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

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Adopted: 16 November 2011
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Pursuant to Monetary Board Resolution No. 1602 dated 21 October 2011, the perti- nent provision of Appendix 46 (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% of 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 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.

(SGD.) AMANDO M. TETANGCO, JR.
Governor

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