



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 403 Series of 2003

Pursuant to the Monetary Board Resolution No. 1195 dated 21 August 2003, approving the amendments to (a) Circular No. 280 dated 29 March 2001, as amended, on the guidelines on the adoption of the risk-based capital adequacy framework; and (b) Circular No 360 dated 3 December 2002 on the guidelines to incorporate market risk in the risk-based capital adequacy framework, the provisions of the Manual of Regulations for Banks are hereby amended, as follows

1. Subsection X116.2 of the Manual is hereby amended to expand the coverage of on balance sheet assets that are assigned 20 percent risk weight and 50 percent risk weight, as follows:

20% risk weight –

x x x

- (8) Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of at least equal to that of the Philippine national government from a BSP recognized international credit rating agency.

x x x

50% risk weight –

x x x

- (4) Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of not more than one notch lower than that of the Philippine national government from a BSP recognized international credit rating agency.

2. Subsection X116.5 of the Manual is hereby amended to impose 2 percent and 5 percent (in lieu of 10 percent) specific market risk capital charge on trading book debt securities issued by Philippine incorporated banks, which debt securities obtain and maintain credit ratings of at least equal to and not more than one notch lower than that of the Philippine national government, respectively, from a BSP recognized international credit rating agency.

MAG-IMPOK SA BANGKO

Accordingly, Item 29 (for universal banks and commercial banks with expanded derivatives authority) and Item 26 (for universal banks and commercial banks without expanded derivatives authority) of the Instructions for Accomplishing the Report on Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk, are hereby amended, to wit:

"The unadjusted specific risk charge is graduated into seven broad categories by types of issuer, as follows:

Government and multilateral development banks*	0.00%
Qualifying**	0.25% (residual maturity of 6 months or less)
	1.00% (residual maturity of over 6 months to 24 months)
	1.60% (residual maturity of over 24 months)
Debt securities issued by Phil. incorporated banks, which have credit ratings of at least equal to that of the Phil. national government	1.60%
LGU bonds*** and debt securities issued by Phil. incorporated banks, which have credit ratings of not more than one notch lower than that of the Phil. national government	4.00%
Others	8.00%

* "Government and multilateral development banks" refers to the issuers as described under items 1.1 to 1.3 in Part I.1 of the Report.

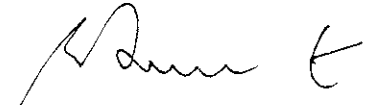
** "Qualifying" refers to the issuers/issues as described under items 1.4 to 1.7 in Part I.1 of the Report.

*** "LGU bonds" refers to bonds issued by local government units (LGUs), covered by Deed of Assignment of Internal Revenue Allotment of the LGU and guaranteed by LGU Guarantee Corporation."

The revised Part II of the prescribed report forms on the Computation of the Risk-Based Capital Adequacy Ratio Covering Credit Risk, incorporating the abovementioned amendments to Circular No. 280, are attached as Annex "A" (for universal banks, commercial banks and thrift banks) and Annex "A-1" (for rural banks and cooperative banks). The revised Part I.1 of the prescribed report forms on the Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk, incorporating the abovementioned amendments to Circular No. 360, is attached as Annex "B" (for universal banks and commercial banks).

This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

19 September 2003

Revised September 2003

DEADLINE : 15 banking days after
end of reference
quarter (solo basis)

30 banking days
after end of reference
quarter (consolidated
basis)

SUBMISSION : Original copy to SED I/
SED II/SED III/SED IV

FOR UNIVERSAL BANKS, COMMERCIAL BANKS AND THRIFT BANKS

(Name of Bank)	(Code)
(Address)	

COMPUTATION OF THE RISK-BASED CAPITAL ADEQUACY RATIO
COVERING CREDIT RISKS

(Indicate if for Solo Basis or Consolidated Basis)

As of _____

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
Certificate No. _____ 20____, affiant exhibiting to me his Community Tax
_____ 20____. issued at _____ on

Notary Public
Until December 31, 20 _____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

PART II. RISK-WEIGHTED ON-BALANCE SHEET ASSETS (Amounts in ₱0.000 million)

