BCCI (Overseas) Ltd.

OUTLINE
FOREIGN EXCHANGE MANUAL

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Introduction to the Foreign Exchange Manual
Issued By International Division

Manual for Dealing Rooms and Settlement Departments.

A Foreign Exchange Manual was issued in 1981 for the use of UK Region based on the Single Currency (Multi-Currency) accounting system which has been followed in the UK Region for quite some time. The need was felt to have a Foreign Exchange Manual which will be more suitable for Dealing Rooms and Branches in Regions which do not follow the Single Currency accounting system. This Manual is the result of a study to unify the instructions given in various circulars issued by C.S.O. and Accounting Manuals and it consists of two sections viz:-

- Foreign Exchange Operations
- Exchange Profits

For the sake of clarity the Manual has been based on the "Dual Currency" accounting system (already used by BCC offices outside the U.K.) and that too for accounting procedures which rely partly or entirely on manual accounting systems. The purpose of using the manual accounting procedures in this Manual is to provide a clear insight into the accounting aspects of Dealing Room and settlement procedures which would not be evident in the case of a fully automated computer accounting system where the officers and staff do not have the opportunity to understand the various aspects of the procedures.

In using this Manual, attention will be required to be paid to the special procedures already integrated in the computer accounting packages provided to each branch by the Central Management Services Division. Branches will, therefore, in consultation with their respective Regional Offices, apply the procedures given in this Manual with suitable modifications, so as not to create any imbalance by reason of the procedures already integrated in the computer procedures installed being, in some respects, different from those in this Manual.

In paragraph numeral 1. of Section I - "POLICY AND GENERAL GUIDELINES" references have been made to "Currency Position Accounts" and "Currency Disbursement Accounts" which may not be familiar to those who are not conversant with the accounting procedures followed in the UK Region, based on the Single Currency (Multi-Currency) accounting system. The purpose of these intermediate Currency Position and Disbursement Accounts is to provide a system of checks and counter checks on Exchange Exposures created and on passing vouchers for FX Deals made by the Dealing Room on behalf of other Departments or Branches. The introduction of such Currency Disbursement and Currency Position Accounts in the Dual Currency accounting system is recommended to Regional Offices for implementation at those Branches where there is a risk of errors and delays in position keeping and in settling the Exchange Deals to the Debit or Credit of Customers. The "Currency Position Account" will be for each currency traded in and will disclose at the end of the day the nett exposures in each such currency and can be used for counter checking the currency position figures compiled manually. The "Currency Disbursement Accounts" will also be in each currency traded in and it will provide a check for identifying those Exchange Deals for which the Department concerned has not passed vouchers to the Debit or Credit of the Customer/Branch/Correspondent, on the value dates.

CONTROL PROCEDURES

For purposes of giving better effect to the general Policy Guildelines established by the Board for Foreign Exchange Dealings the control procedures will be as follows:

A. Dealing Rooms will operate strictly within the FX Dealing Limits consisting of an aggregate overnight exchange exposure limit subdivided into currency-wise sub-limits. Additionally, the Dealing Room will have a daylight (Intra-day) exposure limit.

B. The Dealing Room FX Limits will be approved by Exchange Cell, International Division within the global limits approved by the Board for the entire Group. Dealing Rooms not yet provided with FX limits should apply through their Regional General Manager (or the Chief Executive in the case of BCC Affiliates/Subsidiaries) to Exchange Cell, International Division giving their requirements for aggregate overnight FX limit, currency-wise sub-limits and daylight (intra-day) exposures limits.

   There is no provision in the Group's policy to allow any Dealing Room to hold uncovered positions overnight in any currency, including their home/local currency, in excess of the aggregate overnight FX limit and currency-wise sub-limits. By the end of each working day the Dealing Room will cover their positions so as to fall within the overnight aggregate FX limit and currency-wise sub-limits. Daily statements of such overnight positions will be submitted by the Dealing Room to the Branch Manager and to the Regional General Manager. In the case of the larger Dealing Rooms copies of the daily reports are also required to be sent, on a daily basis, to the Exchange Cell, International Division. The Dealing Room will immediately account for, and will be fully responsible to the Regional General Manager, for any excess over the FX limits. The Daily Reporting forms will be finalised by the Dealing Rooms in consultation with their Regional Office/Head Office and Exchange Cell, International Division.

C. The Regional Office will monitor the activities of each Dealing Room to ensure that no excess over limit FX overnight positions are carried by the Dealing Room. Any excess over limit must be immediately investigated and the Regional General Manager informed, for purposes of taking remedial action. Exchange Cell, International Division should be advised of the position and of remedial action being taken.

D. The daylight (Intra-day) limit for each Dealing Room will be strictly controlled by the Chief Dealer to ensure that individual Dealers do not carry unauthorised positions in excess of the daylight limit which would result in pressure at the end of the day on the overnight limits besides imposing an excessive risk of exchange fluctuations.

E. The Chief Dealer at each Dealing Room will be in constant touch with the Chief Dealers in our other principal Dealing Rooms and with Exchange Cell, International Division for purposes of co-ordinating Dealing Room activities and to avoid any dealing transactions which will be in conflict with the Group's policies or in contradiction with the dealing activities of other Dealing Rooms.

F. The Chief Dealer will, in consultation with the Regional General Manager, apply to Exchange Cell, International Division for any special limits and authorisations related to local conditions and local regulations, as well as for special commercial transactions.

G. The Regional Office will monitor, on a daily basis, the activities of the Dealing Rooms in the Region. Additionally, the Regional Office will collect and consolidate, on a weekly basis, as on every Wednesday, the exchange exposures of all authorised Branches/Dealing Rooms in their Region to arrive at the aggregate exchange exposures for the Region with the following analysis:-

1. Branches grouped separately according to monetary areas they operate in, for example,

   - Branches/Dealing Rooms in the UAE (currency unit UAE Dirhams)

   - Branches/Dealing Rooms in Oman (currency unit Omani Riyals)

2. Where a Region includes more than one monetary area and where the Regional Office controls Branches of both BCCI S.A., BCCI (Overseas) and/or one or more BCC subsidiary/affiliate, the Regional Office will make separate consolidations showing the exposures monetary area wise, showing further break-up of figures separately for BCCI S.A., BCCI (Overseas) and for each individual subsidiary/affiliate. The Regional Office will telex consolidated figures of the FX exposure in their Region, as of each Wednesday, to reach Exchange Cell, International Division, by the following Friday in a format to be agreed between each of the Regional Offices and Exchange Cell, International Division. The telex will show a clear picture of exposures in each monetary area with further break-up of exposures of BCCI S.A., BCCI (Overseas) and each subsidiary/affiliate as described earlier.

3. Where for reasons of administrative convenience a Branch/Dealing Room is instructed by their Regional General Manager to telex their Wednesday telex statements direct to Exchange Cell, International Division, a copy of such telexes should be obtained by the Regional Office and checked for compliance with the FX limits and the policy guidelines established by the Regional General Manager and Exchange Cell, International Division.

H. The Regional Office control procedure for administration of currency-wise sub-limits, overnight exposure limits for their Region:-

a. Regional Office will obtain from International Division and allocated to each Dealing Room in their Region appropriate FX limits consisting of aggregate overnight currency limits, currency-wise sub-limits and intra-day maximum exposure limits. A currency-wise sub-limit will also be fixed for the home currency (or US$ if used as the accounting unit). Since the overbought position in one or more currencies will be the result of oversold position in one or more other currencies, the total of the overbought positions should be equal to the total of the oversold positions. No exposure may be held in excess of the sub-limit for the home currency as in any other currency for which no sub-limit has been approved. This is meant to ensure that there will be no lop-sided exposures in excess of authorised limits.

b. Regional Office will also establish a sub-limit for the home currency. The purpose of this sub-limit is to restrict FX exposures which will result in substantial oversold or overbought positions in the home currency as a result of lop-sided exposures in other currencies.

c. The Regional Office will ensure that the Dealing Room does not take positions in currencies which are not approved and for which no currency-wise sub-limit has been given. The Chief Dealer should take special prior permission from Regional Office and Exchange Cell, International Division for holding overnight positions in currencies which are not approved but transactions in which become necessary for meeting commercial requirements.

d. The home currency units are:-

   i. UAE Dirhams for Branches and Affiliates in the UAE

   ii. Omani Riyal for Branches in Oman

   iii. US$ for Branches in Luxembourg and Grand Cayman and those Branches which are authorised by the CSO to use the US$ as their accounting unit.

   iv. Local Currency for all other Branches and affiliates depending on the monetary area where they operate.

e. Regional Office will in consultation with the Branch Manager and Chief Dealer give each individual Dealer separate sub-limits out of the FX limits given to the Dealing Room. It will be the responsibility of the Chief Dealer to monitor the transactions of the individual Dealers to ensure that each Dealer operates within the sub-limits given to him, and that the overall intra-day and overnight limits are not exceeded.

I. Dealing Rooms will not maintain unmatched or mismatched forward positions which would result in Foreign Exchange and/or Interest Rate exposures.

J. While computing FX Exposures, Overbought (Long) Overnight Positions in one or more approved currency (or approved currencies) will be the result of Oversold (Short) position in another approved currency (or other approved currencies), always provided that the Overbought/Oversold position in each approved currency will be within the sub-limit given for that currency. Since the home/local currency, (or the approved accounting unit), will also have an approved sub-limit of maximum US$ 50,000 the Dealing Room will not be able to take positions at the cost of their Home/Local Currency. It is not permisable for the Dealing Room to take positions in any currency or currencies for which approval has not been obtained and suitable sub-limits not allocated.

The Dealing Rooms will maintain the minimum FX Positions required for conducting essential Foreign Currency operations and for maintaining working balances.

A Dealing Room which is specially entrusted with any management positions (apart and distinct from the normal Dealing Positions) by the C.S.O. and/or by the Regional Office in consultation with Exchange Cell, International Division, should maintain, account for and report such management positions which would be distinct and separate from the normal Dealing Positions.

There will be no set off of management positions against the normal Dealing Room positions at any stage.

The Chief Dealer will be responsible to ensure that no un-matched or mis-matched forward positions are taken by the Dealing Room. The Chief Dealer should immediately report any variation from these instructions to Regional Office and Exchange Cell, International Division immediately when such un-matched and mis-matched positions are noticed.

POLICY

The Global Foreign Policy of the Group is decided and laid down by the Board of Directors. According to the Group Policy an overall Global Exposure limit for the Group is approved by the Board. Allocation and administration of the Global limit is entrusted to Exchange Cell, International Division. The primary requirements of the Group Policy on Foreign Exchange operations are as follows:-

A. Currency positions may only be held to facilitate handling of normal commercial and financial transactions, which will include minimum working balances in nostro accounts in foreign currencies.

B. All Foreign Exchange exposure limits and also currency-wise sub-limits are expressed in terms of US$. Exposures are permitted on spot deals only. The Board reviews from time to time the Foreign Exchange activities of the BCC Group and issues directives to be implemented through Exchange Cell, International Division.

C. Only spot positions may be held. No mis-matched and/or un-matched forward positions are allowed to be held. It follows, therefore, that while forward deals may be undertaken for customers such deals are immediately covered by matching deals in the market, with no gaps in amounts and periods.

D. Dealing Rooms are not authorised to enter into Foreign Exchange open positions on their own account.

E. Foreign Exchange operations should be so organised that there will be a clear and distinct separation of the Dealing Room and Settlement Department. The Chief Dealer will not, therefore, be in overall charge of both the Dealing Room and the Settlements Department. The Chief Dealer and the Officer in Charge of the Settlements Department will be separately and individually responsible directly to the Branch Manager and the Regional General Manager.

F. The Exchange Cell, International Division, will allocate to each Region Foreign Exchange exposure limits out of the Global limit approved by the Board. All existing Dealing Roms as well as Branches who operate limited FX Operations without a full fledged Dealing Room will be required to obtain through the Regional General Manager suitable FX limits in the shape of aggregate overnight FX limits, currency-wise sub-limits and an Intra-day (daylight) limit. All such Dealing Rooms and Branches will comply with the Policy Guidelines and control procedures in this Manual, under the guidance and control of the Regional General Manager.

G. Any new Dealing Room to be set up as wll as any Branch having no Dealing Room but which is for the first time authorised by their Regional Office to undertake and hold FX Exposures must obtain prior approval from Exchange Cell, International Division, through the Regional General Manager, for maintaining FX positions.

H. Dealers will no undertake FX transactions for the personal account of themselves or other members of staff without written approval of the Branch Manager/Regional General Manager. The procedures for such approval will be laid down by the Regional Office.

