



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 856

Series of 2014

Subject: Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Banks under Basel III

The Monetary Board, in its Resolution No. 1674 dated 16 October 2014, approved the attached implementing guidelines on the framework for dealing with domestic systemically important banks in accordance with the Basel III standards to be incorporated as Section X115.5 of the Manual of Regulations for Banks and Section 4115Q.5 of the Manual of Regulations for Non-Bank Financial Institutions.

The guidelines shall apply to all universal and commercial banks including branches of foreign banks established under Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for Other Purposes), as well as their subsidiary banks and quasi-banks.

This Circular shall take effect on 31 December 2014.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read "A. Tetangco", is written over a diagonal line that crosses the text "AMANDO M. TETANGCO, JR." and "Governor".

AMANDO M. TETANGCO, JR.
Governor

29 October 2014

Att: a/s

**FRAMEWORK FOR DEALING WITH
DOMESTIC SYSTEMICALLY
IMPORTANT BANKS**

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FRAMEWORK FOR DEALING WITH DOMESTIC SYSTEMICALLY IMPORTANT BANKS

Introduction

This document outlines the Bangko Sentral ng Pilipinas' (BSP) implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the reform packages proposed by the Basel Committee on Banking Supervision (BCBS)¹ and introduced in *Basel III: A global regulatory framework for more resilient banks and banking systems*.

It is the thrust of the BSP to ensure that its capital adequacy framework is consistent with the Basel principles. Hence, the BSP is adopting policy measures for DSIBs, which are essentially aligned with the documents issued by BCBS on global systemically important banks (GSIBs) and DSIBs. The broad aim of the policies is to reduce the probability of failure of DSIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of DSIBs on the domestic/real economy.

The guidelines shall apply on a consolidated basis to all universal and commercial banks including branches of foreign banks established under Republic Act No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for Other Purposes).

Submission of data requirements for the identification of DSIBs shall take effect starting with 2014 data while compliance with the additional higher loss absorbency requirement shall be phased-in from 1 January 2017 with full implementation by 1 January 2019.

¹ The Basel Committee on Banking Supervision consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. It usually meets at the Bank for International Settlements (BIS) in Basel, Switzerland, where its permanent Secretariat is located.

Part I. Assessment Methodology

A. Indicator-Based Measurement Approach

1. The systemic importance of a bank is assessed in relation to the impact of its failure on the domestic economy using an indicator-based measurement approach.
2. The impact of a DSIB's failure to the domestic economy shall be assessed based on bank-specific factors, to wit: (a) size; (b) interconnectedness; (c) substitutability/financial institution infrastructure; and (d) complexity. Ten indicators related to these categories shall be used to identify DSIBs. These indicators reflect the factors or criteria which makes a bank significant for the stability of the financial system and the economy.
3. The universal and commercial banks operating in the Philippines shall be assessed based on the four categories and on data that relate to the consolidated group (i.e., unit of analysis is the consolidated group). For foreign banks, the computation of systemic importance shall be done on the basis of data that relates to their local consolidated balance sheet. Each category is given an equal weight of 25 percent in determining the final score (Table 1). In the case of categories with more than one indicator, the weight of 25 percent is equally divided across all indicators within the category.

Table 1. Indicator-Based Measurement Approach

Category (and weighting)	Individual Indicator	Indicator Weighting
Size (25%)	Total exposures as defined for use in the Basel III leverage ratio	25.00%
Interconnectedness (25%)	Intra-financial system assets	8.33%
	Intra-financial system liabilities	8.33%
	Securities outstanding	8.33%
Substitutability/financial institution infrastructure (25%)	Assets under custody	8.33%
	Payments activity	8.33%
	Underwritten transactions in debt and equity markets	8.33%

Category (and weighting)	Individual Indicator	Indicator Weighting
Complexity (25%)	Notional amount of over-the-counter (OTC) derivatives	8.33%
	Unquoted debt securities classified as loans and investments in non-marketable equity securities	8.33%
	Trading and available-for-sale securities, and financial assets designated at fair value through profit or loss	8.33%

