



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**MEMORANDUM NO. M-2020-034**

**To : All BSP-Supervised Financial Institutions**

**Subject : Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks**

The Monetary Board, in its Resolution No. 570 dated 24 April 2020, approved the temporary relaxation in the assigned credit risk weight for loans to micro-, small- and medium enterprises (MSMEs) for purposes of computing compliance with the BSP's Risk-Based Capital Adequacy Frameworks.

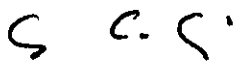
The following exposures to MSMEs, as defined under the Basel III Risk-Based Capital Adequacy Framework<sup>1</sup> and the Basel 1.5 Risk-Based Capital Adequacy Framework<sup>2</sup> shall be assigned a credit risk weight of 50 percent:

- a. MSME exposures that meet the criteria of a qualified MSME portfolio, and
- b. Current MSME exposures that do not qualify as a highly diversified MSME portfolio.

The provisions on the use of credit risk mitigation under Appendix 59/Q-45 of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) as well as claims with eligible collateral or guarantees under Appendix 62 of the MORB shall continue to apply.

The foregoing provisions shall apply until 31 December 2021.

For guidance and implementation.

  
**BENJAMIN E. DIOKNO**  
Governor

28 April 2020

<sup>1</sup> Appendix 59/Q-45 of the MORB/MORNBFI for universal/commercial banks (UBs/KBs), as well as their subsidiary banks/quasi-banks

<sup>2</sup> Appendix 62 of the MORB for thrift banks, rural banks and cooperative banks that are not subsidiaries of UBs/KBs.