

This sentiment was reflected by Bangko Sentral ng Pilipinas' (BSP) Governor Benjamin E. Diokno at a virtual convention of the Chamber of Thrift Banks on Oct. 12. In that event, Mr. Diokno encouraged banks to grant financial relief that considers the borrowers' payment and risk-bearing capacity as lenders are not similarly affected by the coronavirus disease 2019 (COVID-19) pandemic.

Mr. Diokno added the BSP believes financial institutions have already been given enough time to assess their loan portfolio and that the central bank is "constrained from extending regulatory relief measures provided" as they will affect the banks' viability and their capacity to continue lending.

Some of the relief measures provided by the BSP have already lapsed. For instance, the central bank's recognition of allowances for loan losses on a staggered basis for all types of credit for retail and business borrowers affected by COVID-19 has ended on March 8.

Meanwhile, others are scheduled to lapse by the end of this year such as the reduction of the credit risk weight of loans to micro-, small-, and medium-sized enterprises (MSMEs) to 50%, the lower minimum liquidity ratio (MLR) of 16% for thrift banks from 20% previously, and the higher single borrowers' limit (SBL) of 30% for banks from 25%.

The BSP has also permitted lenders to count their lending to MSMEs and pandemic hit large enterprises as part of banks' alternate reserve compliance until the end of next year or will be reviewed once the limits of P300

billion for MSMEs and P425 billion for large firms would be reached.

To recall, the central bank in late April last year reduced the reserve requirement ratio (RRR) for thrift banks to 3% from 2% to provide a liquidity boost amid the ongoing pandemic. It was later extended to pandemic-hit large enterprises but are only applicable to those with asset sizes of more than P100 million but are not part of a conglomerate.

The BSP in December last year capped credit to MSME and large enterprises that banks could utilize as alternate reserve compliance at P300 billion and P425 billion, respectively.

In an e-mail to *BusinessWorld*, the BSP said the unwinding of the temporary relief measures "will be done in a gradual, prudent, and informed manner."

"The time-bound nature of the BSP's support measures allows for an orderly transition based on a holistic analysis of the impact of the COVID-19 not only on the financial system but also on other critical sectors of the economy. In particular, the BSP will consider the pace of liquidity and credit growth; improvements in market confidence and financial market activity, including the bond markets; recovery in consumer spending and private sector investment; and stability of the financial system," the BSP said.

The BSP has emphasized the need for timely communication of policies and decisions in setting expectations as the government strikes a delicate balance between providing debt support to struggling households and firms affected by the COVID-19 pandemic and, at the same time, guard against the buildup of inflationary pressures and risks within the banking system.