I. Dealing Rooms will not authorise payment of Brokerage. All Brokerage payments should be authorised by the Settlements Department in accordance with currency regulations relating to Brokerage and only in favour of Brokers who are on the approved list.

J. All FX deals on behalf of customers must be under customer FX limits authorised by or through the Regional Office. Deals with Correspondent Banks must be within limits authorised by Exchange Cell, International Division.

K. Un-matched/mis-matched forward exchange deals which would cause open position, are not permitted. The only forward exchange deals permitted are those for customers and Correspondent Banks under appropriate limits. Forward deals on our own account must be part of currency swaps, with interest and exchange exposures covered by an outright forward not forming part of the Dealers' dealing position. Each swap transaction of this type must be booked as a complete transaction with a proper record of all aspects including exchange and interest calculations.

L. Revaluation of Spot position will be on weekly and monthly basis. Forward positions will be revalued only at the end of each month. Passing of vouchers for profit or loss on Foreign Exchange positions will be done at the end of each month as laid down in the Section "EXCHANGE PROFITS" at the end of this Manual.

M. All forward deals and swaps must be for periods not exceeding six months, except under special authorisation from Exchange Cell, International Division, through Regional Office.

N. Dealing Rooms will maintain counter party limit books which will include records of all day to day customer transactions and interbank transactions.

O. Daily Settlement Limits will be fixed for each customer and each correspondent bank. The purpose of the daily settlement limit is to restrict our cash exposure on any customer or correspondent bank in the event of their non delivery of counter value funds. In most cases such non delivery will come to light only after we have already delivered funds. In case of doubt the receipt of counter value funds must be ensured before parting with funds to be delivered by us.

FOREIGN EXCHANGE OPERATIONS

SECTION I - POLICY AND GENERAL GUIDELINES

1. This section lays down the procedure for handling foreign exchange operations such as the purchase and sale of foreign currencies for spot or forward delivery. A spot deal is one that is concluded for delivery not more than two working days later and include all forward deals which are two working days from maturity. All spot deals will be routed through the Currency Position accounts. In addition, operating departments will use Currency Disbursement accounts (for each currency) to handle foreign exchange transactions originated by them. The Currency Position accounts measure the foreign exchange exposure and should be monitored continuously. The Currency Disbursement accounts are suspense accounts for holding departmental FX transactions for two working days, when the relative department should reverse the entries by debiting/crediting Customer, another Branch or a Nostro account.

2. The organisation structure for Foreign Exchange operations in the BCC Group is shown in example 1, according to which policy matters are decided by the Board, International Division, and the Regional General Manager. Exchange Cell, International Division is responsible for stipulating Due From limits as well as overnight and daylight limits for Foreign Exchange dealings, whilst the Regional General Managers have overall responsibility for foreign exchange operations in their Regions. The day-to-day running of the Foreign Exchange department in branches is the overall responsibility of the respective Branch Manager.

3. Foreign Exchange Operations in branches will be handled by two separate sections, which must be completely independent of each other:-

a) Dealing Room - Functions

i) exchange dealing on behalf of customers, overseas branches and affiliates, and with various Banks in the local market

ii) position keeping (Section I - para 4Aii) throughout each day to ensure that the branch's/region's exchange exposure remains within the limits set by Exchange Cell, International Division.

iii) place and accept local and foreign currency deposits (the procedures for Placements and Acceptances are contained in a separate section as these do not involve FX dealings)

b) Settlements Department - Functions

Settlements Department will operate independent of the Dealing Room and will be under the control of an officer-in-charge. The department's functions are as follows:-

i) Maintain necessary books and records to ascertain exchange positions in all currencies. Ensure that all deals transacted during the day are accounted for and processed through the foreign exchange accounting system.

ii) At the commencement of each day, verify balances shown in the Exchange Position Working Sheet (example 2) and Dealer's Forward Projection (example 3) maintained by the Dealing Room. Advise details of all placements and acceptances maturing each day and on the next two days to the Dealing Room.

iii) Prepare foreign exchange contracts and perform all related operations such as checking against deal tickets, pass debit and credit vouchers and send contract confirmations to other Banks and to overseas branches and affiliates.

iv) Maintain files for all foreign exchange deals processed. (NB Deals concluded during the past 15 months are required to be retained in current files for immediate reference when required).

v) Periodically review the position of confirmations for deals and actively follow up with the relative counterparties who have not sent their confirmations.

vi) Prepare Daily Exchange Position on form no 172 (example 4) and send it to the Regional General Manager. Weekly, as at the close of business every Wednesday, Telex exchange position to Exchange Cell, International Division with a copy to the Regional General Manager on the format shown in example 17.

vii) Reconcile Currency Disbursement and Currency Position accounts to ensure that the relative foreign exchange accounting has been carried out correctly.

viii) Daily revalue closing currency position in order to calculate daily profit on exchange trading for information of relative Regional Offices and Exchange Cell, International Division and also to provide the net Foreign Currency exposure at the close of each day.

ix) Process all acceptances and placements of deposits.

x) On the last working day of each month revalue the exchange position and pass entries for the resultant profit and loss. The revaluation procedure has been outlined in the section entitled "Exchange Profits".

xi) Verify that funds have been received for those matured contracts where a currency is to be delivered before its countervalue is received, so that the Bank doesn't find itself in a loss situation.

xii) The officer-in-charge of Settlements Department will also keep a check on the daylight exposures being undertaken.

xiii) Follow up value dated adjustments on nostro accounts to ensure that there is no loss of revenue for the Bank.

4. The functions of the Chief Dealer and other Dealers will be as follows:-

A. Chief Dealers

i) Keep abreast of current exchange regulations and practices and interest rates prevailing in his area of operations, as well as other areas with which there are frequent dealings. He should also keep abreast of political, economic and other financial changes which may affect exchange exposures. He will be responsible for observing the restrictions, if any, applied by local statutory and banking authorities. Changes in regulations should be promptly advised to the Regional General Manager, and to other Dealing Room/Branches which may be interested.

ii) Maintain upto date record of foreign exchange exposures made in the Region. He will maintain an Exchange Position Working Sheet (examples 2 and 3), which will give him the information he requires (Section I : Para 21).

iii) Ensure that sufficient working balances in all currencies are maintained for meeting normal business requirements. Also ensure that foreign currency accounts maintained by branches in his Region with foreign correspondents are not normally overdrawn and, at the same time, surplus idle balances are not left in the accounts.

iv) Recommend to Exchange Cell, International Division, through the Regional General Manager, increase or decrease in the FX exposure limits keeping in mind the circumstances in his area of operations.

v) At the commencement of each day, obtain exchange and interest rates from the major FX markets. Determine exchange rates for the day for the major currencies and inform Branches in the Region for daily transactions. Guidelines for working out the exchange rate will be determined in consultation with the Regional General Manager. Advise major fluctuations to Branches by telex/cable/telephone. In case of major fluctuations during the day a revised schedule of rates to be applied will be advised to branches by telex/cable/telephone.

vi) Keep the Regional General Manager advised of any unusual trends in the market, such as major swings in the exchange and interest rates or changes in prime rate brought about by the central banking authorities.

vii) Ensure that details of all exchange deals over the equivalent of US$100,000 are reported to the Branch Manager, Regional Office and Exchange Cell, International Division on the format shown in example 15.

viii) Maintain overall control over Dealing Room operations, ensuring that currencywise and dealerwise limits as well as Due From and customerwise limits are strictly adhered to.

ix) Within the Group's overall policies and without taking undue risks, ensure that Dealing Room operations are maintained at a profitable level.

B. **Dealers**

i) Receive routine requests for Spot/Forward sale or purchase of currencies on form no 174 - Memo to Exchange Dealing Section (example 5). Branches will advise by telex/cable/telephone transactions of the equivalent of US$25,000 or above and follow up with a routine confirmation on form no 174. Smaller transactions will be totalled and forwarded to the Dealing Room at the end of the day on form 174.

ii) Receive requests for placements and acceptances of funds from various Branches in the region on form no 175 - Foreign Currency Requisition (example 6). Ensure that requests for repayment or renewal of placements or acceptances have been received from the relative Branches at least 2 working days in advance. Any further requests from Branches should clearly specify relative details, viz currency, amount, duration of placement/acceptance and rate of interest. Verify with the requisitions received from Branches bearing the signature of two authorised officials.

iii) Effect sale and purchase of foreign currency as per requests received from Branches, with other Banks, Financial Institutions, or through approved brokers. While entering a deal over the telephone or telex they will determine the value date, place of settlement and other details. They will prepare a Contract Memo in duplicate on form no 176 (example 7).

iv) Arrange for placement or acceptance of funds on behalf of Branches with approved Banks, Financial Institutions within limits set by Exchange Cell, International Division.

Country risks should be taken into account while placing funds.

v) FX Deals will be covered the same day and overnight positions will not be maintained unless approved by the Regional General Manager/International Division.

5. In the Dealing Room the Dealers will usually handle foreign exchange transactions from the following sources:-

a) currency requisitions prepared by departments in the main branch or written instructions from other branches.

b) telephoned deals from other branches in the centre/region.

c) telephoned deals to and from overseas banks, overseas Dealing Rooms, branches and affiliates.

d) telexed deals from overseas Banks, overseas branches of the BCC Group and affiliates.

e) Deals from brokers acting on behalf of their principals (Banks) for whom we have approved limits.

The first two sources should be on Currency Requisition forms and the other two on Deal Cards.

6. The main features of the Group's global foreign exchange policy are as follows:-

a) Currency positions may only be held to facilitate the handling of commercial and financial transactions.

b) The Board determines global foreign exchange and money market exposure limits. The FX exposure relates to the Group's overnight and intra-day positions on spot deals only. The level of exposure is reviewed from time to time. Limits will usually be expressed in equivalents of US Dollars. The net exposure will be represented by the higher of the overbought and oversold positions, and the balancing factor will be an exposure in the local currency, as shown in example 17.

c) All exchange trading and positions will be conducted within overnight and daylight (intra-day) limits approved for each Dealing Room by Exchange Cell, International Division. Excesses over approved overnight limits caused by exceptional circumstances should also be approved by Exchange Cell, International Division. There may be occasions when Regional Office obtains International Division's approval for maintaining special positions in specific currencies; these are referred to as "Management Positions".

d) Only spot positions may be held. No open forward positions are allowed to be held anywhere in the Group. Forward contracts may be undertaken on behalf of customers but must be immediately covered by matching deals in the market. Forward Contracts should not be booked for periods exceeding 6 months. If a branch is required to book forward contracts for periods exceeding 6 months, prior approval of the Regional General Manager and Exchange Cell, International Division, should be obtained, even if matching forward deals are made.

e) Foreign Exchange dealing operations and accounting/ settlements are required to be totally independent of each other and <u>not</u> under the overall control of the Chief Dealer. Settlements Department will be under the direct supervision of the Branch Manager.

f) The Due From Banks Limits Approval Committee, acting on behalf of the Board, determines country risk limits for placing surplus funds. Bank-wise limits are also approved by the Due From Committee and communicated to all Dealing Rooms. Exchange Cell, International Division will continuously monitor these limits on a Global basis to ensure that these are being adhered to. Regional Office will also monitor the limits approved for Dealing Rooms/Branches in their Region. Dealing Rooms/Branches should forward their requests for renewal/increase of existing Due From Limits and new limits through their respective Regional Offices to Exchange Cell, International Division for approval. Ad hoc (one off) applications should also be similarly routed to Exchange Cell, International Division for approval. Some Due From Banks limits are approved for placements in local currency only, especially in those territories with strict exchange control regulations.

7. Dealers should carefully note the following instructions:-

a) Dealers will not undertake FX transactions for the personal account of themselves or other members of staff without written approval of the Branch Manager/ Regional General Manager.

b) Dealers may not accept commission or other payments or valuable gifts from Brokers.

c) No dealer may authorise payment of brokerage, which should only be authorised by the Settlements Department in accordance with rates approved by the Regional General Manager (Section I : para 12).

d) All exchange trading on behalf of customers and correspondent banks will be conducted and maintained within the limits authorised for them.

e) No forward exchange deals are to be undertaken for creating open positions. Forward exchange deals may only be undertaken for customers and other banks under approved limits. The only forward deals on our Bank's own account are to be part of currency swaps, with interest/exchange exposure covered by an outright forward (which would not be included in the Dealers daily position, but would form a part of the set of SWAP entries).

