

**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR

MEMORANDUM NO. M-2013-028

To: ALL UNIVERSAL AND COMMERCIAL BANKS AND THEIR SUBSIDIARY BANKS AND QUASI-BANKS

Subject: Enhancements to the Risk-Based Capital Adequacy Ratio (CAR) Report in Relation to the Sovereign Credit Rating Upgrade of the Philippines

Pursuant to Monetary Board Resolution No. 942 dated 6 June 2013, starting with the reporting period ending 30 June 2013, the corresponding risk weight/capital charge of foreign currency (FCY)-denominated exposures to the National Government (NG)/Bangko Sentral ng Pilipinas (BSP) of universal and commercial banks and their subsidiary banks and quasi-banks following the recent sovereign credit upgrades of the Philippines shall be as follows:

1. Credit risk weight from 100 percent to 50 percent; and
2. Specific market risk (interest rate risk) capital charge from 8 percent to a range of 0.25 percent to 1.60 percent depending on the residual maturity of the debt securities/derivatives.

The risk-based CAR Report is amended. The specific cells pertaining to the applicable credit risk weight and specific market risk capital charge on banks' FCY denominated exposures are thereby unblocked, as follows:

Particulars	Reference Item in the CAR Report
<i>Credit Risk</i>	Part III.1 Risk-Weighted On-Balance Sheet Assets
(a) Due from BSP	Item C.2, Column 6
(b) FA DFVPL	Item E.1.a.1.i.(b), Column 6
(c) AFS	Item F.1.a.1.i.(b), Column 6
(d) HTM	Item G.1.a.1.ii., Column 6
(e) Unquoted DS Classified as Loans	Item H.1.a.1.ii., Column 6
(f) Loans and Receivables (L&R) - Others	Item I.2.a.1.i.(a.2), Column 6
(g) L&R Arising from Repo/SLB Transactions	Item J.1.a.1.ii., Column 6
<i>Market Risk</i>	Part IV. Market Risk Weighted Assets
HFT	Item A.2, Part IV.1a Interest Rate Exposures - Specific Risk, Column Residual Maturity (sub columns 0.25%, 1.00% and 1.60%)

The attached Annex A provides the specific schedules affected by the changes.

For compliance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

19 June 2013

Name of Bank _____
CAR REPORT (Solo/Consolidated)
As of _____

PART III.1 RISK-WEIGHTED ON-BALANCE SHEET ASSETS (Amounts in P0.000 million)

[illegible]

CAR REPORT (Solo/Consolidated)

[illegible]

[illegible]

[illegible]

Name of Bank _____
 CAR REPORT (Solo/Consolidated)
 As of _____

PART IV.1a INTEREST RATE EXPOSURES - SPECIFIC RISK ^{1/} (Amounts in P=0.000 million)

Item	Nature of Item	Positions	Risk Weights						Deduction to capital	Total
			0.00%	Residual Maturity			4.00%	8.00%		
				8 months or less	over 6 months up to 24 months	over 24 months				
A.1	PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP ^{2/}	Long Short								
A.2	FCY-denominated debt securities issued by the Philippine NG/ BSP ^{2/3/}	Long Short								
A.3	Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long Short								
A.4	Debt securities/derivatives with credit rating BBB- and above issued by multilateral development banks	Long Short								
A.5	Debt securities/derivatives with credit rating of AAA to BBB- issued by other entities	Long Short								
A.6	All securitization exposures with credit rating of AAA to BBB-	Long Short								
A.7	All unrated and below BBB- securitization exposures ^{4/}	Long Short								
A.8	LGU bonds covered by Deed of Assignment of Internal Revenue Allotment and guaranteed by LGU Guarantee Corporation	Long Short								
A.9	All other debt securities/derivatives that are below BBB- and unrated	Long Short								
A.10	Subtotal (sum of A.1 to A.9)	Long Short								
B.	Risk Weighted Exposures [Sum of long and short positions (A.10) times the risk weight]									
C.	Specific Risk Capital Charge for Credit-Linked Notes and Similar Products (Refer to Part IV.1b)									
D.	Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps (Refer to Part IV.1c)									
E.	SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES (Sum of B. to D.) (to Part IV.1, Item A)									

^{1/} Debt securities in Items A.1 to A.9 include cash positions such as those classified under Financial Reporting Package Schedule 3a - Held for Trading Financial Assets Sold/Lent Under Repurchase Agreements, Certificates of Assignment/Participation with Resources, Securities Lending and Borrowing Agreements, as well as underlying of debt derivative contracts.

^{2/} Interest rate and currency swaps, FRAs, forward foreign exchange contracts and interest rate futures will not be subject to specific risk charge.

^{3/} Including debt securities issued by GOCCs that are explicitly guaranteed by the National Government

^{4/} Foreign currency denominated debt securities/derivatives issued by the Philippine NG and BSP shall be risk weighted based on the table above. Provided, that only 1/3 of the fair value of the debt securities/derivatives shall be risk-weighted from 1 July 2007, 2/3 from 1 January 2008, and the full amount from 1 January 2009.

^{5/} The unrated and below BBB- securitization exposure is deducted from capital. (to Part II, Item D.11)