



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1084

Series of 2020

Subject: Amendments to the Risk-Based Capital Adequacy Frameworks for Banks/Quasi-Banks

The Monetary Board in its Resolution No. 570 dated 24 April 2020, approved the following amendments to the Risk-Based Capital Adequacy Frameworks for banks/quasi-banks.

Section 1. The provisions of Appendix 59 of the Manual of Regulations for Banks (MORB) are hereby amended to read, as follows:

Appendix 59 Risk-Based Capital Adequacy Framework for the Philippine Banking System

x x x

Part V. Credit risk-weighted assets

A. Risk-Weighting

x x x

Other Assets

16. The standard risk weight for all other assets, including bank premises, furniture, fixtures and equipment, will be 100%, except in the following cases:

x x x

- b) Checks and other cash items, which shall be risk-weighted at twenty percent (20%);
- c) Loans to small farmer and fisherfolk to the extent guaranteed by the Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, which shall be risk weighted at zero percent (0%), prior to the transfer of its administration to the Philippine Guarantee Corporation (Philguarantee); and

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- d) Loans to MSMEs, which are performing, to the extent guaranteed by a qualified Credit Surety Fund (CSF) Cooperative, which shall be risk-weighted at twenty percent (20%). xxx

xxx

B. Credit risk mitigation (CRM)

xxx

47. The following are the eligible guarantors:

- a) Philippine NG and the Bangko Sentral;
- b) Central governments and central banks and PSEs of foreign countries as well as MDBs with a lower risk weight than the counterparty;
- c) Banks with a lower risk weight than the counterparty;
- d) Other entities with external credit assessment of at least A- or its equivalent;
- e) The Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, prior to the transfer of the administration of the AGFP to the Philguarantee; and
- f) Qualified Credit Surety Fund (CSF) Cooperative as defined in Part IV. A.

xxx

49. An exposure that is covered by a guarantee that is counter-guaranteed by the Philippine NG or Bangko Sentral, may be considered as covered by the guarantee of the Philippine NG or Bangko Sentral: *Provided, That:*

- a) xxx
- b) xxx
- c) xxx

Currently, Php-denominated exposures to the extent guaranteed by Industrial Guarantee and Loan Fund (IGLF), Home Guaranty Corporation (HGC), Agricultural Credit Policy Council, and Philguarantee receive zero percent (0%) risk weight.

xxx

Section 2. The provisions of Appendix Q-45 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), are hereby amended to read, as follows:

Appendix Q-45 Risk-Based Capital Adequacy Framework for the Philippine Banking System

xxx

Part V. Credit risk-weighted assets



A. Risk-Weighting

x x x

Other Assets

16. The standard risk weight for all other assets, including bank premises, furniture, fixtures and equipment, will be 100%, except in the following cases:

x x x

- b) Checks and other cash items, which shall be risk-weighted at twenty percent (20%);
- c) Loans to small farmer and fisherfolk to the extent guaranteed by the Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, which shall be risk weighted at zero percent (0%), prior to the transfer of the administration of the AGFP to the Philippine Guarantee Corporation (Philguarantee).

x x x

B. Credit risk mitigation (CRM)

x x x

47. The following are the eligible guarantors:

- a) Philippine NG and the Bangko Sentral;
- b) Central governments and central banks and PSEs of foreign countries as well as MDBs with a lower risk weight than the counterparty;
- c) Banks with a lower risk weight than the counterparty;
- d) Other entities with external credit assessment of at least A- or its equivalent; and
- e) The Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, prior to the transfer of the administration of the AGFP to the Philguarantee.

x x x

49. An exposure that is covered by a guarantee that is counter-guaranteed by the Philippine NG or Bangko Sentral, may be considered as covered by the guarantee of the Philippine NG or Bangko Sentral: *Provided, That:*

- a) xxx
- b) xxx
- c) xxx



Currently, Php-denominated exposures to the extent guaranteed by Industrial Guarantee and Loan Fund (IGLF), Home Guaranty Corporation (HGC), Agricultural Credit Policy Council, and Philguarantee receive zero percent (0%) risk weight.

x x x

Section 3. The provisions of Appendix 62 of the MORB, as amended by Circular No. 1079 dated 9 March 2020, are hereby amended to read, as follows:

Appendix 62 Risk-Based Capital Adequacy Framework for Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks

x x x

Part I. Risk-based Minimum Capital Ratios

1. xxx

The minimum capital ratios based on the new compositions and the CCB shall take effect starting 1 January 2023.

