

[BSP CIRCULAR NO. 445, August 20, 2004]

**TO APPROVE THE FOLLOWING GUIDELINES FOR THE
RECOGNITION OF POSITIONS ARISING FROM BANKS' FOREIGN
CURRENCY (FX) OPTIONS IN THE COMPUTATION OF THE NET
OPEN FOREIGN EXCHANGE (FX) POSITION**

The Monetary Board, in its Resolution No. 1126 dated 12 August 2004, approved the following guidelines for the recognition of positions arising from banks' foreign currency (FX) options in the computation of the net open foreign exchange (FX) position:

1. Scope

For purposes of complying with Circular No. 1327 dated 30 January 1992, as amended, universal and commercial banks with expanded derivatives authority shall include the net delta weighted positions of foreign currency options in their computation of the net FX position. Universal and commercial banks without expanded derivatives authority shall include the notional amounts of purchased options that are in or at the money and exclude those that are out of the money in their computation of the net FX position.

2. Reporting

The USD equivalent of the positions arising from foreign currency options shall be reported as a manual adjustment to the net FX position amount reported in the bank's Consolidated Foreign Exchange Position Report (CFXPR). For banks with expanded derivatives authority, the USD equivalent of the foreign currency options position is equal to the sum of long delta-weighted positions minus the sum of short delta weighted positions arising from FX options contracts. The breakdown of the options positions by currency and a listing of outstanding contracts shall be annexed to the CFXPR. The amended format of the CFXPR, the detailed schedule for options positions, and the listing of outstanding contracts for banks with and without expanded derivatives authority (Annex C of the CFXPR) are attached as Annexes "A", "B" and "B.1", "C" and "C.1". The new reports shall be submitted commencing 01 October 2004.

This Circular shall take effect fifteen (15) days following its publication either in the