



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 48

**DIRECTING ALL NON-BANK GOVERNMENT ENTITIES TO
FORMULATE INVESTMENT GOVERNANCE FRAMEWORKS FOR
FOREIGN EXCHANGE DERIVATIVES TRANSACTIONS**

WHEREAS, the *Bangko Sentral ng Pilipinas* (BSP), as central monetary authority, provides policy directions in the areas of money, banking and credit, and exercises supervision over the operations of banks, as well as regulatory powers over the operations of finance companies and non-bank financial institutions;

WHEREAS, in line with continued reforms in banking regulations, especially on foreign exchanges, the BSP, through Circular No. 1124 (s. 2021), lifted the requirement of prior Monetary Board (MB) approval for foreign exchange (FX) derivatives transactions of non-bank government entities to promote ease of use of FX resources, and streamline procedures and requirements relative to FX transactions;

WHEREAS, derivatives are contracts between two or more parties, which derive its value on an agreed-upon underlying financial asset, index or security, such as bonds, commodities, currencies or stocks;

WHEREAS, similar to other investments, and by its nature, derivatives fundamentally involve the assumption of risks;

WHEREAS, under Executive Order No. 292 (s. 1987) or the "Administrative Code of 1987," the Department of Finance (DOF) is mandated to ensure the efficient management of the government's financial resources, and serves as its steward of sound fiscal policies;

WHEREAS, there is a need to institute sufficient monitoring safeguards and risk management mechanisms in FX derivatives transactions to protect the National Government's fiscal and economic interests in non-bank government entities;

WHEREAS, the regulation of FX derivatives transactions of non-bank government entities supports the objective to configure the country's public sector debt profile, such that government debt involves extended maturities, and ensures an optimum mix of currencies, to minimize the impacts of drastic currency movements; and

WHEREAS, Article VII, Section 17 of the Constitution provides that the President shall have control of all executive departments, bureaus and offices;

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

SECTION 1. Government Oversight on FX Derivatives Activities of Non-Bank Government Entities. To ensure efficient and judicious utilization of government resources, and subject to existing laws, the DOF shall oversee all FX derivatives activities of all non-bank government entities, including government-owned or -controlled corporations (GOCC) such as, but not limited to, the Government Service Insurance System, Social Security System, Home Development Mutual Fund, and Philippine Health

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Insurance Corporation, as well as other government entities not regulated by the BSP (hereafter, "Covered Entities").

SECTION 2. Approval of Investment Governance Frameworks. All Covered Entities shall formulate their respective Investment Governance Frameworks, to be approved by the Board of Directors or Trustees, or the Head of Agency, as the case may be, covering, at the minimum, the following areas: (i) risk management; (ii) qualifications of treasury professionals; (iii) operations; (iv) controls; and (v) accounting and reporting procedures. All Investment Governance Frameworks shall be submitted to the DOF for approval.

The Secretary of Finance may disapprove or defer approval of Investment Governance Frameworks on the ground of non-compliance with the requirements under the Implementing Guidelines to be issued under this Order, provided that the Covered Entity concerned shall be given an adequate opportunity to comply, and/or to address the concerns relative to its submission.

SECTION 3. Quarterly Reports. Covered Entities shall submit to the DOF at the end of every quarter, a report on FX derivatives outstanding, a mark-to-market valuation report, if applicable, and such other reports as may be required under the Implementing Guidelines to be formulated pursuant to this Order. To evaluate and analyze the impacts of such FX derivatives transactions on the financial exposure of the government, such reports shall be included in the GOCC's Liabilities and Processing Tool of the DOF, as may be appropriate.

SECTION 4. Implementing Guidelines. Within sixty (60) days from the effectivity of this Order, the Secretary of Finance shall promulgate Implementing Guidelines, which shall include, among others, the content of the Investment Governance Frameworks of Covered Entities.

SECTION 5. Transitory Provision. Covered Entities that have executed FX derivatives transactions prior to the issuance of this Order are given forty-five (45) days from the issuance of the Implementing Guidelines to submit to the DOF their respective Investment Governance Frameworks, as well as the required reports on FX derivatives outstanding under Section 3 of this Order.

SECTION 6. Separability. If any part or provision of this Order is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

SECTION 7. Repeal. All orders, rules, regulations and other issuances or parts thereof which are inconsistent with this Order are hereby revoked, amended or modified accordingly.

SECTION 8. Effectivity. This Order shall take effect immediately after its publication in the Official Gazette or in a newspaper of general circulation.

DONE in the City of Manila, this 24th day of May, in the year of Our Lord, Two Thousand and Twenty-Two.

By the President:


SALVADOR C. MEDIALDEA
Executive Secretary

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