



BANGKO SENTRAL NG PILIPINAS

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

MEMORANDUM NO. M – 2014 - 002

To : ALL BANKS

Subject : Guidelines on Proposed Investment from Third Party Investors (TPIs) for Purposes of Complying with the Minimum Capital Requirements

Pursuant to Subsection X111.1 and Section X115 of the Manual of Regulations for Banks (MORB) which prescribe the minimum capitalization and Capital Adequacy Ratio (CAR) of banks, respectively, the Monetary Board, in its Resolution No. 65 dated 09 January 2014 approved the following guidelines for capital deficient banks with proposed investments from third party investor/s (TPIs) for purposes of addressing the capital deficiency.

A bank that has already entered into a final agreement with a TPI to invest in the bank, which amount of investment shall cover the full amount of the capital deficiency, shall immediately submit the subscription contract/written agreement with the TPI to the BSP. It is understood that with the submission of such contract, the TPI has already agreed to infuse the needed funds to cover the capital deficiency.

In case the transaction requires prior BSP approval under Subsection X126.2b of the MORB, the bank shall submit the following documentary requirements within fifteen (15) banking days from the submission of the aforementioned subscription contract/written agreement or within the timeline prescribed by Subsection X126.2b of the MORB¹, whichever is earlier:

- i. Bank's request (*signed by the President or officer of equivalent rank*) for BSP approval of the subject transactions (*accompanied by a Board Resolution of the TPI to that effect, if the TPI is a corporation*);
- ii. A certified copy of the Escrow Agreement between the bank, TPI and Escrow Agent, and a certificate of escrow deposit issued by the Escrow Agent equivalent to at least the amount of the proposed investment;

¹ 60 calendar days from date of transaction or 30 calendar days from receipt of corporate secretary of the transaction, whichever comes first.

- iii. Documentary requirements under Subsection X126.2b of the Manual of Regulations for Banks, as amended by BSP Circular No. 718; and
- iv. Other documentary requirements as may be required by BSP.

The Bank shall also comply with the requirements under BSP Circular No. 762 dated 25 July 2012 on the treatment of deposit for stock subscription as part of the equity, if applicable.

The investment of the TPI would not be considered for purposes of addressing the capital deficiency if the aforementioned documentary requirements are not complied with. In this regard, it is understood that mere submission to BSP 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.

In case a bank has a pending application with the Philippine Deposit Insurance Corporation (PDIC) under the Strengthening Program for Rural Banks Plus/Strengthening Program for Cooperative Banks Plus, 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 the acknowledgment receipt by PDIC of said application.

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

For guidance and immediate implementation.


NESTOR A. ESPENILLA, JR.
Deputy Governor

27 January 2014