



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 459 Series of 2004

Pursuant to Monetary Board Resolution No. 1560 dated 21 October 2004, the following rules and regulations are hereby issued to implement Section 6 of R.A. 8791.

Section 1. Subsection X234.4 of the Manual of Regulations for Banks is amended to read as follows:

Subsection X234.4 - Pre-conditions for the exercise of quasi-banking functions. No bank shall engage in quasi-banking functions without authority from the Bangko Sentral. Provided, however, That banks authorized by the BSP to perform universal or commercial banking functions shall automatically have the authority to engage in quasi-banking functions: Provided, further that the authority to obtain funds from the public, which shall mean twenty (20) or more persons under Section 8.2 of R.A. 8791, is not a condition but an authorization for the bank or quasi-bank, once the Monetary Board has granted the quasi-banking license.

In addition to the Standard Pre-qualification Requirements for the Grant of Bank Authorities enumerated in Appendix 5, a thrift bank securing BSP authority to engage in quasi-banking functions must meet the following requirements:

- a. The bank must have a networth or combined capital of at least P650 million computed in accordance with Section X106.
- b. The bank is well capitalized with risk-based capital adequacy ratio of not lower than twelve percent (12%) at the time of filing the application.
- c. The bank's operation during the preceding calendar year and for the period immediately preceding the date of application has been profitable.
- d. The bank has elected at least two (2) independent directors and all its directors have attended the required seminar for directors of banks conducted or accredited by the BSP.
- e. The bank 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.



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- f. The bank has a CAMELS Composite Rating of at least "3" in the last regular examination with management rating of not lower than "3".

Section 2. Section 4102Q of the Manual of Regulations for Non-Bank Financial Institutions is hereby amended as follows:

Section 4102Q. Preconditions for the Exercise of Quasi-Banking Functions. No person or entity shall engage in quasi-banking functions without authority from the Bangko Sentral. Only a duly incorporated non-bank financial institution (NBFI) organized as stock corporation may undertake or perform quasi-banking functions as defined in Section 4101Q. An NBFI securing BSP authority to engage in quasi-banking functions must meet the following requirements:

- a. It must have complied with the minimum adjusted capital accounts of at least P650 million or such amounts as may be required by the Monetary Board in the future;
- b. It has generally complied with applicable laws, rules and regulations, orders or instructions of appropriate authority, including the Monetary Board and/or BSP Management where applicable;
- c. Its accounting records, systems and procedures as well as internal control systems are satisfactorily maintained;
- d. It does not have float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Offices" accounts exceeding one percent (1%) of the total resources as of end of preceding month;
- e. It has no past due obligation with any financial institution as of date of application;
- f. The officers who will be in-charge of the QB operations have actual experience of at least two (2) years in a bank or non-bank with quasi-banking functions (NBQBs) as in-charge (or at least as assistant-in-charge). The directors of the NBFI, officer-in-charge of the QB operations and the managerial staff must comply with the fit and proper rule prescribed under existing law/rules and regulations;
- g. The NBFI has elected at least two (2) independent directors and all its directors have attended the required seminar for directors of banks/NBQBs conducted or accredited by the BSP.

- h. It has not engaged in unsafe and unsound practices during the past six (6) months immediately preceding the date of application where applicable;
- i. It must have in place a comprehensive risk management system approved by its board of directors appropriate to its operations characterized by a clear delineation of responsibility for risk management, adequate risk measurement systems, appropriately structured risk limits, effective internal control and complete, timely and efficient risk reporting systems. In this connection, a manual of operations and other related documents embodying the risk management system must be submitted to the appropriate supervising department at the time of application for authority and within thirty (30) days from updates.

Section 3. Provisions of Subsections 4102Q.1 to 4102Q.3 of the Manual of Regulations for Non-Bank Financial Institutions are deleted.

Section 4. Subsections X234.5 of the Manual of Regulations for Banks and Section 4103Q of the Manual of Regulations for Non-Bank Financial Institutions are amended to read as follows:

Subsection X234.5/Section 4103Q - Certificate of Authority from the Bangko Sentral. A bank/NBFI securing BSP's Certificate of Authority to engage in quasi-banking functions shall file an application with the appropriate supervising and examining department of the BSP. The application shall be signed by the bank/NBFI president or officer of equivalent rank and shall be accompanied by the following documents:

- a. Certified true copy of the resolution of the bank/NBFI'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 engage in quasi-banking functions.
- c. An information sheet;
- d. Bio-data signed under oath, of the members of the managerial staff who will undertake quasi-banking operations.
- e. Borrowing-investment program for one (1) year which should include at the minimum:

- 1) planned distribution of portfolio as to –
 - a) underwriting;
 - b) commercial paper markets;
 - c) stocks and bonds;
 - d) government securities;
 - e) receivables financing, discounting and factoring;
 - f) leasing; and
 - g) direct loans;
- 2) expected sources of funds to support investment program classified as to –
 - a) maturity: short, medium and long-term
 - b) interest rates; and
 - c) domestic or foreign sources whether institutional or personal.

Section 5. Transitory Provisions.

1. Thrift banks authorized to engage and are actually performing quasi-banking functions but do not meet the new capital requirement are hereby given a period of two (2) years reckoned from (Date of Circular) within which to comply with the minimum capital requirement in Subsection X234.4 (a): Provided, That in case the thrift bank has an approved capital build-up program under Circular No. 322, dated 7 March 2002, as amended by Circular No. 367, dated 6 February 2003, for its FCDU license, the approved capital build-up program may be considered compliance with this requirement: Provided further, That, in case, the thrift bank has no approved capital build-up program, the minimum capital requirement may be substituted by a capital build-up program for a period of not more than five (5) years from the date of this circular and which must be approved by the Monetary Board. Such capital build-up program shall be in equal annual or diminishing amounts and shall be submitted to the Supervision and Examination Department concerned within three (3) months from (Date of Circular).

Thrift banks which fail to comply with the required capitalization upon expiration of said two (2) year period given them or those which fail to comply with approved capital build-up program shall liquidate their quasi-banking operations within one (1) year and shall be considered revoked/cancelled. The license of a thrift bank with authority to engage in quasi-banking functions but has not actually engaged in quasi-banking functions and has not complied with the above minimum capital requirements as of (Date of Circular), shall automatically be revoked.

2. NBFIs authorized to engage and are actually performing quasi-banking functions but do not meet the new capital requirement are hereby given a period of two (2) years reckoned from (Date of this Circular) within which to comply with the minimum capital requirement in Section 4102Q (a): Provided, That this may be substituted by a capital build-up program for a period of not more than five (5) years and which must be approved by the Monetary Board. Such capital build-up program shall be in equal annual or diminishing amounts and shall be submitted to the appropriate supervising and examining department within three (3) months from (date of this Circular). NBFIs which fail to comply with the required capitalization upon expiration of said two (2) year period given them or those which fail to comply with approved capital build-up program shall liquidate their quasi-banking operations within one (1) year and shall be considered revoked/cancelled.

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

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

11 November 2004