



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1010

Series of 2018

Subject: Additional Requirements for the Issuance of Bonds and Commercial Papers

The Monetary Board, in its Resolution No. 1225 dated 26 July 2018, approved the amendments to pertinent provisions of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the issuance of bonds and commercial papers by banks with quasi-banking authority and quasi-banks.

Section 1. Section X239 of the MORB and Section 4239Q of the MORNBFI are hereby amended to read as follows:

"Section X239/Section 4239Q (2008 - 4217Q) Issuance of Bonds and Commercial Papers. All banks with quasi-banking authority/quasi-banks (QBs) issuing bonds or commercial papers shall comply with Republic Act No. 8799 or the Securities Regulation Code (SRC) and its Implementing Rules and Regulation, and other applicable rules and regulations issued by the Securities and Exchange Commission (SEC). A bank/QB may issue bonds and/or commercial papers without prior Bangko Sentral approval: *Provided*, That it meets the following prudential criteria as described in Subsection X1101.2/41101Q.2 of the MORB/MORNBFI:

- a. The bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3", and QB must have a RAS rating of at least "Acceptable";
- b. The bank/QB has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system; and
- c. The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the Bangko Sentral.

Provided, further, That bonds issued are enrolled and/or traded in a market which is organized in accordance with the SEC rules and regulations.

Section 2. Subsection X239.3 of the MORB and Subsection 4239Q.3 of the MORNBFI are hereby amended to read as follows:

"Subsection X239.3/4239Q.3 (2008 - 4217Q.4) Notice to the Bangko Sentral ng Pilipinas. Within five (5) banking days from approval by the bank's/QB's board of directors of the bond/commercial paper issuance, the bank/QB shall submit the

following documents to the appropriate supervising department of the Bangko Sentral:

- a. Notification letter signed by the president or officer of equivalent rank, indicating the amount and the terms of the bond/commercial paper issuance. The letter shall also include the funding plan of the bank/QB in the next three (3) years considering its strategic direction and business model. The funding plan, at the minimum, shall contain how the planned issuance factors into the funding plan;
- b. Secretary's certificate on the approval of the board of directors on the bond/commercial paper issuance;
- c. Certification signed by the bank's/QB's president or officer of equivalent rank and chief compliance officer, that the bank/QB has complied with the prudential criteria as provided in Section X239/4239Q of the MORB/MORNBFI, and the relevant requirements of the SRC and other pertinent rules and regulations of the SEC; and
- d. Written Undertaking to enroll and/or trade the bonds in a market which is organized in accordance with SEC rules and regulations.

Section 3. Subsections X239.4/4239Q.4 and X239.5/4239Q.5 of the MORB/MORNBFI, are hereby added, as follows:

"Subsection X239.4/4239Q.4 Prohibition on Issuing Banks/QBs and Their Related Entities. The issuing bank/QB, including its subsidiaries, affiliates, and the wholly or majority-owned or -controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's/QB's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank/QB, and which is not related to the issuing bank/QB in any manner that would undermine its independence."

"Subsection X239.5/4239Q.5 Enforcement Action. Consistent with Section X009/4009Q of the MORB/MORNBFI, the Bangko Sentral may deploy enforcement actions to promote compliance with the requirements set forth in this Section and ensure timely implementation of preventive or corrective measures as needed. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions which limit the level of or suspend any business activity that adversely affects the safety and soundness of a bank/QB."

Section 4. The line item in Appendix 6/Appendix Q-3 of the MORB/MORNBFI pertaining to the report on "Notice to Bangko Sentral on BOD's approval of the bond issue" is hereby deleted.

Section 5. Effectivity. This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


NESTOR A. ESPENILLA, JR.
Governor

09 August 2018