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
A. 0% Risk Weight –				
(1)	Cash on hand			
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by Philippine national government and BSP			
(a)	Due from BSP			
(b)	TAS – loans			
i)	GS purchased under resale agreement			
ii)	GS purchased under certificate of assignment/participation with recourse			
iii)	GS purchased under reverse repurchase agreement with BSP			
(c)	TAS – investments			
i)	GS purchased			
ii)	GS sold under repurchase agreements			
(d)	ASS – GS			
(e)	IBODI			
i)	GS			
ii)	Agrarian reform credit – PD 717			
(f)	Loans and discounts secured by CBCI and other GS			
(g)	Agrarian reform/other agricultural credit and alternative development incentive loans secured by CBCI and other GS			
(h)	Others			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by central governments and central banks of foreign countries with the highest credit quality as defined in Subsec. X116.3			
(4)	Loans and discounts to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank			
(5)	Agrarian reform/other agricultural credit and alternative development incentive loans to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank			
(6)	Loans or acceptances under LCs to the extent covered by margin deposits			
(a)	Customers' liability on bills/drafts under LCs/TRs to the extent covered by margin deposit			
(b)	Customers' liability on acceptances outstanding to the extent covered by margin deposit			
(7)	Portions of STD loans covered by IGLF guarantee			
(8)	Real estate mortgage loans to the extent guaranteed by the HGC			
(9)	Loans to the extent covered by the TIDCORP			
(10)	Loans to exporters to the extent guaranteed by the GFSME			
(11)	Foreign currency notes and coins on hand acceptable as international reserves			
(12)	Gold bullion held either in own vaults, or in another's vaults on an allocated basis, to the extent it is offset by gold bullion liabilities			
(13)	Sub-total (Sum of A(1) to A(12))		0	0
B. 20% Risk Weight -				
(1)	Checks and other cash items			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by non-central government public sector entities of foreign countries with the highest credit quality as defined in Subsec. X116.3			
(3)	Claims on or portions of claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality as defined in Subsec. X116.3			
(4)	Claims on or portions of claims guaranteed by foreign incorporated banks with the highest credit quality as defined in Subsec. X116.3			
(5)	Claims on or portions of claims guaranteed by or collateralized by securities issued by multilateral development banks			
(6)	Loans to exporters to the extent guaranteed by SBGFC			
(7)	Foreign currency checks and other cash items denominated in currencies acceptable as international reserves			
(8)	Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of at least equal to that of the Philippine national government			
(9)	Sub-total (Sum of B(1) to B(8))		20	
C. 50% Risk Weight –				
(1)	Loans for housing purpose, fully secured by first mortgage on residential property that is or will be occupied or leased out by the borrower			
(2)	LGU bonds which are covered by Deed of Assignment of IRA of the LGU and guaranteed by LGUGC			
(3)	Securities issued by SPVs against assignment of receivables arising from future payments of the Philippine national government in connection with projects undertaken in pursuance of R.A. No. 6957, as amended, which securities obtain and maintain a credit rating of not more than one notch lower than that of the Philippine national government			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(4)	Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of not more than one notch lower than that of the Philippine national government			
(5)	Sub-total (Sum of C(1) to C(4))		50	
D. 75% Risk Weight –				
(1)	Direct loans component of defined SME and microfinance loan portfolio		75	
E. 100 % Risk Weight –				
(1)	Other assets (Total assets, gross of general loan loss provision less sum of A(13), B(9), C(5) and D(1))			
E.1	Deductions From Other Assets			
(1)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI			
(2)	Deferred income tax			
(3)	Goodwill			
(4)	Sinking fund for redemption of limited life redeemable preferred stock (to the extent deducted from capital)			
(5)	Equity investments in unconsolidated subsidiary banks and other subsidiary financial allied undertakings, but excluding insurance companies (for solo basis)			
(6)	Investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis)			
(7)	Equity investments in subsidiary insurance companies and subsidiary non-financial allied undertakings			
(8)	Reciprocal investments in equity of other banks/enterprises			
(9)	Reciprocal investments in unsecured subordinated term debt instruments of other banks, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank.			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(10)	Net due "from" head office, branches, subsidiaries, and other offices outside the Philippines, if any (for foreign bank branches)			
(11)	Total Deductions (Sum of E.1(1) to E.1(10))			
E.2	Net Other Assets (E(1) minus E.1(11))		100	
F. TOTAL BOOK VALUE, GROSS OF GENERAL LOAN LOSS PROVISION (Sum of A(13), B(9), C(5), D(1) and E(1))				
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS (Sum of A(13), B(9), C(5), D(1), E.2)				

Revised September 2003

DEADLINE : 15 banking days after
end of reference
quarter (solo basis)

30 banking days
after end of reference
quarter (consolidated
basis)

SUBMISSION : Original copy to SED IV

FOR RURAL BANKS AND COOPERATIVE BANKS

(Name of Bank)	(Code)
(Address)	

COMPUTATION OF THE RISK-BASED CAPITAL ADEQUACY RATIO
COVERING CREDIT RISKS

(Indicate if for Solo Basis or Consolidated Basis)

As of _____

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
Certificate No. _____ 20____, affiant exhibiting to me his Community Tax
_____ 20____. issued at _____ on

