



# *Bangko Sentral ng Pilipinas*

MAYNILA, PILIPINAS

## OFFICE OF THE GOVERNOR

Circular No. 321  
Series of 2002

Pursuant to Monetary Board Resolution No. 32 dated 10 January 2000, the Manual of Regulations for Banks and for Non-Bank Financial Institutions are hereby amended, as follows:

Section 1. Item (7) of Sec. 1146 and Sec. 4145.Q of the respective Manual of Regulations are hereby deleted.

Section 2. Sec. X147 and 4146.Q are hereby added to the Manual of Regulations for Banks and for Non-Bank Financial Institutions, to read as follows:

**"Compensation and other benefits of directors and officers.**

To protect the funds of depositors and creditors, the Monetary Board may regulate/restrict the payment by the bank/NBQB/trust entity of compensation, allowances, fees, bonuses, stock options, profit sharing and fringe benefits to its directors and officers in exceptional cases and when the circumstances warrant, such as, but not limited to the following:

1. When the bank/NBQB/trust entity is under controllership, conservatorship or when it has outstanding emergency loans and advances and such other forms of credit accommodation from the BSP which are intended to provide it with liquidity in times of need;
2. When the institution is found by the Monetary Board to be conducting business in an unsafe or unsound manner;
3. When it is found by the Monetary Board to be in an unsatisfactory financial condition such as, but not limited to the following cases:
  - a. Its capital is impaired.
  - b. It has suffered continuous losses from operations for the past three years.



MAG-IMPOK SA BANGKO

- c. Its composite CAMEL(S) rating in the latest examination is below 3.
- d. It is under rehabilitation by the Bangko Sentral ng Pilipinas/Philippine Deposit Insurance Corporation which rehabilitation may include debt to equity conversion, etc.

In the presence of any one or more of the circumstances mentioned above, the Monetary Board may impose the following restrictions in the compensation and other benefits of directors and officers:

1. In the case of profit sharing, the provisions of Secs. X146 and 4145Q of the Manual of Regulations shall be observed except that for purposes of this Section, the total amount of unbooked valuation reserves and deferred charges shall be deducted from the net income.
2. Except for the financial assistance to meet expenses for the medical, maternity, education and other emergency needs of the directors or officers or their immediate family, the other forms of financial assistance may be suspended.
3. When the total compensation package including salaries, allowances, fees and bonuses of directors and officers are significantly excessive as compared with peer group averages, the Monetary Board may order their reduction to reasonable levels. Provided, that even if a bank is in financial trouble, it may nevertheless be allowed to grant relatively higher salary packages in order to attract competent officers and quality staff as part of its rehabilitation program.

The foregoing provisions founded on Section 18 of Republic Act No. 8791 shall be deemed part of the benefits and compensation programs of banks.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

  
ALBERTO V. REYES  
Officer-in-Charge

February 19, 2002