

PROGRAM DESCRIPTION

The Exporter's Hedging Program is a program initiated by the Department of Trade and Industry (DTI) and the Department of Finance (DOF) through DBP to help the exporters hedge their US Dollar inflows against the fluctuations of foreign exchange rates. The Hedging Program offers two products for exporters:

1. FX INSURANCE
2. FORWARD FX RATE PROTECTION

ELIGIBLE CLIENTS

- Exporters
- Exporters' consolidators

FX INSURANCE

Allows the exporter the right but not the obligation to sell his US Dollars against Philippine Pesos to DBP at a specified price at a specified date.

Benefits

- Provides the exporter the ability to benefit from a Philippine Peso depreciation
- Hedges the exporter against a Peso Appreciation at an agreed protection rate

Terms and Conditions

- Maximum of three (3) months
- Exporter must be a PHILEXPORT member in good standing, if no existing credit line with DBP
- Minimum amount of \$10,000 but not to exceed the outstanding amount of the submitted trade document
- Protection Rate
- Insurance Fee (amount depends on market rates, volatility of USD/PHP, and agreed protection rate)

Documents Required

1. Certification from PHILEXPORT
2. Any of the following:
 - i. Letter of Credit
 - ii. Purchase Order
 - iii. Sales Contract/ Confirmed Pro-forma Invoice
3. Company's approval to engage in Exporters Hedging Program
4. Documents as required under DBP Guidelines

FORWARD FX RATE PROTECTION

A forward exchange contract where only the net difference between the contracted forward rate and the market rate shall be settled at maturity.

Benefits

- No fees will be paid
- Offers a fixed exchange rate at a specified future date, therefore protecting the exporter at certain rate if the peso appreciates
- Entire amount of the contract is not settled, only the net difference between contracted forward rate and the market rate at maturity is settled

Terms and Conditions

- Maximum of six (6) months
- Minimum amount of \$10,000 but not to exceed the outstanding amount of the submitted trade document
- Forward Rate
- Exporter must be a PHILEXPORT member in good standing, if no existing credit line with DBP
- Exporter must either place a refundable cash margin/ deposit with DBP or establish a credit line, whichever suits his needs
 - a) Cash margin/ holdout deposit with a minimum maintaining balance of \$500 depending on contract amount, OR
 - b) Credit line which is subject to approval from the DBP Credit Committee/ Board

Documents Required

1. Certification from PHILEXPORT
2. Any of the following:
 - i. Letter of Credit
 - ii. Purchase Order
 - iii. Sales contract/ confirmed pro-forma invoice
2. Company's approval to engage in Exporters Hedging Program
3. Documents required under DBP Guidelines

HOW TO AVAIL OF THE EXPORTERS HEDGING PROGRAM?

1. Go to SME Dept. (5th Floor, DBP Head Office in Makati) or to any DBP Regional Management Office nearest you and inquire who to approach regarding the Exporters Hedging Program. Please see back for the list of DBP contact persons.

2. A designated Account Officer will attend to you to explain further the Exporters Hedging Program, and inform you of the required documents
3. Submit the required documents needed in availing any of the products
4. Discuss with the Account Officer the following:
 - i. Terms
 - ii. Contracted Amount
 - iii. USD/PHP exchange rate (spot rate at trade date)
 - iv. For FX Insurance:
 - Protection rate and Insurance Fee
 - v. For Forward FX Rate Protection:
 - Forward Rate
5. Accomplish and submit the following documents:
 - i. Application Form
 - ii. Master Agreement
 - iii. Risk Disclosure Statement (for every transaction)
 - iv. FX Insurance Confirmation
 - v. Forward FX Rate Protection Contract

FREQUENTLY ASKED QUESTIONS

1. Under the FX Insurance, what happens if the Philippine Peso depreciates from P46 to P47, on maturity date?

A: The exporter may sell his US dollars at P47 to DBP. In an FX Insurance, he is not locked at the agreed protection rate, thereby has the opportunity to gain from Philippine Peso depreciation.
2. How does a Forward FX Rate Protection transaction work?

A: Given the amount transacted by the exporter is \$10,000, term of 30 days and current USD/PHP exchange rate is at P46.25, exporter and DBP agree on a Forward Rate of P46.22. If the Peso appreciates to P46.00 after 30 days, then DBP pays the net peso settlement amount of P2,200 to exporter $([46.22 - 46.00] \times \$10,000 = P2,200)$. On the other hand, if the Peso depreciates to P46.50 after 30 days, then the exporter pays DBP the net peso settlement amount of P2,800 at maturity $([46.50 - 46.22] \times \$10,000 = P2,800)$.
3. How is the Insurance Fee computed?

A: Insurance Fee = Insurance fee rate x amount. The insurance fee rate quoted by DBP is based on the market rates, volatility of the USD/PHP, and the agreed protection rate. If the exporter wants to negotiate a higher protection rate, then the insurance fee rate also increases accordingly.

Example:
Assuming Insurance fee rate: 1.2%
USD/PHP Exchange rate: P46.30
Protection Rate: P46.00
Amount: \$10,000
Term 1 month
Then Insurance Fee = 1.2% x \$10,000
= \$120

If the exporter wants a higher protection rate say P46.50, then the insurance fee must also be increased accordingly (ex. \$173) depending on how high the protection rate is.

CONTACT PERSONS

DBP HEAD OFFICE:

Small & Medium Enterprises, 5th Floor,
Development Bank of the Philippines
Sen. Gil Puyat Avenue corner Makati Avenue,
Makati City, 1200 Phils.

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REGIONAL MARKETING CENTERS

Makati (Head Office)
SM Liza Dumlao
local 2453 / 3418

Commonwealth, Quezon City
VP Ma. Teresita S. Tolentino
(02) 920-4781

Zamboanga City
AVP Jose Q. Villano
(062) 992 5819

General Santos City
AVP Fernando G. Lagahit
(088) 301 6110

Butuan City
AVP Neogen M. Chavez
(085) 341 5136

Davao City
SAVP Edgar N. Seronay
(082) 222 3477

Cagayan de Oro City
SAVP Sisinio S. Narisma
(08822) 72 26 46/47

Bacolod City
AVP Jonathan S. Teves
(034) 433 4284/85

Iloilo
AVP Crisanta G. Ibero
(033) 337 6432

Tacloban City
Mgr. Francisco R. Cruz
(053) 325 2960

Cebu City
AVP Luisalo Ma. B. Caverte
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SAVP Avelardo L. Monarquia
(052) 820 2399

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AVP Rodelio L. Labit
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AVP Evelyn M. Ventura
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SAVP Lydia Q. Maglalang
(045) 961 0003

Dagupan City
SAVP Renato G. Bernardo
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DBP HEDGING PROGRAM FOR EXPORTERS



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