

**BANGKO SENTRAL NG PILIPINAS****OFFICE OF THE GOVERNOR**

CIRCULAR NO. 890
Series of 2015

**Subject: Amendments to the Manual of Regulations for Banks and
Manual of Regulations for Non-Bank Financial Institutions**

The Monetary Board, in its Resolution No. 1641 dated 08 October 2015, approved the following amendments to the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

Section 1. The following provisions of Circular No. 829 dated 13 March 2014 [Amendments to Consolidated Rules and Regulations on Currency Notes and Coins (BSP Circular No. 61, Series of 1995)] are numbered as follows to align with existing sections/subsections of the MORB/MORNBFI:

Portion of the Circular	Title	MORB Section/Sub sections	MORNBFI Section
	Philippine and Foreign Currency and Notes	X950	4950Q/ 4650S/ 4650P/ 4650N
Definition of Terms	Definition of terms	X950.1	4950Q.1
Chapter I	Treatment and disposition of counterfeit Philippine and foreign currency notes and coins	X950.2	4950Q.2
Chapter II	Reproduction and/or use of facsimiles of legal tender Philippine currency notes	X950.3	4950Q.3
Chapter III	Reproduction and/or use of facsimiles of legal tender Philippine currency coins	X950.4	4950Q.4
Chapter IV	Clean note and coin policy	X950.5	-
Chapter V	Replacement and redemption of legal tender Philippine currency notes and coins considered mutilated or unfit for circulation	X950.6	4950Q.6
Chapter VI	Treatment and disposition of Philippine currency notes and coins called in for replacement	X950.7	4950Q.7
Chapter VII	Penalties	X950.8	4950Q.8

Section 2. The following subsection/appendices of the MORB are assigned to the provisions of Circular No. 850 dated 08 September 2014 (Report on Cross-Border Financial Position of Banks):

Portion of the Circular	Title	New Subsection/ Appendices
2 nd par	Report on Cross-border Financial Positions	X192.13
Item 2	Report on Cross-Border Financial Positions	App. 6
Annex A	Guidelines on the Completion of the Report on Cross-Border Financial Positions	App. 106

Section 3. The attachment (Framework for Dealing with Domestic Systemically Important Banks) to Circular No. 856 dated 29 October 2014 (Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks Under Basel III) is appended to the MORB /MORNBFI, as follows:

Portion of the Circular	Title	Appendices
Attachment	Framework for Dealing with Domestic Systemically Important Banks	App. 6 App. 107 App. Q-3 App. Q-62

References to the above appendices are added to Subsections X115.5 and 4115Q.5 of the MORB and MORNBFI, respectively.

Section 4. The attachment (Guidelines on EMV Implementation) to Circular No. 859 dated 24 November 2014 [Europay, MasterCard and Visa (EMV) Implementation Guidelines] is appended to MORB as follows:

Portion of the Circular	Title	New Appendix
Attachment	Europay, Mastercard and Visa (EMV) Implementation Guidelines	App. 108

Reference to the above appendix is added to Subsection X177.7 of the MORB.

Section 5. The following sections/subsections of the MORB/MORNBFI are assigned to the provisions of Circular No. 860 dated 23 November 2014 [Guidelines on the Qualification/Accreditation Requirements of Personal Equity and Retirement Account (PERA) Market Participants and PERA Investment Products]]:

Portion of the Circular	Title	New Section/Subsections
Introduction	Personal Equity and Retirement Account (PERA) Market Participants and PERA Investment Products.	X960 4960Q 4460N
Section 1	Applicability	X960.1 4960Q.1
Section 2	Eligibility Criteria	X960.2 4960Q.2
Section 3	Qualifications/Accreditation Requirements	X960.3 4960Q.3
Section 4	Application for qualification/accreditation	X960.4 4960Q.4
Section 5	Security for the faithful performance of administrators	X960.5 4960Q.5
Section 6	Grounds for suspension or revocation of qualification/accreditation of administrator, investment manager or custodian.	X960.6 4960Q.6
Section 7	Penalty	X960.7 4960Q.7
Section 8	Reportorial Requirements	X960.8 4960Q.8

