso Net Settlement Amount will be as follows:

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

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 will be paid in full or is in default. Pre-termination will also be allowed if a portion of the underlying FX obligation 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
- b. In requesting for the pre-termination of the CRPP contract, the client shall submit to its Bank a document evidencing the creditor's conforme to the proposed prepayment. The proof of payment shall be submitted on prepayment date

- c. The DMOD shall quote the NDF Reversal Rate upon request of the Banks on behalf of its clients, between 1:00-2:00 P.M. one (1) banking day before the pre-termination date.

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 A.M. BAP weighted average rate for spot transactions or the weighted average of the last five (5) transactions dealt during the morning session, whichever is lower, on the date of request, adjusted for the prevailing bid-offer spread, as the New Spot Rate. If both are not available, the New Spot Rate shall be the previous banking day's BAP weighted average rate or the average of the last five (5) transactions dealt in the afternoon session, whichever is lower.

- d. On the pre-termination date, if the NDF Reversal Rate is higher/lower than the original NDF Rate, the Bangko Sentral pays/receives the Pre-termination Peso Net Settlement Amount, as calculated using the formula below. The Pre-termination Peso Net Settlement Amount shall be paid by crediting or debiting the regular demand deposit account of the Bank with the Bangko Sentral.

Pre-termination Peso Net Settlement Amount =

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

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

2. Pre-termination by the Bangko Sentral

For CRPP contracts pre-terminated by Bangko Sentral, settlement on the pre-termination date of the Pre-termination Peso Net Settlement Amount will be as follows:

- a. If the NDF Reversal Rate is lower than the original NDF Rate, the Bank will pay the Pre-termination Peso Net Settlement Amount; and
- b. If the NDF Reversal Rate is higher than the original NDF Rate, the Bangko Sentral shall not pay the Pre-termination Peso Net Settlement Amount.

3. Pre-terminated CRPP contracts

Underlying FX obligations 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 and Details of Pre-terminated CRPP Contracts with Clients 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 under oath 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.

(Circular No. 1015 dated 5 October 2018)