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AMENDMENT TO REGULATIONS ON SINGLE BORROWER'S LIMIT

BSP CIRCULAR NO. 712, S. 2011, February 09, 2011

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Pursuant to Monetary Board Resolution No. 56 dated 13 January 2011, the following provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended.

Section 1. Item "b" of Sec. X303 of the MORB on credit exposure limits to a single borrower is hereby amended, as follows:

> "Sec. X303 Credit Exposure Limits to a Single Borrower
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> "xxx
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> "b.The total amount of loans, credit accommodations and guarantees prescribed in the first paragraph may be increased for each of the following circumstances:
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> 1. By an additional ten percent (10%) of the net worth of such bank; Provided, That the additional liabilities are adequately secured by trust receipts, shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable goods which must be fully covered by insurance;
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> 2. By an additional twenty-five percent (25%) of the net worth of such bank; Provided, That the additional loans, credit accommodations and guarantees are for the purpose of undertaking infrastructure and/or development projects under the Public-Private Partnership (PPP) Program of the government duly certified by the Secretary of Socio-Economic Planning; Provided, further, That the total exposures of the bank to any borrower pertaining to such infrastructure and/or development projects under the PPP Program shall not exceed twenty-five percent (25%) of the net worth of such bank; Provided, furthermore, that the additional twenty-five percent (25%) shall only be allowed for a period of three (3) years from the effectivity of Circular No. 700 dated 6 December 2010: Provided, finally, That the credit risk concentration arising from total exposures to all borrowers pertaining to such infrastructure and/ or development projects under the PPP Program shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment. Said loans, credit accommodations and guarantees based on the contracted amount as of the end of the three (3)-year period shall not be increased but may be reduced and once reduced, said exposures shall not be increased thereafter; and
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> 3. By an additional fifteen percent (15%) of the net worth of such bank; Provided, That the additional loans, credit accommodations and guarantees are granted to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank engaged in energy and power generation; Provided, further, That the oil companies qualify under the credit underwriting standards of the lending bank and the lending bank shall comply with Sub-section X301.6 on the guidelines in managing large exposures and credit risk concentration: Provided, furthermore, That the credit risk concentration arising from total exposures to all oil companies shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment and shall be incorporated in the Internal Capital Adequacy Assessment Process (lCAAP) document required to be submitted under Section X117: Provided, finally, That the

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additional fifteen percent (15%) shall only be allowed for a non-extendable period of two (2) years from the effectivity of this Circular. Said additional loans, credit accommodations and guarantees outstanding as of the end of the two (2)-year period and in excess of twenty five percent (25%) of the lending bank's net worth shall not be increased but shall be reduced and once reduced, said exposures shall not be increased thereafter."

Section 2. The following shall be added as fourth paragraph of Sec. 4303Q of the MORNBFI on loan limit to a single borrower:

"Sec. 4303Q Loan Limit to a Single Borrower.

"x x x

"The total amount of loans, credit accommodations and guarantees prescribed in the first paragraph may be further increased by an additional fifteen percent (15%) of the net worth of such quasi-bank; provided, That the additional loans, credit accommodations and guarantees are granted to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending quasi-bank engaged in energy and power generation; Provided, further, That the oil companies qualify under the credit underwriting standards of the lending quasi-bank and the lending quasi-bank shall comply with Subsection 4301Q.6 on the guidelines in managing large exposures and credit risk concentration: Provided, furthermore, That the credit risk concentration arising from total exposures to all oil companies shall be considered by the quasi-bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment and shall be incorporated in the Internal Capital Adequacy Assessment Process (ICAAP) document required to be submitted under Section 4119Q: Provided, finally, That the additional fifteen percent (15%) shall only be allowed for a non-extendable period of two (2) years from the effectivity of this Circular. Said additional loans, credit accommodations and guarantees outstanding as of the end of the two (2)-year period and in excess of twenty five percent (25%) of the lending quasi-bank's net worth shall not be increased but shall be reduced and once reduced, said exposures shall not be increased thereafter."

"x x x

Section 3. The following paragraph shall be added as Item "h" of Section X303 of the MORB and as fifth paragraph of Section 4303Q of the MORNBFI:

"Loans, credit accommodations and guarantees to any person, partnership, association, corporation or other entity or group of companies in excess of the applicable SBL arising from acquisition, merger or consolidation of borrower-corporations, which loans, credit accommodations and guarantees were granted prior to and are outstanding as of date of acquisition, merger or consolidation of borrower-corporations shall not be increased, but shall be reduced and once reduced, shall not be increased beyond the applicable SBL."

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

Adopted: 09 February 2011

FOR THE MONETARY BOARD:

(SGD.) AMANDO M. TETANGCO, JR.
Governor

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