



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 573
Series of 2007

Subject : **Amendments to various sections of the Manual of Regulation for Non- Bank Financial Institution with respect to Dividend Distribution of Non-Stock Savings and Loan Associations (NSSLAs)**

Pursuant to Monetary Board Resolution No. 633 dated 01 June 2007, the following provisions of the S Regulations of the Manual of Regulations for Non-Bank Financial Institutions, is hereby amended to read as follows:

Section 1. Last paragraph of Sec. 4106S Capital of Non-Stock Savings and Loan Association

"Members of NSSLAs may participate in the profits of the NSSLA on the basis of their **RESPECTIVE** capital contributions on the date **DISTRIBUTION OF NET INCOME IS APPROVED BY ITS BOARD OF TRUSTEES/DIRECTORS.**"

Section 2. Last paragraph of Sec. 4116S Capital-to-Risk Assets

"Whenever the capital accounts of an NSSLA are deficient with respect to the preceding paragraph, the Monetary Board, after considering the report of the appropriate supervisory and examining department of the BSP on the state of solvency of the NSSLA concerned, shall limit or prohibit the distribution of **NET INCOME** and shall require that part or all of **NET INCOME** be used to increase the capital accounts of the NSSLA until the minimum requirement has been met. The Monetary Board may, after considering the aforesaid report of the appropriate supervisory and examining department of the BSP, and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the NSSLA with the exception of the purchases of evidence of indebtedness included under Item "b" of this Section until the minimum required capital ratio has been restored."

Section 3. Sections 4117S.a and 4117.c Withdrawable Share Reserve.

- a. "The withdrawable share reserve shall be set up from **THE UNDIVIDED PROFITS** of the NSSLA and shall be funded in the form of cash deposited as a separate account and/or an investment allowed under this Section;

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- c. The reserve shall be adjusted first before the NSSLA shall declare and **DISTRIBUTE TO ITS MEMBERS ANY PORTION OF ITS NET INCOME** at any time of the year."

Section 4. First paragraph of Sec. 4118S Surplus Reserve for Ledger Discrepancies.

"Whenever an NSSLA has a discrepancy between its general ledger accounts and their respective subsidiary ledgers, the board of trustees of the NSSLA shall set up from the **UNDIVIDED** profits of the NSSLA, if any, a surplus reserve, in an amount equivalent to the amount of the discrepancy, and this reserve shall not be available for **DISTRIBUTION TO MEMBERS** or for any other purpose unless and until the discrepancy is accounted for.

Section 5. First paragraph of Sec. 4119S Reserve for Office Premises, Furniture, Fixtures and Equipment.

"NSSLAs shall set aside five percent (5%) of their yearly **NET INCOME** until it amounts to at least five percent (5%) of the total assets as a reserve for a building fund to cover the cost of construction or acquisition of office premises, and of the purchase of office furniture, fixtures and equipment.

Section 6. Change in Header of Part F, F. NET INCOME DISTRIBUTION

Section 7. Sec. 4126 S Limitations on DISTRIBUTION OF NET INCOME

- "a. *Basis for participation in profits.* Member-depositors of an NSSLA may participate in the profits of the NSSLA on the basis of their capital contributions on the date **DISTRIBUTION OF NET INCOME TO MEMBERS IS APPROVED BY ITS BOARD OF TRUSTEES/DIRECTORS.**
- b. *Level of withdrawable share reserve.* No NSSLA **SHALL DISTRIBUTE ANY OF ITS NET INCOME** to its members if the withdrawable share reserve required under Sec. 4117S is less than, or if by such distribution would be reduced below, the amount specified in said Section. The reserve shall be adjusted first before the NSSLA shall **DISTRIBUTE ITS NET INCOME** at any time of the year.
- c. *Capital-to-risk assets ratio.* NSSLAs **SHALL NOT DISTRIBUTE ANY OF ITS NET INCOME** to their members if their capital-to-risk assets ratio is below the level required under Sec. 4116S.

- d. *Discrepancies between general ledger and subsidiary ledger accounts.* The surplus reserves set up as required under Sec. 4118S shall not be reverted to free surplus for distribution to members unless and until the discrepancy between the general ledger accounts and their respective subsidiary ledgers for which the surplus reserve has been set up ceases to exist.
- e. *Other unbooked capital adjustments required by BSP, whether or not allowed to be set up on a staggered basis.* The unbooked valuation reserves and other unbooked capital adjustments required by the BSP, whether or not allowed to be set up on a staggered basis, shall be deducted from the **AMOUNT OF NET INCOME AVAILABLE FOR DISTRIBUTION TO MEMBERS.**
- f. *Interest and other income earned but not yet collected/received, net of reserve for uncollected interest on loans.* Accrued interest and other income not yet received but already recorded by an NSSLA, net of **ALLOWANCE FOR** uncollected interest on loans, shall be deducted from the **AMOUNT OF NET INCOME AVAILABLE FOR DISTRIBUTION TO MEMBERS."**

Section 8. Section 4126S.1 Reporting and Verification

"Declaration of **INCOME FOR DISTRIBUTION TO MEMBERS** shall be reported by an NSSLA concerned to the appropriate Supervising and Examining Department of the BSP in the prescribed form (revised BSP Form No. 7-26-25H).

Pending verification of above mentioned report by the appropriate Supervising and Examining Department of the BSP, the NSSLA concerned shall not make any announcement or communication on the **INTENDED DISTRIBUTION OF NET INCOME NOR SHALL ANY ACTUAL DISTRIBUTION** be made thereon.

In any case, the declaration may be announced and the **INCOME DISTRIBUTED**, if after twenty (20) business days from the date of the report required herein shall have been received by the BSP, no advice against such **DISTRIBUTION** has been received by the NSSLA concerned."

Section 9. 4126S.2 Recording of NET INCOME FOR DISTRIBUTION

'The liability for **MEMBERS' SHARE IN THE NET INCOME DISTRIBUTION** shall be taken up in the books upon receipt of BSP approval thereof, or if no such approval is received, after twenty (20) banking/business days from the date the required Report **ON**

DISTRIBUTABLE NET INCOME was received by the appropriate Supervising and Examining Department of the BSP whichever comes earlier. A memorandum entry may be made to trustees and for full disclosure purposes, the **AMOUNT OF INCOME FOR DISTRIBUTION** may be disclosed in the financial statements by means of a footnote which should include a statement to the effect that the **DISTRIBUTION** is subject to review by the BSP."

Section 10. This Circular shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

A handwritten signature in dark ink, appearing to read 'Diwa C. Guinigundo', is written over the printed name.

DIWA C. GUINIGUNDO
Officer-In-Charge

22 June 2007