



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. _____

Series of 2023

Subject : Grant of Additional Single Borrower's Limit for Financing Green or Sustainable Projects and Zero Percent Reserve Requirement Rate Against Sustainable Bonds

The Monetary Board, in its Resolution No. ____ dated _____ 2023 approved the amendments to the regulations on credit exposure limits to a single borrower and rates of required reserves as provided under Section 362 and 251 of the Manual of Regulations for Banks (MORB).

The BSP, as part of its 11-point Sustainable Central Banking Strategy approved the following measures to scale up sustainable finance: (i) grant of additional single borrower's limit (SBL) of 15.0 percent on loans, credit accommodation and guarantees for the purpose of financing green or sustainable projects, including transition activities to decarbonization, and (ii) reduction of reserve requirement (RR) rate to zero percent (0%) against outstanding and new issuances of sustainable bonds by banks. This measure aims to support the financing of green and sustainable projects, including transition activities that contribute to the achievement of the National Government (NG)'s climate commitments and sustainable development goals as laid down in the Philippine Development Plan and Nationally Determined Contributions.

Section 1. Section 362 of the MORB shall be amended to read as follows:

"362 CREDIT EXPOSURE LIMITS TO A SINGLE BORROWER

- a. x x x
- b. The total amount of loans, credit accommodations and guarantees prescribed in the first paragraph may be increased for each of the following circumstances:
 - (1) x x x
 - (2) x x x
 - (3) By an additional fifteen percent (15%) of the net worth of such bank: x x x; ~~and~~
 - (4) By an additional twenty-five percent (25%) of the net worth of such bank: x x x; and
 - (5) By an additional fifteen percent (15%) of the net worth of such bank subject to the following conditions:

- (a) That the additional loans, credit accommodations and guarantees are for the purpose of financing green or sustainable projects, including financing for transition activities to decarbonization, that meet any of the principles or eligible categories of projects laid out in any of the following documents:
- (i) Sustainable Finance Framework of the National Government (NG);
 - (ii) Tier II of the NG's Strategic Investment Priority Plan on Green Ecosystems, Health security related activities, and Food security related activities;
 - (iii) Philippine Sustainable Finance Guiding Principles;
 - (iv) ASEAN Taxonomy for Sustainable Finance; or
 - (v) Forthcoming Philippine Sustainable Finance Taxonomy Guidelines.
- (b) That the lending bank shall ensure that the underlying project/activity is not illegal under Philippine laws nor breach any environmental laws and regulations which negatively affect socio-economic aspects;
- (c) That the lending bank shall ensure that the standard prudential controls designed to safeguard creditors' interests in the grant of financing to sponsors or owners are in place which may include negative pledge covenants or a lien on shares;
- (d) That the lending bank shall require the borrower to assign in favor of the bank all proceeds arising from insurance policies covering the green or sustainable project, including transition activities to decarbonization, among others, as collateral to secure the loan or credit facility;
- (e) That the additional fifteen percent (15%) shall only be allowed until 31 December 2030; and
- (f) That the credit risk concentration arising from total exposures to all borrowers pertaining to such eligible green or sustainable projects shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment.

The amount of any new loan, credit accommodation, or guarantee extended as well as the restructured, renewed, and refinanced existing credit exposures,

beginning 01 January 2031 shall not exceed the prescribed SBL of twenty five percent (25%). Outstanding loans, credit accommodations, or guarantees as of 31 December 2030 that are granted using the additional SBL of fifteen percent (15%) may be maintained. The lending bank shall honor the term of such loans or credit accommodations until the maturity period.

C. xxx

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Section 2. Section 251 of the MORB, as amended by BSP Circular No. 1154 dated 14 September 2022 shall be further amended to read, as follows:

251 ACCOUNTS SUBJECT TO RESERVES; AMOUNTS REQUIRED

The following rules and regulations shall govern the reserves against deposit and deposit substitute liabilities.

Required reserves against deposit and deposit substitute liabilities. The rates of required reserves against deposit and deposit substitute liabilities in local currency of banks effective reserve week after effectivity of this Circular shall be, as follows:

	UBs/KBs	Digital Banks	TBs	RBs/Coop Banks
a. xxx	xxx	xxx	xxx	xxx
b. xxx	xxx	xxx	xxx	xxx
c. xxx	xxx	xxx	xxx	xxx
d. xxx	xxx	xxx	xxx	xxx
e. xxx				
	xxx	xxx	xxx	xxx
f. xxx	xxx	xxx	xxx	xxx
g. Bonds	3%	3%	3%	NA
(1) Sustainable bonds ¹	0%	0%	0%	NA
(2) Other bonds	3%	3%	3%	NA
h. xxx	xxx	xxx	xxx	xxx
i. xxx	xxx	xxx	xxx	xxx
j. xxx	xxx	xxx	xxx	xxx
k. xxx	xxx	xxx	xxx	xxx

xxx

¹ Effective until 31 December 2025; This shall include, among others, **existing and new issuances** of green, social, sustainability and other sustainable bonds as defined under relevant regulations of the Securities and Exchange Commission and/other relevant regional or international standards acceptable to the market which may include but not limited to the issuances of the International Capital Markets Association or endorsement of the ASEAN Capital Markets Forum.

Section 3. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

FELIPE M. MEDALLA
Governor

_____ 2023

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