



Bangko Sentral ng Pilipinas

Maynila, Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 497

Series of 2005

Subject: Amendment to Section 4126S – Limitations on Declaration of Dividends of the S Regulations (NSSLAs) of the MOR for NBFIs

Pursuant to Monetary Board Resolution No. 1315 dated 06 October 2005, the provisions of Section 4126S of the S Regulations of the Manual of Regulations for Non-Bank Financial Institutions, is hereby amended as follows:

Section 1. Section 4126S is hereby amended as follows:

Section 4126S – LIMITATIONS ON DECLARATION OF DIVIDENDS

- a. *Basis for participation in profits.* Member-depositors of an NSSLA on the basis of their capital contributions on the date dividends are declared.
- b. *Level of withdrawable share reserve.* No NSSLA shall pay any dividends or distribute any profits to its members if the withdrawable share reserve required under Section 4117S is less than, or if by such payment or distribution would be reduced below, the amount specified in said section. The reserve shall be adjusted first before the NSSLA shall declare and pay out dividends at any time of the year.
- c. *Capital-to-risk assets ratio.* NSSLAs shall not pay any dividends or distribute any profits to their members if their capital-to-risk assets ratio is below the level required under Section 4116S.
- d. *Discrepancies between general ledger and subsidiary ledger accounts.* The surplus reserve set up as required under Section 4118S shall not be reverted for distribution as dividends unless and until the discrepancy between the general ledger accounts and their respective subsidiary ledgers for which the surplus reserve has been set up ceases to exist.
- e. *Other unbooked capital adjustments required by BSP, whether or not allowed to be set up on a staggered basis.* The unbooked valuation reserves and other unbooked capital adjustments required by BSP, whether or not allowed to be set up on a staggered basis, shall be deducted from the amount available for cash dividends.
- f. *Interest and other income earned but not yet collected/received, net of reserve for uncollected interest on loans.* Accrued interest and other income not yet received but already recorded by an NSSLA, net of uncollected interest on loans, shall be deducted from the amount available for cash dividends.

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Section 2. Subsections 4126.1S and 4126.2S are hereby added to read as follows:

§4126.1S – REPORTING AND VERIFICATION

Declaration of dividends shall be reported by an NSSLA concerned to the appropriate supervising and examining department of the BSP in the prescribed form (Revised BSP Form No. 7-26-25H) within the deadline indicated in Appendix S-2.

Pending verification of above mentioned report by the appropriate supervising and examining department of the BSP, the NSSLA concerned shall not make any announcement or communication on the declaration of dividends nor shall any payment be made thereon.

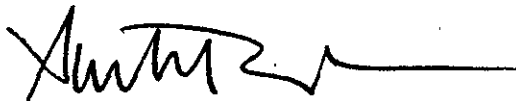
In any case, the declaration may be announced and the dividends paid, if after twenty (20) business days from the date the report required herein shall have been received by the BSP, no advice against such declaration has been received by the NSSLA concerned.

§4126.2S – RECORDING OF DIVIDENDS

The liability for dividends declared shall be taken up in the books upon receipt of BSP approval thereof, or if no such approval is received, after twenty (20) banking/business days from the date the required report on dividend declaration was received by the appropriate supervising and examining department of the BSP, whichever comes earlier. A memorandum entry may be made to record the dividend declaration on the date of approval by the board of trustees and for full disclosure purposes, the dividends declared may be disclosed in the financial statements by means of a footnote which should include a statement to the effect that the dividend declaration is subject to review by the BSP.

This Circular shall take effect fifteen (15) days after publication in the Official Gazette or in two newspapers of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

02 November 2005