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As of this writing, the BSP is still assessing the duration of some of the policy relief measures it has implemented during the pandemic.

What is clear is that the central bank is retaining some of these measures at least until next year.

"The relief measures that incentivize lending to sectors such as underserved market segments, MSMEs and critically impacted large enterprises will be retained for as long as necessary to support their recovery," the BSP said.

They also cited the recently issued two regulations that will further give banks an incentive to grant new loans or restructure the loan accounts of their borrowers.

"The first measure clarifies the prudential treatment of modifications to loan terms, including restructuring arrangements, and will be in effect until [Dec. 31, 2022]. The second measure allows banks to add back to their capital, the increase in provisioning requirements applicable to new and restructured loans starting [Jan. 1, 2022 until Dec. 31, 2023]," the BSP said, explaining these measures look to temper the impact of provisioning requirements on new and restructured loans on capital which will provide banks with room to further tailor loan terms to their clients' requirements.

TAILORED APPROACH

On top of these measures, the BSP has allowed banks to provide financial relief to their borrowers through loan payment terms that considers their paying capacity and cash flows.

"This tailored approach will allow banks and their clients to arrive at mutually agreeable loan payment terms that consider the bank's financial capability and the client's requirements. This also increases likelihood of loan collection rather than loan default," the BSP said.

With this flexibility, banks are expected to look into the borrowers' reputation, as well as the purpose of credit, and sources of repayment and capacity to repay based on cash flow projections, the BSP said. In the case of commercial credits, the BSP said banks should consider the firm's business expertise, its credit relationships including its shareholders and directors, and the status of the borrower's economic sector, among others.

"It is also important for the bank to distinguish between borrowers that are facing serious or temporary financial difficulties and employ the appropriate risk management and remedial or workout measures on their exposures to these borrowers," the BSP noted.

In an e-mail, Development Bank of the Philippines (DBP) President and Chief Executive Officer Emmanuel G. Herbosa noted that in