



**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF SUPERVISORY POLICY DEVELOPMENT

5 April 2011

**Ms. Lydia N. Orial**  
President and Chief Executive Officer  
LGU Guarantee Corporation  
Unit 2801, 28F, Antel Corporate Center  
121 Valero St., Salcedo Village  
Makati City 1227

Dear Ms. Orial:

**Subject: Risk Weight of Credit Exposures Guaranteed by the LGU  
Guarantee Corporation (LGUGC)**

This refers to your letter dated 4 January 2011 requesting feedback regarding the amendment of the pertinent provisions of Circular No. 538 dated 4 August 2006 on the 50% risk weight on LGU bonds which are covered by Deed of Assignment of Internal Revenue Allotment (IRA) of the LGU and guaranteed by LGUGC.

Please be informed that the Monetary Board, in its Resolution No. 319 dated 3 March 2011, approved the adoption of a consistent treatment of exposures guaranteed by the LGUGC by assigning a risk weight on said exposures based on the external credit rating of the LGUGC. In view of the change in the regulatory treatment of LGUGC exposures, the provisions of the risk-based capital adequacy frameworks which assign a 50% risk weight to LGU bonds which are covered by Deed of Assignment of IRA of the LGU and guaranteed by the LGUGC were deleted.

Kindly note that Circular No. 717 dated 25 March 2011 which implements M.B. Res. No. 319 can be accessed at the BSP's website for your reference/information.

Thank you.

Very truly yours

  
**TEODORA I. SAN PEDRO**

Director




# Bangko Sentral ng Pilipinas

File/Ref. No. RPSG II-10-12-16

## OFFICE OF SUPERVISORY POLICY DEVELOPMENT

9 December 2010

  
Ms. Lydia N. Oriol  
President and Chief Executive Officer  
LGU Guarantee Corporation  
Unit 2801, 28F, Antel Corporate Center  
121 Valero St., Salcedo Village  
Makati City 1227

Dear Ms. Oriol:

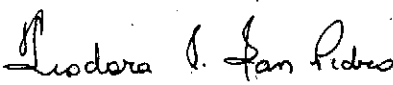
Subject: Credit Rating of LGU Guarantee Corporation (LGUGC)

This refers to your letter dated 23 November 2010 informing us that LGUGC has received a corporate (issuer) credit rating of *PRS Aa+* from the Philippine Rating Services Corporation (PhilRatings).

In view of said rating, all loans and bonds, to the extent guaranteed by LGUGC, shall be risk-weighted at 20 percent, pursuant to Circular No. 538 dated 4 August 2006, provided that the conditions on eligible guarantees set out in the same Circular are fulfilled. The 20 percent risk weight shall apply as long as LGUGC maintains a rating of at least *PRS Aa-*.

Kindly note, however, that we shall seek the approval of the Monetary Board on the amendment of the pertinent provisions of Circular No. 538 on the existing 50 percent risk weight on LGU bonds, which are covered by Deed of Assignment of Internal Revenue Allotment of the LGU and guaranteed by the LGUGC.

Very truly yours,

  
TEODORA I. SAN PEDRO  
Director

cc: Managing Director, CSSS

PANANALAPING MATATAG, BANSANG PANATAG