



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 423 **Series of 2004**

The Monetary Board, in its Resolution No. 241 dated February 26, 2004, approved the following amendments to Sections X326 to X338 of the Manual of Regulations for Banks (MOR) including their Subsections to implement Section 36 of Republic Act (R.A.) 8791, The General Banking Law of 2000.

SECTION 1. Sections X326 to X338 of the MOR and their Subsections are hereby amended to read as follows:

SECTION X326. General Policy. Dealings of a bank with any of its Directors, Officers, Stockholders and their Related Interests (DOSRI) should be in the regular course of business and upon terms not less favorable to the bank than those offered to others.

Subsection X326.1 Definitions. For purposes of these regulations, the following definitions shall apply:

- a. *Directors* shall refer to bank directors as defined in Subsection X141.1 of the MOR.
- b. *Officers* shall refer to bank officers as defined in Subsection X142.1 of the MOR.
- c. *Stockholder* shall refer to any stockholder of record in the books of the bank, acting personally, or through an attorney-in-fact, or any other person duly authorized by him. Stockholder shall also refer to a juridical person such as corporation, association or firm.
- d. *Substantial Stockholder* shall mean a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a bank or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.
- e. *Related Interest* shall refer to any of the following:
 - (1) Spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director, officer or stockholder of the bank;

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- (2) Partnership of which a director, officer, or stockholder of a bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner;
- (3) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;
- (4) Corporation, association, or firm of which a director or officer of the bank, or his spouse is also a director or officer of such corporation, association or firm, except (a) where the securities of such corporation, association or firm are listed and traded in the big board or commercial and industrial board of domestic stock exchanges and less than fifty percent (50%) of the voting stock thereof is owned by any one person or by persons related to each other within the first degree of consanguinity or affinity; or (b) where the director, officer or stockholder of the bank sits as a representative of the bank in the board of directors of such corporation: Provided, That the bank representative shall not have any equity interest in the borrower corporation except for the minimum shares required by law, rules and regulations, or by the by-laws of the corporation: Provided, further, that the borrowing corporation is not among those mentioned in items e(5), e(6), e(7) and e(8) of this Section;
- (5) Corporation, association or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm;
- (6) Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items e(2), e(4) and e(5) of this Section.
- (7) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the lending bank or which controls majority interest of the bank pursuant to Subsection X303.1 of the MOR.
- (8) Corporation, association or firm in which the lending bank and/or its parent/subsidiary holds or owns at least twenty percent (20%) of the subscribed capital of such corporation, or in the equity of

such association or firm, or has an existing management contract or any similar arrangement with the lending bank or its parent/subsidiary.

- f. *Subsidiary* shall refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by its parent corporation.
- g. *Unencumbered deposits* shall refer to savings, time and demand deposits, which are not subject to an assignment or hold-out agreement or any other encumbrance.
- h. *Book value of the paid-in capital contribution* shall mean the proportional amount of the bank's total capital accounts (net of such unbooked valuation reserves and other capital adjustments as may be required by the BSP) as the corresponding paid-in capital contribution of each of the bank's directors, officers, stockholders and their related interests bear to the total paid-in capital of the bank: Provided, That as a basis for determining the individual ceiling referred to in Section X330, the corresponding book value of the shares of stock of said directors, officers, stockholders and their related interests which are the subject of pledge, assignment or any other encumbrance shall be deducted therefrom.
- i. *Net worth* shall mean the total of the unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the Bangko Sentral.
- j. *Total loan portfolio* shall refer to the sum of all loan accounts outstanding, gross of valuation reserves, as reflected in the bank's consolidated statement of condition, excluding outstanding loans financed by special/specific funds from the government financial institutions.
- k. *Secured loan, borrowing or other credit accommodation* shall refer to any loan, or credit accommodation or portion thereof referred to in Section X327 which is secured by:
 - (1) Real estate mortgage, chattel mortgage on tangible assets, and pledge of jewelry, precious stones and other valuable articles;
 - (2) Assignment of intangible assets such as patents, trademarks, trade names and copyrights;
 - (3) Unconditional payment guarantees such as standby letters of credit and letter of indemnity issued by banks/multilateral financial institutions;

- (4) Assignment of, or hold-out on, deposits or deposit substitutes maintained in the lending bank;
 - (5) Cash margin deposits; or assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity, and subject to the additional provision that the issuer corporation has a net worth of at least P1billion and with a record of at least 5 consecutive years earnings reckoned from the immediately preceding 5 years;
 - (6) Customer's liability under import bills outstanding for not more than thirty (30) days from date of original entry;
 - (7) Sales contract receivables arising from sale of real property on credit where title to the property is retained by the bank; and
 - (8) Customer's liability-import bills under trust receipts outstanding for not more than thirty (30) days from date of booking: Provided, That the booking under trust receipts shall have been made not later than the thirty-first day from the date of original entry referred to in Item (6) above.
- l. *Unsecured loan, borrowing or other credit accommodation* shall refer to any loan, or other credit accommodation or portion thereof referred in Section X327 which is not secured in accordance with Item k above.

SECTION X327. Transactions Covered. The terms loans, other credit accommodations and guarantees as used herein shall refer to transactions of the bank which involve the grant of any loan, advance or other credit accommodation in any form whatsoever, whether renewal, extension or increase, and shall include:

- a. Any advance by means of an incidental or temporary overdraft, cash item, "vale", etc.;
- b. Any advance of unearned salary or other unearned compensation for periods in excess of thirty (30) days;
- c. Any advance by means of DAUDs;
- d. Outstanding availments under an established credit line;
- e. Drawings against an existing letter of credit;
- f. The acquisition of any note, draft, bill of exchange or other evidence of indebtedness upon which the bank's directors, officers, stockholders, and their related interests may be liable as makers, drawers, acceptors, endorsers, guarantors or sureties;

- g. Indirect lending such as loans or other credit accommodations granted by another financial intermediary to said directors, officers, stockholders, and their related interests from funds of the bank invested in the other institution's trust or other department when there is a clear relationship between the transactions;
- h. The increase of an existing indebtedness, as well as additional availments under a credit line or additional drawings against a letter of credit;
- i. The sale of assets, such as shares of stock, on credit; and
- j. Any other transactions as a result of which the bank's directors, officers, stockholders and their related interests become obligated or may become obligated to the lending bank, by any means whatsoever to pay money or its equivalent.

SECTION X328. Transactions Not Covered. The terms loans, other credit accommodations and guarantees as used herein shall not refer to the following:

- a. Advances against accrued compensation, or for the purpose of providing payment of authorized travel, legitimate expenses or other transactions for the account of the bank or for utilization of maternity and other leave credits;
- b. The increase in the amount of outstanding credit accommodations as a result of additional charges or advances made by the bank to protect its interest such as taxes, insurance, etc.;
- c. The discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, including but not limited to the acquisition by a domestic bank of export bills from any of its DOSRI and their related interest which are drawn in accordance with the terms and conditions of the covering letters of credit: Provided, That the transaction shall automatically be subject to the ceilings as herein provided once the DOSRI who is a party to the transaction becomes directly liable to the bank;
- d. Transactions with a foreign bank which has stockholdings in the local bank where the foreign bank acts as guarantor through the issuance of letters of credit or assignment of a deposit in a currency eligible as part of the international reserves and held in a bank in the Philippines to secure other credit accommodations granted to another person or entity: Provided, That the foreign bank stockholder shall automatically be subject to the ceilings as herein provided in the event that its contingent liability as guarantor becomes a real liability; and
- e. Interbank call loan transactions.

