



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 361 Series of 2002

Pursuant to Monetary Board Resolution Nos. 1537, 1584 and 1720 dated October 23, 2002, October 30, 2002 and November 28, 2002, respectively, the provisions of the Manual of Regulations for Banks are hereby amended as follows:

1. Subsection X116.1.b.1(8) of the Manual is hereby amended to read as follows:

- "(8) With prior BSP approval, unsecured subordinated debt with a minimum original maturity of at least ten (10) years, subject to the following conditions:

x x x

- vi It must not be repayable prior to maturity without the prior consent of the BSP: *Provided*, That repayment may be allowed in connection with call option only after a minimum of five (5) years from issue date and only if –

- The bank's capital ratio is at least equal to the required minimum capital ratio; and
- The debt is simultaneously replaced with issues of new capital which is neither smaller in size nor of lower quality than the original issue;

- vii It may allow a moderate step-up in the interest rate in conjunction with a call option, only if the step-up occurs at a minimum of ten (10) years after the issue date and if it results in an increase over the initial rate that is not more than 100 basis points, provided that only one (1) rate step up shall be allowed over the life of the instrument;

x x x."



MAG-IMPOK SA BANGKO

2. Subsection X116.1.b.2(1) of the Manual is hereby amended to read as follows:

- "(1) With prior BSP approval, unsecured subordinated debt with a minimum original maturity of at least five (5) years, subject to the following conditions:

x x x

- vi It must not be repayable prior to maturity without the prior consent of the BSP: *Provided*, That repayment may be allowed in connection with call option only after a minimum of five (5) years from issue date and only if –

- The bank's capital ratio is at least equal to the required minimum capital ratio; and
- The debt is simultaneously replaced with issues of new capital which is neither smaller in size nor of lower quality than the original issue;

- vii It may allow a moderate step-up in the interest rate in conjunction with a call option, only if the step-up occurs at a minimum of five (5) years after the issue date and if it results in an increase over the initial rate that is not more than 100 basis points or 50% of the initial credit spread, at the option of the bank, provided that only one (1) rate step up shall be allowed over the life of the instrument;

x x x."

3. The last paragraph of Subsection X116.1.b.2 of the Manual is hereby amended to read as follows:

"Provided, That the total amount of lower Tier 2 capital that may be included in the Tier 2 capital shall be a maximum of 50% of total Tier 1 capital (net of deductions therefrom); *Provided, further*, That the total amount of upper and lower Tier 2 capital that may be included in the qualifying capital shall be a maximum of 100% of total Tier 1 capital (net of deductions therefrom);".

4. The first paragraph of Subsection X116.1.c of the Manual is hereby amended to read as follows:

"c. Less deductions from the total of Tier 1 and Tier 2 capital as follows:

x x x

- (4) Reciprocal investments in **equity** of other banks/enterprises; and
- (5) **Reciprocal investments in unsecured subordinated term debt instruments of other banks, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank,**

x x x."

5. The last paragraph of Subsection X116.2.a of the Manual on on-balance sheet assets that are 100% risk-weighted is hereby amended to read, as follows:

"100% risk weight –

All other assets including, among others, the following:

x x x

except those which are deducted from capital, as follows:

- (8) Reciprocal investments in **equity** of other banks/enterprises;
- (9) **Reciprocal investments in unsecured subordinated term debt instruments of other banks, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank; and**
- (10) Net due "from" head office, branches, subsidiaries and other offices outside the Philippines, if any (for foreign bank branches)."

6. Subsection X116.4 of the Manual is hereby amended to read as follows:

"§ X116.4 Required Reports. Banks shall submit a report of their risk-based capital adequacy ratio on a solo basis (head office plus branches) and on a consolidated basis (parent bank plus subsidiary financial allied undertakings, but excluding insurance companies) **quarterly** to the appropriate supervising and examining department of the BSP in the attached prescribed forms within the deadlines, i.e., 15 banking days and 30 banking days after the end of reference **quarter**, respectively. **Only banks with subsidiary financial allied undertakings (excluding insurance companies) which under existing regulations are required to prepare consolidated statements of condition on a line-by-line basis shall be**

required to submit report on consolidated basis. The abovementioned reports shall be classified as Category A-2 reports."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


ALBERTO V. REYES
Officer-in-Charge

December 9, 2002