

363-B LIMITS ON REAL ESTATE EXPOSURES AND OTHER REAL ESTATE PROPERTY OF TBS

A prudential limit is set for real estate exposures as defined under Item “b” of Sec. 363-A, and other real estate property of TBS. Other real estate property shall include those recorded under Real and Other Properties Acquired and Non-Current Assets Held for Sale. For this purpose, a stress test will be undertaken on a TB’s REEs and other real estate property under an assumed write-off rate of twenty-five percent (25%).

The prudential REST limits which shall be complied with at all times by TBs are:

- a. six percent (6%) of CET I capital, for TBs that are subsidiaries of UBs/KBs;
- b. six percent (6%) of Tier I capital, for stand-alone TBs ¹; and
- c. ten percent (10%) of risk-based CAR for all TBs.

A TB which does not meet either or both the REST limits shall be directed to explain why its exposures do not warrant immediate remedial action. The Monetary Board, upon the report of the appropriate supervising department of the Bangko Sentral, shall determine whether the TB has been able to render sufficient explanation, otherwise, the TB shall be directed to submit an action plan, within thirty (30) calendar days from date of notification, to meet the REST limits within a reasonable time frame.

A TB which fails to submit an action plan or persistently breaches the REST limits due to non-compliance with the commitments in its submitted action plan may be considered to be engaging in unsafe or unsound banking, to be determined in accordance with Section 56 of R.A. No. 8791, as implemented by Sec. 181, and shall subject the TB to appropriate sanctions.

(Circular Nos. 890 dated 02 November 2015 and 839 dated 27 June 2014)

Footnotes

1. TBs that are not subsidiaries of universal and commercial banks.