Notary Public
Until December 31, 20 _____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

PART II. RISK-WEIGHTED ON-BALANCE SHEET ASSETS (Amounts in ₱0.000 million)

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
A. 0% Risk Weight –				
(1)	Cash on hand			
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by Philippine national government and BSP			
(a)	Due from BSP			
(b)	TAS – loans			
i)	GS purchased under resale agreement			
ii)	GS purchased under certificate of assignment/participation with recourse			
iii)	GS purchased under reverse repurchase agreement with BSP			
(c)	TAS – investments			
i)	GS purchased			
ii)	GS sold under repurchase agreements			
(d)	ASS – GS			
(e)	IBODI			
i)	GS			
ii)	Agrarian reform credit – PD 717			
(f)	Loans and discounts secured by CBCI and other GS			
(g)	Agrarian reform/other agricultural credit and alternative development incentive loans secured by CBCI and other GS			
(h)	Others			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(3)	Claims on or portions of claims guaranteed by or collateralized by securities issued by central governments and central banks of foreign countries with the highest credit quality as defined in Subsec. X116.3			
(4)	Loans and discounts to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank			
(5)	Agrarian reform/other agricultural credit and alternative development incentive loans to the extent covered by hold-out on, or assignment of, deposits/deposit substitutes maintained with the lending bank			
(6)	Loans or acceptances under LCs to the extent covered by margin deposits			
(a)	Customers' liability on bills/drafts under LCs/TRs to the extent covered by margin deposit			
(b)	Customers' liability on acceptances outstanding to the extent covered by margin deposit			
(7)	Portions of STD loans covered by IGLF guarantee			
(8)	Real estate mortgage loans to the extent guaranteed by the HGC			
(9)	Loans to the extent covered by the TIDCORP			
(10)	Loans to exporters to the extent guaranteed by the GFSME			
(11)	Foreign currency notes and coins on hand acceptable as international reserves			
(12)	Gold bullion held either in own vaults, or in another's vaults on an allocated basis, to the extent it is offset by gold bullion liabilities			
(13)	Sub-total (Sum of A(1) to A(12))		0	0
B. 20% Risk Weight -				
(1)	Checks and other cash items			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(2)	Claims on or portions of claims guaranteed by or collateralized by securities issued by non-central government public sector entities of foreign countries with the highest credit quality as defined in Subsec. X116.3			
(3)	Claims on or portions of claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality as defined in Subsec. X116.3			
(4)	Claims on or portions of claims guaranteed by foreign incorporated banks with the highest credit quality as defined in Subsec. X116.3			
(5)	Claims on or portions of claims guaranteed by or collateralized by securities issued by multilateral development banks			
(6)	Loans to exporters to the extent guaranteed by SBGFC			
(7)	Foreign currency checks and other cash items denominated in currencies acceptable as international reserves			
(8)	Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of at least equal to that of the Philippine national government			
(9)	Sub-total (Sum of B(1) to B(8))		20	
C. 50% Risk Weight –				
(1)	Loans for housing purpose, fully secured by first mortgage on residential property that is or will be occupied or leased out by the borrower			
(2)	LGU bonds which are covered by Deed of Assignment of IRA of the LGU and guaranteed by LGUGC			
(3)	Securities issued by SPVs against assignment of receivables arising from future payments of the Philippine national government in connection with projects undertaken in pursuance of R.A. No. 6957, as amended, which securities obtain and maintain a credit rating of not more than one notch lower than that of the Philippine national government			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(4)	Claims on Philippine incorporated banks, which claims obtain and maintain credit ratings of not more than one notch lower than that of the Philippine national government			
(5)	Sub-total (Sum of C(1) to C(4))		50	
D. 75% Risk Weight –				
(1)	Direct loans component of defined SME and microfinance loan portfolio		75	
E. 100 % Risk Weight –				
(1)	Other assets (Total assets, gross of general loan loss provision less sum of A(13), B(9), C(5) and D(1))			
E.1	Deductions From Other Assets			
(1)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI			
(2)	Deferred income tax			
(3)	Goodwill			
(4)	Sinking fund for redemption of limited life redeemable preferred stock (to the extent deducted from capital)			
(5)	Equity investments in unconsolidated subsidiary banks (for solo basis)			
(6)	Investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis)			
(7)	Equity investments in subsidiary insurance companies and subsidiary non-financial allied undertakings			
(8)	Reciprocal investments in equity of other banks/enterprises			
(9)	Reciprocal investments in unsecured subordinated term debt instruments of other banks, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank.			