8. The global foreign exchange limit of the Group is reviewed periodically by a Foreign Exchange Committee appointed by the Board of Directors. The global exposure limit is then allocated to different Regions by Exchange Cell, International Division. International Division defines limits for each currency within the regional allocation and also considers requests from Regional General Managers for enhancements of exposure limits or for allocation of limits for additional currencies.

9. Regional General Managers, in consultation with International Division, will specify limits (eg say $10,000) in excess of which exchange transactions will be advised to the Dealers by telephone/telex for inclusion in their Position Pad. The items

reported will be included in the Exchange Position Working Sheet (example 2), but a reference to previously advised figures will be made so that these are not included twice in the position of the main branch. For example, three transactions in excess of (say) $10,000 each, totalling $55,000 may have been reported to the Dealers over the phone. In the Exchange Position Working Sheet an item of $55,000 will be included, with a notation that this amount has been reported to the Dealers by phone.

10. Money market activities may frequently give rise to Swap transactions, which are combinations of spot purchases with their simultaneous forward sales (or vice versa). Also, short term surplus funds in one currency are often required to be converted by means of Swaps into another currency for investments when the return on the latter currency is higher or there is a lack of investment opportunities in the first currency.

11. As a general policy, the financing of local banking business through swap transactions will be undertaken only with the express approval of the Regional General Manager.

12. All Brokers used in FX and Money Market dealings should be approved by the Regional General Manager. Forward contracts should not be made with Brokers unless the name of the principal is disclosed and the relative credit risk approved by the Regional General Manager/Branch Manager. Regional General Managers, in consultation with International Division, will determine the rate at which brokerage will be paid. The list of approved brokers will be reviewed continually. Chief Dealers may, if required, recommend to their Regional General Managers the names of Brokers whom they consider to be good for inclusion in the approved list.

13. The following three manifold sets will be used for both spot and forward contracts:

a) FORM EXCH-F-41 (8 parts in the set - example 8)

- Departmental Contracts. Provides a record of the completion of the deal (first two copies) and also provides six vouchers.

b) FORM EXCH-F-42 (6 parts in the set - example 9)

- Branch Contracts. This set should be used for deals with overseas branches of BCC.. It provides a record of completion of the deal, a confirmation to the overseas branch and four accounting vouchers.

c) FORM EXCH-F-45 (7 parts in the set - example 10)

- Bank Contracts. This set should be used for all deals with affiliates and other banks and serves the same purpose as the Branch Contract.

14. Care must be taken to ensure that the Bank's interests are protected against failure of the contractee to deliver, imposition of restrictions on the Bank's ability to deliver and other similar contingencies, by incorporating suitable clauses on the Advice and Confirmation copies of all manifold sets. The wording of these clauses should be formulated according to local requirements and after obtaining legal advice. However, Regional General Managers may, with approval of local counsel, waive incorporation of these clauses on mainfolds used for transactions with Banks and Financial Institutions.

15. Contracts not liquidated on maturity date will be referred to the Branch Manager for a decision on action to be taken, including legal action which may be required to be taken to protect the Bank's position. Regional Office should be kept advised of the position.

16. Any contract which becomes overdue and is not regularised within 7 days (or a shorter period as may be required by local practice) will be referred to the Branch Manager for his approval to cancel the contract. All cancellation charges will be debited to the customer on whose account the contract was booked.

17. Contracts for optional deliveries at varying rates will be booked for valuation purposes at the rate least favourable to the Bank and maintained at that rate until the contract is liquidated. When the contract is taken up, entries to the customer's account will be passed at the rate for the actual delivery period, but the book value entries will be reversed at the rate at which the contract was originally booked.

18. Currency Requisitions (example 11) will normally be raised in response to the requirements of our customers. Departments will prepare Currency Requisitions from written instructions received from

a) another branch, signed by two authorised signatories

or

b) a customer of the branch

The top half of the currency requisition should be completed by the originating department with the following data:

i) the amount of currency to be bought

ii) the other currency in the transaction

iii) spot or forward value

iv) accounts to be debited and credited

The requisition should be signed by an authorised signatory and forwarded to the Dealing Room, where the bottom half of the form will be completed.

19. When a transaction is urgent, a nominated officer at the originating branch should telephone the Dealing Room and give details of the FX transaction to one of the Dealers. The branch should, after telephoning, prepare a Deal Confirmation form and send one copy to the main accounting branch in the centre (eg 100 Leadenhall Street in the UK) and one copy to Settlements Department. The third copy should be held in the originating branch for their records.

20. To reduce exchange risks to a minimum, it is imperative that foreign exchange contract memos are prepared for all transactions. It will, therefore, be the responsibility of the official passing the relative accounting vouchers to ensure that each FX transaction is supported by a contract memo, or by a delivery memo in case of exchange which has already been booked. All Deal Tickets, therefore, should be sent to Settlements Department together with the Deal Register for checking and preparation of FX contracts. The Dealing Room will take no further part in the processing of Deal Tickets after this point, although the Dealers should answer queries from Settlements Department on particular deals. Details of FX contract manifold sets have been outlined in a preceding paragraph.

21. Foreign Exchange Dealers will maintain an Exchange Position Working Sheet (examples 2 and 3) which will give them a running record of spot and forward exchange positions for conducting

exchange operations during the day. The opening balances at the start of each day will be the closing positions indicated in the Exchange Position Sheet (para 26) as at the close of business the previous day. Dealers will update their Position Pads from information received during the day by telex/telegram/telephone of large transactions entered into by branches (para 19). Two entries should be made for each deal, one for the currency bought and one for the currency sold. The Position Pad will consist of two parts, viz

a) one showing the "net position" in a currency ie, the net balance of spot and forward exchange bought and sold, and the "cash position" ie, the balances of "nostro" accounts (example 2).

b) the second part, "Dealers' Forward Projection", will show the monthly maturitywise net interim forward positions (GAPS) ie, excess of Forward Purchases and Usance Bills over sales, or vice versa (example 3).

The Exchange Position Working Sheet is only a guide to the Dealers and is not a primary record of exchange transactions. Entries will be made by omitting units below one hundred. Net interim forward projections, as reflected in the Dealers Forward Projection, will be updated only by large contracts booked and deliveries made. These positions should therefore, be adjusted regularly to the figures reflected in the books of a branch (controlling its own position) or branches of a centre, region or territory. Branches should report their net interim positions to the Dealers weekly on the format shown in example 17 (Section I : para 3bVI). The Exchange Position Working Sheet will also give an indication to the Chief Dealer as to whether the overall position at any time during the day is within the "daylight" limit authorised by International Division.

22. A Daily Currency Position (example 12) will also be maintained by the Dealing Room. This report will give the closing positions and the overall net position each day and will be compiled from the overbought and oversold positions shown in the Exchange Position Working Sheet (para 21). The outstandings in each currency will be translated into the local currency equivalent at the closing mid-rate. The credits (overbought positions) and the debits (oversold) positions will be totalled to calculate the cumulative profit or loss on foreign exchange trading.

23. A Deal Register (example 13) will be maintained by the Dealing Room to record all FX purchases and sales during each day. The Deal Register will be posted from the contract forms and delivery memos raised by Departments (para 13). Postings will be made continuously during the day as transactions are completed. Small purchases and sales may, however, be posted in total at the end of the day, prior to calculating the net position in each currency.

24. At the end of the day the Deal Register will be totalled and the totals entered on the Exchange Position Working Sheet, (example 2) which will then be sent to the Main Branch maintaining the position. Outstation branches will telex their figures at the close of the day, sending the FX Position Working Sheet by mail in confirmation.

25. It is desirable that the overall exchange position in a region with a common home currency is controlled by one main branch. However, depending on the requirements of each Region, Regional General Managers may authorise more than one branch in the

region to maintain positions in foreign currencies. In such cases, the activities of a cluster of branches will be aligned with a Main branch, which will control the exchange positions under the supervision of Regional Office.

26. In addition to the records it is required to maintain separately for its own transactions, the Main Branch will maintain on behalf of a centre, region, or territory, an Exchange Position Sheet (example 14) for each currency in which positions are maintained. This will, in effect, represent all transactions passing through the Deal Registers of all branches for which the Main Branch is responsible. At the commencement of business each day, the Exchange Position Sheet will show the overnight position for the area, and will be updated from the daily total figures advised by branches, including the Main Branch on the Daily Exchange Position (example 4, Section I : para 3 b vi). Up country branches will advise the position by telex/telegram daily. A branch controlling only its own position need not maintain an Exchange Position Sheet; Deal Registers (para 23) will serve as its Exchange Position Sheet and a recapitulation will be made at the end of each day to arrive at the closing currency-wise position. The balances will also be reconciled with the currency-wise balances appearing in the Foreign Currency Subsidiary Ledgers maintained by Accounts Department.

27. Incoming confirmations for foreign exchange deals will be:-

a) the Deal Confirmation form EXCH-F-45 in the case of departmental deals.

b) raised by another branch only in the case of deals completed over the telephone.

c) expected in all cases for deals done with other banks and affiliates.

d) a telex in the case of overseas branches. A written confirmation will, however, be required for all deals agreed over the telephone.

28. If confirmations are not received within a week, a standard reminder letter should be sent to the branch or bank involved in the deal. On receipt of the incoming confirmation the documents relating to the deal should be transferred to the permanent files in Settlements Department where they will be filed in deal number order on each value date. The files should be segregated between departments, overseas branches of BCC and other banks, including overseas affiliates.

29. A list of credit limits will be provided by Regional Office to branches, specifying limits for customers for whom branches may book forward contracts. Reference will be made to Regional Office in cases where limits are exceeded or where there are no limits. A customerwise record of forward exchange transactions will be maintained on the Customer's Purchases and Sales Ledger (example 16) in a centralised place in the Branch.

SECTION II - PROCEDURE

1. At the commencement of business each day, Settlements Department will:

   a) Receive Daily Exchange Position (example 4; Section I : para 3b vi) from other branches in the centre and cable/telex/telegram from outstation branches.

   b) Update Exchange Position Sheet (example 14; para 26) from these reports.

   c) By taking the previous working days opening positions, calculate that day's closing positions, ie the current day's opening positions.

   d) Compare the opening position with the Dealers' Exchange Position Working Sheet (example 2; Section I : para 3 b ii) and Dealers Forward Projection (example 3; Section I : para 3 b ii), and agree the net overall position.

   e) Return Exchange Position Working Sheet to the Dealers.

   f) As at the close of business every Wednesday, telex exchange position to Exchange Cell, International Division, with a copy to Regional Office on the format shown in example 17.

2. The Chief Dealer will:

   a) At the commencement of business every day, determine exchange rates for the day for major currencies and advise operating departments in the Main Branch and other branches (Section I para 4A v).

b) Update Exchange Position Working Sheet (example 2; Section I : para 3 b ii) and Dealers Forward Projection (example 3; Section I : para 3 b ii) from contract memos received from operating departments and transactions reported by other branches by telephone/telex during the day (para 9).

c) During the day, constantly review the exposures in various currencies and arrange to cover open positions as and when required to ensure that exposures are maintained within limits approved by Exchange Cell, International Division.

3. Processing of Spot and Forward Deals by Dealers:

a) Receive

i) Currency Requisitions from Departments.

ii) Telephoned deals from branches and other Banks in the centre.

iii) Telexed/Telephoned deals from overseas banks, overseas branches of BCC and affiliates.

b) Check that deals will be within approved limits. Obtain approval of Exchange Cell, International Division if limits exceeded.

c) Complete

i) Currency Requisition form (example 11) for deals received over the telephone from operating departments and branches in the centre.

ii) Contract Memo (example 7) for deals received over telephone/telex from other banks in the centre and overseas banks, overseas branches and affiliates.

d) Buy and sell currencies as per instructions recorded on Currency Requisition forms and Deal Tickets. Complete relevant details such as amount, rate and value date on these forms.

e) Enter details of each spot deal on Exchange Position Working Sheet (example 2; para 21) and forward deals on Dealers Forward Projection (example 3).

f) Number Contract Memo separately.

g) Staple telex to Contract Memo.

h) Enter details of deals over the equivalent of US$100,000 in the format shown in example 15.

i) Forward report prepared (per para 3h above) to Regional Office, Branch Manager and Exchange Cell, International Division after obtaining authorised official's signature on the report.

j) Check value dates and calculations on Contract Memos and swap instructions with other Banks.

k) Prepare Daily Currency Position (example 12; para 22).

l) Check Daily Currency Position, and after authorised official has signed it, forward copies to Branch Manager, Regional Office and Exchange Cell, International Division.

m) Send Contract Memos and reversing memos for liquidating forward contracts to Settlements Department.

