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TO CHIEF EXECUTIVES OF COMMERCIAL BANKS, NON-BANK FINANCIAL INSTITUTIONS AND MORTGAGE FINANCE COMPANIES

Further to the Central Bank's communication of 13th October 2011 on "Further Guidelines to the Foreign Exchange Market", this is to advise all commercial banks on the amendments made to Prudential Guideline CBK/PG/06 on Foreign Exchange Exposure Limits pursuant to the communication of 13th October 2011.

The following clauses of CBK/PG/06 have been amended as follows:

1. Clause 2.1: Limit on 'overall' foreign exchange risk exposure

The figure "20%" appearing in the clause has been amended to read "10%".

The clause 2.1 now reads:

"The overall foreign exchange risk exposure as measured using spot mid-rates and shorthand method shall not exceed 10% of the institution's core capital".

2. Clause 2.2: Limit on "Single" currency foreign exchange risk exposure

The figure "20%" appearing in the clause has been amended to read "10%".

The clause now reads:

"The foreign exchange risk exposure in any single currency, irrespective of short or long position, will be determined by the individual institution provided it remains within the overall exposure limit of 10% of its core capital".

3. **Completion Instructions: Foreign Exchange Exposure Form CBK/PR6**

Clause 9.4: Allowable Exposure

The figure "20%" appearing in the clause has been amended to read "10%".

The clause now reads:

"The allowable limit is 10% of core capital of the institution. The limit is on the overall foreign exchange risk exposure for all currencies combined. Any changes in the percentage will be communicated by the Central Bank".

The Central Bank therefore advises all institutions to ensure full compliance with the new requirements.



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Cc: Chief Executive Officer
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