Item	Nature of item	Book Value	X Risk Weight (In %)	= Risk Weighted Amount
(10)	Net due "from" head office, branches, subsidiaries, and other offices outside the Philippines, if any (for foreign bank branches)			
(11)	Total Deductions (Sum of E.1(1) to E.1(10))			
E.2	Net Other Assets (E(1) minus E.1(11))		100	
F. TOTAL BOOK VALUE, GROSS OF GENERAL LOAN LOSS PROVISION (Sum of A(13), B(9), C(5), D(1) and E(1))				
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS (Sum of A(13), B(9), C(5), D(1), E.2)				

Revised September 2003

DEADLINE : 15 banking days after
end of reference
quarter (solo basis)

30 banking days
after end of reference
quarter (consolidated
basis)

SUBMISSION : Original copy to SED I/
SED II/SED III

FOR UNIVERSAL BANKS AND COMMERCIAL BANKS

(Name of Bank)	(Code)
(Address)	

COMPUTATION OF THE ADJUSTED RISK-BASED CAPITAL ADEQUACY RATIO
COVERING COMBINED CREDIT RISK AND MARKET RISK

(Indicate if for Solo Basis or Consolidated Basis)

As of _____ (Quarter-End)

REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report and all its supporting schedules are true and correct, to the best of my knowledge and belief.

(Signature of President/Senior/
Executive Vice President)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiant exhibiting to me his Community Tax
Certificate No. _____ issued at _____ on
_____, 20____.

Notary Public
Until December 31, 20_____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

REPORT FORMS – For Universal Banks and Commercial Banks

Part I Interest Rate Exposures (Trading Book)

1. Debt securities and other debt related derivatives – specific risk

In 0.000 Million Pesos										
Item	Nature of item	Positions	Govern- ment and Multi- lateral Develop- ment Banks	Qualifying			Debt Securities Issued by Phil. Banks (Item 1.8)	LGU Bonds & Debt Securities Issued by Phil. Banks (Item 1.9)	Others	TOTAL
				Residual						
				6 months or less	Over 6 months to 24 months	Over 24 months				
1.1	Debt securities issued by the Philippine national government and BSP	Long								
		Short								
1.2	Debt securities issued by central governments and central banks of foreign countries with the highest credit quality	Long								
		Short								
1.3	Debt securities issued by multilateral development banks	Long								
		Short								
1.4	Debt securities issued by non-central government public sector entities of foreign countries with the highest credit quality	Long								
		Short								
1.5	Debt securities issued by Philippine incorporated banks/quasi-banks with the highest credit quality	Long								
		Short								
1.6	Debt securities issued by foreign incorporated banks with the highest credit quality	Long								
		Short								
1.7	Other debt securities with the highest credit quality	Long								
		Short								
1.8	Debt securities issued by Philippine incorporated banks, which have credit ratings of at least equal to that of the Philippine national government	Long								
		Short								
1.9	LGU bonds covered by Deed of Assignment of Internal Revenue Allotment and guaranteed by LGU Guarantee Corporation and debt securities issued by Philippine incorporated banks, which have credit ratings of not more than one notch lower than that of the Philippine national government	Long								
		Short								
1.10	All other debt securities in the trading book not included under 1.1 to 1.9 above	Long								
		Short								
TOTAL		Long								
		Short								
Risk Weight			0.00%	0.25%	1.00%	1.60%	1.60%	4.00%	8.00%	
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES (ON GROSS POSITION, I.E., LONG PLUS SHORT)										

- 1/ Debt securities in items 1.1 to 1.10 include cash positions, such as:
- (a) GS purchased
 - (b) GS sold under repurchase agreement
 - (c) GS purchased under resale agreement
 - (d) GS purchased under certificate of assignment/participation with recourse
 - (e) GS purchased under reverse repurchase agreement with the BSP
 - (f) Private debt securities/CPs purchased
 - (g) Private debt securities/CPs sold under repurchase agreement
 - (h) Private debt securities/CPs purchased under resale agreement
 - (i) Private debt securities/CPs purchased under certificate of assignment/participation with recourse
 - (j) TAS – equity – non-convertible preferred shares which trade like debt securities (for UBs)
 - (k) UA – debt securities (for UBs)
 - (l) UA – equity – non-convertible preferred shares which trade like debt securities (for UBs)
 - (m) ASS – government
 - (n) ASS – private
 - (o) ASS – foreign

as well as underlying of debt derivative contracts. (However, interest rate and currency swaps, FRAs, forward foreign exchange contracts and interest rate futures will not be subject to a specific risk charge.)

For debt related options, either the delta weighted positions shall be reported above, or if the bank engages in purchase of options only as defined in the Instructions for Accomplishing the Report, the options shall be carved out and reported under Part IV.1.1.