



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER NO. CL-2015- 023

To: ALL BANKS AND QUASI-BANKS

Subject: Guarantee Issued by Credit Guarantee and Investment Facility as an Effective Credit Risk Transfer

The Monetary Board, in its Resolution No. 226 dated 13 February 2015, approved the treatment of guarantees issued by the Credit Guarantee and Investment Facility (CGIF) on corporate bonds as an effective credit risk transfer pursuant to Subsection X303.3 of the Manual of Regulations for Banks (MORB). Thus, a bond held by a bank/quasi-bank that is covered by a CGIF guarantee shall be excluded from computation of the bank's/quasi-bank's Single Borrower's Limit (SBL) to the borrower. Instead, the credit exposure will be chargeable against the bank's/quasi-bank's SBL limit to the CGIF.

CGIF is a trust fund established by the ten members of the Association of Southeast Asian Nations (ASEAN) together with the People's Republic of China, Japan and the Republic of Korea, as well as the Asian Development Bank. It is a key component of the Asian Bond Markets Initiative that aims to develop and strengthen local currency and regional bond markets in the ASEAN+3 region by providing guarantees to corporate bonds in local currencies, issued by ASEAN+3 corporations. CGIF provides assistance to these companies in securing long-term financing, reducing their dependency on short-term foreign currency borrowing, and addressing currency and maturity mismatches.

In addition to the credit risk transfer treatment for SBL purposes, CGIF guaranteed bonds are assigned a lower risk weight of 20 percent pursuant to Appendix 63b, Part IV (Credit Risk-Weighted Assets), Item A, Paragraph 1 of the MORB.

For information and guidance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

15 April 2015