4. Processing of Foreign Exchange contracts by Settlements Department:

a) Receive copies of currency requisitions and contract memos from Dealers.

b) Sort into "spot" and "forward".

c) Enter in Deal Register (example 13; para 23) relevant details from Contract Memos and reversing memos for liquidating forward contracts.

d) Check entries in Deal Register.

e) File Currency Requisitions in deal number order, awaiting confirmation.

f) Compare currency requisitions with the copies of deal confirmations, when received back.

g) If confirmation not received within a week, prepare and send a follow up letter.

h) From contract memos prepare relative manifolds for Departmental, Branch and Bank contracts (para 12).

5. Processing of overdue foreign exchange contracts by Settlements Department:

a) Sort contracts not liquidated on maturity date.

b) Refer to Branch Manager for his decision on action to be taken (Section I: para 15).

c) Hold overdue contracts in a separate file in maturity date order.

d) Review overdue file daily and obtain Branch Manager's approval to cancel contracts which have been overdue for more than seven days (Section I: para 16).

e) For contracts cancelled, prepare voucher to debit customer for cancellation charges, if any.

f) Have vouchers checked and signed by authorised official.

g) Weekly, report overdue contracts to Regional Office (Section 1 - paragraph 15).

6. Position keeping by Dealers:

a) Enter relevant details from Currency Requisitions and Contract Memos in the various columns of Exchange Position Working Sheet (example 2) and Dealers Forward Projection (example 3) for forward contracts.

b) Make two entries for each deal, one for the currency bought and one for the currency sold. Entries for forward deals two days before maturity will be taken into the spot position.

c) Regularly during the day and also at the close of business for the day, total purchases and sales of each currency, compute overbought/oversold position in each currency and the overall position of the major currencies (such as $, £, DM etc.)

d) Compare estimated overall position during the day against the daylight limit approved by Exchange Cell, International Division.

e) At the end of each day, calculate net position in each currency from the Exchange Position Working Sheet.

f) Enter relevant details in Deal Register (example 13; para 23).

g) At the end of each business day, complete Daily Currency Position (example 12; para 22) which, in addition to the currencywise overnight limits already printed on it, will show:

i) closing overbought/oversold position in each currency.

ii) closing mid-rate.

iii) local currency equivalent at mid-rate.

iv) cumulative profit/loss to date.

v) the day's profit/loss on exchange trading.

vi) day's turnover.

h) Check and sign Daily Currency Position and forward to the Branch Manager, Regional Office and Exchange Cell, International Division.

i) Forward Exchange Position Working Sheet, Dealer's Forward Projection and Deal Register to Settlements Department for updating from the Exchange Position Sheet maintained by them.

j) Enter the day's closing positions on to the next day's Exchange Position Working Sheet as that day's opening positions.

k) File Exchange Position Working Sheet and copy of Daily Currency Position in chronological order and retain in the Dealing Room.

7. Position keeping by Settlements Department:

a) The Settlements Department of a main branch in a Region controlling the exchange position of a cluster of branches (Section I: para 25) will update the Exchange Position Sheet for the Region from the Daily Currency Position Sheets received from other branches.

b) During the day, continuously update Exchange Position Sheet for the main branch from contract memos received from the Dealing Room.

c) At the end of the day, receive Exchange Position Working Sheet, Dealers Forward Projection and Deal Register from the Dealing Room and compare against Exchange Position Sheet.

d) Return Exchange Position Working Sheet, Dealers Forward Projection and Deal Register to the Dealing Room after reconciling and updating figures.

e) Reconcile currency-wise positions shown in the Exchange Position Sheet with net positions obtained from the Foreign Currency Subsidiary Ledgers maintained by Accounts Department.

ACCOUNTING ENTRIES (PARAGRAPHS 7 TO 11 BELOW)

8. Entries for Spot Deals on behalf of departments:

a) Settlements Department will pass the following entries:

i) Currency bought

DEBIT: Currency Disbursement Account
(voucher: example 8, part 5)

CREDIT: Currency Position Account
(voucher: example 8, part 6)

ii) Currency sold

DEBIT: Currency Position Account
(voucher: example 8, part 3)

CREDIT: Currency Disbursement Account
(voucher: example 8, part 4)

b) Operating Departments will pass the following entries two working days prior to the value date:

i) Currency bought

DEBIT: Customer/Branch/Nostro Account
(on standard debit voucher)

CREDIT: Currency Disbursement Account
(voucher: example 8, part 8)

ii) Currency sold

DEBIT: Currency Disbursement Account
(voucher: example 8, part 7)

CREDIT: Customer/Branch/Nostro Account
(on standard credit voucher)

9. Entries to be passed by Settlements Department for spot deals with overseas branches:

a) Currency bought

DEBIT: Overseas Branch Account
(voucher: example 9, part 4)

CREDIT: Currency Position Account
(voucher: example 9, part 5)

b) Currency sold

DEBIT: Currency Position Account
(voucher: example 9, part 2)

CREDIT: Overseas Branch Account
(voucher: example 9, part 3)

10. Entries to be passed by Settlements Department for spot deals with other banks and affiliates:

a) Currency bought

DEBIT: Nostro/Affiliate Account (voucher: example 10, part 6)

CREDIT: Currency Position Account (voucher: example 10, part 5)

b) Currency sold

DEBIT: Currency Position Account (voucher: example 10, part 4)

CREDIT: Nostro/Affiliate Account (voucher: example 10, part 7)

11. Entries for Forward Purchases and Sales.

a) At the time of booking forward contracts:

i) Forward Purchases

DEBIT: Customer's Liability - FX Futures - Purchasers

CREDIT: Banker's Liability - FX Futures - Purchasers

(Standard debit and credit vouchers will be used).

ii) Forward Sales

DEBIT: Customer's Liability - FX Futures - Sellers

CREDIT: Banker's Liability - FX Futures - Sellers

(Standard debit and credit vouchers will be used).

b) Two working days before maturity of forward contracts:

i) Reverse entries shown in 10 a) i) and ii) above as follows:

DEBIT: Banker's Liability - FX Futures (Purchasers/Sellers)

CREDIT: Customer's Liability - FX Futures (Purchasers/Sellers)

(Standard debit and credit vouchers will be used).

ii) At this stage, forward deals are treated as unmatured spot deals, and the further entries to be passed will be out of those described in paras 7, 8 and 9 above.

12. Entries for swap transactions (NB Illustrations shown below have been quoted from Instructions Circular No. 046 dated 4.9.78).

A) Swap on "discount" basis:

Deal:

Abu Dhabi Main branch purchases £3 million spot @ Dh 9.59 and sells if forward 6 months @ Dh 9.35.

1. At the time of originating the Deal

a) For Spot purchase:

		F Cy	L Cy
DEBIT:	Due From Branches a/c - BCCI London	£3,000,000	Dh 28,770,000
CREDIT:	Currency Board	-	Dh 28,770,000

(Narration: £3 million purchased spot @ Dh 9.59)

b) For Forward sale:

DEBIT:	Customer's Liability-FX Futures-Sellers	-	Dh 28,050,000
CREDIT:	Banker's Liability-FX Futures-Sellers	-	Dh 28,050,000

(Narration: £3 million sold 6 months forward @ Dh 9.35)

2. On maturity of the contract

a) For forward sale:

		F Cy	L Cy
DEBIT:	Currency Board	-	Dh 28,050,000
CREDIT:	Due from Branches		
	BCCI London	£3,000,000	Dh 28,050,000

(Narration: Delivery of £3 million @ Dh 9.35 on account of settlement of forward contract no ____ dated _____).

b) Reversal of contra liability entries:

		F Cy	L Cy
DEBIT:	Banker's Liability-		
	FX Futures-Sellers	-	Dh 28,050,000
CREDIT:	Customer's Liability-		
	FX Futures-Sellers	-	Dh 28,050,000

(Narration: Reversal of contra liability entries passed on).

3. Income/Expenditure account entries

a) Exchange differential

(Loss) = Dh 28,770,000-Dh 28,050,000

= Dh 720,000

= Dh 120,000 per month over 6 months.

(NB: For greater accuracy, accruals can also be made on the basis of the actual number of days each month).

b) Entry to be passed for each complete months' accrual:

DEBIT:	Expenditure account- Discount paid to Banks	Dh	120,000
CREDIT:	Sundry creditors account- Reserve for Exchange Difference Payable on Swap	Dh	120,000

(Narration: Discount on Swap transaction no ______ dated _______ for the month of _______).

c) Entry to be passed on maturity:

DEBIT:	Sundry Creditors account Reserve for Exchange Difference Payable on Swap	Dh	720,000
CREDIT:	Due from Branches account BCCI London	Dh	720,000

(Narration: Balance lying in the account of BCCI London on account of Swap transaction No ________ dated ________).

B) Swap on "premium" basis:

Deal:

Abu Dhabi Main Branch purchases £3 million spot @ Dh 9.60 and sells £3 million six months forward @ Dh 9.62.

1. At the time of originating the Deal:

		F Cy	L Cy
a) For Spot purchase:			
DEBIT:	Due from Branches- a/c BCCI London	£3,000,000	Dh 28,800,000
CREDIT:	Currency Board	-	Dh 28,800,000

(Narration £3 million purchased spot @ 9.60)

		F Cy	L Cy
b) For forward sale:			
DEBIT:	Customer's Liability- FX Futures-Sellers		Dh 28,860,000
CREDIT:	Banker's Liability- FX Futures-Sellers		Dh 28,860,000

(Narration: £3 million sold 6 months forward @ 9.62).

2. On maturity of the contract

		F Cy	L Cy
a)	For forward sale:		
	DEBIT: Currency Board	-	Dh 28,860,000
	CREDIT: Due from Branches a/c BCCI London	£3,000,000	Dh 28,860,000

(Narration: Delivery of £3 million @ Dh 9.62 on account of settlement of forward contract No _______ dated _________).

b)	Reversal of contra liability entries:	
	DEBIT: Banker's Liability- FX Futures-Sellers	Dh 28,860,000
	CREDIT: Customer's Liability- FX Futures-Sellers	Dh 28,860,000

(Narration: Reversal of contra liability entries passed on ___________).

3. Income/expenditure account entries:

a) Exchange differential

(profit)	=	Dh 28,860,000-Dh 28,860,000
	=	Dh 60,000
	=	Dh 10,000 per month for 6 months

(NB: For greater accuracy, accruals can be made on the basis of actual number of days each month).

b) Entry to be passed for each complete months' accrual:

DEBIT: Other Assets - Suspense Account for Exchange Difference payable on Swap Transactions Dh 10,000

CREDIT: Expenditure account-Discount payable to Banks Dh 10,000

(Narration: Premium for the month of __________ on swap transaction no _________ dated _________).

c) Entry to be passed on maturity:

DEBIT: Due from Branches-account BCCI London Dh 60,000

CREDIT: Other Assets - Suspense Account Reserve for Exchange Difference payable on Swap Transactions Dh 60,000

(Narration: Balance lying in the account of BCCI London on account of swap transaction no _______ dated _______).

13. Updating of Customers' Purchases and Sales Ledger (Section I: para 29)

Operating Department will:-

a) Receive from Settlements Department Forward Contract vouchers and reversal vouchers (for forward contracts two days prior to maturity).

b) Sort by customer/account order purchases and sales separately.

c) Enter in customer's ledger as follows:

   i) New Forward Contracts in "Booked" column.

   ii) Reversal of existing forward contracts in "Liquidated" column.

   Bookings will be added to the outstanding balance and Deliveries deducted.

d) If approved limits are exceeded, advise concerned Department or Dealer so that the necessary approval of the appropriate credit authority may be obtained.

SECTION III - BRANCH CONTROL CHECK LIST

Check the following:

1. Currency Position accounts are being properly monitored (FEO : Sec I - Para 1).

2. Foreign Exchange dealing is being carried out within limits approved by International Division as follows:-

   i) Counterparty limits
   ii) Intraday (daylight) limit
   iii) Overnight currency-wise limits

   (FEO : Sec I - Paras 2 and 6)

3. Confirmation of Exchange Cell, International Division is being obtained for transactions:

   a) over approved limits
   b) in currencies not approved.