Section 6. References used in the following Circulars are renumbered for consistency with the MORB/MORNBFI numbering:

Circular No.	Circular Reference	MORB/MORNBFI Sections/Subsections/ Subsection Item/Appendices
826	App. Q-46b	App. Q-46
855	4306Q.1 – Item “h”	4306Q.1 – Item “i”
857	Part 9 Banks and Q-Regulations	X1001 4403S X1001.1 - X1001.2 4403S.1 – 4403S.2 X1002 4401P X1002.1 – X1002.5 4401P.1 – 4401P.2 X1003 4402P X1003.1 – X1003.2 4402P.1 – 4402P.5 41001Q 4403P 41001Q.1 – 41001Q.2 4403P.1 – 4403P.2 41002Q 4701N 41002Q.1 – 41002Q.5 4701N.1 – 4701N.2 41003Q 4702N

		41003Q.1 – 41003Q.2 4401S 4401S.1 – 4401S.2 4402S 4402S.1 – 4402S.5	4702N.1 – 4702N.5 4703N 4703N.1 – 4703N.2 App. 110 App. Q-64
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Section 7. The *Transitory Provisions* of the following Circulars are footnoted in the sections/subsections of the MORB/MORNBFI.

Circular No.	Sections/Subsections
823	X181.2
824	X233.9
830	X253.1, X405.5, 4235Q, 4405Q.5
832	X253.1, X405.5, 4235Q, 4405Q.5
844	X172

The *Transitory Provisions* of the following subsections in the MORB/MORNBFI that have already expired are transferred as footnotes:

1. X303.5
2. X304.10
3. 4409Q.17

Section 8. The following Memoranda to Banks are incorporated to create/update the following sections/subsections/ appendices of the MORB/MORNBFI:

Memorandum No.	Sections/Subsections
002	X111. 4
003	X108.4 App. 94a
006	X192.2, X257, X269.6, X269.8, X302, X306, X338, App. 18, App. 89
007	X190.6
009	X191.2, App. 6, App. 77
010	App. 6
014	X901.1, App. 88, 4901Q.1, App. 51
015	App. 6
017	App. 6
019	App. 6, App. Q-3
020	App. 6, App. Q-3
021	X954
023	X233.9
024	App. 6
025	App. 6

026	App. 6
031	X192.2, X257, X269.6, X269.8, X302, X306, X338, App. 18, App. 89
032	App. 6
034	X233.9
035	App. 6
039	X192.2, X257, X269.6, X269.8, X302, X306, X338, App. 18, App. 89
044	App. 6
045	X960, App. 109, 4960Q, App. Q-63
046	App. 6

Section 9. The following sections/subsections of the MORB/MORNBFI are modified for consistency and shall read as follows:

1. Item 1 of Section 1397
<i>Real Estate Loan Limit.</i> Total real estate loans of UB/KBs, excluding Items "a" to "d" below, shall not exceed twenty percent (20%) of the total loan portfolio, net of interbank loans: xxx xxx xxx
2. Item 1.d. of 1397
Loans to the extent collateralized by non-risk assets under existing regulations. xxx xxx xxx
3. Item 2 of Section 1397
<i>Real Estate Stress Test (REST) Limits.</i> A prudential limit is set for real estate exposures and other real estate property of UBs/KBs. <i>Real estate exposures</i> shall refer to: a. Real estate loans (RELs), which shall consist of: (1) Residential real estate loans to individual households for occupancy; and (2) Commercial real estate loans, which shall refer to loans granted to the following: (a) individuals; (b) land developers/ construction companies; and (c) other borrowers, such as (i) real estate brokers; (ii) real estate lessors; (iii) property management companies; (iv) holding companies; and (v) others, including other corporate borrowers;

for purposes of financing real estate activities;

b. Investments in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies and holding companies, for purposes of financing real estate activities; and

c. Investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Equity securities issued by holding companies are likewise covered, if proceeds from the issue shall be/has been invested by the holding company in its subsidiary corporation/s that is/are engaged in real estate activities.

Real estate exposures shall not include loans and investments in debt and equity securities for construction of highways, streets, bridges, tunnels, railways, and other infrastructure for public use.

