



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**CIRCULAR NO. 768**

Series of 2012

**Subject : Amendment to the Risk-Based Capital Adequacy Framework for Banks/Quasi-Banks on the Definition of Qualifying Capital Instruments**

The Monetary Board, in its Resolution No. 1436 dated 30 August 2012, decided to amend the definition of qualifying capital instruments under the Risk-Based Capital Adequacy Framework for Philippine banks and quasi-banks provided under Appendix 63d of the Manual of Regulations for Banks (MORB) and Appendix 46c of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi), respectively, to include the loss absorbency feature at point of non-viability of capital instruments as among the minimum conditions for the issuance of qualifying capital instruments, as follows:

**Section 1.** Upon effectivity of this Circular, Items 1 and 2 of Appendix 63d of the MORB and Appendix 46c of the MORNBFi, should read as follows:

"1. For Hybrid Tier 1:

"x x x

"q) It must have a provision that requires the instrument to be either written off or converted into common equity upon the occurrence of a trigger event as determined by the BSP.

The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

"x x x

"2. For Lower Tier 2 capital:

"x x x

"k. The bank/quasi-bank must submit a written external legal opinion that the abovementioned requirements including the subordination and loss absorption features, have been met.

"l) It must have a provision that requires the instrument to be either written off or converted into common equity

upon the occurrence of a trigger event as determined by the BSP.

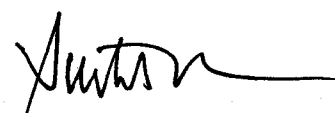
The issuance of any new shares as a result of the trigger event must occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.

"xxx

**Section 2.** Eligible capital instruments issued as Hybrid Tier 1 or Lower Tier 2 capital under the conditions for eligibility as capital instruments provided in Circular No. 709, as amended by Circular No. 716, shall continue to be recognized as qualifying capital until such time that the BSP issues further guidelines.

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

21 September 2012