



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

MEMORANDUM NO. M-2012- 048

To: All Banks and Quasi-Banks

**Subject: Transitory Guidelines on the Reporting of Deposit for
Stock Subscription in Prudential Reports**

Pursuant to Monetary Board Resolution No. 1092 dated 5 July 2012 on the amendments to regulations governing the deposit for stock subscription (DSS) of banks and quasi-banks (QBs), the following transitory guidelines shall be observed on the reporting of DSS, which may be recognized either as a liability or equity, in prudential reports:

A. DSS Recognized as Equity

The DSS that meets the conditions to be recognized as equity as specified under Circular No. 762 dated 25 July 2012 shall be reported by banks and QBs, as follows:

1. Banks shall temporarily lodge their DSS in the "Other Equity Instruments- Others" in the Equity Accounts section of the Balance Sheet schedule of the Financial Reporting Package (FRP) under Circular No. 512 dated 3 February 2006, as amended, and the Simplified FRP under Circular No. 644 dated 10 February 2009, as amended, pending revisions to the template of the said prudential reports.

Once the necessary changes to the FRP and Simplified FRP reportorial templates have been completed, the DSS shall be reported in the "Deposit for Stock Subscription" line item in the Equity Accounts of the Balance Sheet schedule.

2. QBs shall temporarily report their DSS in its related Capital Stock account in the Stockholders' Equity section of the Consolidated Statement of Condition (CSOC).
3. For purposes of computing the risk-based capital adequacy ratio (CAR), DSS of banks and QBs shall form part of Qualifying Capital and shall be reported in the category of its related capital stock, as follows:

Deposit for Stock Subscription	Category of Related Capital Stock
Deposit for common stock subscription	Tier 1
Deposit for perpetual and non-cumulative preferred stock subscription	Tier 1
Deposit for perpetual and cumulative preferred stock subscription	Upper Tier 2
Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption	Upper Tier 2
Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption	Lower Tier 2

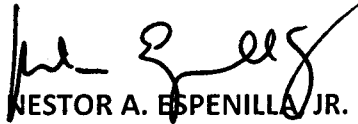
4. Universal and commercial banks (U/KBs) and their subsidiary banks and QBs shall use the revised portions of Part II. Qualifying Capital of the CAR Report issued under Circular No. 574 dated 10 July 2007, as amended (Annex A).
5. Stand-alone QBs that are not subsidiaries of U/KBs, shall use the revised portions of Part I. Qualifying Capital of the CAR Report issued under Circular No. 400 dated 1 September 2003, as amended (Annex B).
6. Pending the completion of the revised electronic CAR templates for stand-alone thrift banks (TBs), rural banks (RBs) and cooperative banks (Coop Banks), said banks shall temporarily lodge the following DSS in the category of its related capital stock in the current template of their CAR Report issued under Memorandum No. M-2010-014 dated 15 June 2010:

Deposit for Stock Subscription	Related Capital Stock
Deposit for common stock subscription	Paid-up common stock
Deposit for perpetual and non-cumulative preferred stock subscription	Paid-up perpetual and non-cumulative preferred stock
Deposit for perpetual and cumulative preferred stock subscription	Paid-up perpetual and cumulative preferred stock
Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption	Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption
Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption	Paid-up limited life redeemable preferred stock without the replacement requirement upon redemption

B. DSS recognized as Liability

1. DSS that does not meet the conditions to be recognized as equity in accordance with Circular No. 762 shall continue to be reported as part of "Other Liabilities-Deposit for Stock Subscription" in the FRP and Simplified FRP for banks, and in the CSOC for QBs.
2. In accordance with the provisions of Circular No. 762, DSS recognized as a liability shall no longer form part of a bank's/QB's Qualifying Capital for purposes of computing the risk-based CAR.

For strict compliance and immediate implementation.


