

Chapter 2A

Mortgage Credit Directive



2A.3 Foreign currency loans

- 2A.3.1** **R** Where an *MCD regulated mortgage contract* relates to a *foreign currency loan*, at the time the *MCD regulated mortgage contract* is entered into the *MCD mortgage lender* must ensure:
- (1) the *consumer* has a right to convert the *MCD regulated mortgage contract* into an alternative currency under specified conditions; or
 - (2) there are other arrangements in place to limit the exchange rate risk to which the *consumer* is exposed under the *MCD regulated mortgage contract*.
- [Note: article 23(1) of the *MCD*]
- 2A.3.2** **G** The “other arrangements” referred to in ■ MCOB 2A.3.1R (2) may include:
- (1) a cap; or
 - (2) a risk warning (where a risk warning would be sufficient to limit the exchange rate risk (if any) to which the consumer is exposed).
- 2A.3.3** **G** Where:
- (1) an *MCD regulated mortgage contract* is denominated in pound sterling (“currency A”); and
 - (2) the *consumer* receives income or holds assets in currency A but also receives income or holds assets in another currency (“currency B”);
- the *MCD regulated mortgage contract* will not be a *foreign currency loan* unless the credit is to be repaid wholly or in part from the income received or assets held in currency B.
- 2A.3.4** **R** The alternative currency referred to in ■ MCOB 2A.3.1R (1) must be either:
- (1) the currency in which the *consumer* primarily receives income or holds assets from which the *credit* is to be repaid, as indicated at the time that the most recent affordability assessment in relation to the *regulated mortgage contract* was made; or
 - (2) pound sterling.
- [Note: article 23(2) of the *MCD*]

2A.3.5 **R** Where a *consumer* has a right to convert the *MCD regulated mortgage contract* into an alternative currency in accordance with **■ MCOB 2A.3.1R (1)**, the exchange rate at which the conversion is carried out must be the market exchange rate applicable on the day of application for conversion, unless otherwise specified in the *MCD regulated mortgage contract*.

[Note: article 23(3) of the *MCD*]

2A.3.6 **R** A *firm* must disclose to the *consumer* its arrangements for complying with the obligations in **■ MCOB 2A.3.1 R** in the *MCD regulated mortgage contract*.

[Note: article 23(6) of the *MCD*]