



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1001

Series of 2018

Subject: Credit Limits for Project Finance Exposures

The Monetary Board, in its Resolution No. 662 dated 19 April 2018, approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to provide the credit limits that shall be applied to project finance exposures of banks/quasi-banks (QBs).

Section 1. Sections X303/4303Q of the MORB/MORNBFI are hereby amended to read as follows:

"Sec. X303 Credit Exposure Limits to a Single Borrower.

a. Consistent with national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed twenty five percent (25%) of the net worth of such bank. xxx.

b. The total amount of loans, credit accommodations and guarantees prescribed in the first paragraph may be increased for each of the following circumstances:

xxx

xxx

xxx

c. The above prescribed ceilings shall include: xxx.

d. Even if a parent corporation, partnership, association, entity or an individual who owns or controls a majority interest in such entities has no liability to the bank, the liabilities of subsidiary corporations or members of the partnership, association, entity or such individual shall be combined under certain circumstances, including but not limited to any of the following situations: xxx.

e. Loans, credit accommodations, and guarantees granted by a bank to an entity (often a special purpose entity or SPE) for the purpose of project finance as defined under Subsec. X330.2 shall be subject to a separate individual limit of twenty-five percent (25%) of the net worth of the lending bank: *Provided*, That such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government: *Provided, further*, That the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents: *Provided, finally*,

That the lending bank shall consider its total project finance exposures in complying with Subsections X301.6 and X178.9 on the guidelines in managing large exposures and credit risk concentrations.

f. The wholesale lending xxx.

xxx

xxx

xxx.”

“Sec. 4303Q (2008 - 4306Q) Loan Limit to a Single Borrower. The total liabilities of any person, company, corporation or firm, to a QB for money borrowed shall at no time exceed twenty-five percent (25%) of the combined capital accounts as defined in Sec. 4111Q.

xxx

xxx

xxx

For purposes of this Section, the term liabilities shall mean the direct liability of the maker or acceptor of paper discounted with or sold to such QB xxx.

The total liabilities of an entity (often a special purpose entity or SPE) for the purpose of project finance as defined under Subsec. 4330Q.1 shall be subject to a separate individual limit of twenty-five percent (25%) of the combined capital accounts of a QB: *Provided*, That such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government: *Provided, further*, That the QB shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents: *Provided, finally*, That the QB shall consider its total project finance exposures in complying with Subsections 4301Q.6 and 4178Q.9 on the guidelines in managing large exposures and credit risk concentrations.

Loans, credit accommodations and guarantees to any person, partnership, association, corporation or other entity or group of companies in excess of the applicable SBL arising from acquisition, merger or consolidation xxx.

xxx

xxx

xxx.”

Section 2. Subsection X328.5/4328Q.5 of the MORB/MORNBFI are hereby amended to read as follows:

“Subsec. X328.5 Loans, other credit accommodations and guarantees granted to subsidiaries and/or affiliates.

a. *Ceilings.* The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed ten percent (10%) of the net worth of the lending bank: xxx.

Loans, other credit accommodations and guarantees granted by a bank to an entity (often a special purpose entity or SPE) that is a subsidiary or affiliate of that bank for the purpose of project finance as defined under Subsec. X330.2 shall be subject to a separate individual limit of twenty-five percent (25%) of the net worth of the lending bank, subject to the following conditions:

(1) That the unsecured portion thereof shall not exceed twelve and one-half percent (12.5%) of such net worth when the project is already operational;

(2) That such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government;

(3) That the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents;

(4) That the lending bank shall consider its total project finance exposures in complying with Subsections X301.6 and X178.9 on the guidelines in managing large exposures and credit risk concentrations;

(5) That the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and

(6) That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for related party transactions.

b. *Exclusions from the ceilings. xxx.*

c. *Procedural requirements. xxx."*

"Subsec. 4328Q.5 (2008 - 4328Q) Loans, other credit accommodations and guarantees granted to subsidiaries and/or affiliates.

a. *Ceilings.* The total outstanding loans, other credit accommodations and guarantees to each of the QB's subsidiaries and affiliates shall not exceed ten percent (10%) of the net worth of the lending QB: xxx.

Loans, other credit accommodations and guarantees granted by a QB to an entity (often a special purpose entity or SPE) that is a subsidiary or affiliate of that QB for the purpose of project finance as defined under Subsec. 4330Q.1 shall be subject to a separate individual limit of twenty-five percent (25%) of the net worth of the lending QB, subject to the following conditions:

(1) That the unsecured portion thereof shall not exceed twelve and one-half percent (12.5%) of such net worth when the project is already operational;

(2) That such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government;

(3) That the QB shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents;

(4) That the QB shall consider its total project finance exposures in complying with Subsections 4301Q.6 and 4178Q.9 on the guidelines in managing large exposures and credit risk concentrations; and

(5) That the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending QB.

b. *Exclusions from the ceilings. xxx.*

c. *Procedural requirements. xxx."*

Section 3. Subsection X303.4 of the MORB on "Exclusions from loan limit" is hereby amended to: (1) insert as Item "a. credit exposures considered as non-risk", which was previously presented as Item "e" of Section X303 of the MORB; (2) renumber the existing enumerations from Items "a to g" to "b to h"; and (3) transfer existing Item "h" to Item "a.(6)". Subsection X303.4 of the MORB shall now read as follows:

"Subsec. X303.4 Exclusions from loan limit. The following loans, other credit accommodations, and guarantees shall be excluded in determining compliance with the SBL:

a. Credit exposures considered as non-risk:

(1) loans and other credit accommodations secured by obligations of xxx;

(2) loans and other credit accommodations fully guaranteed by xxx;

(3) loans and other credit accommodations secured by U.S. Treasury Notes xxx;

(4) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits xxx.

(5) loans, credit accommodations and acceptances under letters of credit xxx;

(6) loans granted to foreign embassies. These loans are considered as loans to their respective central governments and as such shall be considered non-risk; and

(7) other loans or credit accommodations which the Monetary Board may xxx;

b. The discount of bills of exchange drawn in good faith xxx;

xxx

xxx

xxx

h. Loans and other credit accommodations as a result of an underwriting xxx;

i. Foreign securities lending under Sec. X531 xxx.; and

xxx

xxx

xxx.”

Section 4. Subsec. 4303Q.1 of the MORNBFI on “Exclusions from loan limit” is hereby amended to (1) insert as Item “a” credit exposures considered as non-risk, which was previously presented in the first paragraph of Section 4303Q of the MORNBFI, and (2) renumber the existing enumerations from Items “a to d” to “b to e”. Subsection 4303Q.1 shall now read as follows:

“Subsec. 4303Q.1 (2008 - 4306Q.1) Exclusions from loan limit. The following shall be excluded in determining compliance with the SBL:

a. Credit exposures considered as non-risk:

(1) loans and other credit accommodations secured by obligations of xxx;

(2) loans fully guaranteed by the government as to xxx;

(3) loans fully secured by US Treasury Notes xxx;

(4) loans to the extent covered by the holdout on xxx;

(5) loans and acceptances under letters of credit xxx; and

(6) other loans or credits which the Monetary Board may xxx;

b. The total liabilities of a commercial paper issuer for commercial xxx;

xxx

xxx

xxx.”

Section 5. Effectivity. 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:


NESTOR A. ESPENILLA, JR.
Governor

30 April 2018