



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 770

Series of 2012

Subject: Amendments to the Risk-Based Capital Adequacy Framework for Stand-alone Thrift Banks, Rural Banks, and Cooperative Banks

The Monetary Board in its Resolution No. 1571 dated 20 September 2012 approved the amendments to Appendix 63c of the Manual of Regulations for Banks (MORB) on the risk-based capital adequacy framework for stand-alone thrift banks (TBs), rural banks (RBs), and cooperative banks (Coop Banks):

Section 1. Part I of Appendix 63c of the MORB on risk-based capital adequacy ratio, is hereby amended as follows:

"Part I. Risk-based Capital Adequacy Ratio

"x x x

"2. Qualifying capital is computed in accordance with the provisions of Part II. Risk weighted assets is the sum of (1) credit risk-weighted assets (Part III), and (2) operational risk-weighted assets (Part IV): *Provided*, That banks that shall engage in trading activities, including derivatives activities as end-user for hedging purpose and/or under a Type 3-Limited User Authority granted pursuant to the provisions of Circular No. 594 dated 8 January 2008, shall likewise include counterparty credit risk-weighted assets and/or market risk-weighted assets relative to such exposures, which shall be computed based on the relevant provisions of The Revised Risk-Based Capital Adequacy Framework for the Philippine Banking System issued under Circular No. 538 dated 4 August 2006, as amended.

"x x x"

Section 2. Part III of Appendix 63c of the MORB on credit risk-weighted assets, is hereby amended as follows:

"Part III. Credit Risk-Weighted Assets

"x x x

"A. On-Balance Sheet Assets

"x x x

"a) 0% risk weight –

"x x x

"d) 75% risk weight –

"Qualified micro, small and medium enterprise (MSME) loan portfolio that meets the following criteria:

"x x x

"For the MSME loan portfolio –

"It must be a highly diversified portfolio, i.e., it has at least 500 borrowers that are distributed over a number of industries. All borrowers included in the count must not have any non-performing loan. All non-performing MSME exposures are to be treated as ordinary non-performing loans.

"x x x

"f) 150% risk weight –

"i. All non-performing loans (except non-performing loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower), all non-performing sales contract receivables and all non-performing debt securities.

"ii. Real and other properties acquired (ROPA) and Non-Current Assets Held for Sale (NCAHS) – net of allowance for losses; *Provided*, That the 150% risk weight shall be applied on a staggered basis for three years, i.e., 115% starting 01 January 2012, 130% from 01 January 2013, and 150% from 01 January 2014.

"x x x"

This Circular shall take effect on 1 January 2013.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor