



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1173

Series of 2023

Subject: Modified Minimum Capitalization of Conventional Banks with Islamic Banking Unit

The Monetary Board, in its Resolution No. 493 dated 13 April 2023, approved the modified minimum capitalization requirements for conventional banks with Islamic banking unit (IBU) to afford flexibility in the establishment of IBUs and expand access to Shari'ah-compliant banking products and services for all Filipinos.

Section 1. Section 102 of the Manual of Regulations for Banks (MORB), as amended by Circular No. 1154 dated 14 September 2022, is hereby further amended to introduce the modified minimum capitalization requirements for conventional banks with IBU under the sub-topic "*Establishment of IBs and Islamic Banking Units*", and shall now read, as follows:

Section 102. BASIC GUIDELINES IN ESTABLISHING DOMESTIC BANKS

xxx

Establishment of IBs and Islamic banking units

xxx

c. *Capitalization.* The minimum capitalization requirements for a UB shall apply to an IB. A conventional bank that is a commercial bank (KB) or a subsidiary of a universal or commercial bank (U/KB), which complies with the minimum capital requirements applicable to its respective banking category, may be allowed to operate an IBU within a reasonable transitory period not exceeding five (5) years reckoned from date of BSP approval. Provided that: After the transitory period, the conventional bank's operation of an IBU may be allowed subject to compliance with the minimum capitalization requirement for a UB.

Not later than six (6) months prior to the end of the transitory period, the conventional bank allowed to operate an IBU under the minimum capital requirement applicable to its respective banking category shall submit an acceptable Board-approved capital build-up plan, which shall contain, at the minimum, the IBU's strategies, financial projections (including underlying assumptions), and other relevant information to ensure sustained viability of the Islamic banking operations and the bank's compliance with the minimum capital requirement for a UB, based on the number of branches used in the operations of the IBU. Periodic reports on the status of implementation of its capital build-up plan shall be submitted to the appropriate supervising department of the Bangko Sentral to assess the bank's continuing compliance with its capital build-up plan. The Bangko Sentral may deploy appropriate supervisory enforcement actions in accordance with its supervisory enforcement policy under Section 002 to ensure compliance with this Section.

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

d. *Governance.* xxx

xxx.

Section 2. 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:


CHUCHI G. FONACIER
Officer-In-Charge

19 April 2023