Legal Watch

BSP CIRCULAR NO. 1235, SERIES OF 2026

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Jire Carreon / Rappler

Agency Name

Bangko Sentral ng Pilipinas (BSP)

Issuance Title

Framework for the Operationalization of the Countercyclical Capital Buffer (CCyB) and Adoption of the Positive Neutral Rate

Issuance Date

20 May 2026

Link

https://www.bsp.gov.ph/Regulations/Issuances/2026/1235.pdf

SUMMARY

Section 125/125-Q of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on Basel III Risk Based Capital, Section 127 of the MORB on Risk-Based Capital Adequacy Framework for Stand-Alone Thrift Banks, Rural Banks, and Cooperative Banks, Section 363-A of the MORB on Limits on Real Estate Exposures of Universal Banks (UBs) and Commercial Banks (KBs), and Section 363-B of the MORB on Limits on Real Estate Exposure of Thrift Banks are amended.

As to Section 125/125-Q, the Common Equity Tier (CET) 1 ratio decreased **from six percent (6%) to four and a half percent (4.5%)**, while Tier 1 capital ratio retained the seven and half percent (7.5%). Meanwhile, the countercyclical capital buffer (CCyB) was amended stating that the same shall be maintained at a **positive neutral (PN) rate** set by the Monetary Board based on prevailing macro-financial conditions and systemic risk assessments. This may be reviewed and adjusted but it shall not exceed two and a half percent (2.5%). It likewise stated that any adjustment in the CCyB rate shall be announced through a **press release**.

As to Section 127, the minimum capital ratio, specifically, CET1 Ratio decreased **from six percent (6%) to four and a half percent (4.5%)** for the percentage of risk weighted assets, thus:

MINIMUM CAPITAL RATIO	CAPITAL	% OF RISK WEIGHTED ASSETS
Common Equity Tier 1 (CET1) Ratio	CET1	At least 4.5%
Tier 1 Ratio	Tier 1	At least 7.5%
Capital Adequacy Ratio (CAR)	Qualifying Capital	At least 10.0%

As to Section 363-A, the prudential Real Estate Stress Test (REST) limits were decreased **from six percent (6%) to four and a half percent (4.5%)** of CETI capital ratio, while retaining the ten percent (10%) of risk-based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate.

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SUMMARY

As to Section 363-B, the prudential REST limits involving CETI capital ratios were decreased **from six percent (6%) to four and a half percent (4.5%)** while retaining the ten percent (10%) risk-based CAR, specifically:

a. Four and a half percent (4.5%) of CETI capital ratio, for TBs that are subsidiaries of UBs/KBs, as provided in Sec. 125

b. Four and a half percent (4.5%) of CETI capital ratio, for stand-alone TBs, as provided in Sec. 127

c. Ten percent (10%) of risk-based CAR for all TBs

Subsequently, in order to align with the above-stated amendments, Appendices 59, 62, 94, and 110 of the MORB and Appendices Q-45 and Q-54 of the MORNBFI are likewise amended.

ACTIONABLE ADVICE

1. All stakeholders shall be guided by the reduction of the minimum CETI ratio from six percent (6%) to four and a half percent (4.5%), which shall take effect one (1) year from the effectivity of this Circular and apply uniformly across banks.

2. All stakeholders shall be guided that the PN-CCyB applicable to **UBs and KBS** and their **subsidiary banks** and **QBs** shall take effect **one (1) year** from the effectivity of this Circular.

3. All stakeholders shall be guided that the PN-CCyB applicable to **digital banks** shall take effect **two (2) years** from the effectivity of this Circular.

4. During the transitory period, the prudential limits under Sections 363-A and 363-B of the MORB shall continue to be assessed based on the prevailing CETI ratio of six percent (6%). Upon the effectivity of the revised minimum CETI ratio, the corresponding thresholds shall be adjusted accordingly.