

THE TREATMENT OF FOREIGN EXCHANGE

1. The purpose of this Annex is to implement the [EBA Guidelines on the treatment of structural FX under Article 352\(2\) of Regulation \(EU\) No 575/2013](#) (the 'CRR') (EBA/GL/2020/09), and it is applicable to all credit institutions licensed under the Banking Act. This Annex must be read and shall be applied in conjunction with the aforementioned EBA Guidelines, as well as any reviews and/or updates that may be undertaken to such Guidelines from time to time.
2. The aim of the EBA Guidelines is to provide a harmonised interpretation and implementation of the structural foreign exchange ('FX') provision found under Article 352(2) of the CRR, which provides for the exemption of FX risk positions taken by credit institutions to hedge against the adverse effect of the exchange rate on capital ratios from the calculation of net open currency positions where such positions are of a non-trading or structural nature. The exemption is subject to authorisation by the competent authority on a case-by-case basis.
3. Credit institutions shall have regard to the main requirements outlined within the EBA Guidelines, in relation to:
 - a) the procedural admissibility of a request;
 - b) the substantive admissibility of a request;
 - c) the assessment of the structural nature of the positions and of the intention to hedge the ratio, including the assessment of governance and risk management strategy of the structural positions;
 - d) the determination of the size of the position to be excluded;
 - e) the ongoing monitoring of the permission, with the Guidelines providing the minimum information requirements to be provided to the Authority following the granting of permission¹.
4. All requirements emanating from this Annex are applicable with immediate effect.

¹ Credit institutions shall be guided in due course by the Authority in relation to reporting requirements following the granting of the permission.