4. Settlements Department functions independently of the Dealing Room in the Branch (FEO : Sec I - Para 3).

5. Settlements Department carries out the following functions on a regular basis:

   i) Agrees closing position indicated in Exchange Position Working Sheet and Dealers Forward Position maintained by the Dealing Room (FEO : Sec I - Para 3bii).

   ii) Reviews outstanding confirmations on a regular basis (Sec I - Para 3bv) and takes adequate follow-up action.

iii) Prepares and forwards Daily Exchange Position to Regional General Manager, and weekly as on each Wednesday to Exchange Cell, International Division (Sec I - Para 3bvi).

iv) Reconciles Currency Disbursement and Currency Position accounts regularly (Sec I - Para 3bvii). Auditors will extract outstandings of these two sets of accounts and reconcile. Follow up outstanding entries.

6. Closing currency positions are being revalued correctly at the end of each day in order to calculate daily profit on exchange trading (Sec I - Para 3bviii).

7. Dealers are:

i) Maintaining up-to-date position of foreign exchange exposures (Sec I - Para 4Aii).

ii) Monitoring balances of nostro accounts to ensure that while adequate working balances are being maintained, idle funds are not being left in the accounts (Section I - Para 4Aiii).

iii) Reporting FX deals over the equivalent of US$100,000 to Regional General Manager and International Division (Section I - Para 4Avii).

iv) Covering FX deals the same day (Section I - Para 4BV).

8. Brokerage payments are being authorised by Settlements Department (and not Dealers) in accordance with rates approved by the Regional General Manager (Section I - Para 7c).

9. Local banking business is not being financed through Swap transactions except with the specific authorisation of Regional Office (Section I - Para 11).

10. All brokers used have been approved by the Regional General Manager (Section I - Para 12).

11. Clauses to protect the Bank's interests are being incorporated on advice and confirmation copies (Section I - Para 14).

12. Contracts not liquidated on maturity date are being referred to Branch Manager (Section I - Para 15).

13. Overdue contracts outstanding for more than 7 days after maturity are being referred to the Branch Manager for cancellation (Section I - Para 16).

14. Contracts for optional deliveries at varying rates are being booked for valuation purposes at rates least favourable to the Bank (Section I - Para 17).

15. Foreign Exchange Contract Memos are being prepared for each contract (Section I - Para 20).

16. All foreign exchange contracts are being recorded by Dealers in their Exchange Position Working Sheet (Section I - Para 21).

17. Deal Register (Section I - Para 23) is being checked daily.

18. Exchange Position Sheet (Section I - Para 26) is being checked daily.

19. Customer-wise credit limits approved by Regional Office are being adhered to and excesses referred to appropriate credit authority for approval (Section I - Para 29).

FOREIGN EXCHANGE OPERATIONS

LIST OF EXAMPLES

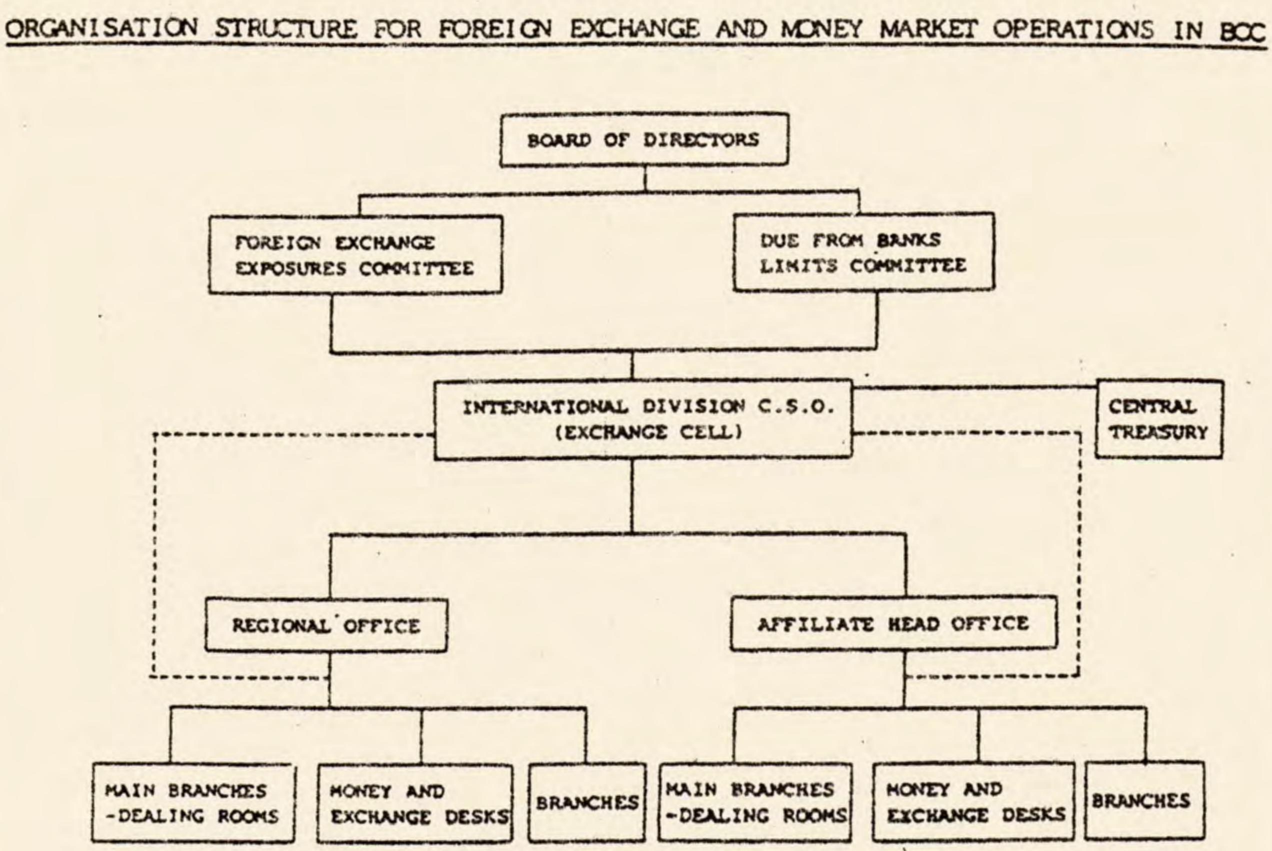
EXAMPLE NUMBER	DESCRIPTION	EXISTING FORM REF. No.
1	Organisation Structure for Foreign Exchange and Money Market Operations in the BCC Group	-
2	Exchange Position Working Sheet	181 and EXCH-F-43
3	Dealers Forward Projection	-
4	Daily Exchange Position	172
5	Memo to Exchange Dealing Section	174
6	Foreign Currency Requisition	175
7	Contract Memo	176
8 Part 1-8	Manifold Set for Departmental Contracts	EXCH-F-41
9 Parts 1-6	Manifold Set for Branch Contracts	EXCH-F-45
10 Parts 1-7	Manifold Set for Bank Contracts	EXCH-F-45
11	Currency Requisition Form	EXCH-F-44
12	Daily Currency Position	EXCH-F-50 (UK)
13	Deal Register (Contract Book)	179
14	Exchange Position sheet	182 EXCH-F-43

LIST OF EXAMPLES

EXAMPLE NUMBER	DESCRIPTION	EXISTING FORM REF No.
15	Format for Reporting Deals over the equivalent of US$100,000	Un-numbered form
16	Customers' Purchases and Sales Ledger	-
17	Format for Reporting Weekly Exchange Position by Telex	-

EXAMPLE 1

ORGANISATION STRUCTURE



N.B. In cases of urgency Dealing Rooms, Money and Exchange Desks and Branches may seek the help of International Division directly, under advice to their respective Regional Offices/ Affiliate Head Offices. This is represented by the dotted lines

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 2

EXCHANGE POSITION WORKING SHEET

CURRENCY ____________

DATE ____________

BOUGHT FROM/SOLD TO	PURCHASES	SALES	EXCHANGE POSITION	LONG or SHORT	CASH POSITION	+ or -
OPENING POSITION						

Size: 210 mm x 297 mm (A4)

EXAMPLE 3

DEALERS FORWARD PROJECTION

DEALERS FORWARD PROJECTION

CURRENCY	

DATE	CURR-ENT MONTH	1st MONTH	2nd MONTH	3rd MONTH	4th MONTH	5th MONTH	6th MONTH	7th MONTH	8th MONTH	9th MONTH	10th MONTH	11th MONTH	12th MONTH

N.B. 1. Purchases or Sales to be indicated by + or -
2. Long or Short to be indicated by L or S

Suggested Size: 210mm x 297mm (A4)

11/83

EXAMPLE 4

DAILY EXCHANGE POSITION

BANK OF CREDIT AND COMMERCE INTERNATIONAL (Overseas) LIMITED

Daily Exchange Position as on..............................

Purchases and Assets			Sales and Liabilities		
Currency....................	F. Currency	L. Currency		F. Currency	L. Currency
Due from banks			Due to bank		
Cash on hand					
Bills Purchased/discounted			Bills Payable (DD/TT/MT)		
Advances			Deposits		
Invest. in shares & Securities			Forward sales to clients		
Forward purch. from clients			Forward sales to B. Bank		
Forward purch. from B Bank			Interest Payable		
Interest receivable			Bills proceeds awaiting remitt.		
P. A. D.					
Sub Total			Sub Total		
Oversold (Average Rate)			Overbought (Average Rate)		
TOTAL :			TOTAL :		

Purchases and Assets			Sales and Liabilities		
Currency....................	F. Currency	L. Currency		F. Currency	L. Currency
Due from banks			Due to bank		
Cash on hand					
Bills Purchased/discounted			Bills Payable (DD/TT/MT)		
Advances			Deposits		
Invest. in shares & Securities			Forward sales to clients		
Forward purch. from clients			Forward sales to B. Bank		
Forward purch. from B Bank			Interest Payable		
Interest receivable			Bills proceeds awaiting remitt.		
P. A. D.					
Sub Total			Sub Total		
Oversold (Average Rate)			Overbought (Average Rate)		
TOTAL :			TOTAL :		

(Form No. 172) Size: 222mm x 353mm

11/83

EXAMPLE 5

MEMO TO EXCHANGE DEALING SECTION

MEMO TO EXCHANGE DEALING SECTION

FROM DEPARTMENT ____________________

BRANCH ____________________

We have entered into the following exchange transactions today

Purchase/Sale*

Currency ____________________ Amount ____________________

Tenor ____________________ Place Payable ____________________

Particulars ____________________

____

____

____

Date ____________________

____
Authorised Signature

*Delete whichever not applicable

FORM NO: 174

11/83

Size: 210mm x 148mm (A5)
Colour: White

EXAMPLE 6

FOREIGN CURRENCY REQUISITION

TO: FOREIGN EXCHANGE DEPARTMENT

________________ BRANCH

DATE:

Please enter Placement/Acceptance deal covering:

CURRENCY	AMOUNT	TERM	
		FROM	TO

AT INTEREST RATE	
AT BEST INTEREST RATE	

AMOUNT TO BE CREDITED TO OUR ACCOUNT WITH:

AMOUNT TO BE DEBITED TO OUR ACCOUNT WITH:

REPAYABLE TO THE DEBIT OF OUR OUR ACCOUNT WITH:.

REPAYMENT TO BE CREDITED TO OUR ACCOUNT WITH:

BRANCH/
DEPARTMENT:

AUTHORISED SIGNATURE

FROM: FOREIGN EXCHANGE DEPARTMENT

We confirm deal completed covering:

CURRENCY AMOUNT	INTEREST RATE	VALUE DATE	EQUIVALENT AMOUNT
WITH BANK:			

Form No.. 175

AUTHORISED SIGNATURE

11/83

Suggested Size: 210mm x 297mm (A4)

EXAMPLE 7

CONTRACT MEMO

PART 1

DATE ____________

DEAL NO ____________

PER ____________

SOLD TO YOU	VALUE	RATE	BOUGHT FROM YOU

OUR INSTRUCTIONS

OUR INSTRUCTIONS

THEIR INSTRUCTIONS

THEIR INSTRUCTIONS

SOLD RATE £	STERLING EQUIVALENT	BOUGHT RATE	DAY BOOK	POSITION		CHECK'D
				OPEN	FORW'D	

Form no. 176

Size: 180mm x 145mm
Colour: White

PART 2 - Copy

DATE ____________

DEAL NO ____________

PER ____________

SOLD TO YOU	VALUE	RATE	BOUGHT FROM YOU

OUR INSTRUCTIONS

OUR INSTRUCTIONS

THEIR INSTRUCTIONS

THEIR INSTRUCTIONS

SOLD RATE £	STERLING EQUIVALENT	BOUGHT RATE	DAY BOOK	POSITION		CHECK'D
				OPEN	FORW'D	

11/83

Size: 180mm x 145mm
Colour: Yellow

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 8 — Part 1

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

11/83

Size: 210mm x 155mm

Colour: Yellow

BANK OF CREDIT AND COMMERCE INTERNATIONAL
SOCIETE ANONYME LICENSED DEPOSIT TAKER
100 LEADENHALL STREET LONDON EC3A 3AD
PHONES 01-2838566 TELEX 8813651 CABLES BANCRECOM

1

Dept.

