

[BSP CIRCULAR NO. 717, S. 2011, March 25, 2011]

RISK WEIGHT OF CREDIT EXPOSURES GUARANTEED BY THE LGU GUARANTEE CORPORATION (LGUGC); AND TREATMENT OF GUARANTEES UNDER THE RISK-BASED CAPITAL ADEQUACY FRAMEWORK OF STAND-ALONE THRIFT BANKS, RURAL BANKS AND COOPERATIVE BANKS

Pursuant to Monetary Board Resolution No. 319 dated 3 March 2011, pertinent provisions of the Manual of Regulations of Banks (MORB), Circular No. 688 dated 26 May 2010, are hereby amended.

Section 1. Part III of Appendix 63b (Appendix to Sec. X115 on the Basel II Risk-Based Capital) of the MORB on credit risk-weighted assets is hereby amended, as follows:

"Part III. Credit risk-weighted assets

"A. Risk-weighting

"x x x

"Exposures to Local Government Units

"6. These include all exposures to non-central government public sector entities.

"x x x"

Section 2. Subsec X116.3 of the MORB on the risk-weighted assets is hereby amended, as follows:

"Subsec. X116.3 Risk-weighted assets

"x x x

"a. On-balance sheet assets.

"x x x

"(2) Twenty percent (20%) risk weight –

"x x x

"(e) Claims on or portion of claims guaranteed by Philippine incorporated private enterprises with the highest credit quality as defined in Subsec. X116.4;

"(f) Claims on or portion of claims guaranteed by foreign incorporated private enterprises with the highest credit quality as defined in Subsec. X116.4;

"x x x

"(3) Fifty percent (50%) risk weight —

"x x x

"(b) Housing microfinance loans under Subsec. X361.5 other than those guaranteed by the HGC.

"x x x

"(6) One hundred twenty five percent (125%) risk weight —

"All NPLs (except NPLs for housing purpose, fully secured by first mortgage on residential property that is or will be occupied or leased out by the borrower) and all non-performing debt securities: *Provided*, That risk weighting for such exposures shall be increased to 150% in 2007.

"NPLs, which are secured by eligible collaterals or guaranteed by eligible guarantors below, shall be assigned the risk weight of the collateral or guarantor, except for NPLs granted to small farmer and fisherfolk engaged in palay and/ or food production projects/activities to the extent guaranteed by the AGFP, which shall be assigned a risk weight of 20%, subject to the conditions in item (2) (h) above: *Provided*, That in cases of guarantees, the bank is able to pursue the guarantor of any monies outstanding within the period of time stipulated in the guarantee contract. Otherwise, the loan in question shall be assigned the risk weight applicable for NPLs.

"(a) List of eligible collaterals

"x x x

"(b) List of eligible guarantors

"x x x

"(x) Philippine incorporated private enterprises with the highest credit quality as defined in Subsec. X116.4;

"(xi) Foreign incorporated private enterprises with the highest credit