2. xxx

x x x

Part III. Credit risk-weighted assets

x x x

A. On-Balance Sheet Assets

2. xxx

a) 0% risk weight -

x x x

viii. Peso-denominated real estate mortgage loans to the extent guaranteed by the Home Guaranty Corporation (HGC);

ix. Peso-denominated loans to the extent guaranteed by the Philippine Guarantee Corporation (Philguarantee);

x. Loans to the extent guaranteed by the Agricultural Credit Policy Council; and

- xi. Loans to small farmer and fisherfolk to the extent guaranteed by the Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, prior to the transfer of the administration of the AGFP to the Philguaranteee.

b) 20% risk weight –

x x x

- ix. Loans to MSMEs, which are performing, to the extent guaranteed by a qualified Credit Surety Fund (CSF) Cooperative. xxx

x x x

C. Claims with Eligible Collateral/Guarantees

x x x

8. The following are the eligible guarantors:

- a) xxx
- b) xxx
- c) xxx
- d) The Agricultural Guarantee Fund Pool (AGFP) created under Administrative Order No. 225-A dated 26 May 2008, prior to the transfer of the administration of the AGFP to the Philguaranteee; and
- e) Qualified Credit Surety Fund (CSF) Cooperative as defined in Part III. A.

x x x

Section 3. Section 127 of the Manual of Regulations, as amended by Circular No. 1079 dated 9 March 2020, is hereby amended, as follows:

Section 127. RISK-BASED CAPITAL ADEQUACY FRAMEWORK FOR STAND-ALONE THRIFT BANKS, RURAL BANKS AND COOPERATIVE BANKS.

The guidelines implementing the risk-based capital adequacy framework for Stand-alone TBs, RBs, and Coop Banks are in Appendix 62.

a. *Minimum capital requirements.* xxx

The minimum capital ratios based on the new compositions and the CCB shall take effect starting 1 January 2023.

x x x

- c. *Observation period.* Stand-alone TBs, RBs and Coop Banks shall undergo an observation period until 31 December 2022. The observation period intends to ensure that covered banks meet the minimum capital ratios through reasonable measures without disrupting banking activities.

x x x

Section 4. The effectivity date of the risk-based capital adequacy framework for stand-alone thrift banks, rural banks and cooperative banks of 1 January 2022 which is mentioned in the following footnotes under Circular No. 1079 is hereby amended to 1 January 2023:

Footnote No.	Section of the MORB/MORNBFI	Provisions
3	Sec. 003 Prompt Corrective Action Framework	This shall take effect on 01 January 2023 for stand-alone thrift, rural and cooperative banks. Pending effectivity of the new risk-based capital adequacy framework for stand-alone thrift, rural and cooperative banks, the covered banks shall refer to the existing six percent (6%) as the minimum threshold for Tier 1 capital.
5	Appendix 68/Q-40 Prompt Corrective Action Framework (Appendix to Section 003/Section 003-Q/S and 002-N)	
7	Sec. 124 Dividends	The capital conservation buffer requirement for stand-alone TBs, RBs and Coop Banks, shall take effect on 01 January 2023.
8	Appendix 120 Format Certification on Compliance with Requirements on Dividend Declaration (Appendix to Section 124 on Reporting and Verification)	
9	Sec. 363-B Limits on Real Estate Exposures and Other Real Estate Property of TBs	TBs that are not subsidiaries of universal and commercial banks. The required six percent (6%) Tier 1 capital ratio shall be replaced by six percent (6%) CET1 capital ratio by 1 January 2023.

Section 5. This Circular shall take effect 15 calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

28 April 2020