NESTOR A. ESPENILLA JR.
Deputy Governor

12 October 2012

Att.: A/S

Name of Bank
CAR REPORT (Solo/Consolidated)
As of _____

Annex A

PART II. QUALIFYING CAPITAL (Amounts in P0.000 million)

Item	Nature of Item	Amount	Amount
A. Tier 1 (Core plus hybrid) Capital			
A.1	Core Tier 1 Capital		
	For Domestic Bank		
(1)	Paid-up common stock		
(2)	Deposit for common stock subscription		
(3)	Paid-up perpetual and non-cumulative preferred stock		
(4)	Deposit for perpetual and non-cumulative preferred stock subscription		
(5)	Additional paid-in capital		
(6)	Retained earnings		
(7)	Undivided profits		
(8)	Net gains on fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities		
(9)	Cumulative foreign currency translation		
(10)	Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)		
	For Philippine Branch of a Foreign Bank		
(11)	Assigned capital including earnings not remitted to the head office which the bank elects to consider as part of the assigned capital		
(12)	"Net due to" head office, etc. as defined under Subsec. X121.5.d of MORB (inclusive of earnings not remitted to head office per Subsec. X121.5.c of MORB, unless considered as part of the assigned capital), subject to limit prescribed under Subsec. X121.6 of MORB		
A.2	Deductions from Core tier 1 Capital		
	For Domestic Bank		
(1)	Common stock treasury shares (for consolidated basis)		
(2)	Perpetual and non-cumulative preferred stock treasury shares (for consolidated basis)		
(3)	Net unrealized losses on available for sale equity securities purchased		
(4)	Gains (Losses) resulting from designating financial liabilities at fair value through profit or loss that are due to own credit worthiness		
(5)	Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board		
(6)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI (net of specific provisions, if any), and unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates (net of specific provisions, if any) referred to in Circular No. 560		
(7)	Deferred income tax (net of allowance for impairment, if any)		
(8)	Goodwill (net of allowance for impairment, if any)		
	(i) Goodwill		
	(ii) Relating to investments in equity of unconsolidated subsidiary banks and quasi banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance		

Name of Bank _____
CAR REPORT (Solo/Consolidated)
As of _____

Item	Nature of Item	Amount	Amount
	(iii) Relating to investments in equity of unconsolidated subsidiary securities dealers/brokers, insurance companies, and non-financial allied undertakings (for both solo and consolidated		
(9)	Gain on sale resulting from a securitization transaction		
	For Philippine Branch of a Foreign Bank		
(10)	"Net due from" head office, branches, subsidiaries and other offices outside the Philippines, if any		
(11)	Total Deductions [Sum of A.2 (1) to A.2 (10)]		
A.3	Total Core Tier 1 Capital [Sum of A.1(1) to A.1(12) minus A.2 (11)]		
A.4	Hybrid Tier 1 Capital		
(1)	Perpetual preferred stock		
(2)	Perpetual unsecured subordinated debt		
(3)	Total Hybrid Tier 1 Capital [Sum of A.4(1) and A.4(2)]		
(4)	Eligible Hybrid Tier 1 Capital (limited to 17.65% of Total Core Tier 1 Capital (Item A.3))		
A.5	Total Tier 1 Capital [Sum of A.3 and A.4(4)]		
B.	Tier 2 (Supplementary) Capital		
B.1	Upper Tier 2 Capital		
(1)	Paid-up perpetual and cumulative preferred stock		
(2)	Deposit for perpetual and cumulative preferred stock subscription		
(3)	Paid-up limited life redeemable preferred stock with the replacement requirement upon redemption		
(4)	Deposit for limited life redeemable preferred stock subscription with the replacement requirement upon redemption		
(5)	Appraisal increment reserve – bank premises, as authorized by the Monetary Board		
(6)	Net unrealized gains on available for sale equity securities purchased (subject to a 55% discount)		
(7)	General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)		
(8)	Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less		
(9)	Hybrid Tier 1 capital (in excess of the amount permitted to be included in Tier 1 capital)		
B.2	Deductions from Upper Tier 2		
(1)	Perpetual and cumulative preferred stock treasury shares (for consolidated basis)		
(2)	Limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption (for consolidated basis)		
(3)	Sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption		
(4)	Net losses in fair value adjustment of hedging instruments in a cash flow hedge of available for sale equity securities		
(5)	Total Deductions [Sum of B.2(1) to B.2(4)]		
B.3	Total Upper Tier 2 Capital [Sum of B.1(1) to B.1(9) minus B.2 (5)]		

