

ALLOWABLE OPEN FOREIGN EXCHANGE (FX) POSITION

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Pursuant to Monetary Board Resolution No. 1324 dated December 4, 1991, authorizing the setting up of limits on commercial banks, allowable Open Foreign Exchange (FX) Position, the following rules are hereby promulgated:

1. Definition of Open FX Position — Open FX Position shall refer to the extent that the banks' foreign exchange assets do not match their foreign exchange liabilities. An open position may either be "positive", "long", or "overbought" (i.e. FX assets exceed FX liabilities) or "negative", "short", or "oversold" (i.e. FX liabilities exceed FX assets).

2. Allowable Open FX Position — Banks' long FX position shall not go beyond 25 percent of their unimpaired capital. Neither shall their short FX position exceed 15 percent of said capital.

Any excess beyond the allowable limits shall be settled on a daily basis.

3. Daily Computation of FX Position — Banks' open FX position shall be computed daily based on their IOS Form 1 Report (Revised , 1991).

4. Multi-Currency Reporting — Banks shall submit their IOS Form 1 Report (Revised 1991) daily in the original currencies as well as in the US dollar equivalence of these currencies.

Misrepresentation or submission of false reports shall be subject to the sanctions provided in Section 34 (A) of R.A. No. 265, as amended.

5. Repealing Clause — Upon effectivity of this Circular the provisions of Circular Nos. 1272, 1274, 1275 and 1283 and their implementing guidelines shall be considered revoked.

6. Effectivity — This Circular shall take effect on April 2, 1992.

Adopted: 30 Jan. 1992

(SGD.) JOSE L. CUISIA, JR.
Governor

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