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AMENDMENT APPENDIX 46 (GUIDELINES TO INCORPORATE MARKET RISK-BASED CAPITAL ADEQUACY FRAMEWORK) OF THE MANUAL OF REGULATION FOR BANKS (MORB)

SUBJECT : AMENDMENT APPENDIX 46 (GUIDELINES TO INCORPORATE MARKET RISK-BASED CAPITAL ADEQUACY FRAMEWORK) OF THE MANUAL OF REGULATION FOR BANKS (MORB)

Pursuant to Monetary Board Resolution No. 1602 dated 21 October 2011, the pertinent provision of Appendix 26 (Guidelines to Incorporate Market Risk in the Risk-Based Capital Adequacy Framework) of the MORB, is hereby amended to read, as follows:

Calculation of the capital adequacy ratio (CAR)

7. The adjusted capital adequacy ratio covering combined credit risk and market risk shall be calculated using the qualifying capital expressed as a percentage of the total risk-weighted assets (including credit risk and market risk-weighted assets). The components of this calculation are as follows:

   - Market risk-weighted assets are the sum of the capital charges for all market risk categories calculated using either the standardized approach or the internal models approach [multiplied by 125% for those calculated using the standardized methodology to be consistent with the higher capital charge for credit risk, i.e., ten percent (10%) as opposed to BIS recommended eight percent (8%)] multiplied by 10. (The multiplier 10 is the reciprocal of the BSP required minimum capital adequacy ratio for credit risk of ten percent (10%). The effect is to convert the sum of the market risk of ten percent (10%). The effect is to convert the sum of the market risk capital charges into a risk-weighted assets equivalent which can then be directly added to the total credit risk-weighted assets.).

     In calculating the capital charge for Foreign Exchange exposures, the net open position for Non-Deliverable Forwards (NDFs) shall be multiplied by 187.5 in lieu of the 125% factor referred to above.

This circular takes effect on 1 January 2012.

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Governor