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4. Section 2397

Sec. 2397 Limits on Real Estate Exposures and Other Real Estate Property of TBs. A prudential limit is set for real estate exposures as defined under Item "2" Section 1397, and other real estate property of TBs. Other real estate property shall include those recorded under Real and Other Properties Acquired and Non-Current Assets Held for Sale. For this purpose, a stress test will be undertaken on a TB's REEs and other real estate property under an assumed write-off rate of twenty five percent (25%).

xxx xxx xxx

¹ TBs that are not subsidiaries of UBs and KBs.

5. Section 2172

Sec. 2172 Marketing, Sale and Servicing of Microinsurance Products by Thrift Banks. In order to better serve microfinance clients pursuant to the financial inclusion thrust of National Strategy and Regulatory Framework for Microinsurance, a TB, including its authorized branch/es, extension office/s and other banking offices (OBOs), can present, market and sell microinsurance products as defined under the Insurance Commission's Memorandum Circular (IMC) No. 1-2010^x, provided that the microinsurance product is duly approved by the Insurance Commission.

The presentation, marketing and sale of microinsurance products by TBs has been determined to be a necessary and complementary component of the primary business of TBs considering the relationship of the latter with their microfinance clients. For this purpose, the Monetary Board has defined that for TBs, microinsurance products as defined under IMC No. 9-2006^{xx} and 1-2010^{xxx} shall serve as a "financial product of an allied undertaking" under Section 20 of the General Banking Law.

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5. Bank's license from the Insurance Commission as a microinsurance agent or broker, as may be applicable^{xxxx}.

6. Certification from the bank president xxx

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(Circular No. 683 dated 23 February 2010, M-2011-015 dated 18 March 2011)

^x Dated 29 January 2010

^{xx} Dated 25 October 2006

^{xxx} Dated 29 January 2010

^{xxxx} To act as a microinsurance agent of an authorized insurance provider, a bank needs to acquire the appropriate license from the IC. The requirements for such application consist of: (i) attendance in prescribed microinsurance training course and passing the qualifying examination at the end of the course; and (ii) amending a bank's articles of incorporation (AOI). In view of the latter requirement, applicant banks shall amend their AOI by including a secondary purpose of acting as a microinsurance agent, and shall submit simultaneously the amended AOI to the appropriate BSP office and the IC. (See IC Memo Circular No. 6-2011 dated 15 February 2011)

6. Subsection 2361.8

§ 2361.8 Marketing, sale and servicing of microinsurance products by thrift banks. A TB including its authorized branch/es, extension office/s and OBOs shall comply with Sec. 2172 for the presentation, marketing and sale of micro insurance products.

7. Subsection 3361.8

§ 3361.8 Marketing, sale and servicing of microinsurance products by rural and cooperative banks. An RB/Coop banks including its authorized branch/es, extension office/s and OBOs shall comply with Sec. 3172 for the presentation, marketing and sale of micro insurance products.

8. Subsections X806.2.i/4806Q.2.i

§ X806.2.i/4806Q.2.i Fund/Wire transfer. Because of the risk xxx

xxx xxx xxx

(4) Whenever possible, manually initiated fund transfer (MIFT) instructions should not be the primary delivery method. Every effort shall be made to provide client with an electronic banking solution. However, where MIFT is utilized, the following validation procedures shall apply:

(i) Prior to the bank accepting from a customer a manually initiated funds transfer request, the customer must execute and sign an agreement which preferably is part of the account opening documentation, wherein are outlined the manual instruction procedures with related security procedures including customer agreement to accept responsibility for fraudulent or erroneous instructions provided the bank has complied with the stated security procedures.

(ii) It is mandatory that written MIFT instructions are signature verified. In addition, one (1) of the following primary security procedures must be applied: a recorded callback to the customer to confirm the transaction instructions, or testword arrangement/ verification. The callback or test word requirement may be substituted by any of the following validity checks: use of a controlled PIN or other pre-established code; sequential numbering control of messages; pre-established verifiable forms; same as prior transmissions; standing/pre-defined instructions; or value for value transactions.