4. For each bank, the score for a particular indicator is calculated by dividing the individual bank amount by the aggregate amount for the indicator summed across all banks in the sample. This amount is then multiplied by 10,000 to express the indicator score in terms of basis points. The category score for each bank is determined by taking a simple average of the indicator scores in the category. The overall score for each bank is then calculated by taking a simple average of its four category scores. The maximum total score, i.e., the score that a bank would have if it were the only bank in the sample, is 10,000 basis points (i.e., 100 percent).
5. The succeeding paragraphs briefly describe each of the four categories used in the assessment methodology. The specific definition of the indicators can be found in Appendix I which sets out the data requirements for the identification of DSIBs. The guidelines and the line item instructions for the reporting template are set out in Appendix II.
 - a. Size

A bank's distress or failure is more likely to damage the local economy or financial markets if its activities comprise a large share of the domestic activity. The larger the bank, the more difficult it is for its activities to be quickly replaced by other banks and for it to be resolved, therefore, the greater the chance that its distress or failure will cause disruption to the financial markets. The distress or failure of a large bank is also more likely to damage confidence in the financial system as a whole. Size is therefore a key measure of systemic importance. One indicator is used to measure size: the measure of total exposures used in the Basel III leverage ratio².

² To be computed in accordance with the guidelines to be issued by the BSP on leverage ratio.

b. Interconnectedness

Financial distress at one institution can materially increase the likelihood of distress at other institutions given the network of contractual obligations in which they operate. A bank's systemic impact is considered to be positively related to its interconnectedness vis-à-vis other financial institutions. Three indicators are used to measure interconnectedness: (i) intra-financial system assets; (ii) intra-financial system liabilities; and (iii) securities outstanding.

c. Substitutability/Financial Institution Infrastructure

The systemic impact of a bank's distress or failure is expected to be negatively related to its degree of substitutability as both a market participant and client service provider, i.e., it is expected to be positively related to the extent to which the bank provides financial institution infrastructure. At the same time, the cost to the failed bank's customers in having to seek the same service from another institution is likely to be higher for a failed bank with relatively greater market share in providing that service. Three indicators are used to measure substitutability/financial institution infrastructure: (i) assets under custody; (ii) payments activity; and (iii) underwritten transactions in debt and equity markets.

d. Complexity

The systemic impact of a bank's distress or failure is expected to be positively related to its overall complexity – that is, its business, structural and operational complexity. The more complex a bank is, the greater are the costs and time needed to resolve the bank. Three indicators are used to measure complexity: (i) notional amount of over-the-counter (OTC) derivatives; (ii) assets booked under unquoted debt securities classified as loans and investments in non-marketable equity securities; and (iii) trading and available-for-sale securities and financial assets designated at fair value through profit or loss.

B. Bucketing Approach

6. Banks that have a score produced by the indicator-based measurement approach that exceeds a cutoff level determined using cluster analysis shall be classified as DSIBs. Supervisory judgment may also be used when warranted

under certain circumstances to add banks to the list of DSIBs. This judgment shall be exercised according to the principles set out in Part I.C.

7. BSP shall group DSIBs into different categories of systemic importance using cluster analysis based on the scores produced by the indicator-based measurement approach. DSIBs shall be initially allocated into two buckets with different levels of additional loss absorbency requirements depending on the degree of systemic importance.
8. The thresholds for the buckets shall correspond to the gaps identified by a cluster analysis of the scores. The use of cluster analysis in grouping the DSIBs will ensure a meaningful and objective measurement and classification of the systemic importance of domestic banks.
9. Each year, BSP shall run the assessment, and reallocate DSIBs into the categories of systemic importance based on their scores. It should be noted that the number of DSIBs, and their bucket allocations, will evolve over time as banks change their behavior in response to the incentives of the DSIBs framework as well as other aspects of Basel III and BSP regulations.
10. An empty bucket shall be added on top of the highest-numbered populated bucket to provide incentives for banks to avoid becoming more systemically important. If the empty bucket becomes populated in the future, a new empty bucket shall be added with a required higher additional loss absorbency level. The size of the empty bucket shall be determined by the average size of the preceding buckets.

