



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**CIRCULAR NO. 1002**

Series of 2018

**Subject: Amendments to the Guidelines on Proposed Investments from Third Party Investors and the Requirements on Transactions Requiring prior Monetary Board approval involving Additional Subscription of Shares of Stock**

The Monetary Board (MB), in its Resolution No. 571 dated 05 April 2018 approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) on the proposed investments from third party investors (TPI) and on the requirements on transactions requiring prior MB approval involving additional subscription of shares of stock.

**Section 1.** Subsection X111.4 of the MORB is hereby amended to read as follows:

***“§ X111.4 Guidelines on proposed investments from third party investors (TPIs) for purposes of complying with the minimum capital requirements.***

The Bangko Sentral recognizes the indispensable role of banks in providing financial services to the public and their significant role in attaining sustainable economic development, while adhering to its mandate to safeguard and promote the stability of the financial system by ensuring that banks operate in a safe and sound manner. Hence, the Bangko Sentral sets forth the following guidelines on proposed investments from third party investor/s (TPIs) for purposes of addressing the capital deficiency and restoring the viability of banks:

“ x x x

“ b. x x x

(1) x x x

“(2) Certified copies of documents showing that the amount of proposed investment of the TPI is deposited/placed in an independent bank<sup>1</sup>, such as, certificate of escrow deposit or certificate of deposits with hold-out agreement showing the availability/hold out of funds for the said purpose, together with the corresponding waiver of secrecy of deposits/investments;

“ (3) x x x

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<sup>1</sup> Refers to a third party bank

(4) x x x

c. x x x

“d. In case a bank has a pending application with the PDIC under the Consolidation Program for Rural Banks (CPRB) or other similar programs, the bank and the TPI shall submit a joint certification signed by the president or officer of equivalent rank of the bank and the TPI concerned that there is a pending application with the PDIC, together with PDIC’s acknowledgement receipt of said application.

In this regard, it is understood that mere submission to Bangko Sentral of a TPI’s Letter of Intent (LOI) to invest in the bank shall not be considered sufficient action to address the bank’s capital deficiency. Moreover, the investment of the TPI would not be considered for purposes of addressing the capital deficiency if the aforementioned requirements are not complied with, except in cases when the TPI exhibits strong financial capacity and firm commitment<sup>2</sup> to address the capital deficiency of a bank based on assessment, taking into consideration the submitted documents and other available pertinent information.

If the above requirements are not submitted within the given period, the appropriate department of the Bangko Sentral may proceed in recommending appropriate supervisory action/s on the bank, if applicable.”

**Section 2.** Item b(3) of Subsection X126.2 of the MORB on the transactions requiring prior Monetary Board approval is hereby amended to read as follows:

**§ X126.2 Transactions involving voting shares of stock. x x x**

*“b. Transactions requiring prior Monetary Board approval*

*“ x x x*

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<sup>2</sup> Examples are the following:

- The bank and its eligible TPI-bank communicated the TPI’s intent to acquire/merge/consolidate with the bank but needs more time for the completion of the due diligence audit and finalize the agreement between the parties;
- Submission of documents showing the eligibility and seriousness of the commitment of the TPI such as certificate of escrow deposit in an independent bank and other documents such as audited financial statements and income tax returns of the TPI which show its financial capacity to acquire the bank.

“(3) In the case of additional subscription, the bank shall not recognize the fund infused by the subscriber in its book as asset and liability or equity unless prior Monetary Board approval is obtained. Pending approval by the Monetary Board, the fund infused by the subscriber shall be placed in an independent bank, such as, in the form of an escrow deposit or deposit with hold-out agreement showing availability/hold-out of funds for the said purpose.

“(4) x x x “

**Section 3. Effectivity.** This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

**FOR THE MONETARY BOARD:**

  
NESTOR A. ESPENILLA, JR.  
Governor

10 May 2018