



June 20, 2019

Circular no. C-06-2590

Attn:

Banking corporations and credit card companies

Re: Capital Adequacy and Measurement—Market Risk
(Proper Conduct of Banking Business Directive no. 208)

Introduction

1. Within the framework of increased supervisory efficiency, and to reduce the authorizations required of banking corporations as part of implementing the Banking Supervision Department's directives, it was decided to change the work process related to recognition of a structural position for the measurement of capital adequacy.
2. After consultation with the Advisory Committee on Banking Business Affairs, and with the consent of the Governor, I have amended this Directive.

The Amendment to the Directive

3. Handling a structural position (Section 718(xxxviii))

The requirement to receive advance authorization in writing from the Supervisor of Banks in this regard shall be deleted. A banking corporation will be permitted to exclude from the calculation of net open currency positions any positions that the bank has deliberately taken in order to hedge partially or totally against the adverse effect of exchange rates on its capital ratio (hereinafter, a "structural" position), subject to all of the conditions in this Section being met. Among these conditions are that the banking corporation shall be required to report in advance to the Banking Supervision Department of its intention to recognize a structural position, to certify that it complies with the terms of the directive in this regard and that the handling is agreed to by the bank's external auditors and to carry out control on the compliance with the terms after initially recognizing the structural position.

Explanation

The responsibility to comply with the terms of Proper Conduct of Banking Business Directive no. 208 regarding a structural position is shifted to the banking corporations.

It is clarified that if an examination by the Banking Supervision Department establishes that the banking corporation did not comply with the terms of recognizing a structural position, the banking corporation shall be required to add the position to the net open currency position calculation immediately.

Effective date

4. The changes to this Directive shall go into effect on the date this circular is published.

Update of file

5. Update pages for the Proper Conduct of Banking Business Directive file are attached. Following are the provisions of the update:

Remove page

(5/13) [3] 208-1-36

Insert page

(6/19) [4] 208-1-37

Respectfully,

Dr. Hedva Ber
Supervisor of Banks