C. Supervisory Judgment

11. As stated earlier, supervisory judgment may be used to add banks with scores below the cutoff to the list of DSIBs. It shall be used on exceptional cases and presumed to be rare. The judgment overlay shall comprise well-documented and verifiable quantitative and qualitative information.
12. Qualitative information is intended to capture information that cannot be easily translated or quantified in the form of an indicator. This may include but not limited to the following: major restructuring of a bank's operation; merger; and niche market or other aspects which are unique to the concerned bank. Qualitative judgments shall also be thoroughly explained and supported by verifiable arguments.

D. Periodic Review and Refinement

13. The assessment methodology provides a framework for periodically reviewing the DSIBs status of a given bank. Thus, banks have incentives to change their risk profile and business models in ways that reduce their systemic spillover effect. The BSP does not intend to develop a fixed list of DSIBs. Through the criteria discussed above, banks can migrate in and out of DSIB status, and between categories of systemic importance, over time.
14. The list of DSIBs shall be assessed/determined annually based on year-end data submitted by each bank and shall be subject to approval of the Monetary Board. The results shall be released every June. Banks identified as DSIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.
15. The assessment methodology will be reviewed every three years in order to capture developments in the banking sector and any progress in methods and approaches for measuring systemic importance.

Part II. Higher Loss Absorbency (HLA) and Interaction with Other Elements of Basel III Framework

16. Banks that will be identified as DSIBs shall be required to have higher loss absorbency. The HLA requirement is aimed at ensuring that DSIBs have a higher share of their balance sheets funded by instruments which increase their resilience as a going concern, considering that the failure of a DSIB is expected to have a greater impact on the domestic financial system and economy.
17. The imposition of HLA shall be based on the degree of domestic systemic importance. This is to provide the appropriate incentives to banks which are subject to the HLA requirements to reduce (or at least not increase) their systemic importance over time.
18. The HLA requirement is to be met with Common Equity Tier 1 (CET 1) capital as defined by the Basel III framework and implemented under BSP Circular No. 781 dated 15 January 2013 and Circular No. 822 dated 13 December 2013. This is to ensure a maximum degree of consistency in terms of effective loss absorbing capacity.
19. The magnitude of additional loss absorbency for the higher populated bucket shall be 2.5 percent of risk-weighted assets at all times, with the initial empty

bucket at 3.5 percent of risk-weighted assets. The magnitude of additional loss absorbency for the lower bucket shall be 1.5 percent of risk-weighted assets. Table 2 shows the additional loss absorbency requirement for each bucket.

Table 2. Bucketing Approach

Bucket	Score Range	Minimum additional loss absorbency (common equity as a percentage of risk-weighted assets)
3 (Empty)	B-C	3.5%
2	A-B	2.5%
1	Cut off point - A	1.5%

20. Although the buckets thresholds are set initially such that bucket 3 is empty, if this bucket should become populated in the future, a new bucket shall be added to maintain incentives for banks to avoid becoming more systemically important. Minimum HLA requirement for the new buckets shall increase in increments of 1 percent of risk-weighted assets.
21. The HLA requirement shall be on top of the capital conservation buffer (CCB) requirement under Circular No. 781. Table 3 shows the total CET1 capital requirement for banks identified as DSIBs per bucket.

Table 3. Total CET1 Capital Requirement

Bucket	Minimum CET1 Requirement	Capital Conservation Buffer	DSIB HLA Requirement	Total Additional CET1 Requirement	Total Required CET1
	(a)	(b)	(c)	(b+c)	(a+b+c)
3 (Empty)	6.0%	2.5%	3.5%	6%	12.0%
2	6.0%	2.5%	2.5%	5%	11.0%
1	6.0%	2.5%	1.5%	4%	10.0%

To help ensure that the banking sector can meet the higher capital requirements through reasonable earnings retention and capital raising activities, while still supporting lending to the economy, transitional arrangements to implement the HLA requirement shall be implemented. Thus, in the case of banks included in the first list of DSIBs (to be released in June 2015 based on December 2014 data), compliance with the HLA requirement shall be phased-in starting 1 January 2017, with full compliance on 1 January 2019 (See Table 4 for the timeline to comply

with the HLA requirement). After the phased-in period, banks identified as DSIBs shall be allowed a period of 18 months to comply with the required HLA.

