



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1093

Series of 2020

Subject: Amendments to the Real Estate Limits of Banks

The Monetary Board in its Resolution No. 1025 dated 13 August 2020, approved the following amendments to the Manual of Regulations for Banks (MORB) on the real estate limits of universal and commercial banks (UBs/KBs) and thrift banks (TBs).

Section 1. Section 363-A of the MORB is hereby amended to read, as follows:

363-A LIMITS ON REAL ESTATE EXPOSURES OF UBs/KBs

- a. *Real Estate Loan Limit.* Total real estate loans of UBs/KBs, excluding Items "(1)" to "(4)" below, shall not exceed twenty five percent (25%) of the total loan portfolio, net of interbank loans:

x x x

- b. *Real Estate Stress Test (REST) Limits* A prudential limit is set for real estate exposures of UBs/KBs. Real estate exposures shall refer to:

- (1) Commercial real estate loans, which shall refer to loans granted for purposes of financing real estate activities to the following:
 - (a) individuals (including sole proprietorships), other than residential real estate loans granted to individual households for occupancy;
 - (b) land developers/construction companies; and
 - (c) other corporate borrowers, such as
 - (i) real estate brokers;
 - (ii) real estate lessors;
 - (iii) property management companies;
 - (iv) holding companies; and
 - (v) others;

(2) x x x

x x x

Real estate exposures shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use as defined under Item "a" of this Section.

For this purpose, a stress test will be undertaken on a UB's/KB's REEs (Real Estate Exposures) under an assumed write-off of twenty- five percent (25%).

x x x

A UB/KB which does not meet either or both the REST limits shall incorporate assessment of risks from this exposure in its Internal Capital Adequacy Assessment Process (ICAAP).

Section 2. Section 363-B of the MORB is hereby amended to read, as follows:

363-B LIMITS ON REAL ESTATE EXPOSURES OF TBs

A prudential limit is set for real estate exposures of TBs as defined under Item "b" of Section 363-A. For this purpose, a stress test will be undertaken on a TB's REEs under an assumed write-off rate of twenty-five percent (25%).

x x x

A TB that is a subsidiary of a UB/KB, which does not meet either or both the REST limits shall incorporate assessment of risks from this exposure in the group-wide ICAAP of its parent UB/KB.

A TB that is not a subsidiary of a UB/KB, which does not meet either or both the REST limits shall incorporate assessment of risks from this exposure in its capital planning process.

Section 3. The Table of Contents of the MORB is hereby amended, to read as follows:

E. CREDIT CONCENTRATION AND PRUDENTIAL LIMITS

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Section 363-A Limits on Real Estate Exposures of UBs/KBs

Section 363-B Limits on Real Estate Exposures of TBs

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Section 4. This Circular shall take effect fifteen (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

20 August 2020