Subsection X328.1 Applicability to Credit Card Operations. The credit card operations of banks shall not be subject to these regulations where the credit cardholders are bank's directors, officers, stockholders and their related interests : *Provided, That* (a) the privilege of becoming a credit card holder is open to all qualified persons on the basis of selective criteria which are applied by the bank to all applicants thereof; and (b) the bank's directors, officers, stockholders and their related interests reimburse/pay the bank for the billed amount in full on or before the payment due date in the billing or statement of account, as set by the bank for all other qualified credit card holders on availments made for the same period on their credit cards. However, the transaction shall be subject to applicable DOSRI regulations if the bank's directors, officers, stockholders and their related interests:

- (i) Fail to reimburse/pay the bank within the period mentioned herein; or
- (ii) On the outset, opt for deferred payment scheme, and the availment is booked by the bank.

For purposes of this section, stockholders and related interests refer to individual credit card holders.

SECTION X329. Direct or Indirect Borrowings. Loans, other credit accommodations and guarantees to DOSRI shall be considered direct or indirect borrowings in accordance with the following criteria:

- a. *Direct borrowing.* If the director, officer or stockholder of the lending bank is a party to any of the transactions enumerated in Section X327 for himself, or as the representative or agent of others, or if he acts as a guarantor, endorser or surety for loans from the bank, or if the loan or other credit accommodation to another party is secured by a property interest or right of the director, officer or stockholder.
- b. *Indirect Borrowing.* If in any of the transactions in Section X327 the borrower, guarantor, endorser or surety is a related interest as defined in item e, Subsection X326.1.

Other cases of direct/indirect borrowing shall be resolved on a case-to-case basis.

It shall be the responsibility of the bank concerned to ascertain whether the borrower, guarantor, endorser or surety is related or connected with the bank or with any of the directors, officers or stockholders of the bank in any of the capacities mentioned in item e of Subsection X326.1.

In determining indirect borrowings, as enumerated above, only those cases involving living relatives shall be considered.

SECTION X330. Individual Ceiling. The total outstanding loans, other credit accommodations and guarantees to each of the bank's directors, officers, stockholders and their related interests shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank: Provided, however, that unsecured loans, other credit accommodations and guarantees to each of the bank's directors, officers, stockholders and their related interests shall not exceed thirty percent (30%) of their respective total loans, other credit accommodations and guarantees.

Subsection X330.1 Exclusions from Individual Ceiling. The following loans, other credit accommodations and guarantees shall be excluded in determining compliance with the individual ceiling.

- a. Loans, other credit accommodations and guarantees secured by assets considered as non-risk by the Monetary Board;

Assets considered as non-risk shall refer to the following:

1. Cash;
 2. Debt securities issued by the BSP or the Philippine government;
 3. Deposits maintained in the lending bank and held in the Philippines;
 4. Debt securities issued by the U.S. government;
 5. Debt securities issued by central governments, central banks of foreign countries and multilateral financial institutions such as International Finance Corporation, Asian Development Bank and World Bank, with the highest credit quality given by any two internationally accepted rating agencies;
 6. Such other assets considered as non-risk by the Monetary Board.
- b. Loans, other credit accommodations and advances to officers in the form of fringe benefits granted in accordance with existing regulations;
 - c. Loans, other credit accommodations and guarantees extended by a cooperative bank to its cooperative shareholders;

SECTION X331. Aggregate Ceiling; Ceiling on Unsecured Loans, Other Credit Accommodations and Guarantees. Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to directors, officers, stockholders and their related interests shall not exceed fifteen percent (15%) of the total loan

portfolio of the bank or one hundred percent (100%) of net worth whichever is lower: Provided, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said directors, officers, stockholders and their related interests exceed thirty percent (30%) of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every quarter.

In evaluating requests for extension of loans in excess of the aggregate ceiling, the BSP shall consider the credit standing of the borrower, viability of the projects financed by such other credit accommodations in relation to national objectives, collateral or security and other pertinent considerations.