Table 4. Timeline of Release of List of DSIBs and Compliance with the HLA Requirement

Data Cut-Off	Release of DSIBs List	Compliance Period
Dec-14	Jun-15	Phased-in implementation starting 1 January 2017 until 1 January 2019
Dec-15	Jun-16	Phased-in implementation starting 1 January 2018 until 1 January 2019
Dec-16	Jun-17	1 January 2019 to 31 December 2019
Dec-17	Jun-18	1 January 2020 to 31 December 2020
Dec-18	Jun-19	1 January 2021 to 31 December 2021

22. To determine banks' compliance with the additional CET1 requirement for DSIBs, the minimum ratio should be complied with by the parent bank and its subsidiary banks and quasi-banks on both solo and consolidated bases.
23. Foreign bank branches operating in the Philippines with head office/consolidated group declared as global systemically important bank (GSIB) but not declared as DSIB will not be required to put up in the Philippine branch the required HLA for GSIB. However, if identified as DSIB in the Philippines, the required HLA for DSIBs shall be complied with locally by the Philippine branch.
24. Capital distribution constraints shall be imposed when capital levels fall within certain range as illustrated in Table 5 below. Conversely, a DSIB shall not be subject to any restriction on distribution if the following conditions are met:
 - a. Has positive retained earnings as of the preceding quarter and has complied with the requirements on declaration of dividends under Subsection X136.2 of the Manual of Regulations for Banks (MORB);
 - b. Has CET1 of more than the total required (minimum CET1 ratio of 6.0 percent plus CCB of 2.5 percent and DSIBs HLA requirement) before the distribution; and
 - c. Has complied with the minimum capital ratios (CET1 ratio of 6 percent, Tier 1 ratio of 7.5 percent and 10 percent CAR) after the distribution.

Table 5. Restriction on Distributions

Restriction on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2
No distribution (until the minimum CET 1, CCB and more than 50% of DSIB HLA requirements are met; and conditions a and c above are complied with)	<=9.25%	<=9.75%
50% of earnings may be distributed (if the minimum CET1, CCB and more than 50% of the DSIB HLA requirements are met; and conditions a and c above are complied with)	>9.25% - 10.00%	>9.75% - 11.00%

During the phased-in implementation period from 2017-2019, the general principle above on restriction on distribution shall likewise be applied. Appendix III shows the restriction on distributions by year for each bucket during the phased-in implementation from 2017 to 2019 assuming there is no change in the HLA requirement. In case of change in the HLA requirement during the phased-in period, the required HLA shall be distributed equally over the remaining period until the full implementation in 2019.

24. Elements subject to the restriction on distributions include dividends, share buybacks, discretionary payments on other Tier 1 capital instruments and discretionary bonus payments to directors, officers and staff. Payments which do not result in the depletion of CET1 are not considered capital distributions.
25. Earnings refer to distributable profits calculated prior to the deduction of elements subject to the restriction on distributions. The earnings is computed after the tax which would have been reported had none of the distributable items been paid.

Part III. Intensive Supervisory Approach

26. Banks identified as DSIBs shall include in their Internal Capital Adequacy Assessment Process (ICAAP) document concrete and reasonable recovery plans which shall be implemented in case the bank breaches the HLA capital requirement. The recovery plans shall include guidelines and action plans to be taken to restore the DSIB's financial condition to viable level in cases of significant deterioration in certain scenarios. This shall include specific initiatives

appropriate to the Bank's risk profile such as capital raising activities, streamlining of businesses, restructuring and disposal of assets, to improve capital position.

27. Moreover, the banks designated as DSIBs shall be subject to more intensive supervision, which may include but not limited to, greater intensity of offsite supervision and monitoring, more structured interaction with board and senior management, and higher supervisory expectation on controls for significant businesses/operations, data aggregation capabilities and corporate governance.

