



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 193

Series of 1999

Pursuant to Monetary Board Resolution Nos. 229 and 362 dated 19 February and 22 March 1999, respectively, the Manual of Regulations for Banks and Other Financial Intermediaries – Books I to IV are hereby amended, as follows:

Section 1. The provisions of the first paragraph of Sections 1112, 2112, 3112 and 4112Q of the Manual of Regulations – Books I to IV are hereby amended to read as follows:

"Merger or Consolidation Incentives. In pursuance of the policy to promote mergers and consolidations among banks and other financial intermediaries as a means to develop larger and stronger financial institutions, constituent entities may, subject to Bangko Sentral approval, avail of any or all of the following:

x x x "

Section 2. Subsecs. 1112.a, 2112.a, 3112.a and 4112Q.a (Books I to IV) are hereby added to the Manual of Regulations to read as follows:

"Rules on Revaluation of Assets.

- 1) The revaluation of the bank's/NBQB's premises, improvements and equipment shall be allowed only to all institutions participating in a merger or consolidation if all of them belong to the same category, or at least two (2) of them belong to the highest category among the merging or consolidating institutions.
- 2) In case the merging or consolidating institutions do not belong to the same category or only one of them falls under the highest category, all of them may be allowed to revalue their premises, improvements and equipment: Provided, that the amount of appraisal increment resulting from such revaluation shall be limited to the amount of the total resources of the institution belonging to the lower category or categories.



Section 3. Subsecs. 1112.b, 2112.b, 3112.b and 4112Q.b (Books I to IV) are hereby added to the Manual of Regulations to read as follows:

"Guidelines for Allowing Staggered Booking of Valuation Reserves.

1. The booking on staggered basis over a maximum period of five (5) years of unbooked valuation reserves based upon examination by the Bangko Sentral and the booking over a period of three (3) years of the two (2%) percent general provision for probable loan losses may be allowed to all institutions participating in a merger or consolidation if all of them belong to the same category or at least two (2) of them belong to the highest category among the merging or consolidating institutions.
2. In case the merging or consolidating institutions do not belong to the same category or only one of them falls under the highest category, all of them may be allowed to book the required valuation reserves and the 2% general provision for probable loan losses on a staggered basis over a maximum period of five or three years, respectively: Provided, that the aggregate amount of the required valuation reserves and the 2% general provision for probable loan losses shall be limited to the amount of the total resources of the institution belonging to the lower category or categories."

Section 4. Subsecs. 1112.c, 2112.c, 3112.c and 4112Q.c (Books I to IV) are hereby added to the Manual of Regulations to read as follows:

"In the case of purchase or acquisition of majority or all of the outstanding shares of a bank/NBQB by another bank/NBQB, the revaluation of assets and the booking of the required valuation reserves and the 2% general provision for probable loan losses over a period of five or three years, respectively, shall be allowed only if such purchase or acquisition is for the purpose of rehabilitating the former bank/NBQB: Provided, that the revaluation of assets and staggered booking of valuation reserves shall be allowed in full only if both banks/NBQBs belong to the same category. Otherwise, only the bank/NBQB being acquired/rehabilitated shall be allowed to recognize in full the appraisal increment resulting from revaluation of assets and to book valuation reserves on a staggered basis, while in the case of the acquiring bank/NBQB, the appraisal increment resulting from revaluation of assets and the privilege of staggered booking of valuation reserves shall each be limited to the amount of the total resources of the bank/NBQB being acquired/rehabilitated.

Section 5. Subsecs. 1112.d, 2112.d, 3112.d and 4112.Q.d (Books I to IV) are hereby added to the Manual of Regulations to read as follows:

"The revaluation of assets and staggered booking of valuation reserves shall be available for a period of two (2) years from 19 February 1999 while the rest of the incentives enumerated under Sec. 112 shall be available for a period of three (3) years from 31 August 1998.

Section 6. Subsecs. 1112.e, 2112.e, 3112.e and 4112.Q.e (Books I to IV) are hereby added to the Manual of Regulations to read as follows:

"The appraisal increment resulting from the revaluation shall form part of capital for purposes of determining single borrower's limit and capital to risk assets ratio. The use of appraisal increment for cash dividend shall be governed by the provisions of the Corporation Code."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


GABRIEL C. SINGSON
Governor

March 22, 1999

Circularoka: Loan Loss Prov.