



**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF THE GOVERNOR

**CIRCULAR NO. 827**

Series of 2014

**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. 232 dated 7 February 2014 approved the amendments to Appendix 63c and other related provisions of the Manual of Regulations for Banks (MORB) on the revised risk-based capital adequacy framework for stand-alone thrift banks (TBs), rural banks (RBs), and cooperative banks (Coop Banks):

**Section 1.** 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

**"c) 50% risk weight –**

i. Loans to individuals for housing purpose, fully secured by first mortgage on residential property that is or will be occupied by the borrower which are not classified as non-performing.

ii. Foreign currency denominated claims on or portion of claims guaranteed by or collateralized by foreign currency denominated securities issued by the Philippine National Government and the BSP.

**"d) 75% risk weight –**

"x x x

**"e) 100% risk weight –**

i. 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.

"x x x"

**Section 2.** The amendment in the risk-based capital adequacy ratio (CAR) report on market risk-weighted assets as provided under Memorandum No. M-2013-028 dated 19 June 2013, particularly, the change in the corresponding specific risk weight of *“Foreign currency denominated debt securities/derivatives issued by the Philippine National Government or BSP”* from 8 percent to a range of 0.25 percent to 1.60 percent depending on its residual maturity shall also be applied with the CAR report of stand-alone TBs, RBs and Coop Banks starting with the CAR reporting period ending 31 March 2014.

Accordingly, Part I on Appendix 63c of the MORB on risk-based CAR, paragraph 2, is hereby amended as follows:

**“Part I. Risk-based Capital Adequacy Ratio**

“1. x x x

“2. x x x Provided, That banks that shall engage in trading activities<sup>2</sup>, 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.<sup>3”</sup>

“x x x”

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<sup>1</sup> xxx.


<sup>2</sup> xxx.

<sup>3</sup> The amendment in the risk-based CAR report on market risk-weighted assets as provided under Memorandum No. M-2013-028 dated 19 June 2013 shall be applied with the CAR report of stand-alone TBs, RBs and Coop Banks effective reporting period 31 March 2014.”

**Section 3.** This Circular deletes the provisions of Section X116 Basel I Risk-Based Capital and its pertinent Subsections from X116.1 to X116.7, and Appendix 63a of the MORB. Accordingly, Appendix 6 of the MORB on the reports required of banks is amended to delete the required reports that have reference to Section X116 of the MORB and its pertinent Subsections.

**Section 4. Effectivity.** The amendments in Appendix 63c of the MORB and its capital adequacy ratio reportorial requirements, as provided in Sections 1 and 2 of this Circular, shall take effect starting with the CAR reporting period ending 31 March 2014. The deletion of the provisions of Section X116, Subsections X116.1 to X116.7 and Appendix 63a of the MORB, and the amendment in Appendix 6 of the MORB, as provided in Section 3 of this Circular, shall take effect fifteen (15) calendar days following the publication of this Circular either in the Official Gazette or in a newspaper of general circulation.

**FOR THE MONETARY BOARD:**



**AMANDO M. TETANGCO, JR.**  
Governor

28 February 2014