**DATA REQUIREMENTS FOR THE IDENTIFICATION OF
DOMESTIC SYSTEMICALLY IMPORTANT BANKS (DSIBs)**

I. Introduction

Under the indicator-based measurement approach, the 10 indicators that relate to the four categories set out under Principle 5 of the DSIBs Framework shall be used to measure a bank's systemic importance. These quantitative indicators are discussed in detail in the succeeding sections; particularly the data gathering process and the specific definition of factors.

II. Data Sources

The data of all universal and commercial banks, including branches of foreign banks established under Republic Act No. 7721¹ (collectively referred to as the "covered banks") shall be gathered from different sources, as follows:

1. Financial Reporting Package (FRP)

For covered banks with financial allied subsidiaries, excluding insurance subsidiaries, the data shall be obtained from the FRP prepared on a consolidated basis. Otherwise, the data shall be sourced from the FRP prepared on a solo basis.

2. Report on Selected Accounts and Activities for the Identification of Domestic Systemically Important Banks (DSIBs Report)

This report shall be submitted electronically by the covered banks on a consolidated basis² to the BSP's Supervisory Data Center on a semi-annual basis, within 30 banking days after the end of the reference period. It shall be submitted starting with the reporting period ending 31 December 2014.

Accuracy of the report shall be subject to verification during on-site examination. Late and/or erroneous reporting of the said report shall be subject to penalties prescribed under Subsection X192.2 of the Manual of Regulations for Banks for Category A-1 reports, without prejudice to sanctions provided under Sections 36 and 37 of Republic Act No. 7653 or The New Central Bank Act.

¹ An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for Other Purposes

² Consolidated basis shall refer to the combined financial statements of parent bank and subsidiaries consolidated on a line by line basis. Only banks with financial allied subsidiaries, excluding insurance subsidiaries, shall submit the report on consolidated basis.

Appendix I

The guidelines and the line item instructions for the reporting template are set out in Appendix II.

3. Other Reports and Disclosures

Data on other transactions such as payment activities and market capitalization shall be obtained from entities other than the covered banks, such as but not limited to the Philippine Stock Exchange, the Philippine Clearing House Corporation, and other department/s of the BSP.

III. Reporting Period/Date

The following reporting cut-off/coverage shall be used for the DSIBs Report

Reporting Cut-off/Coverage	
As of/at the reporting date	As of 30 June 20XX As of 31 December 20XX
During the reporting period	For the six months ended 30 June 20XX For the year ended 31 December 20XX

IV. Summary of Data Requirements for the Identification of DSIBs

Category	Individual Indicator	Data Source
Size	Total Exposures as Defined for Use in the Basel III Leverage Ratio ³	Report on Leverage Ratio
Interconnectedness	Intra-Financial System Assets	FRP Schedule 1 – Outstanding Credit Facilities (DSIBs Report)
	Intra-Financial System Liabilities	FRP Schedule 1 – Outstanding Credit Facilities (DSIBs Report)
	Securities Outstanding	FRP
		Philippine Stock Exchange Website

³ Based on guidelines to be issued by the BSP on leverage ratio

Appendix I

Category	Individual Indicator	Data Source
Substitutability/ Financial Institution Infrastructure	Assets Under Custody	FRP
	Payments Activity	Report from BSP's Payments and Settlements Office
		Report from Philippine Clearing House Corp. (PCHC)
		Schedule 2 – Payments Coursed through Foreign Currency Settlement Banks (DSIBs Report)
	Values of Underwritten Transactions in Debt and Equity Markets	Schedule 3 – Underwritten Transactions in Debt and Equity Markets (DSIBs Report)
Complexity	Notional Amount of Over-the-Counter Derivatives	FRP
	Unquoted debt securities classified as loans and investments in non-marketable equity securities	FRP
	Trading and available-for-sale securities, financial assets designated at fair value through profit or loss	FRP

V. The Indicators

1. Size Indicator

The size indicator pertains to the total exposures as defined for use in the Basel III leverage ratio⁴.

