Legal Watch

BSP CIRCULAR NO. 1233, SERIES OF 2026

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Agency Name

Bangko Sentral ng Pilipinas (BSP)

Issuance Title

Amendments to Regulation on Credit Risk Transfer Arrangements

Issuance Date

18 May 2026

Link

https://www.bsp.gov.ph/Regulations/Issuances/2026/1233.pdf

SUMMARY

Section 362 of the Manual of Regulations for Banks (MORB) on Guarantees and Credit Derivatives on Credit Exposure Limits to a Single Borrower is amended.

As to guarantees, the amended section provides additional requirements for a guarantee to be recognized as an **"effective credit risk transfer arrangement,"** particularly, the guarantee must be provided by eligible guarantors, as enumerated under (a) paragraphs 47 and 49, Part V of Appendix 59, or (b) paragraph 8, Part III of Appendix 62, as applicable to covered banks.

The said section provided **additional conditions** for guarantees in the form of standby letter of credit, demand guarantee, or counter-guarantee, between bank's head office and its branch/es between branches that are located in different jurisdictions, that may be considered as an effective credit risk transfer arrangement. Specifically, the total credit risk-weighted amount of exposures that shall be covered by guarantees extended by the head office and branches shall **NOT** exceed one hundred percent (100%) of the outstanding balance of the total loan portfolio of the Philippine bank concerned as of end of the preceding month.

As to credit derivatives, if the bank's exposure is considered as an effective credit risk transfer arrangement, the bank shall apply the risk weight of the protection seller to the protected portion of the exposure being hedged following the risk weights provided in Part V of Appendix 59.

ACTIONABLE ADVICE

All stakeholder shall be guided and must strictly comply with this Amendment on Section 362 of the MORB on Credit Risk Transfer Arrangement.