We confirm the undermentioned transaction

CURRENCY SUPPLIED		CURRENCY TO BE RECOVERED	
Currency Position A/c	80549	Currency Disbursement A/c	80550
Currency Disbursement A/c	80550	Currency Position A/c	80549

Currency

Document No.

Currency

SUPPLIED	VALUE DATE	RECOVER	RATE

Narrative

DEAL
DATE

Authorized Signature / Authorized Signature

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

2

Dept.

We confirm the undermentioned transaction

CURRENCY SUPPLIED		CURRENCY TO BE RECOVERED	
Currency Position A/c	8 0 5 4 9	Currency Disbursement A/c	8 0 5 5 0
Currency Disbursement A/c	8 0 5 5 0	Currency Position A/c	8 0 5 4 9

Currency | Document No. | Currency

SUPPLIED	VALUE DATE	RECOVER	RATE

Narrative

Authorized Signature / Authorized Signature

EXCH-F-41

11/83

Size: 210mm x 155mm

Colour: Yellow

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 8 - Part 3

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

FOREX DEPT. **3**

DEBIT VOUCHER

We confirm the undermentioned transaction

DEBIT CURRENCY POSITION ACCOUNT

Tran Code	Dept	Account Number
3 5 9		8 0 5 4 9

Currency	Document No

SUPPLIED	VALUE DATE	RATE

Narrative

Tran No.

Authorized Signature / Authorized Signature

EXCH-F-41

11/83

Size: 210mm x 155mm

Colour: Pink

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

FOREX DEPT.

4

CREDIT VOUCHER

We confirm the undermentioned transaction

CREDIT
CURRENCY DISBURSEMENT ACCOUNT

Tran Code	Dept	Account Number
350		80550

Currency	Document No.

SUPPLIED	VALUE DATE	RATE

Narrative

Tran No.

Authorized Signature / Authorized Signature

EXCH-F-41

Size: 210mm x 155mm

Colour: Blue

11/83

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 8 - Part 5

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

FOREX DEPT.

5

DEBIT VOUCHER

We confirm the undermentioned transaction

DEBIT

CURRENCY DISBURSEMENT ACCOUNT

Tran Code	Dept.	Account Number
3 5 9		8 0 5 5 0

Document No.

Currency

VALUE DATE	RECOVER	RATE

Narrative

Tran No.

Authorized Signature / Authorized Signature

EXCH-F-41

11/83

Size: 210mm x 155mm

Colour: Pink

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 8 - Part 6

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

FOREX DEPT.

6

CREDIT VOUCHER

We confirm the undermentioned transaction

CREDIT

CURRENCY POSITION ACCOUNT

Tran Code	Dept.	Account Number
350		80549

Document No.

Currency

VALUE DATE	RECOVER	RATE

Narrative

Tran No.

Authorized Signature / *Authorized Signature*

EXCH-F-41

Size: 210mm x 155mm

Colour: Blue

11/83

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

7

DEBIT VOUCHER

SEND TO

Dept.

On value date please pass this entry with your own contra for funds disbursed.

DEBIT
CURRENCY DISBURSEMENT ACCOUNT

Tran Code	Dept	Account Number
359		80550

Currency	Document No.

SUPPLIED	VALUE DATE	RATE

Narrative

Tran No.

Authorized Signature / Authorized Signature

EXCH-F-41

Size: 210mm x 155mm

Colour: Pink

11/83

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 8 - Part 8

MANIFOLD SET FOR DEPARTMENTAL CONTRACTS

SEND TO

8

CREDIT VOUCHER

Dept.

On value date please pass this entry with your own contra for funds recovered.

CREDIT
CURRENCY DISBURSEMENT ACCOUNT

Tran Code	Dept.	Account Number
3 5 0		8 0 5 5 0

Document No.	Currency

VALUE DATE	RECOVER	RATE

Narrative

Tran No

Authorized Signature / Authorized Signature

EXCH-F-41

11/83

Size: 210mm x 155mm

Colour: Blue

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 9 - Part 1

MANIFOLD SET FOR BRANCH CONTRACTS

11/83

Colour: Pink

Size: 210mm x 155mm

BANK OF CREDIT AND COMMERCE INTERNATIONAL S.A. 1

100 LEADENHALL STREET, LONDON EC3A 3AD
Telephone: 01 283 8566
Telex: 8813651 Cable: BANCRECOM

The Manager,

Branch.

We confirm the undermentioned transaction

SALE CURRENCY		BOUGHT CURRENCY	
Currency Position A/c Dr	8 0 5 4 9	Dr	
To		To Currency Position A/c	8 0 5 4 9

Currency	Document No.	Currency

SOLD TO YOU	VALUE DATE	BOUGHT FROM YOU	RATE

Narrative

DEAL DATE ____________________

Authorized Signature / *Authorized Signature*

EXCH-F-42

MANIFOLD SET FOR BRANCH CONTRACTS

11/83

Size: 210mm x 155mm

Colour: Pink

1a

The Manager,

Branch.

We confirm the undermentioned transaction

SALE CURRENCY		BOUGHT CURRENCY	
Currency Position A/c Dr	8 0 5 4 9	Dr	
To		To Currency Position A/c	8 0 5 4 9

Currency	Document No.	Currency

SOLD TO YOU	VALUE DATE	BOUGHT FROM YOU	RATE

Narrative

OFFICE COPY

Authorized Signature / Authorized Signature

EXCH-F-42

11/83

FOREX DEPT. **2**

DEBIT VOUCHER

We confirm the undermentioned transaction

DEBIT CURRENCY POSITION ACCOUNT

Tran Code	Dept	Account Number
3 5 9		8 0 5 4 9

Currency	Document No.

SOLD TO YOU	VALUE DATE		RATE

Narrative

Tran No.

Authorized Signature / *Authorized Signature*

EXCH-F-42

Size: 210mm x 155mm

Colour: Pink

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 9 - Part 4

MANIFOLD SET FOR BRANCH CONTRACTS

11/83

Size: 210mm x 155mm

Colour: Blue

FOREX DEPT. **3**

CREDIT VOUCHER

We confirm the undermentioned transaction

CREDIT

Tran Code: 3 5 0

Dept

Account Number

Currency

Document No.

SOLD TO YOU	VALUE DATE		RATE

Narrative

Tran. No.

Authorized Signature / *Authorized Signature*

EXCH-F-42

4

FOREX DEPT.

DEBIT VOUCHER

We confirm the undermentioned transaction

DEBIT

Tran Code: 3 5 9

Dept.

Account Number

Document No.

Currency

VALUE DATE	BOUGHT FROM YOU	RATE

Narrative

Tran No

Authorized Signature / Authorized Signature

EXCH-F-42

Size: 210mm x 155mm

Colour: Pink

11/83

MANIFOLD SET FOR BRANCH CONTRACTS

FOREX DEPT. **5**

CREDIT VOUCHER

We confirm the undermentioned transaction

CREDIT	CURRENCY POSITION ACCOUNT	
Tran Code 350	Dept.	Account Number 80549

Document No.	Currency

VALUE DATE	BOUGHT FROM YOU	RATE

Narrative

Tran No

Authorized Signature / Authorized Signature

EXCH-F-42

11/83

Size: 210mm x 155mm

Colour: Blue

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 10 - Part 1

MANIFOLD SET FOR BANK CONTRACTS

MAIL TO

BANK OF CREDIT AND COMMERCE INTERNATIONAL
SOCIETE ANONYME LICENSED DEPOSIT TAKER
100 LEADENHALL STREET LONDON EC3A 3AD
PHONES: 01 283 8566 TELEX: 8813651 CABLES BANCRECOM

1

CONTRACT No. ____________________

Dear Sirs,

We confirm the undermentioned transaction with yourselves:-

For Payment By

For Payment To

SOLD TO YOU	VALUE DATE	BOUGHT FROM YOU	RATE

TO

BY

Per Phone/Telex/Broker

LONDON ____________________ 19

EXCH-F-45

Authorised Signature / *Authorised Signature*

Size: 210mm x 177mm

Colour: White

11/83

MANIFOLD SET FOR BANK CONTRACTS

11/83

Size: 210mm x 177mm

Colour: Orange

MAIL TO

[2]

OFFICE COPY

CONTRACT No. ____________________

Dear Sirs,

We confirm the undermentioned transaction with yourselves :-

For Payment By

For Payment To

SOLD TO YOU	VALUE DATE	BOUGHT FROM YOU	RATE

TO

BY

Per Phone/Telex/Broker

LONDON ____________________ 19

EXCH-F-45

Authorised Signature / *Authorised Signature*

MANIFOLD SET FOR BANK CONTRACTS

3

MAIL TO

OFFICE COPY

CURRENCY POSITION A/Cs	
SOLD CURRENCY	8 0 5 4 9
PURCHASE CURRENCY	8 0 5 4 9

CONTRACT No. ____________

Dear Sirs,

We confirm the undermentioned transaction with yourselves :-

For Payment By

For Payment To

SOLD TO YOU	VALUE DATE	BOUGHT FROM YOU	RATE

TO

BY

SOLD CCY

PURCH CCY

Per Phone/Telex/Broker

LONDON ____________ 19

Authorised Signature / *Authorised Signature*

EXCH-F-45

11/83

Size: 210mm x 177mm

Colour: Orange

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 10 - Part 4

MANIFOLD SET FOR BANK CONTRACTS

11/83

4

DEBIT VOUCHER

DEBIT CURRENCY POSITION ACCOUNT

Tran Code	Dept.	Account Number
359		80549

Narrative .

SOLD TO YOU	VALUE DATE

RATE

FOR PAYMENT TO

Currency

Tran No.