2. Interconnectedness Indicators

2.1 Intra-Financial System Assets

This includes funds deposited with or lent to, outstanding credit facilities extended to, holdings of securities issued by, securities lending transactions with, and over-the-counter (OTC) derivatives (positive fair value) with, resident banks and other financial institutions as of the reporting date. This indicator is

⁴ Ibid

Appendix I

computed as the sum of the following accounts with resident banks and other financial institutions⁵:

Data Source		Account
Report	Schedule	
FRP	1	Checks and Other Cash Items
	2	Due from Other Banks
	3	Financial Assets Held for Trading
	4a	Derivatives Held for Trading (Positive Fair Value)
	5	Financial Assets Designated at Fair Value Through Profit or Loss
	6	Available-for-Sale Financial Assets
	7	Held to Maturity Financial Assets
	8	Unquoted Debt Securities Classified as Loans
	9	Investment in Non-Marketable Equity Securities
	10	Interbank Loans Receivables
	11	Loans and Receivables – Others
	12	Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse and Securities Lending and Borrowing Transactions
	14	Accrued interest - Due from other banks
	15	Equity Investment in Subsidiaries, Associates and Joint Ventures
DSIBs Report	1	Outstanding Credit Facilities Extended to Banks and Other Financial Institutions

2.2 Intra-Financial System Liabilities

This includes deposits by, outstanding credit facilities obtained from, securities issued to, securities borrowing transactions with and OTC derivatives (negative fair value) with, resident banks and other financial institutions as of the reporting date. This indicator is computed as the sum of the following accounts with resident banks and other financial institutions:

Data Source		Account
Report	Schedule	
FRP	4a	Derivatives Held for Trading (Negative Fair Value)
	22	Deposit Liabilities

⁵ For the purpose of this guidelines, financial institutions shall include those as defined in the BSP's Manual of Accounts

Appendix I

Data Source		Account
Report	Schedule	
	23	Due to Other Banks
	24	Interbank Loans Payable
	24	Other Deposit Substitutes
	25	Bonds Payable
	25	Unsecured Subordinated Debt
	25	Redeemable Preferred Shares
DSIBs Report	1	Outstanding Credit Facilities Obtained from Banks and Other Financial Institutions

2.3 Securities Outstanding

This pertains to the outstanding securities issued by the covered bank as of the reporting date. This indicator is computed as the sum of the following accounts:

Data Source		Account
FRP - Balance Sheet		Long-Term Negotiable Certificate of Deposit
		Unsecured Subordinated Debt (net)
		Bills Payable (Other Deposit Substitutes and Others)
		Bonds Payable (net)
		Redeemable Preferred Shares
Philippine Stock Exchange/ FRP - Balance Sheet		Equity Market Capitalization/ Net worth (if equity market capitalization is not available)

3. Substitutability/Financial Institution Infrastructure Indicators

3.1 Assets under Custody

This pertains to the value of assets held by the covered bank as custodian on behalf of resident customers, including banks and other financial institutions, as of the reporting date. It includes assets held under custodianship agreement by the bank proper and its trust department or subsidiary trust corporation. This indicator is computed as the sum of the following accounts with resident counterparties:

Data Source		Account
Report	Schedule	
FRP	38	Securities Held Under Custodianship by Bank Proper or Trust Department/ Subsidiary-Trust Corporation

3.2 Payments Activity

This pertains to the total gross value of all cash payments made by the covered bank via large value funds transfer systems during the reporting period. It is composed of peso- and foreign currency-denominated outgoing payments sent (excluding payments received) by the covered bank as a participant in the payment systems. This indicator is computed as the sum of the following payments activities:

Data Source	Peso-Denominated Payments Activity
BSP's Payments and Settlements Office (PSO)	Philippine Payments and Settlements System (PhilPaSS) Transactions
PCHC	Outgoing Checks

Data Source		Foreign Currency-Denominated Payments Activity
BSP's PSO		Payment vs. Payment transactions (Peso vs. USD)
PCHC		USD transactions subjected to end-of-day net clearing
Report	Schedule	Payments Coursed through Foreign Currency Settlement Banks
DSIBs Report	2	

3.3 Values of Underwritten Transactions in Debt and Equity Markets

This pertains to all underwritten transactions during the reporting period, whether or not the covered bank was obligated to purchase unsold securities. This indicator includes all types of underwritten/distributed equity and debt instruments/securities.