SECTION X332. Exclusions from Aggregate Ceiling. The following loans, other credit accommodations and guarantees shall be excluded in determining compliance with the aggregate ceiling:

- a. Credit accommodations or portions thereof to the extent secured by assets considered as non-risk by the Monetary Board;
- b. Credit accommodations to a corporate stockholder which meets all the following conditions:
 - (1) The corporation is a non-financial institution;
 - (2) Its shares are listed and traded in the domestic stock exchanges;
 - (3) No person or group of persons related within the first degree of consanguinity or affinity holds/owns more than twenty percent (20%) of the subscribed capital of the corporation.
- c. Credit accommodations to government-owned or controlled corporations, in cases where a director, officer or stockholder of the lending bank is a representative of the government in the borrowing corporation and does not hold any proprietary interest in such corporation: Provided, That other rules on loans to DOSRI, such as procedural and reportorial requirements under Sections X334 and X335 of this Circular are followed.
- d. Exclusions from individual ceiling mentioned under items (b) and (c) of Subsection X330.1.

SECTION X333. Applicability to Branches and Subsidiaries of Foreign Banks. The individual and aggregate ceilings as well as ceilings on unsecured credit accommodations prescribed herein shall also apply to branches and subsidiaries of foreign banks in the Philippines.

SECTION X334. Procedural Requirements. The following provisions shall apply if the bank's directors, officers, stockholders, and their related interests are parties to, or act as representatives or agents of others in, any of the transactions enumerated under Section X327:

- a. *Approval of the board, when to obtain.* Except with prior written approval of the majority of the directors, excluding the director concerned, no loan, other credit accommodation and guarantee shall be granted nor shall any of the transactions enumerated under Section X327 be entered into.
- b. *Approval by the board, how manifested.* The approval shall be manifested in a resolution passed by the board of directors during a meeting and made of record.
- c. *Determination of majority of the directors.* The determination of the majority of the directors, excluding the director concerned, shall be based on the total number of directors of the bank as provided in its articles of incorporation and by-laws.
- d. *Contents of the resolution.* The resolution of the board of directors shall contain the following information:
 - (1) Name of the director or officer concerned and his involvement as regards the credit accommodation, such as principal, endorser, spouse of borrower, etc.;
 - (2) Nature of the loan or other credit accommodation, purpose, amount, credit basis for such loan or other credit accommodation, security and appraisal thereof, maturity, interest rate, schedule of repayment and other terms of the loan or other credit accommodation;
 - (3) Date of resolution;
 - (4) Names of the directors who participated in the deliberations of the meeting; and
 - (5) Names in print and signatures of the directors approving the resolution: *Provided*, that in instances where a director who participated in the board meeting and who approved such resolution failed to sign, the corporate secretary may issue a certification to this effect indicating the reason for the failure of the said director to sign the resolution.
- e. *Transmittal of copy of board approval; contents thereof.* A copy of the written approval of the board of directors, as herein required, shall be submitted to the appropriate supervising and examining department of the BSP within twenty (20) banking days from the date of approval. The copy may be a duplicate of the original, or a reproduction copy showing clearly the signatures of the approving directors: *Provided*,

That if a reproduction copy is to be submitted, it shall contain on its face or reverse side a signed certification by the secretary that it is a reproduction of the original written approval. Provided, further, that such written approval shall not be required for loans, other credit accommodations and advances granted to officers under a fringe benefit plan approved by the Bangko Sentral.

SECTION X335. Reportorial Requirements. Each bank shall maintain a record of loans, other credit accommodations and guarantees covered by these regulations in a manner and form that will facilitate verification of such transactions by BSP examiners.

The appropriate supervising and examining department may require banks to furnish such data or information as may be necessary for purposes of implementing the provisions of the foregoing rules.