Name of Bank _____
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Annex A

Item	Nature of Item	Amount	Amount
B.4	Lower Tier 2 Capital		
(1)	Paid-up limited life preferred stock without the replacement requirement upon redemption (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
(2)	Deposit for limited life redeemable preferred stock subscription without the replacement requirement upon redemption		
(3)	Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less		
B.5	Deductions from Lower Tier 2		
(1)	Limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption (for consolidated basis)		
(2)	Sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)		
(3)	Total Deductions [Sum of B.5 (1) and B.5 (2)]		
B.6	Total Lower Tier 2 Capital [Sum of B.4(1) to B.4(3) minus B.5 (3)]		
B.7	Eligible Amount of Lower Tier 2 Capital (limited to 50% of Tier 1 Capital per Item A.5)		
B.8	Total tier 2 Capital (Sum of B.3 and B.7)		
B.9	Eligible Amount of tier 2 Capital (limited to 100% of Tier 1 Capital per Item A.5)		
C.	Gross Qualifying Capital		
(1)	Tier 1 Capital (Item A.5)		
(2)	Tier 2 Capital (Item B.9)		
D.	Deductions from Tier 1 and Tier 2 Capital		
(1)	Investments in equity of unconsolidated subsidiary banks and quasi banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill [Part II, Item A.2 (8)(ii)], if any (for solo basis)		
(2)	Investments in other regulatory capital instruments of unconsolidated subsidiary banks and quasi banks (for solo basis)		
(3)	Investments in equity of unconsolidated subsidiary securities dealers/brokers, insurance companies, and non-financial allied undertakings, after deducting related goodwill [Part I.1, Item A.2 (8)(iii)], if any (for both solo and consolidated bases)		
(4)	Capital shortfalls of unconsolidated subsidiary securities dealers/brokers and insurance companies (for both solo and		
(5)	Significant minority investments (20%-50% of voting stock) in banks and quasi-banks, and other financial allied undertakings (for both solo and consolidated bases)		
(6)	Reciprocal investments in equity of other banks/enterprises		

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Item	Nature of Item	Amount	Amount
(7)	Reciprocal investments in other regulatory capital instruments of other banks and quasi-banks		
(8)	Materiality thresholds in credit derivative contracts purchased (Part III.1a, column 10)		
(9)	Credit linked note and similar products purchased with specific issue rating that are below investment grade (Part III.5 Column 8)		
(10)	Securitization tranches in the banking book which are rated below investment grade/unrated (Part III.6, Item B.1)		
(11)	Securitization tranches in the trading book which are rated below investment grade/unrated (Part IV.1a, Item A.7)		
(12)	Credit enhancing interest only strips in relation to a securitization		
(13)	Total Deductions (sum of D(1) to D(12))		
E.	Net Tier 1 and Tier 2 Capital		
E.1	Net Tier 1 Capital ^{1/} {C (1) minus [D (13) times 50%]}		
E.2	Net Tier 2 Capital ^{1/} {C (2) minus [D (13) times 50%]}		
F.	TOTAL QUALIFYING CAPITAL [E (1) plus E (2)]		

Deductions to Tier 2 Capital is capped at the Total Amount of Gross Tier 2 Capital. Any excess shall be deducted from Tier 1 Capital.

