

S.I. 16 of 2009

FINANCIAL INSTITUTIONS ACT, 2004

(Act 14 of 2004)

**Financial Institutions (Foreign Currency Exposure)
Regulations, 2009**

Arrangement of Regulations

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FINANCIAL INSTITUTIONS ACT, 2004

**Financial Institutions (Foreign Currency Exposure)
Regulations, 2009**

In exercise of the powers conferred by sections 27 and 32 of the Financial Institutions Act, 2004, the Central Bank hereby makes the following Regulations —

1. These Regulations may be cited as the Financial Institutions (Foreign Currency Exposure) Regulations, 2009.

Citation

2. In these Regulations —

Interpretation

“capital” means total assets less total liabilities, that is, what remains of a bank's value after all prior claims against its assets have been met;

“form FCER1” means the form in Schedule 1;

“form FCER2” means the form in Schedule 2;

“main currencies” means the Pound Sterling, United States Dollar and Euro;

“mid rate”

(a) in relation to the three main currencies, means the weighted average rate of all buying and selling transactions of the previous day as quoted by the Central Bank for the banking industry; and

(b) in relation to currencies other than the three main currencies, means the international cross rates.

“net long position” means the extent to which foreign currency assets exceed foreign currency liabilities, indicating an overbought position;

“net short position” means the extent to which foreign currency liabilities exceed foreign currency assets, indicating an oversold position;

“overall foreign currency risk exposure” means the domestic currency equivalent of the gross aggregate of a bank's net long and net short positions in individual foreign currencies computed using the shorthand method;

“shorthand method” means the process of measuring the overall foreign currency risk exposure by taking the higher of the total net short position or the total net long position as the overall open position;

“single currency exposure” means foreign currency denominated assets and liabilities and net off-balance sheet items, as specified in the form FCER1 and in the manner set out in regulation 6(2);

“total net long position” means the sum of all the net long positions;

“total net short position” means the sum of all the net short positions.

Application

3. These regulations apply to banks licensed by the Central Bank to engage in domestic banking business, under section 6 of the Act.

Calculation of
foreign currency
risk exposure

4. The overall foreign currency risk exposure shall be calculated using the shorthand method.

Foreign currency
exposure limit

- 5.(1) The total net long position to capital ratio shall not exceed 100%.
- (2) The total net short position to capital ratio shall not exceed 20%.

Reporting
requirements

- 6.(1) A bank shall submit—

- (a) the form FCER1 specifying –
 - (i) single currency exposures;
 - (ii) the exchange rate being the mid rate; and
 - (iii) the capital,
- of that bank;
- (b) a breakdown of items 1.5, 3.4 and 5.0 as laid out in the form FCER2; and
- (c) a disclosure on whether or not the bank bears the foreign exchange risk for the items listed on the form FCER1, in the column headed Remarks in the form FCER2,

electronically, to the Financial Services Supervision Division of the Central Bank before noon on the business day following the day to which the forms relate.

(2)(a) Subject to paragraph (b), the assets, liabilities and off-balance sheet items of which the single currency exposure comprises shall be specified individually in the form FCER1.

(b) Notwithstanding paragraph (a), where a single currency exposure signifies less than the equivalent of 1 million of the domestic currency, the exposure may be converted to the local currency and aggregated under the column headed Others in the form FCER1.

SCHEDULE 1

(regulation 6(2) (a))

REPORTS ON FOREIGN CURRENCY EXPOSURE

Central Bank of Seychelles

Daily Report on Foreign Currency Exposure

At close of business on :

FCER 1

('000)

Name of Bank:

[illegible]

SCHEDULE 2
(regulation 6 (2) (b))
Central Bank of Seychelles
Daily Report on Foreign Currency Exposure
Breakdown of FCER 1 Items

FCER 2

('000)

	SINGLE CURRENCY EXPOSURES											Remarks	
	USD	GBP	EURO	CHF	MUR	SGD	INR	ZAR	JPY	AUD	CAD		Others (Rupees)
1.5 Other foreign assets (please specify)													
3.4 Other foreign liabilities (please specify)													
5.0 OFF-BALANCE SHEET ITEMS (please specify)													

Please specify whether or not the bank bears the foreign exchange risk in the remarks column

MADE this 26th day of January, 2009.

P. LAPORTE
GOVERNOR
