



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 432

Series of 2004

Pursuant to Monetary Board Resolution No. 650 dated 6 May 2004, prescribing the rules and regulations governing the acceptance by a bank, either directly or indirectly through its subsidiary, of its own shares of stocks, the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended as follows:

Section 1. Subsection X313.b of the MORB, is hereby amended to read as follows:

- b. Readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks: *Provided*, That (1) the issuer corporation must be a listed corporation with a net worth of at least ₱ 1 billion and with annual net earnings during the immediately preceding five (5) years; and (2) the loan value shall be equivalent to fifty percent (50%) of their market value.

Section 2. Item (4) of the list of assets and securities referred to as "*first class collaterals*" under Subsection X322.2 of the MORB is hereby amended to read as follows:

- (4) "Blue chip" shares of stocks, except those issued by the lending entity or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks. For this purpose, the issuer corporation must be a listed corporation with a net worth of at least ₱ 1 billion and with annual net earnings during the immediately preceding five (5) years; and

Section 3. Subsection X326.1k(5) of the MORB, as amended by Circular No. 423 dated 15 March 2004, is hereby amended to read as follows:

- (5) Cash margin deposits; or assignment or pledge of government securities or readily marketable bonds and other high-degree debt securities and "blue-chip" stocks, except those issued by the lending entity, or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks, subject to the additional provision that the issuer corporation has a net worth of at least ₱ 1 billion and with annual net earnings during the immediately preceding five (5) years;

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Section 4. Item (4) of the list of assets and securities referred to as "*first class collaterals*" under Subsection 4351Q.2 of the MORNBFI is hereby amended to read as follows:

- (4) "Blue chip" shares of stocks, except those issued by the lending entity or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks. For this purpose, the issuer corporation must be a listed corporation with a net worth of at least ₱ 1 billion and with annual net earnings during the immediately preceding five (5) years; and

Section 5. The first paragraph of Subsection 4356Q.1f of the Manual of Regulations for Non-Bank Financial Institutions, is hereby amended as follows:

- f. *Secured loan, borrowing, or credit accommodation* shall refer to any loan, discount, credit or advance, or portion thereof referred to in Sec. 4357Q which is secured by real estate mortgage, chattel mortgage on tangible assets, standby letters of credit issued by foreign banks, assignments of or hold-out on deposit substitutes issued by the lending entity, cash margin deposits, assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities except those issued by the lending entity, or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks, or receivables arising from financial leases to the extent of the guaranty deposit plus sixty percent (60%) of the remaining value of the leased equipment. For this purpose, the remaining value of the equipment under lease shall be determined by dividing the acquisition cost by the original term of the lease and multiplying the resulting ratio by the unexpired portion of the term.

Section 6. Sanctions.

Any violation of the provisions of this Circular shall be subject to the sanctions provided under Section 36 and 37 of R.A. No. 7653 (The New Central Bank Act).

Section 7. Effectivity.

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

FOR THE MONETARY BOARD:


ALBERTO V. REYES
Officer-in-Charge

14 May 2004