Annex B

PART I. QUALIFYING CAPITAL (Amounts in P0.000 million)

Item	Nature of Item	Amount	Amount
A.	Tier 1 (Core) Capital		
(1)	Paid up common stock		
(2)	Deposit for common stock subscription		
(3)	Paid-up perpetual and non-cumulative preferred stock		
(4)	Deposit for perpetual and non-cumulative preferred stock subscription		
(5)	Common stock dividends distributable		
(6)	Perpetual and non-cumulative preferred stock dividends distributable		
(7)	Surplus		
(8)	Surplus reserves		
(9)	Undivided profits		
(10)	Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)		
A.1	Deductions from Tier 1 Capital		
(1)	Common stock treasury shares		
(2)	Perpetual and non-cumulative preferred stock treasury shares		
(3)	Net unrealized losses on underwritten listed equity securities purchased (for IH)		
(4)	Unbooked valuation reserves and other capital adjustments based on the latest ROE as approved by the Monetary Board		
(5)	Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI		
(6)	Unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates		
(7)	Deferred income tax asset		
(8)	Goodwill		
(9)	Total Deductions [Sum of A.1 (1) to A.1 (8)]		
A.2	Total Tier 1 Capital [Sum of A (1) to A (10) minus A.1 (9)]		

Annex B

Item	Nature of Item	Amount	Amount
B.	Tier 2 (Supplementary) Capital		
B.1	Upper Tier 2 Capital		
(1)	Paid-up perpetual and cumulative preferred stock		
(2)	Deposit for perpetual and cumulative preferred stock subscription		
(3)	Perpetual and cumulative preferred stock dividends distributable		
(4)	Appraisal increment reserve – quasi-bank premises, as authorized by the Monetary Board		
(5)	Net unrealized gains on underwritten listed equity securities purchased (subject to a 55% discount) (for IH)		
(6)	General loan loss provision [limited to 1.25% of gross risk-weighted assets computed per Part V, Item B.(4)]		
(7)	Unsecured subordinated debt with a minimum original maturity of at least 10 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
B.1.1	Deductions from Upper Tier 2		
(1)	Perpetual and cumulative preferred stock treasury shares		
(2)	Total Deductions [B.1.1 (1)]		
B.1.2	Total Upper Tier 2 Capital [Sum of B.1(1) to B.1(7) minus B.1.1 (2)]		
B.2	Lower Tier 2 Capital		
(1)	Paid-up limited life redeemable preferred stock (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		
(2)	Deposit for limited life redeemable preferred stock subscription		
(3)	Limited life redeemable preferred stock dividends distributable		
(4)	Unsecured subordinated debt with a minimum original maturity of at least 5 years (subject to a cumulative discount factor of 20% per year during the last 5 years to maturity, i.e., 20% if the remaining life is 4 years to less than 5 years, 40% if the remaining life is 3 years to less than 4 years, etc.)		

Annex B

Item	Nature of Item	Amount	Amount
B.2.1	Deductions from Lower Tier 2		
(1)	Limited life redeemable preferred stock treasury shares		
(2)	Sinking fund for redemption of limited life redeemable preferred stock (limited to the balance of redeemable preferred stock after applying the cumulative discount factor)		
(3)	Total Deductions [Sum of B.2.1(1) and B.2.1(2)]		
B.2.2	Total Lower Tier 2 Capital [Sum of B.2(1) to B.2(4) minus B.2.1(3)]		
B.2.3	Eligible Amount of Lower Tier 2 Capital (limited to 50% of total Tier 1 capital per Part I. Item A.2)		
B.3	Total Tier 2 Capital (Sum of B.1.2 and B.2.3)		
B.4	Eligible Amount of Tier 2 Capital (limited to 100% of total Tier 1 capital per Part I. Item A.2)		
C.	Gross Qualifying Capital (Sum of A.2 and B.4)		
C.1	Deductions from Gross Qualifying Capital		
(1)	Investments in equity of unconsolidated subsidiary banks and other subsidiary financial allied undertakings, but excluding insurance companies (for solo basis)		
(2)	Investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis)		
(3)	Investments in equity of subsidiary insurance companies and subsidiary non-financial allied undertakings		
(4)	Reciprocal investments in equity of other banks/enterprises		
(5)	Reciprocal investments in unsecured subordinated term debt instruments of other banks/QBs in excess of the lower of (i) aggregate ceiling of 5% of total Tier 1 capital of the quasi-bank; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-bank		
(6)	Total Deductions [Sum of C.1(1) to C.1(5)]		
	Total Qualifying Capital [C minus C.1(6)]		