



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 241

Pursuant to Monetary Board Resolution No. 576 dated April 7, 2000, Subsection X126.5 of the New Manual of Regulations for Banks is hereby amended to read as follows:

"Subsection X126.5. Issuance of Redeemable shares: conditions; certification and report; sanctions

a. **Conditions.** Banks may issue redeemable shares subject to the following conditions:

- (1) The applicant bank prior to the approval of the amendment of articles of incorporation to issue redeemable preferred shares, has complied with the requirements under Items B1 to B6, Appendix 5.

The articles of incorporation of an applicant bank shall incorporate the conditions in items a (3)(a), (b), (c) and (d) of this Subsection.

- (2) The applicant bank prior to the issuance of redeemable shares shall comply with, in addition to the conditions in Item (1) above, the requirements under Items B7, 8, and 12 to 16, Appendix 5.

- (3) The applicant bank after the issuance of redeemable shares shall comply with the following:

- (a) Redemption of shares shall be allowed at the specific dates or periods fixed for redemption only upon prior approval of the BSP and only if the shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in capital stock is maintained at the same level immediately prior to redemption: *Provided*, That the redemption shall not be earlier than five (5) years after the date of issuance: *Provided further*, That such redemption may not be made where the bank is insolvent or if such redemption will cause insolvency, impairment of capital or inability of the bank to meet its debts as they mature:

ITAGUYOD ANG PHILIPPINES 2000



MAG-IMPOK SA BANGKO

- (b) A sinking fund for the redemption of preferred shares is to be created upon their issuance. This is to be effected by the transfer of free surplus to a restricted surplus account. The fund shall not be available for dividends.
 - (c) The issuing bank shall not treat in any way redeemable preferred shares as time deposit, deposit substitute or other form of borrowings.
 - (d) No dividend shall be declared or paid on redeemable shares in the absence of sufficient undivided profits, free surplus and approval of the BSP.
 - (e) The issuing bank shall execute within ten (10) days after the first issuance a Deed of Undertaking (pro-forma attached), to be signed by its directors and principal officers, binding them to comply with the requisites and conditions set forth in items (a) to (d) above.
 - (f) The conditions in items (3)(a), (b), (c) and (d) above shall be incorporated in the certificates of stock.
- b. **Certification and Report.** The bank shall submit within fifteen (15) days after every issuance of at least twenty percent (20%) of the redeemable shares whether issued in series or at one time, a certification signed by its President/Chairman under oath, stating that the requirements under item a(1) and (2) above, including all other conditions that the BSP may impose, have been complied with.

The applicant bank shall, not later than ten (10) banking days from the end of reference year, submit a yearly report of issuances of preferred shares to the appropriate supervising and examining department of the Bangko Sentral Ng Pilipinas (BSP) indicating therein the name/s of the subscriber/s, the date the shares were issued and the number/amount of shares issued.

- c. **Sanctions.** Any violation of the foregoing provisions shall be subject to the following sanctions:

(1) On the Bank:

- (a) For failure to comply with items a(3)(a) to (d) above:
 - i. Suspension of branching privilege;
 - ii. Prohibition against granting of new unsecured loans to DOSRI;

- iii. Prohibition against declaration of dividends;
 - iv. Denial of access to BSP rediscounting facilities;
 - v. Revocation of authority to accept government deposits and to handle government funds as a result of agency agreements with the BIR, SSS, etc.
- (b) For failure to infuse capital in an amount at least equivalent to amount of redeemed shares as required in Item a(3)(a):
- i. Sanctions in item (a) above;
 - ii. No new loans and investments, except in government securities;
 - iii. P1,000 fine per banking day until the required infusion is made.
- (c) If the certification submitted by the bank required in these guidelines is found to be false, suspension of authority to issue preferred shares for one (1) year.
- (d) For failure to submit report of issuance of redeemable preferred shares, a fine of P1,200 for EKBs/KBs; P600 for TBs; and P180 for RBs/Coop Banks per banking day of default until the report is submitted.

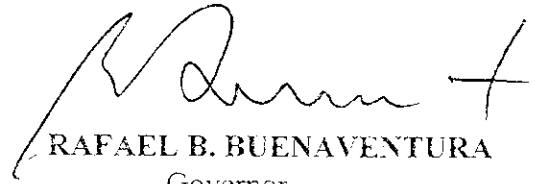
(2) On the Directors and Officers:

- (a) For violation of any of the terms of the Deed of Undertaking, the following shall be imposed against the officers and directors of the bank who signed the deed:
- i. First Offense - A fine of P500 per day for each violation from the time the violation was committed or up to the time the violation is corrected;
 - ii. Second and subsequent offenses - A fine of P5,000 per day from the time the violation was committed up to the time the violation is corrected.
- (b) If the certification submitted by the bank as required in these guidelines is found to be false, a fine of P5,000 per day from the time the certification was made up to the time the certification was found to be false, shall be imposed against the certifying officer.

4

This Circular shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

April 27, 2000