



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

**CIRCULAR NO. 784
Series of 2013**

Subject: Amendments on Exclusions from Single Borrower's Loan (SBL) Limit and Equity Investment Ceilings

Pursuant to Monetary Board Resolution No. 2147 dated 20 December 2012, to strengthen the application of the single borrower's loan (SBL) limit and the equity investment ceilings on underwriting exposures of universal banks (UBs) and investment houses (IHs), the holding period for not recognizing the risk exposures involved for any unsold portion of the issue taken on by said UB and IH for its own account as a result of its securities underwriting, is hereby tightened.

Section 1. The pertinent provisions of the Manual of Regulations for Banks (MORB) on exclusions from SBL limit are hereby amended to read as follows:

1. "Subsection X303.4 *Exclusions from loan limit*

"X X X

- "d. The total liabilities of a commercial paper issuer for commercial paper held by a UB acting as a firm underwriter of said commercial paper shall not be counted in determining compliance with the SBL within a period of ninety (90) calendar days from the issuance of the commercial paper: *Provided*, That in no case shall such liabilities exceed five percent (5%) of the net worth of the UB beyond the normal applicable SBL;

"X X X

- "g. Loans and other credit accommodations as a result of an underwriting or sub-underwriting agreement of debt securities outstanding for a period not exceeding thirty (30) calendar days. Said other credit accommodations shall include, among others, inventories of debt securities such as, but not limited to bonds and notes purchased by the UB out of its underwriting commitments;

"X X X"

2. **"Subsection X348.5 *Loan limit*.** The liabilities of a commercial paper issuer to a bank arising from the availment by the issuer of the credit line agreement shall not be counted in determining compliance by the bank with the SBL for a period of ninety (90) calendar days from each availment of the credit line: *Provided*, That in no case shall they exceed five percent (5%) of the net worth of the bank beyond the normal applicable SBL."

Section 2. Subsection 4303Q.1 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby amended to read as follows:

"Subsection 4303Q.1 (2008-4306Q.1) *Exclusions from loan limit*. In addition to those enumerated in Sec. 4303Q:

- "a. The total liabilities of a commercial paper issuer for commercial papers held by a QB acting as a firm underwriter of said commercial paper shall not be counted in determining compliance with the SBL within a period of ninety (90) calendar days from the issuance of the commercial paper: *Provided*, That in no case shall such liabilities exceed five percent (5%) of the net worth of the QB beyond the normal applicable SBL; and
- "b. Loans and other credit accommodations as a result of an underwriting or sub-underwriting agreement of debt securities outstanding for a period not exceeding thirty (30) calendar days. Said other credit accommodations shall include, among others, inventories of debt securities such as, but not limited to bonds and notes purchased by the QB out of its underwriting commitments."

Section 3. The MORB provisions excluding underwritten exposures for a period of two (2) years from equity investments ceilings are hereby amended, as follows:

1. Section X383.c of the MORB is hereby amended to read as follows:

"Sec. X383 Other Limitations and Restrictions. The following limitations and restrictions shall also apply regarding equity investments of banks.

"x x x

- "c. *Exclusion of underwriting exposure from ceiling.* The exposure of a bank with UB authority arising from the firm underwriting of equity securities of enterprises shall not be counted in determining compliance with the ceilings prescribed in this Section and Subsec. 1381.2 for a period of ninety (90) calendar days from the issuance of such equity securities.

"x x x"

2. Appendix 79 of the MORB is hereby amended to read as follows:

"The following are the guidelines in determining compliance with ceilings on equity investments prescribed under Sections/Subsections X378, X379.1, X380, 1381, 1381.1, 1381.2 and X383, in view of the adoption of the PFRS/PAS:

- "a. Components of equity investment. Equity securities booked under the Designated at Fair Value Through Profit or Loss (DFVPL), Available-For-Sale, Investment in Non-Marketable Equity Securities (INMES) and Equity Investments in Subsidiaries/Associates/Joint Ventures categories shall all be considered in computing for compliance with the ceilings on equity investments prescribed under Sec. X383 and Subsec. X379.1: *Provided*, That Underwritten equity securities booked under the Available-For-Sale category shall be excluded from total equity investments for a period of ninety (90) calendar days from the date of issuance thereof: *Provided, further*, That upon prescription of the ninety (90) calendar day period, such equity securities shall be booked according to intention and shall then be included in the computation of compliance with the prescribed ceilings.

"x x x

- "c. Basis of computation. Compliance with the prescribed ceilings on equity investments shall be determined at each time additional equity securities are acquired or shall be considered in the computation as in the case of prescription of the ninety (90) calendar day period for underwritten equity securities or in the case of equity securities booked under the HFT category, which remain unsold for more than one (1) year. x x x"

Section 4. Section 4383Q of the MORNBF I is hereby amended to read as follows:

"Sec. 4383Q Underwriting Exempted. The limitations on equity investments under Sec. 4381Q shall not apply to inventories of equity securities arising out of firm underwriting commitments of investment houses: *Provided*, That such equity holding shall be disposed of within ninety (90) calendar days from issuance."

Section 5. For UBs and IHs which have not opted to early adopt PFRS 9, the definitions of the accounts related to underwritten debt and equity securities shall be amended to read, as follows:

1. Financial Reporting Package for banks:

“(a) **AFS Debt Securities** – This refers to debt securities that are designated as AFS.

“x x x

“A sub-account shall be provided for Underwritten Debt Securities, which is defined as follows:

“Underwritten Debt Securities – This refers to debt securities purchased, which have remained unsold/locked-in from underwriting ventures on a firm basis. Debt securities outstanding for more than ninety (90) calendar days from the date of issue shall be reclassified according to intention in accordance with PAS 39.”

“(b) **AFS Equity Securities** – This refers to equity securities that are designated as AFS.

“A sub-account shall be provided for Underwritten Equity Securities, which is defined as follows:

“Underwritten Equity Securities – This refers to equity securities purchased, which have remained unsold/locked-in from underwriting ventures on a firm basis. Equity securities outstanding for more than ninety (90) calendar days from the date of issue shall be reclassified according to intention in accordance with PAS 39 or PAS 27/PAS 28/PAS 31, as the case may be.

2. Manual of Accounts for IHS:

“UNDERWRITING ACCOUNTS (UA) – DEBT SECURITIES

“ x x x

“a. Underwritten Debt Securities Purchased

This represents the cost of debt securities purchased which have remained unsold/locked-in from underwriting ventures on a firm basis. Securities outstanding for more than ninety (90) calendar days from the date of issue should be reclassified either as “Trading Account Securities - Loans”, or “Investments in Bonds and Other Debt Instruments (IBODI)”, depending on the intention of the company.

“ x x x

"UNDERWRITING ACCOUNTS (UA) – EQUITY SECURITIES

" x x x

"a. Underwritten Equity Securities Purchased

This represents the cost of equity securities purchased which have remained unsold/locked-in from underwriting ventures on a firm basis. Securities outstanding for more than ninety (90) calendar days from the date of issue should be reclassified either as "Trading Account Securities - Equity", or "Equity Investments", depending on the intention of the company.

" x x x"

Section 6. The amendments shall cover all new underwritten debt and equity securities issued upon the effectivity of this Circular and thereafter.

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

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

25 January 2013