



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1219 Series of 2025

Subject: Amendments to Prudential Regulatory Guidelines in Islamic Banking

The Monetary Board, in its Resolution No. 1003 dated 9 October 2025, approved the following amendments to prudential regulatory guidelines on Islamic banking.

Section 1. Section 102 of the Manual of Regulations for Banks (MORB), as amended by Circular Nos. 1173 dated 19 April 2023, 1180 dated 10 November 2023, and 1205 dated 26 December 2024 is hereby further amended to read, as follows:

102. BASIC GUIDELINES IN ESTABLISHING DOMESTIC BANKS

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Establishment of IBs and Islamic banking units

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c. *Capitalization.* The minimum capitalization requirements for a UB shall apply to a full-fledged IB. A conventional bank that complies with the capital requirements applicable to its banking category may be allowed to operate an IBU.

IBs may take the necessary steps to have their shares of stock listed in any duly registered stock exchange.

d. *Governance.* xxx.

xxx

Business Name*

a. *UBs/KBs.* xxx

xxx

d. *Digital Banks.* xxx

e. *IBs.* Only a bank duly authorized by the Bangko Sentral to operate as a full-fledged IB may use and affix the words *Islamic bank* in its business name.

Bank Advertisements. xxx

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Section 2. The provisions under Appendix 139 of the MORB on the Prudential Regulations for Islamic Banks (IBs) and Islamic Banking Units (IBUs), are hereby amended to read, as follows:

PRUDENTIAL REGULATIONS FOR ISLAMIC BANKS AND ISLAMIC BANKING UNITS
(Appendix to Sec. 102)

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"Sec. 2 Licensing of an IBU. Applicants which intend to engage in IBU are required to comply with the following minimum requirements:

- a. xxx
- b. The applicant shall submit a corporate plan which describes the organization and business model to be used in delivering Islamic banking products and services to its clients.

The application for authority to establish an IBU shall be categorized as a Type A license as defined in Sec. 111, and shall be subject to the payment of applicable fees as prescribed therein.

The establishment of a new branch or branch-lite unit (BLU) for the IBU operations shall be subject to the guidelines in Sec. 105, including the payment of prescribed processing fees based on the bank's category. The operation of IBUs within existing branches or BLUs shall not be subject to any fee, but shall require prior written notification – submitted through the bank's Chief Compliance Officer and Head of Branch Banking Operations – to the appropriate supervising department of the Bangko Sentral, at least ten (10) banking days before the intended opening.

The authority to establish an IBU shall be automatically revoked if the IBU is not commenced for business within one (1) year after receipt by the bank of the notice of approval by the Monetary Board of their application.

Sec. 3 Commencement of Operations. xxx.

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Sec. 6 Submission of the Financial Reporting Package for Banks and Supplemental Report. IBs and conventional banks with IBU shall prepare prudential reports to the Bangko Sentral using the existing templates of the Financial Reporting Package (FRP) for Banks as prescribed under Section 172 and Appendix 81, and in accordance with the submission guidelines provided under Appendix 7 based on the bank's category. The submitted reports shall include the Supplemental FRP Report for Islamic Banks (IBs) and Islamic Banking Units (IBUs), which considers the mapping of selected accounts unique to the operations of an IB/IBU to the existing FRP templates, as provided under Item II of Annex A.

To facilitate the generation of industry statistics on the Islamic banking system, selected information on accounts and transactions of an IB and IBU, shall likewise, be separately reported in the Supplemental FRP Report for Islamic Banks (IBs) and Islamic Banking Units (IBUs), which shall be considered a *Category A-1* report. The supplemental report shall be submitted to the Bangko Sentral-Department of Supervisory Analytics (DSA), in accordance with the submission timeline of the FRP.

There shall be an observation period of three (3) years reckoned from the date of commencement of Islamic banking operations on the submission to the Bangko Sentral of the Supplemental FRP Report for Islamic banks (IBs) and Islamic Banking Units (IBUs) and other prudential reports related to their Islamic banking operations, to allow new IBs and IBUs to familiarize with the data requirements and prescribed guidelines and to make the necessary system enhancements/adjustments. Full implementation of the prudential reporting requirements shall commence after the observation period.

Section 3. The provisions under Section 145 of the MORB, as amended by Circular No. 1189 dated 27 February 2024 on the Implementation of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for Islamic banks and Islamic banking units are hereby amended to read, as follows:

145 LIQUIDITY RISK MANAGEMENT.

xxx.

Net Stable Funding Ratio (NSFR). xxx.

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Implementation of Liquidity Standards/Ratios for IBs/IBUs.

The Bangko Sentral adopts a progressive approach in implementing the liquidity standard and ratios for IBs/IBUs to address the unique specificities of Islamic banking operations, the evolving landscape of liquidity risk management in the Islamic banking system, and the limited availability of liquidity management instruments which are appropriate for IBs/IBUs. IBs shall be subject to the LCR and the NSFR, consistent with the standards prescribed under this Section and its related appendices, and the general principles set out under Part XI of Appendix 71, Appendix 72 and Appendix 130.

