AMENDMENTS TO THE REGULATIONS GOVERNING THE DERIVATIVES ACTIVITIES OF THRIFT BANKS

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Adopted: 22 December 2014
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The Monetary Board, in its Resolution No. 1875 dated 20 November 2014, approved the following amendment to the regulations governing the derivatives activities of banks, in particular, Section X611 of the Manual of Regulations for Banks:

> "§ X611.2 (2008-X602.2) Activities requiring additional derivatives authority. X X X
>
> "a. Classification of additional derivatives authority
>
> "(1) Type 1 - Expanded dealer authority
>
> "X X X
>
> "(2) Type 2 - Limited dealer authority
>
> "A UB or KB may apply for a Type 2 authority. A bank with Type 2 authority may operate as a dealer in specific types of derivatives products with specific underlying reference, as applied for by the bank, outside those financial derivatives instruments under Subsec. X611.1(a)(1): Provided, That a bank with Type 2 authority shall comply with the sales and marketing guidelines prescribed in Appendix 26. The Type 2 authority also carries the authority to transact as broker and end- user of the said specific derivatives instruments.
>
> "A TB with an existing authority to issue foreign letters of credit and pay/accept/negotiate import/export drafts/ bills of exchange under Subsec. 2101.1 may apply for a Type 2 authority to operate as a dealer of deliverable FX forwards in order to service the trade-related hedging requirements of its clients: Provided, That the tenor of the FX forwards dealt shall match the term of the underlying trade transaction: Provided, further, That the applicant bank shall be covered by all regulations prescribing capital for market risk, notwithstanding any provision to the contrary; Provided, furthermore, That the TB shall comply with the sales and marketing guidelines prescribed in Appendix 26. The Type 2 authority also carries the authority to transact as a broker and an end- user of deliverable FX forwards.
>
> "(3) Type 3 - Limited User Authority
>
> "X X X"

This Circular shall take effect 15 calendar days after its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

(SGD) AMANDO M. TETANGCO, JR.
Governor

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