



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 416 Series of 2004

Pursuant to Monetary Board Resolution No. 1843 dated 18 December 2003, approving the amendment to the guidelines on the adoption of the risk-based capital adequacy framework under Circular No. 280 dated 29 March 2001, as amended, the provisions of the Manual of Regulations for Banks are hereby amended as follows:

1. Subsection X116.2 is amended to reflect (1) the reduction in the risk weight of multilateral development banks from 20% to 0%; and (2) to remove loans to exporters to the extent guaranteed by the Guarantee Fund for Small and Medium Enterprises (GFSME) from the list of 0% risk weighted assets, as follows:

"x x x

0% risk weight -

- (1) Cash on hand;
- (2) Claims on or portions of claims guaranteed by or collateralized by securities issued by -
 - i. Philippine national government and BSP; and
 - ii. Central governments and central banks of foreign countries with the highest credit quality as defined in Subsec. X116.3;
- (3) Claims on or portions of claims guaranteed by or collateralized by securities issued by multilateral development banks;
- (4) Loans to the extent covered by hold-out on, or assignment of deposits/deposit substitutes maintained with the lending bank;
- (5) Loans or acceptances under letters of credit to the extent covered by margin deposits;
- (6) Portions of special time deposit loans covered by Industrial Guarantee and Loan Fund (IGLF) guarantee;
- (7) Real estate mortgage loans to the extent guaranteed by the Home Guaranty Corporation (HGC);
- (8) Loans to the extent guaranteed by the Trade and Investment Development Corporation of the Philippines (TIDCORP);
- (9) Foreign currency notes and coins on hand acceptable as international reserves; and
- (10) 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;

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20% risk weight –

- (1) Checks and other cash items;
- (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) Loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation (SBGFC): *Provided*, That loans to exporters to the extent guaranteed by the Guarantee Fund for Small and Medium Enterprises (GFSME) outstanding as of the date of the effectivity of the merger of the SBGFC and the GFSME shall continue to have a zero percent risk weight: *Provided, further*, That the zero percent risk weight shall not apply to loans renewed after the merger of the SBGFC and the GFSME.
- (6) Foreign currency checks and other cash items denominated in currencies acceptable as international reserves; and
- (7) 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."

2. Subsection X116.3 is amended to expand the list of multilateral development banks assigned a zero percent risk weight, as follows:

"x x x

u. Multilateral development banks. These refer to the World Bank Group comprised of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the European Investment Bank (EIB); the Nordic Investment Bank (NIB); the Caribbean Development Bank (CDB), the Council of Europe Development Bank (CEDB) and such others as may be recognized by the BSP.

x x x"

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

2/ January 2004