Data Source		Activity
Report	Schedule	
DSIBs Report	3	Underwritten Transactions in Debt and Equity Markets

4. Complexity Indicators

4.1 Notional Amount of OTC Derivatives

Nominal or notional amounts outstanding pertain to the gross nominal or notional value of all deals concluded and not yet settled at the reporting date. This indicator is designed to measure the scope of the covered bank's engagement in OTC derivatives transactions. The total notional value of the following derivatives transactions will be used for the purpose of computing this indicator:

Data Source		Account
Report	Schedule	
FRP	4	Derivatives Held for Trading
	13a	Derivatives Held for Fair Value Hedge
	13b	Derivatives Held for Cash Flow Hedge
	13c	Derivatives Held for Hedges of Net Investment in Foreign Operations
	13d	Derivatives Held for Portfolio Hedge of Interest Rate Risk (Marked to Market Amount) (i) Fair Value Hedge (ii) Cash Flow Hedge

4.2 Investments in Non-Marketable Equity Securities and Unquoted Debt Securities Classified as Loans

This pertains to financial assets that are not quoted in an active market or whose fair value cannot be reliably measured and shall include those booked as INMES and UDSCL in the FRP submitted by banks.

Data Source	Account
FRP - Balance Sheet	Unquoted Debt Securities Classified as Loans (net)
	Investment in Non-Marketable Equity Securities (net)

4.3 Trading and Available-for-Sale Securities and Financial Assets Designated at Fair Value through Profit or Loss

This pertains to the total market value of all debt and equity securities classified as held for trading, available for sale as well as financial assets designated at fair value through profit or loss less the securities eligible for classification as high quality liquid assets (HQLA)⁶ as of the reporting date. This indicator is computed as the sum of the following accounts less HQLA based on the new liquidity report to be issued by the BSP:

Data Source	Account
FRP - Balance Sheet	Held-for-Trading Securities
	Available for Sale Securities (net)
	Financial Assets Designated at Fair Value through Profit or Loss
Less:	
New Liquidity Report ⁶	HQLA

⁶ In accordance with the guidelines on Liquidity Coverage Ratio to be issued by BSP.

REPORT ON SELECTED ACCOUNTS AND ACTIVITIES FOR THE IDENTIFICATION OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (DSIBs Report)

I. Introduction

The Report on Selected Accounts and Activities for the Identification of Domestic Systemically Important Banks (DSIBs Report) is one of the sources of data for the quantitative indicators that shall be used to measure a bank's systemic importance.

Structure of the DSIBs Report

The DSIBs Report is composed of the following schedules, which shall be accomplished independently of each other:

- a. Schedule 1 – Outstanding Credit Facilities;
- b. Schedule 2 – Payments Coursed through Foreign Currency Settlement Banks;
and
- c. Schedule 3 – Underwritten Transactions in Debt and Equity Markets.

The succeeding sections provide the guidelines and the line item instructions to accomplish the schedules of the DSIBs Report.

II. Guidelines on the Preparation of the DSIBs Report

1. Who Must Report

All covered banks, with or without subsidiary banks or other financial allied subsidiaries, excluding insurance subsidiaries, are required to submit the DSIBs Report.

2. On What Form

Covered banks with subsidiary banks and other financial allied subsidiaries, excluding insurance subsidiaries, shall prepare DSIBs Report on a consolidated basis, while covered banks that have no subsidiary bank or other financial allied subsidiary shall prepare the report on a solo basis.

3. Amounts Reported

All amounts reported shall be in Philippine Peso, unless otherwise specified, and in absolute figures, including two decimal places.

III. Line Item Instructions

Schedule 1 – Outstanding Credit Facilities

Heading/Line Item	Instruction
Unused credit facilities extended to	Report all unused credit facilities extended to resident banks and other financial institutions, regardless of contractual arrangements, as of the reporting date.

The data on unused credit facilities obtained from banks shall be derived from the counterparty data reported by each covered bank in Schedule 1.

