



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1062

Series of 2019

Subject: Amendment of the Requirements on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs), Bonds and Commercial Papers

The Monetary Board, in its Resolution No. 1730 dated 7 November 2019, approved the amendments to relevant provisions of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFi) to relax certain requirements on the issuance of LTNCTDs, Bonds and Commercial Papers.

Section 1. Section 217 of the MORB is hereby amended to read as follows:

217 CERTIFICATES OF TIME DEPOSIT

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Long-term negotiable certificates of time deposit. xxx

a. xxx

xxx

c. *Pre-qualification requirements.* xxx

xxx

(1) Issuing bank

xxx

(2) xxx

(3) *Underwriter/Arranger*

(a) It is either a UB or an IH: *Provided*, That if an offering is on a best-efforts basis, such arranger may also be a KB.

(b) A UB/KB or IH that is a related party of the issuing bank, may serve as the underwriter/arranger of the issuance, subject to the following conditions:

(i) That there are other third party underwriters/arrangers that are not related in any manner to the issuing bank;

(ii) That the objective conduct of the due diligence review is not undermined; and

(iii) That the appropriate safeguards and controls as provided under Section 136 on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

(c) Underwriters must be well capitalized and must have adequate risk management as evidenced by compliance with Items "*c(1)(a), (d), (g) and (h)*" as may be applicable.

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h. *Prohibition on holdings of LTNCTDs.* The issuing bank, including its related parties as defined in Section 131, except for its trust department or related trust

entities, cannot be a holder of the LTNCTDs issued. The underwriter/arranger that is a related party of the issuing bank may be a holder of the LTNCTDs: *Provided*, That it is part of the underwriting agreement.

The issuing bank shall provide the registry bank with an updated list of all related parties. This report shall be a "Category B" report.

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Section 2. Sections 246 of the MORB and 4239Q of the MORNBF, as amended by Circular 1010 dated 9 August 2018, are hereby amended to read as follows:

246/Section 4239Q ISSUANCE OF BONDS AND COMMERCIAL PAPERS

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Other Guidelines. A UB/KB or IH that is a related party of the issuing bank/QB, may serve as the underwriter/arranger of the issuance, subject to the following conditions:

- a. That there are other third party underwriters/arrangers that are not related in any manner to the issuing bank/QB;
- b. That the objective conduct of the due diligence review is not undermined; and
- c. That the appropriate safeguards and controls as provided under Section 136 on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

Prohibition on Issuing Banks/QBs and Their Related Entities. The issuing bank/QB, including its related parties as defined in Section 131/4002Q of the MORB/MORNBF, except for its trust departments or related trust entities, are prohibited from holding or acting as market makers of the bank's/QB's listed/traded bonds or commercial papers (CP). The underwriter/arranger that is a related party of the issuing bank/QB may be a holder of the bonds or CPs: *Provided*, That it is part of the underwriting agreement. The registry bank shall likewise be a third party with no subsidiary/affiliate relationship with the issuing bank/QB, and which is not related to the issuing bank/QB in any manner that would undermine its independence.

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

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

 November 2019