SECTION X336. Sanctions. Any violation of the provisions of the foregoing rules shall be subject to any or all of the following sanctions:

- a. Restriction or prohibition on the bank from declaring dividends for non-compliance with the prescribed ceiling on DOSRI until the outstanding loans and other credit accommodations have been reduced to within the herein prescribed ceilings;
- b. After due notice to the board of directors of the bank, the office of any bank director or officer who violates the provisions of this circular may be declared vacant and the director or officer shall be subject to the penal provisions of the New Central Bank Act;
- c. Application of (1) the borrowing director's or officer's share in the bank's profit sharing program; and (2) the share of the director voting for the approval of the loan or other credit accommodation, against the excess of such loan or other credit accommodation over any of the herein prescribed ceilings; and
- d. For the duration of each violation, imposition of a fine of 1/10 of 1% of the excess over the ceilings per day but not to exceed P 30,000 a day on the following:
 - (1) The lending bank
 - (2) The director, officer or stockholder whose borrowing exceeds his individual ceiling; and
 - (3) Each of the directors voting for the approval of the loan or other credit accommodation in excess of any of the ceilings prescribed in Sections X330 and X331.

The penalty for exceeding the individual ceiling, aggregate ceiling and ceiling on unsecured loans shall be computed on the average amount of loans in excess of said ceilings during the same week.

SECTION X337. Waiver of Secrecy of Deposit. Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from:

- a. his bank; or
 - b. from a bank
- (1) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or
 - (2) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of five percent (5%) of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

SECTION X338. Financial Assistance to Officers and Employees. Banks may provide financial assistance to their officers and employees, as part of their fringe benefits program, to meet the housing, transportation, household and personal needs of their officers and employees. Financing plans and amendments thereto, shall be with prior approval of the Bangko Sentral.

Subsection X338.1 Mechanics. The mechanics of such financing plan shall have the following minimum features:

- a. Participation shall be limited to full-time and permanent officers and employees of the bank;
- b. Financial assistance shall only be for the following purposes:
 - (1) The acquisition of a residential house and lot, or the construction, renovation or repair of a residential house on a lot owned and to be occupied by the officer or employee;
 - (2) The acquisition of vehicles, household equipment and appliances for the personal use of the officer or employee or his immediate family; or

- (3) To meet expenses for the medical, maternity, education, emergency and other personal needs of the officer or employee or his immediate family;
- c. Financial assistance for purposes mentioned in Items *b(1)* and *b(2)* of this Section shall be granted in the form of a loan, advance or other credit accommodation, installment sale, lease with option to purchase or lease-purchase arrangement where the lessee is obliged to purchase the real estate or equipment;
- d. The amount and maturity of financial assistance for each purpose shall be determined by the bank in consonance with the normal requirements thereof: *Provided*, That the maximum amount shall be stated as percentage or multiple of the total monthly compensation of the officer or employee and shall be within the paying capacity of the borrowing officer or employee.

Total monthly compensation shall include the basic salary and all fixed and regular monthly allowances of the officer or employee. Payments for sickness benefits and other special emoluments which are not fixed or regular in nature, or the commutation into cash of unused leave credits shall not be included in the computation of total monthly compensation;

- e. The amortization payment shall include amounts necessary to cover mortgage redemption insurance and fire insurance premiums, taxes, special assessments, and other related fees and charges;
- f. Availment of the financing plan to construct or acquire a residential house and lot shall be allowed only once during the officer's or employee's tenure with the bank, except where the right over the real estate previously acquired or constructed under the financing plan is absolutely transferred or assigned to another officer or employee of the bank or to a third party: *Provided*, That the bank must be fully paid or reimbursed for the outstanding availment on the financing plan before the officer/employee is allowed to re-avail himself of the same financing plan.

An officer or employee (or his spouse) who already owns a residential house and lot shall not be qualified to avail himself of financial assistance for purposes of acquiring a residential house and/or lot.

These prohibitions notwithstanding, financial assistance for the repair or renovation of a residential house may be allowed subject to such limitation as may be prescribed by the bank pursuant to Item *d* of this Section;

- g. Availment of the financing plan for the acquisition of a specific type of equipment or appliance shall be allowed not oftener than once every

three (3) years: Provided, That re-availment shall be allowed only after previous obligations in connection with the acquisition of the same type of equipment or appliances have been fully liquidated; and

- h. The bank shall adopt measures to protect itself from losses such as by incorporating in the plan or contract provisions requiring co-makers or co-signor, chattel, or real estate mortgages, fire insurance, mortgage redemption insurance, assignment of money value of leave credits, pension or retirement benefits.