EXCH-F-46

Authorised Signature / Authorised Signature

Size: 210mm x 177m

Colour: Pink

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 10 - Part 5

MANIFOLD SET FOR BANK CONTRACTS

5

CREDIT CURRENCY POSITION ACCOUNT		
Tran Code	Dept.	Account Number
350		80549

CREDIT VOUCHER

VALUE DATE	AMOUNT

RATE

FOR PAYMENT TO

Currency

Tran No

EXCH-F-16

Authorised Signature / Authorised Signature

11/83

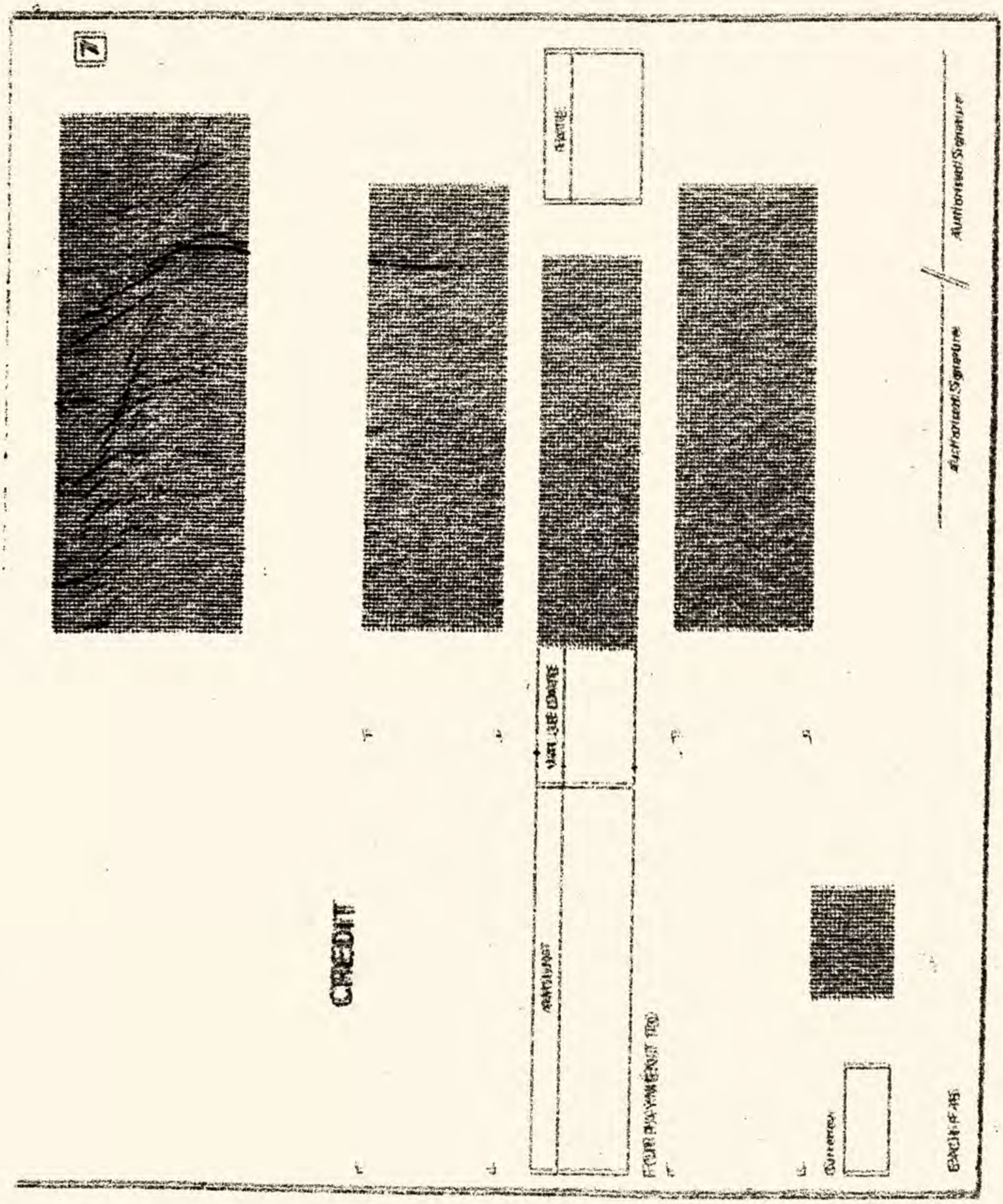
Size: 210mm x 177mm

colour: Blue

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 14 - Part 7

MANIFOLD SET FOR BANK CONTRACTS


CREDIT

Amount | Value Date | Name

[redacted]

For Payment To

Currency

Exchange

Authorised Signature / Authorised Signature

Size: 210mm x 177mm

Colour: Blue

11/83

EXAMPLE 11 - Parts 1-3

CURRENCY REQUISITION

PART 1

CURRENCY REQUISITION

DATE ....

TO: FOREIGN EXCHANGE DEALERS

PLEASE BUY/SELL ____________

AGAINST ____________

VALUE ____________

INSTRUCTIONS ____________

DEPARTMENT AUTHORISED SIGNATURE

LOWER PORTION TO BE FILLED IN BY THE FOREIGN EXCHANGE DEPARTMENT

SOLD	VALUE	RATE	BOUGHT

POSITION ____________

DIARY ____________

SETTLEMENT ____________

DEALER'S SIGNATURE

DEAL NO. ____________

PART 2

CURRENCY REQUISITION

DATE ....

TO: FOREIGN EXCHANGE DEALERS

PLEASE BUY/SELL ____________

AGAINST ____________

VALUE ____________

INSTRUCTIONS ____________

DEPARTMENT AUTHORISED SIGNATURE

LOWER PORTION TO BE FILLED IN BY THE FOREIGN EXCHANGE DEPARTMENT

SOLD	VALUE	RATE	BOUGHT

POSITION ____________

DIARY ____________

SETTLEMENT ____________

DEALER'S SIGNATURE

DEAL NO. ____________

PART 3

CURRENCY REQUISITION

DATE ....

TO: FOREIGN EXCHANGE DEALERS

PLEASE BUY/SELL ____________

AGAINST ____________

VALUE ____________

INSTRUCTIONS ____________

DEPARTMENT AUTHORISED SIGNATURE

LOWER PORTION TO BE FILLED IN BY THE FOREIGN EXCHANGE DEPARTMENT

SOLD	VALUE	RATE	BOUGHT

POSITION ____________

DIARY ____________

SETTLEMENT ____________

DEALER'S SIGNATURE

DEAL NO. ____________

Size: 210mm x 126mm
Colour: Part 1 - White
Part 2 - Pink
Part 3 - Pink

EXAMPLE 12

DAILY CURRENCY POSITION

DATE ____________

BCC SA ________ DEALING ROOM

DAILY CURRENCY POSITION

CURRENCY	LIMIT	AMOUNT	OB/OS	CLOSING MID RATE	DR/ CR	LOCAL CY EQUIVALENT AT MID RATE
U S DOLLARS						
STERLING						
AUS SCHILLING						
CON. BELG. FRANC						
DANISH KRONER						
FRENCH FRANCS						
DEUTSCHE MARKS						
ITALIAN LIRE						
DUTCH GUILDERS						
SWISS FRANCS						
CANADIAN $						
KUWAITI DINARS						
SAUDI RIYALS						
UAE DIRHAMS						
HONG KONG $						
INDIAN RUPEES						
JAPANESE YEN						
PAKISTANI RUPEES						
SPANISH PESETAS						
TOTAL LONG					CR	
TOTAL SHORT					DR	

NET PROFIT TO DATE

BROUGHT FORWARD

TODAY'S PROFIT

LIMITS: OVERNIGHT $
DAYLIGHT $

MAXIMUM EXPOSURE DURING ABOVE DATE:

CURRENCY ________ AMOUNT ________

________ FX MANAGER

EXCH-F-50

11/83 Size: 210mm x 297mm (A4)

EXAMPLE 13

DEAL REGISTER

PURCHASE CONTRACTS

DEAL NO.	CUSTOMER	SPOT/FORWARD DELIVERED	SPOT/FORWARD BOOKED	INIT.

SALE CONTRACTS

DEAL NO.	CUSTOMER	SPOT/FORWARD DELIVERED	SPOT FORWARD BOOKED	INIT.

Suggested Size: 297mm x 420mm (A3)

EXAMPLE 14

EXCHANGE POSITION SHEET

CURRENCY:	

DATE	BUYER/SELLER	VALUE	RATE	PURCHASES	SALES	EXCHANGE POSITION	LONG OR SHORT

Suggested Size: 230mm x 300m

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 15

REPORT OF FX DEALS OF OVER THE EQUIVALENT OF US$100,000

FOREIGN
EXCHANGE DEALS OVER $100,000.00

DEALING ROOM
****

DATE:

BANK	SOLD	BOUGHT	VALUE DATE	RATE	BRANCH

Size: 210mm x 297mm (A4)

EXAMPLE 16 - Part 1

CUSTOMERS' LEDGER-PURCHASES

CUSTOMER:

CURRENCY:	
LIMIT:	

DATE	DEAL NUMBER	FORWARD CONTRACTS BOOKED	FORWARD CONTRACTS LIQUIDATED	BALANCE	INIT.

Suggested Size: 210mm x 297mm (A4)

EXAMPLE 16 - Part 2

CUSTOMERS' LEDGER-SALES

CUSTOMER:	CURRENCY:	
	LIMIT:	

DATE	DEAL NUMBER	FORWARD CONTRACTS BOOKED	FORWARD CONTRACTS LIQUIDATED	BALANCE	INIT.

11/83 Suggested Size: 210mm x 155mm (A4)

FOREIGN EXCHANGE OPERATIONS

EXAMPLE 17

SPECIMEN OF WEEKLY EXCHANGE POSITION BY TELEX

To: Exchange Cell
International Division
BCCI London

Exchange exposures of BCCI __________ Dealing Room as on

Wednesday _______, 1984 as follows:-

(Amounts in US DLRS 000)

CURRENCY	O/B	O/S
US DLRS	21	
STG POUND		15
DM		3
BF		
SF	2	
CAN DLRS	1	
PTAS		
IRS	2	
PAK RS	2	
SR		
KD		
YEN		5
LOCAL CURRENCY		5
	28	28

Chief Dealer
BCCI __________ Dealing Room

N.B. 1. Total of O/B and O/S should be equal
2. This telex report should reach Exchange Cell, International Division, latest by the Friday following the Wednesday under report.

SECTION I - GENERAL

1. The procedures outlined in this section covers the month-end revaluation of all foreign currency assets and liabilities in order to arrive at the profit (or loss) on foreign exchange operations carried out during the month.

2. Local currency equivalents of all foreign currency transactions are arrived at by applying the rate of exchange prevailing on the day the relative transactions are booked. As the rate fluctuates from time to time, the value of the foreign currency positions also change accordingly. In order to make our books reflect the true value, foreign currency balances are revalued on the last working day of each month. The revaluation exercise will also reflect profit or loss on exchange transactions undertaken by the branch.

3. a) Monthly profit or loss is calculated by comparing the market values at prevailing rates with the local currency book values of all foreign currencies. On the date of revaluation, Accounts Department will prepare and forward to Settlements Department consolidated currency-wise balance lists of foreign currency Asset and Liability accounts in forms 187A and 187B (examples 1a and 1b).

   b) Settlements Department will apply the valuation rate and calculate the differences between book and spot values and also calculate the net position (overbought or oversold) (Section II - para 2). The total of assets will represent net purchases and the total of liabilities will represent net sales.

   c) Settlements Department will then prepare an Exchange Profit Working Sheet (example 2) to calculate exchange profit/loss on different currencies in which positions are maintained. Adjustments for forward positions will be made on the Exchange Adjustment Worksheet (example 3) and the "adjustment" figure included in column 7 of the Exchange Profit Working Sheet (example 2). These adjustments are necessary to ensure that the income actually accrued up to the date of revaluation is taken into profits.

4. Rates for revaluing net interim positions and forward positions will be supplied by the Dealers and verified by the officer-in-charge of Settlements Department. The rates will be based on the closing selling and buying rates prevailing on the date of revaluation. Adjustments for forward positions will be based on the premium or discount on each currency for each month forward.

5. Swap deals, which are composite of spot and forward contracts should not be included. Profit/Loss on each swap transaction will be computed at the time the transaction is effected and will consist of:-

i) the difference between the rates of interest payable on the local deposit and the foreign currency deposits.

ii) the difference between the spot buying rate and forward selling rate of the relative foreign currency.

The two sources of income and expenditure (viz interest and exchange) on swap transactions will be accounted for over the period of the contract and accruals made as required. Interest Receivable and Interest Payable under Swap Contracts will be booked each month on an accrual basis over the entire period of the transaction. Similarly, the exchange differential (discount or premium) will also be accounted for and booked on an accrual basis during the entire period of the contract by debiting or crediting Expenditure Account - Discount Paid to Banks. The form headed "Computation of Monthly Profit/Loss on Swap Transactions (example 4) will be used to calculate the exchange differential on swap transactions.

6. The procedures outlined in this section will be carried out and supervised by persons independent of the Dealing Rooms.

SECTION II - PROCEDURE

CALCULATION OF PROFIT OR LOSS ON SPOT POSITIONS

1. ACCOUNTS DEPARTMENT

On revaluation date Accounts Department will:

a) From the respective subsidiary ledgers, prepare currency-wise lists of balances of all foreign currency assets and liabilities on the "List of Foreign Currency Assets and Liabilities" (examples 1a and 1b respectively). Columns 1 to 4 will be completed by them.

b) Check and initial lists stated above.

c) Forward the lists to Settlements Department.

2. SETTLEMENTS DEPARTMENT

A) Settlements Department will:

Process lists of assets and liabilities (examples 1a and 1b) as follows:-

i) Receive lists from Accounts Department

ii) Complete columns 6 and 7 of these lists

iii) Authorised official will check and initial in column 8

B) Calculate net overbought or oversold position for each currency and enter on Exchange Profit Working Sheet (example 2). The currency amount will be shown in column 2 and long or short in column 3.

C) Reconcile net position of each currency with that shown in the Exchange Position Sheet (Foreign Exchange Operations, Section 1 - Paragraph 26).

