



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1185 Series of 2023

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

The Monetary Board, in its Resolution No. 1562 dated 30 November 2023 approved the amendments to the regulations on credit exposure limits to a single borrower and rates of required reserves as provided under Sections 362 and 251 of the Manual of Regulations for Banks (MORB), respectively.

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 of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and (ii) gradual reduction of the reserve requirement (RR) rate to zero percent (0%) against new and outstanding sustainable bonds issued by banks. These measures aim to support the financing of eligible projects/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;
 - (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 eligible green or sustainable projects, including transitional activities to decarbonization, that meet any of the principles or eligible categories of projects laid out in any of the following documents, and future enhancements thereto:
- (i) Tier II of the 2022 Strategic Investment Priority Plan (Green Ecosystems, Health security related activities, and Food security related activities) approved in Memorandum Order No. 61 dated 24 May 2022¹;
 - (ii) Republic of the Philippines Sustainable Finance Framework²;
 - (iii) Philippine Sustainable Finance Guiding Principles³;
 - (iv) ASEAN Taxonomy for Sustainable Finance⁴; or
 - (v) Implementing regulations of the Philippine Sustainable Finance Taxonomy Guidelines⁵;
- (b) That the lending bank shall ensure that the underlying project/activity is neither illegal nor breach any Philippine environmental laws and regulations. Any underlying project/activity that is an excluded activity or is considered a prohibited activity as provided in the guidelines or national documents specified under Items "b(5)(a)(ii)" to "b(5)(a)(v)" of this Section shall be considered ineligible credit exposures;
- (c) That the lending bank shall ensure that the standard prudential controls designed to safeguard its interest in the grant of financing to sponsors or owners are in place. These controls may include negative pledge covenants, a lien on shares, or insurance;
- (d) That the additional fifteen percent (15%) shall apply only to non-DOSRI/subsidiary/affiliate loans, credit accommodations and guarantees;
- (e) That the additional fifteen percent (15%) shall be allowed for a period of two (2) years from date of effectivity of this Circular; and
- (f) That the credit risk concentration arising from total exposures to all borrowers pertaining to such eligible projects shall be considered by the bank in its internal assessment of capital adequacy relative to its overall risk profile and operating environment.

¹ Memorandum Order No. 61 Approving the 2022 Strategic Investment Priority Plan, A copy of the same may be accessed in <https://www.officialgazette.gov.ph/downloads/2022/05may/20220524-MO-61-RRD.pdf>

² Sustainable Finance Framework Republic of the Philippines, November 2021, A copy of the same may be accessed in <https://www.dof.gov.ph/issuances/sustainable-finance-framework/>

³ BSP Circular Letter No. CL-2022-011 on Philippine Sustainable Finance Roadmap and Guiding Principles, 08 February 2022, A copy of the same may be accessed in <https://www.bsp.gov.ph/Regulations/Issuances/2022/CL-2022-011.pdf>

⁴ ASEAN Taxonomy for Sustainable Finance Version 2, Updated as at 9 June 2023, A copy of the same may be accessed in <https://asean.org/wp-content/uploads/2023/03/ASEAN-Taxonomy-Version-2.pdf>; Please refer to the latest version of the ASEAN Taxonomy for Sustainable Finance.

⁵ To be issued by the Financial Sector Forum (FSF)-member agencies.

Outstanding loans, credit accommodations, or guarantees that are granted using the additional SBL of fifteen percent (15%) as of the end of the regulatory incentive period may be maintained. The lending bank shall honor the term of such loans or credit accommodations until the maturity period.

After the regulatory incentive period, the grant of new loans, credit accommodations, or guarantees as well as the restructuring, renewal, and refinancing of existing credit exposures shall not exceed the prescribed SBL of twenty five percent (25%).

c. x x x

x x x

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 in the reserve week after effectivity of this Circular shall be, as follows:

	UBs/KBs	Digital Banks	TBs	RBs/Coop Banks
a. x x x	x x x	x x x	x x x	x x x
b. x x x	x x x	x x x	x x x	x x x
c. x x x	x x x	x x x	x x x	x x x
d. x x x	x x x	x x x	x x x	x x x
e. x x x	x x x	x x x	x x x	x x x
f. x x x	x x x	x x x	x x x	x x x
g. Bonds				
(1) Sustainable bonds ⁶				
(a) In the first year from effectivity of this Circular	1%	1%	1%	NA
(b) In the succeeding year, effective for another twelve (12) months	0%	0%	0%	NA
(2) Other bonds	3%	3%	3%	NA
h. x x x	x x x	x x x	x x x	x x x
i. x x x	x x x	x x x	x x x	x x x
j. x x x	x x x	x x x	x x x	x x x

⁶ This shall include outstanding and new issuances of green, social, sustainability and other sustainable bonds as defined under relevant regulations of the Securities and Exchange Commission and/or 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.

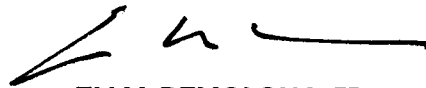
Outstanding and new issuances of sustainable bonds after the lapse of the regulatory incentive period shall be subject to the applicable reserve requirement against other bonds.

	UBs/KBs	Digital Banks	TBs	RBs/Coop Banks
k. x x x	x x x	x x x	x x x	x x x

x x x

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:



ELI M. REMOLONA, JR.
Governor

13 December 2023