

BASEL III IMPLEMENTING GUIDELINES ON MINIMUM CAPITAL REQUIREMENTS

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The Monetary Board, in its Resolution No. 2096 dated 14 December 2012, approved the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for the Philippine banking system in accordance with the Basel III standards.

Section 1. The following section/subsection of the Manual of Regulations for Banks (MORB) are hereby amended as follows:

“Sec. X115 Basel III Risk-Based Capital

The guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel III recommendations is provided in Appendix 63b.

The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk weighted assets, shall not be less than ten percent (10%) for both solo basis (head office plus branches) and consolidated basis (parent bank plus subsidiary financial allied undertakings, but excluding insurance companies). Other minimum capital ratios include Common Equity Tier 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, shall likewise be imposed.

(The BSP’s implementation plans for the new international capital standards or Basel 2 contained in the Basel Committee on Banking Supervision document “International Convergence of Capital Measurement and Capital Standards: A Revised Framework”, are shown in Appendix 63)

Subsection X115.1 Scope

The Basel III guidelines apply to all UBs and KBS, as well as their subsidiary banks and QBs.”

Section 2. Section 4115 Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby amended as follows:

“Sec. 4115Q (2008 – 4116Q) Basel III Risk-Based Capital. The guidelines implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Base III recommendations is provided in Appendix Q-46b.

These guidelines apply to all Universal Banks (UBs) and Commercial Banks (KBs), as well as their subsidiary banks and QBs. The risk-based capital ratio of a QB, expressed as a percentage of qualifying capital to risk-weighted assets, shall not be less than ten percent (10%) for both solo basis (head office plus branches) and consolidated basis (parent QB plus subsidiary financial allied undertakings, but excluding insurance companies). Other minimum capital ratios include Common Equity Tier 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, shall likewise be imposed.

The ratios shall be maintained at all times.

Subsection 4115Q.1 (2008 – 4116Q) Scope. The Basel III guidelines apply to all UBs and KBs as well as their

subsidiary banks and QBs.

Section 3. Parts - I (Risk-Based Capital Adequacy ratio), II (Qualifying Capital) and VIII (Disclosure Requirements) of Appendix 63b and Q-46b of the MORB and MORNBF1, respectively, are hereby amended. Part III is likewise amended to contain the guidelines on Capital Conservation Buffer. The revisions to Appendix 63b of the MORB and Appendix Q-46b of the MORNBF1 are contained in Attachment A.

Effectively, the contents of the respective appendices are renumbered as follows:

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From

To

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Part I

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Part VI

Part VII

Operational risk-weighted assets

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Part VIII

Disclosures in the annual reports

Part VIII

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Section 4. Existing capital instruments as of 31 December 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of this Circular. Capital instruments issued under Circular Nos. 709 and 716 and before the effectivity of Circular No. 768 dated 21 September 2012 shall be recognized as qualifying capital until 31 December 2015.

Section 5. The guidelines shall be applicable to all universal and commercial banks including their subsidiary banks/quasi-banks.

Stand-alone thrift banks, rural banks, cooperative banks and quasi-banks, as well as their subsidiary banks/quasi-banks shall continue to be subject to the existing applicable regulations on risk based capital adequacy framework. However, capital instruments issued by said banks shall be subject to the criteria for inclusion as qualifying capital provided in Annexes A to C and E to F of Appendix 63b/Q-46 of the MORB/MORNBFI.

Section 6. Appendix 63d of the MORB and Appendix 46c of the MORNBFI are hereby deleted.

Section 7. Existing regulations that are deemed inconsistent with the new provisions are hereby superseded. This circular takes effect on 01 January 2014.

FOR THE MONETARY BOARD:

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

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