D) Complete Exchange Profit Working Sheet (example 2) as follows:-

i) Enter the Valuation Rate in column 4. The rate is calculated as an average of the day's spot buying and spot selling rates by dividing the sum of these by two.

ii) By applying the valuation rate, calculate the local currency values of each currency and enter in column 5.

iii) Enter the local currency book values of each currency from column 4 of the lists of foreign currency accounts supplied by Accounts Department (paragraph 1c above).

iv) Enter the difference between columns 5 and 6 (i.e the difference between 'spot' and 'book' values) in column 7 as follows:

- Show a plus (+) adjustment in column 7 if

  - amount in column 5 exceeds that in column 6 and the position is <u>long</u>;

- amount in column 5 is less than that in column 6 and the position is short;

- Show a minus (-) adjustment in column 7 if

  - amount in column 5 is less than in column 6 and the position is long;

  - amount in column 5 exceeds that in column 6 and the position is short

E) On the revaluation date, calculate adjustments on future contracts on Exchange Adjustment Working Sheet (example 3) as follows (a separate sheet will be used for each currency):-

i) Enter overbought (+) or oversold (-) position for each time period in column 2.

ii) Enter approved forward exchange revaluation rates in column 3. Market forward buying rates (we can sell) will be used for long (overbought) positions and market forward selling rates (we can buy) will be used for short (oversold) positions.

iii) Enter in the box at the top of the form, the spot position revaluation rate used in column 4 of the Exchange Profit Working Sheet (example 2, paragraph 2d iv above). Local currency rates in terms of a unit of foreign currency will be used.

iv) Enter the difference between the spot and forward rates in column 4 as premiums (P) or discounts (D) as follows:

a) If the spot rate generates more local currency than the forward rate, then the difference between the rates is a discount.

b) If the spot rate generates less local currency than the forward rate, then the difference between the rates is a premium.

v) Calculate the adjustment for each time category in the following way and enter in column 5:-

i) Plus (+) adjustments for

a) premium applied to long interim positions
b) discount applied to short interim positions

ii) Minus (-) adjustments for

a) premium applied to short interim positions
b) discount applied to long interim positions

vi) Calculate net of adjustments shown in column 5 and enter result in the "Total Net Adjustments" box.

vii) Carry forward total net adjustments to column 8 of Exchange Profit Working Sheet (example 2).

F) Complete Exchange Profit Working Sheet as follows:

i) Calculate net of columns 7 and 8 and enter in column 9 as a + or - figure.

ii) Calculate net of amounts shown in column 9 and enter in "Total Adjusted Profit/Loss to Date".

G) Pass accounting entries as follows:-

1. ASSET ACCOUNTS

i) For each plus (+) difference amount recorded in column 6 of List of Foreign Currency Assets (example 1a)

DEBIT : Respective General Ledger Account

ii) For each minus (-) difference amounts recorded in column 6 of List of Foreign Currency Assets

CREDIT : Respective General Ledger Account

iii) If the total of difference in column 6 of List of Foreign Currency Assets is a plus (+) amount

CREDIT : Income Account - Profit on Exchange Trading

iv) If the total of differences in column 6 of List of Foreign Currency Assets is a minus (-) amount

DEBIT : Income Account - Profit on Exchange Trading

2. LIABILITY ACCOUNTS

i) For each plus (+) difference amount recorded in column 6 of List of Foreign Currency Liabilities (example 1b)

CREDIT : Respective General Ledger Account

ii) For each minus (-) difference amount in column 6 of List of Foreign Currency Liabilities

DEBIT : Respective General Ledger Account

iii) If the total of differences in column 6 of List of Foreign Currency Liabilities is a plus (+) amount

DEBIT : Income Account - Profit on Exchange Trading

iv) If the total of difference in column 6 of List of Foreign Currency Liabilities is a minus (-) amount

CREDIT : Income Account - Profit on Exchange Trading

h) The vouchers specified in paragraph 8 above will be single currency Debit and Credit Vouchers and will carry the following narrations:-

i) General Ledger (Asset and Liability) Account vouchers

- "Currencies revalued as per lists of Foreign Currency Asset and Liability Accounts".

ii) Income Account vouchers

- "Income (or Loss, where applicable) on revaluation of foreign currencies as per lists of Foreign Currency Asset and Liability accounts."

3. CALCULATION OF PROFIT OR LOSS ON FORWARD POSITIONS

a) Deduct amount of differences on spot transactions, for which vouchers have been passed as outlined in paragraph 2g above. from the total amount of profit calculated in column 9 of the Exchange Profit Working Sheet (paragraph 2f above). The difference represents the proportionate profit (or loss) on revaluation of outstanding forward contracts.

b) Pass accounting entries as follows:

i) DEBIT: Other Assets - Suspense Account - FX
CREDIT: Income Account - Profit on Exchange Trading (for profit on revaluation of Forward Exchange Contracts).

ii) DEBIT: Income Account - Profit on Exchange Trading
CREDIT: Sundry Creditor Accounts - Difference on Forward Exchange Contracts (for loss on revaluation of Forward Exchange Contracts)

c) In the following month the above entries will be reversed for the entire amount before passing fresh entries.

4. CALCULATION OF EXCHANGE DIFFERENTIAL ON SWAP TRANSACTIONS

Settlements Department will:

A) Complete example 4 by entering the following information:

i) Serial number in columns

ii) Spot contract number in column 2

iii) Date of contract in column 3

iv) Date of maturity of contract in column 4

v) Foreign currency amount of the deal in column 5

vi) Spot exchange rate in column 6

vii) Forward exchange rate in column 7

viii) Difference between spot and exchange rates in column 8 (i.e column 7 - column 6)

ix) Total premium or discount in column 9 as follows:

a) if the forward sale of foreign currency yields more local currency than the local currency cost of the spot purchase, column 9 will show a premium (+)

b) if the forward sale of foreign currency yields less local currency than the local currency cost of the spot purchase, column 9 will show a discount (-)

x) The proportionate amount of premium or discount for each month during the total period of the swap in column 10, which is subdivided into separate columns for each month.

B) At the end of each month

EXCHANGE PROFITS

i) Total all premium (+) amounts appearing under that month's sub-division in column 10, and pass the following entries:

DEBIT: Other Assets - Suspense Account - Reserve for Exchange Difference Receivable on Swap transactions

CREDIT: Expenditure Account - Discount paid to Banks

(Valuation : premium as exchange difference receivable on swap transactions as per Computation of monthly Profit/Loss on Swap Transactions Sheets attached).

ii) Total all discount (-) amounts appearing under that month's sub-division in column 10 and pass the following entries:

DEBIT: Expenditure Account - Discount paid to Banks

CREDIT: Sundry Creditors Account - Reserve for Exchange Difference Payable on Swap Transactions

(Valuation : discount as exchange difference payable on swap transactions as per computation of monthly Profit/Loss on Swap Transactions sheets attached).

iii) Have vouchers and computation of Profit/Loss on swap transactions checked and approved by authorised officials.

(NB: As stated in EXP: Section I - Paragraph 5, swap transactions are excluded from the month end revaluation exercise outlined in EXP : Section II - Paragraphs 2 and 3 above. It is, therefore, essential that separate records are maintained for forward contracts generated out of swap transactions in order to avoid including these with other forward contracts.)

SECTION III - BRANCH CONTROL CHECK LIST

Check the following:-

1. Monthly revaluation is carried out correctly by Settlements Department. Check rates and calculations on Exchange Profit Working Sheet and Exchange Adjustment Worksheet (Section I - Para 3).

2. Valuation rates supplied by Dealers are checked by an official independent of the Dealing Room (Section I - Para 4).

3. Swap Deals are not included in the revaluation exercise. Profit/loss and exchange differential on each swap transaction is being computed correctly. (Section I - Para 6).

4. Monthly revaluation is carried out and supervised by persons independent of the Dealing Rooms (Section I - Para 6).

5. Net position in each currency as calculated from Lists of Foreign Currency Assets and Liabilities agree with position shown in Exchange Position Sheet (Section II - Para 2D).

6. Premium or discount in exchange rates is being correctly applied to each net currency position (Section II - Para 2Eiv).

7. Accounting entries being passed correctly (Section II - Para 2G).

SUBJECT: EXCHANGE PROFITS

LIST OF EXAMPLES

EXAMPLE NUMBER	DESCRIPTION	PARA REF NO.	EXISTING FORM REF NO.
1	List of balances in Foreign Currency accounts	EXP- Sec I: 3a B1, B2, B8a & b INST.CIRC. 4.02(P29)	
1a	ASSETS		187A
1b	LIABILITIES		187A
2	Exchange Profit Working sheet	EXP- Sec I: 3c B3, B6c B6g INST.CIRC. 4.02(P31)	154
3	Exchange Adjustments Working Sheet	EXP- Sec I: 3c B6, INST.CIRC. 4.03	189
4	Computation of monthly profit/loss on Swap Deals	EXP Sec II - 5	190

EXCHANGE PROFITS

EXAMPLE 1A

LIST OF FOREIGN CURRENCY BALANCES - ASSETS

LIST OF BALANCES IN FOREIGN CURRENCY ACCOUNTS AS ON

CURRENCY

ASSETS (PURCHASES)

VALUATION RATE

1	2	3	4	5	6	7
ACCOUNT NUMBER	NAME OF GENERAL LEDGER ACCOUNT	FOREIGN CURRENCY BALANCE AS PER SUBSIDIARY LEDGER	BOOK VALUE (local currency) AS PER SUBSIDIARY LEDGER	VALUE AT VALUATION RATE	UNADJUSTED PROFIT/ LOSS TO DATE (net of columns 4 and 5; show + or -)	Inits.

Form No. 187A

Size: 210mm x 297mm (A4)

EXAMPLE 1B

LIST OF FOREIGN CURRENCY BALANCES–LIABILITIES

LIST OF BALANCES IN FOREIGN CURRENCY ACCOUNTS AS ON ____________

CURRENCY ____________

LIABILITIES (SALES)

VALUATION RATE

ACCOUNT NUMBER	NAME OF GENERAL LEDGER ACCOUNT	FOREIGN CURRENCY BALANCE AS PER SUBSIDIARY LEDGER	BOOK VALUE (local currency) AS PER SUBSIDIARY LEDGER	VALUE AT VALUATION RATE	UNADJUSTED PROFIT/ LOSS TO DATE (net of columns 4 and 5; show + or -)	Inits.

Form No. 187B

Size: 210mm x 297mm (A4)

EXCHANGE PROFIT WORKING SHEET

EXCHANGE PROFIT WORKING SHEET

AS ON ______________________ ______________________ BRANCH

1	2	3	4	5	6	7	8	9
CURRENCY	FOREIGN CURRENCY POSITION FROM FOREIGN CURRENCY LEDGER	LONG OR SHORT	VALUATION SPOT RATE	VALUE OF POSITION AT VALUATION RATE	BOOK VALUE OF POSITION FROM FOREIGN CURRENCY LEDGER	UNADJUSTED PROFIT TO DATE (net of columns 5 and 6)	ADJUSTMENTS FOR FORWARD CONTRACTS (show + or -)	ADJUSTED PROFIT/LOSS TO DATE (net of columns 7 and 8)
							TOTAL ADJUSTED PROFIT/LOSS TO DATE	

______________ ______________ ______________

Preparer Checker Manager

11/83

Size: 210mm x 297mm (A4)

EXCHANGE PROFITS

EXAMPLE 3

EXCHANGE ADJUSTMENT WORKING SHEET

Size: 210mm x 297mm (A4)

EXCHANGE ADJUSTMENT WORKING SHEET

ADJUSTMENTS OF OUTSTANDING FORWARD POSITIONS IN ________ (currency)

DATE ________

BRANCH ________

VALUATION RATE ________

1 FORWARD CONTRACT MATURITIES	2 NET INTERIM POSITION (O/B or O/S)	3 FORWARD RATES	4 DIFFERENCE BETWEEN VALUATION AND FORWARD RATES	5 AMOUNT OF ADJUSTMENT
Maturities to Current Month				
Mats. to 1st Calendar Month				
Mats. to 2nd Calendar Month				
Mats. to 3rd Calendar Month				
Mats. to 4th Calendar Month				
Mats to 5th Calendar Month				
Mats. to 6th Calendar Month				
Mats. to 7th Calendar Month				
Mats. to 8th Calendar Month				
Mats. to 9th Calendar Month				
Mats. to 10th Calendar Month				
Mats. to 11th Calendar Month				
Mats. to 12th Calendar Month				
Total of SWAPS not included above			Total Net Adjustment	
Net Forward Contracts Position				

Preparer ________ Checker ________ Manager ________

EXCHANGE PROFITS

EXAMPLE 4

COMPUTATION OF MONTHLY PROFIT/LOSS ON SWAP TRANSACTIONS

COMPUTATION OF MONTHLY PROFIT/LOSS ON SWAP TRANSACTIONS

Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Sl. No.	CONTRACT NUMBER	DATE OF CONTRACT	DATE OF MATURITY	AMOUNT	SPOT RATE	FORWARD RATE	DIFFERENCE IN RATES (Col. 7 - Col. 8)	TOTAL PREMIUM/ DISCOUNT	PERIOD OF SWAP					
									1 Month	2 Months	3 Months	4 Months	5 Months	6 Months

Form No. 190

Size: 210mm x 297mm (A4)