Compliance with the liquidity ratios shall be evaluated/determined on a bank-wide basis. In this regard, IBUs shall not be required to submit separate LCR, NSFR, or Minimum Liquidity Ratio (MLR) reports to the Bangko Sentral. Instead, the liquidity positions, activities, and transactions of an IBU shall be consolidated into the bank-wide reports submitted by the conventional bank proper. In consolidating, the conventional banks shall observe appropriate mapping of IBU operations in accordance with the guidelines under Part XI of Appendix 71 and related provisions under Appendix 72, consistent with the applicable liquidity standards for their bank category. Conventional banks shall integrate IBU operations within their internal governance, risk management, and oversight frameworks, including regular assessment and reporting to the Board and senior management.

The Bangko Sentral, on its part, shall continuously review and keep an open line of communication with stakeholders to ensure that the regulatory framework remains appropriate and relevant. As the domestic Islamic banking market is still in its early stage of development, the Bangko Sentral shall adopt a flexible approach on regulatory compliance, including the submission of required reports. It shall engage and be responsive to the market players and new entrants to the Islamic banking system in implementing the minimum liquidity requirements.

Supervisory framework for the minimum prudential liquidity requirements.

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Section 4. The provisions under Part XI, Appendix 71 of the MORB on the Guidelines on Liquidity Risk Management are hereby amended to read, as follows:

GUIDELINES ON LIQUIDITY RISK MANAGEMENT
(Appendix to Sec. 145)

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XI. GUIDELINES FOR IBs and IBUs

The provisions of this Appendix apply, as appropriate, to IBs and IBUs. The IBs/IBUs are expected to have written policies on liquidity risk management. For the IBUs, their assets and liabilities are segregated from those of the conventional bank proper, thus IBUs are expected to establish their separate liquidity management arrangements. The IBs/IBUs shall consider the following:

1. xxx
2. "Debt instruments" should be taken to include sukuk or the Islamic alternative to bonds. Sukuk, subject to meeting the requirements for eligibility, rank as "eligible securities" for HQLA (or considered as eligible stock of liquid assets for MLR reporting). Sukuk issued by the International Islamic Liquidity Management Corporation¹ and other similar organizations as may be determined by the Banko Sentral, should be treated as though they were issued by multilateral development banks.
3. In developing a funding strategy and a contingency funding plan, IBs/IBUs should consult their Shari'ah Advisory Council (SAC)². Any instruments to be used in liquidity management should be acceptable to the SAC and meet the prudential eligibility requirements.
4. IBs/IBUs should also assess the liquidity risk arising from the various mode of Shari'ah-compliant financing that they employ, including any risk transformation that may take place at different stages thereof. For example, if a customer has an option to cancel a transaction, the exercise of that option may cause the IB/IBU to hold an asset that it may need to dispose even under stressed market conditions.
5. IBs/IBUs should consider Shari'ah limitations, if any, on the ways in which liquidity can be transferred between entities in a banking group, or between the IBUs and the bank proper, including the instruments that can be used for this purpose.
6. All cash placements made by the IB/IBU with another financial institution shall be treated in the same way as deposits.
7. For MLR consolidation purposes, the eligible stock of liquid assets that are held by the IBU shall be counted towards the bank's eligible stock of liquid assets in an amount up to the said IBU's total qualifying liabilities that are included in the consolidated MLR of the conventional bank proper.

¹ The International Islamic Liquidity Management Corporation or IILM is an international organization established by central banks, monetary authorities and multilateral organizations to create and issue Shari'ah-compliant financial instruments to facilitate effective cross-border Islamic liquidity management.

² Or Shari'ah adviser or consultant as the case may be, per Section 139.

Section 5. The provisions under Part III, Appendix 72 of the MORB on the Basel III Framework on Liquidity Standards-Liquidity Coverage Ratio are hereby amended to read, as follows:

BASEL III FRAMEWORK ON LIQUIDITY STANDARDS-LIQUIDITY COVERAGE RATIO
(Appendix to Sec. 145 on Liquidity Coverage Ratio [LCR], LCR Disclosure Requirements, and Sanctions)

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Part III. Applicability to IBs and IBUs

The provisions of this Appendix shall apply to IBs/IBUs, subject to the provisions of Section XI of Appendix 71, which requires, among others, that the instruments to be used in liquidity management must be acceptable to the Shari'ah Advisory Council. Further, IBs/IBUs shall consider the following guidelines:

1. A conventional bank should consider the provisions set forth below when consolidating IBU's activities in its LCR report.
2. For purposes of computing the consolidated LCR as mentioned in Item "1", the qualifying HQLA that are held by the IBU shall be counted towards the stock of HQLA in an amount up to the total net cash outflows of said IBU that are included in the consolidated LCR of the conventional bank proper.

Section 6. The provisions under Item E, Appendix 130 of the MORB on the Guidelines on the Bangko Sentral Implementation of the Net Stable Funding Ratio (NSFR) are hereby amended.

GUIDELINES ON THE BANGKO SENTRAL IMPLEMENTATION OF THE NET STABLE FUNDING RATIO (NSFR)

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E. Guidelines for IBs

68. The provisions of this Appendix apply to IBs, subject to the provisions of Section XI of *Appendix 71*, which requires, among others, that the instruments to be used in liquidity management must be acceptable to the Shari'ah Advisory Council. Further, financings provided by the IB shall be treated in the same way as loans of similar type advanced by a conventional bank and sukuk held by the IB shall be treated in the same way as debt securities of similar type held by a conventional bank.

Section 7. 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:


ELI M. REMOLONA, JR.
Governor

17 October 2025