(iii) It is mandatory that faxed MIFT instructions are signature verified and the fax machine be located in a secured environment with limited and controlled staff access which permits visual monitoring. If monitoring is not possible, the equipment must be secured or programmed to receive messages into a password protected memory.

Faxed MIFT transactions below a certain threshold (approved by the President/Country Manager (for branches of foreign banks) or Business Risk Manager) may be processed with the mandatory procedure described above and an enhanced security procedure such as (a) a recorded callback to the customer to confirm the transaction instructions and/or (b) test word arrangement/verification, and/or (c) utilization of secured forms that incorporate verifiable security procedures such as watermarks or codes, and/or (d) transmission encryption.

(iv) Telephone callback numbers and contacts must be securely controlled. The confirmation callback is to be recorded and made to the signatory/(ies) of the customer's individual account(s). For commercial and company accounts the callback will be made to the signatory/(ies) of the account or, if so authorized, another person designated by the

customer in the MIFT agreement. The party called is to be documented on the instructions. The callback must be made by someone other than (a) the person receiving the original instructions and (b) effecting the signature verification.

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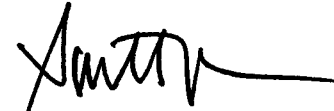
Section 10. Circular No. 827 deleted Section X116, Subsections X116.1 to X116.7, and Appendix 63a of the MORB. The following subsections/appendices of the MORB contain references pertaining to the deleted section/subsections/appendix. References to the deleted section/subsections/appendix are changed to “under applicable and existing capital adequacy framework”.

Subsection	Title
X119.4	Public issuance of unsecured subordinated debt
X119.5	Private or negotiated issuance of unsecured subordinated debt
X119.9	Accounting treatment
X126.5	Issuance of redeemable shares: conditions; certification and report; sanctions
X151.2	Prerequisites for the grant of authority to establish a branch
X190.4	Disclosure requirement in the notes to the audited financial statements
X192.9	Publication/Posting of balance sheet
X256.5	Guidelines in calculating and reporting to the Bangko Sentral the required reserves on deposit substitutes evidenced by repurchase agreements covering government securities
X268.3	Approval/Renewal of the line
X301.6	Large exposures and credit risk concentrations
X303.1	Definition of terms
X1628.3	Capital treatment of investments in CLNs
App. 16	Implementing Guidelines of the Countryside Financial Institutions Enhancement Program

App. 46	Guidelines to Incorporate Market Risk in the Risk-Based Capital Adequacy Framework
App. 46b	Instructions for Accomplishing the Report on Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk (For Universal Banks and Commercial Banks With Expanded Derivatives Authority)
App. 46c	Instructions for Accomplishing the Report on Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk (For Universal Banks and Commercial Banks with Expanded Derivatives Authority but Without Options Transactions)
App. 46d	Instructions for Accomplishing the Report on Computation of the Adjusted Risk-Based Capital Adequacy Ratio Covering Combined Credit Risk and Market Risk (For Universal Banks and Commercial Banks Without Expanded Derivatives Authority)
App. 55	Small and Medium Enterprise Unified Lending Opportunities for National Growth Bank Accreditation Application for Rural and Thrift Banks Eligibility and Documentary Requirements
App. 56a	Accounting Guidelines on the Sale of Non-Performing Assets to Special Purpose Vehicles and to Qualified Individuals for Housing Under "The Special Purpose Vehicle Act of 2002"
App. 63	Implementation Plans Under the New International Capital Standards as Contained in the Basel Committee on Banking Supervision Document International Convergence of Capital Measurement and Capital Standards
App. 63b	Risk-Based Capital Adequacy Framework for the Philippine Banking System
App. 63b-1	Guidelines on the Capital Treatment of Banks' Holdings of Republic of the Philippines Global Bonds Paired with Warrants
App. 63b-2	Guidelines on the Use of the Standardized Approach in Computing the Capital Charge for Operational Risks
App. 63d	Risk-Based Capital Adequacy Framework for the Banks on the Definition of Qualifying Capital Instruments

Section 11. The word "issued" in the second paragraph of Item "d" in Subsection X178.13 under Circular No. 855 dated 29 October 2014 is hereby changed to "is used".

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.
Governor

2 November 2015