



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1065

Series of 2019

Subject: Manual of Regulations for Banks Updated as of 31 December 2018

The Monetary Board, in its Resolution No. 1766 dated 15 November 2019, approved the following amendments to the Manual of Regulations for Banks (MORB) updated as of 31 December 2018.

Section 1. The provisions of Section 3 of Circular No. 989 dated 4 January 2018 and Section 8, Item "r" of Subsection X806.2, Circular No. 1022 dated 26 November 2018 are added at the end of Section 151 on *Supervisory enforcement action* and Section 923 on *Compliance with United Nations Security Council Resolutions (UNSCR)*, respectively.

Section 2. The Revised Rules and Procedure on Administrative Cases involving Directors and Officers of BSP-Supervised Financial Institutions contained in Circular No. 1012 dated 12 September 2018 is codified as Appendix 135.

Section 3. The footnotes in Section 601 on *The Bangko Sentral Term Deposit Facility (TDF)* and Appendix 82 on "Guidelines on the Prohibition Against the Use of Funds from Non-Resident Sources for Placement in the Bangko Sentral's Term Deposit Facility (TDF) and the Overnight Deposit Facility (ODF)" are hereby deleted.

Section 4. Section 276 is hereby amended to align with the requirements under Section 921 of the MORB on *Customer identification*, particularly on the acceptance of either a specimen signature or biometrics of the new individual customer, and shall now read as follows:

276 MISCELLANEOUS RULES ON DEPOSITS

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Specimen signatures or biometrics, identification photos. For opening an account/establishing relationship under the true and full name of the depositor, all banking institutions are required to obtain a minimum of three (3) specimen signatures, simultaneously executed, or biometrics from their depositors and to update the same based on risk and materiality. Banks may, at their option, require their depositors to submit clear ID photos together with the specimen signatures or biometrics.

For accounts used purely for digital or electronic payments or transactions, banks may define appropriate due diligence procedures provided that ML/TF risks are effectively managed.

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Section 5. Section 104 is hereby amended to align with the provisions of Section 109 of the MORB on *Appreciation or increase in book value*, which provides that appraisal increment is no longer allowed, and shall now read as follows:

104 MERGERS AND ACQUISITIONS

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Rules on exchange of shares. As a general rule, the ratio of exchange of shares between or among the participants in a bank merger or consolidation shall be based on mutual agreement of the parties concerned.

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Section 6. The required report on Basel III Net Stable Funding Ratio Report and Minimum Liquidity Ratio provided under Circular No. 1007 dated 6 June 2018 and Circular No. 996 dated 8 February 2018, respectively, are codified in Appendix 7.

Section 7. Appendix 92 is hereby amended to add the grant of regulatory relief to covered areas affected by the tropical cyclone "Josie" pursuant to Memorandum No. M-2018-024 dated 16 August 2018.

Section 8. The Sample List of Regulatory Incentives for Mergers/Consolidations and/or Acquisitions (Annex A of this Circular) contained in Memorandum No. M-2016-023 dated 21 December 2016 is hereby updated and incorporated as Annex A of Appendix 90 in Item 2(f).

Section 9. The Sections/Subsections/Appendices of certain Circulars issued in 2018 are renumbered to align with the new formatting conventions of the MORB, as shown in Annex B of this Circular.

Section 10. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

03 December 2019

**SAMPLE LIST OF REGULATORY INCENTIVES FOR
MERGERS/CONSOLIDATIONS AND/OR ACQUISITIONS**

The Bangko Sentral promotes mergers/consolidations and/or acquisitions of majority or all of the outstanding shares of stock of a bank to strengthen the financial capabilities and enhance overall competitiveness of banks.

Concerned banks may request regulatory incentives that are responsive to their specific needs and reasonable given the attendant circumstances. Any request shall be subject to Bangko Sentral's evaluation and approval.

Banks may refer to the following sample list of possible incentives:

- a. Staggered booking of unbooked allowance for credit losses;
- b. Temporary relief from compliance with prudential limits/ratios such as real estate loan limits, capital adequacy ratio (CAR) and single borrower's limit;
- c. Conversion/upgrading of head offices, branches, and branch-lite units;
- d. Condonation of liquidated damages/penalties on loan arrearages to the Bangko Sentral;
- e. Relocation of branches/branch-lite units in cases of duplication in certain areas;
- f. Concurrent directorship/officership between constituents banks; and
- g. Increase in the rediscounting line ceiling that is based on the adjusted capital account.

Annex B**Renumbering of the Sections/Subsections/Appendices of certain Circulars**

Circular Number	Date	Old Section/Subsection/Appendix No.	New Section/Appendix No.
989	01.04.18	X187, X187.1 - X187.6	151
996	02.08.18	App. 74c	App. 129
1000	04.23.18	X1206, X1206.1- X1206.4	804
1007	06.06.18	App. 74f	App. 130
		App. 134	App. 131
1014	09.24.18	1603, 1603.1	629
1015	10.05.18	1603.2 -1603.5	629
		App. 122	App. 132
1017	10.10.18	X970	1151
		App. 89b	App. 133
1018	10.26.18	App. 123	App. 134