Subsection 1338.2 Funding by Foreign Banks. In the case of local branches of foreign banks, financial assistance for their officers and employees may be funded, through any of the following means:

- a. Through a local affiliate by special arrangement with the head office abroad in any of the following forms:
 - (1) Inward remittance from the head office of the affiliate;
 - (2) Assignment to the affiliate of equivalent amounts of profits otherwise remittable abroad under existing regulations; or
 - (3) Direct loans by the foreign bank to the affiliate; or
- b. Through the local branch itself by:
 - (1) Segregation or transfer of undivided profits normally remitted to the head office abroad equivalent to the loans to officers and employees which shall be lodged under "Other Liabilities-Head Office Accounts". This account shall at all times have a balance equivalent to the outstanding loans to officers/employees financed under this scheme; or
 - (2) Inward remittance; or
- c. Through the local branch from local sources without earmarking an equivalent amount of undivided profits: Provided, that the aggregate ceilings on such loans as provided under existing regulations shall apply.

Loans under Items *b(1)* and *b(2)* of this Section shall be treated in the branch books as loans granted by its head office. The documentation and collection of such loans shall be handled by the branch for the account of the head office.

Loans financed under Items *a* and *b* shall be subject to the reporting requirements of Section X335 but not to the ceilings provided under Sections X330 and X331. The same shall be excluded from the computation of the capital to risk assets ratio.

Subsection X338.3 Other conditions/limitations

- a. The investment by a bank in equipment and other chattels under its fringe benefits program for officers and employees shall be included in determining the extent of the investment of the bank in real estate and equipment for purposes of Section 51 of R.A. No. 8791.
- b. The investment by a bank in equipment and other chattels contemplated under these guidelines shall not be for the purpose of profits in the course of business for the bank.
- c. All loans or other credit accommodations to bank officers and employees, except those granted under the fringe benefit program of the bank, shall be subject to the same terms and conditions imposed on the regular lending operations of the bank. Loans or other credit accommodations granted to officers shall, in addition, be subject to the provisions of Section 36 of R.A. No. 8791 and Sections X326 to X336 but not to the individual ceilings where such loans or other credit accommodations are obtained under the bank's fringe benefits program.

The aggregate outstanding loans and other credit accommodations granted under the bank's fringe benefits program, inclusive of those granted to officers in the nature of lease with option to purchase, shall not exceed five percent (5%) of the bank's total loan portfolio.

SECTION 2. Transitory Provisions

1. The sanctions contained herein shall not apply to outstanding loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered as DOSRI accounts prior to this circular, for a period of two (2) years from the effectivity of this circular or until said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.
2. Unsecured outstanding loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered as DOSRI accounts prior to this circular, shall not be deducted from capital accounts for a period of two (2) years from the effectivity of this circular or until such time that said loans, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.
3. Banks shall, however, disclose the following information in their financial statements, annual report and the reports being submitted to BSP:

a. DOSRI

- i. Loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to this circular; and
- ii. New DOSRI loans, other credit accommodations and guarantees granted under this circular.

b. Non-DOSRI prior to this Circular

Loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of this circular but are allowed a transition period as provided above.

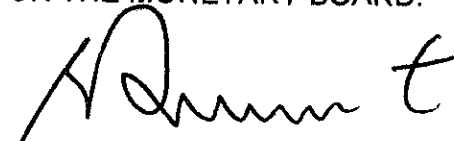
SECTION 3. Repealing Clause

This Circular supersedes/amends/modifies provisions of existing circulars, memoranda and/or regulations that are inconsistent herewith.

SECTION 4. Effectivity

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

FOR THE MONETARY BOARD:


RAFAEL B. BUENAVENTURA
Governor

15 March 2004