



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

**Circular No. 348
Series of 2002**

Pursuant to Monetary Board Resolution No. 611 dated 25 April 2002, the provisions of the Subsections of Sec. X404 of the Manual of Regulations for Banks regarding Trust, Other Fiduciary Business and Investment Management Activities are hereby amended to read as follows:

Subsec. X404.1 Application for Authority to Perform Trust and Other Fiduciary Business. Banks desiring to perform trust and other fiduciary business shall file an application with the appropriate supervising and examining department of SES. The application shall be signed by the bank's president or officer of equivalent rank and shall be accompanied by the following documents:

- a. Certified true copy of the resolution of the institution's board of directors authorizing the application.
- b. A certification signed by the president or the officer of equivalent rank that the institution has complied with all conditions/prerequisites for the grant of authority to perform trust and other fiduciary business.

Subsec. X402.2 Required Capital. Banks applying for authority to perform trust and other fiduciary business must have minimum capital accounts as follows:

Universal Banks and Commercial Banks	The amount required under existing regulations or such amount as may be required by the Monetary Board in the future.
Branches of foreign banks	The amount required under existing regulations or such amount as may be required by the Monetary Board in the future.



MAG-IMPOK SA BANGKO

Thrift Banks

P650 million or such amounts as may be required by the Monetary Board in the future.

Banks authorized to perform and are actually performing trust and other fiduciary business prior to (date of this Circular) whose capital accounts are lower than the above-prescribed minimum capital accounts shall, before declaring any dividend, carry to surplus at least fifty percent (50%) of their net income from all operations since the last preceding dividend until such time that their capital accounts meet the above requirement.

Section X404.3. **Prerequisites for engaging in trust and other fiduciary business.** Before it may engage in trust and other fiduciary business, a bank shall comply with the following requirements:

- a. The applicant has been duly licensed or incorporated as a bank or created as such by special law or charter.
- b. The articles of incorporation or governing charter of the institution shall include among its powers or purposes, acting as trustee or administering any trust or holding property in trust or on deposit for the use, or in behoof of others;
- c. The by-laws of the institution shall include among others, provisions on the following:
 - i. The organization plan or structure of the department, office or unit which shall conduct the trust and other fiduciary business of the institution;
 - ii. The creation of a trust committee, the appointment of a trust officer and subordinate officers of the trust department; and
 - iii. A clear definition of the duties and responsibilities as well as the line and staff functional relationships of the various units, officers and staff within the organization.
- d. The bank's operation during the preceding calendar year and for the period immediately preceding the date of application has been profitable.
- e. The bank is well capitalized whose risk-based capital adequacy ratio is not lower than twelve percent (12%) at the time of filing the application.

- f. It has not incurred net weekly reserve deficiencies during the eight (8) weeks period immediately preceding the date of application.
- g. It has generally complied with banking laws, rules and regulations, orders or instructions of the Monetary Board and/or BSP Management in the last two preceding examinations prior to the date of application, particularly on the following:
 - 1. election of at least two (2) independent directors;
 - 2. attendance by every member of the board of directors in a special seminar for board of directors conducted or accredited by the BSP;
 - 3. the ceilings on credit accommodations to directors, officers, stockholders and related interests (DOSRI);
 - 4. liquidity floor requirements for government deposits;
 - 5. single borrower's loan limit; and
 - 6. investment in bank premises and other fixed assets.
- h. It maintains adequate provisions for probable losses commensurate to the quality of its asset portfolio but not lower than the required valuation reserves as determined by the BSP.
- i. It does not have float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Other Offices" accounts and the "Due from Bangko Sentral" account exceeding one percent (1%) of the total resources as of date of application.
- j. It has no past due obligations with the BSP or with any government financial institution.
- k. It has established a risk management system appropriate to its operations characterized by clear delineation of responsibility for risk management, adequate risk measurement systems, appropriately structured risk limits, effective internal controls and complete, timely and efficient risk reporting system.
- l. It has a CAMELS Composite Rating of at least 3 in the last regular examination with management rating of not lower than 3; and

- m. It is a member of the Philippine Deposit Insurance Corp. (PDIC) in good standing .

Compliance with the foregoing as well as with other requirements under existing regulations shall be maintained up to the time the trust license is granted. A bank that fails in this respect shall be required to show compliance for another test period of the same duration.

Subsec. X404.4 Pre-operating Requirements. A bank authorized to engage in trust and other fiduciary business shall, before engaging in actual operations, submit to the BSP the following:

- a. Government securities acceptable to the BSP amounting to P500,000 as minimum basic security deposit for the faithful performance of trust and other fiduciary duties required under Subsec. X405.1:
- b. Organization chart of the trust department which shall carry out the trust and other fiduciary business of the institution; and
- c. Names and positions of individuals designated as chairman and members of the trust committee, trust officer and other subordinate officers of the trust department with their respective bio-data and statement of duties and responsibilities.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:



ARMANDO L. SURATOS
Officer-In-Charge

Aug. 20 2002