For the purpose of this schedule:

1. Credit facilities shall refer to credit lines extended by the different business lines of a bank such as lending and treasury units.
2. Banks shall refer to universal banks, commercial banks, thrift banks, rural banks, and cooperative banks, whether privately- or government-owned, including branches of foreign banks licensed as universal banks or commercial banks operating in the Philippines.
3. Other Financial Institutions shall refer to financial institutions other than banks. This shall include government owned and controlled corporations (GOCCs) and private corporations engaged in financial intermediation or in auxiliary financial activities that are closely related to financial intermediation; and GOCCs engaged in social security activities.
4. In case of foreign currency-denominated credit facilities extended or obtained, convert the outstanding balance into Philippine Peso using the closing exchange rate at the reporting date.

Schedule 2 – Payments Coursed through Foreign Currency Settlement Banks

Report in this schedule the gross amount of outgoing foreign currency payments/transfers sent by the covered participant bank/s (consolidated basis¹) through foreign currency settlement banks (such as Citibank N.A. (Phils.) for US dollar [USD] transactions via the Philippine Domestic Dollar Transfer System (PDDTS); and Bank of China for Renminbi [RMB] transactions via the RMB Transfer Service) during the reporting period.

¹ Including the payments/transfers of the subsidiary and affiliate participant banks

Appendix II

For PDDTS participant banks, the transactions to be reported are the gross amount of USD transfers to another domestic bank and/or to a correspondent bank abroad coursed through the settlement bank. The following USD transactions settled via the PDDTS shall be gathered from other sources, hence, should not be included in the report:

- a. Payment vs. Payment (Peso vs. USD) transactions, where the dollar leg is settled at the PDDTS and the peso leg is settled via the BSP's own payment system, PhilPaSS; and
- b. USD transactions subjected to end-of-day net clearing by PCHC and transmitted to the PDDTS system for posting into the bank's PDDTS account.

Heading/Line Item	Instruction
Gross value of payments - in USD - in RMB	Report the gross amount of outgoing payments in USD and in RMB, respectively, sent by the covered/participant bank/s during the reporting period

Schedule 3 – Underwritten Transactions in Debt and Equity Markets

Table I – Underwriting of securities on a firm basis	
Report all securities, excluding government securities, distributed and sold on a firm basis during the reporting period, consistent with the definition of “underwriting of securities” under the Securities and Exchange Commission’s Omnibus Rules and Regulations for Investment House and Universal Banks Registered as Underwriters of Securities.	
Heading/Line Item	Instruction
Issuer	Report the complete names of the issuer of equity and debt securities.
Equity securities	Report under the appropriate column the required amount of equity securities underwritten on a firm basis, as defined below.
Debt securities	Report under the appropriate column the required amount of debt securities underwritten on a firm basis, as defined below.
Total securities	Report under the appropriate column the required amount of the total securities (sum of equity and debt securities) underwritten on a firm basis, as defined below.
Amount of commitment	Report the amount of guaranteed selling value of equity and debt securities under the appropriate heading. For the ‘total securities’, add the amounts reported under the ‘equity securities’ and the ‘debt securities’ headings.
Actual securities sold	Report the amount of equity and debt securities actually sold under the appropriate heading. This amount may be higher or lower than the amount of commitment. For the ‘total securities’, add the amounts reported under the ‘equity

Appendix II

Table I – Underwriting of securities on a firm basis	
	securities' and the 'debt securities' headings.
Amount of underwritten transaction	Report the higher between the amount of commitment and the actual securities sold. For the 'total securities', add the amounts reported under the 'equity securities' and the 'debt securities' headings.
Total	Report the sum of the 'amount of underwritten transaction' column for 'equity securities', 'debt securities', and 'total securities'.

Table II – Distribution/sale of securities on a best-effort basis	
Report all securities, excluding government securities, distributed and sold on a best-effort basis during the reporting period. This includes securities transactions wherein the reporting bank is not obligated to purchase the remaining unsold securities, regardless of the role or designation of the reporting bank in the issuance or offering (e.g., arranger, issue manager, and other similar arrangements).	
Heading/Line Item	Instruction
Issuer	Report the complete names of the issuer of equity and debt securities.
Amount of underwritten transaction	For lead arranger or lead issue manager, report the entire amount of equity and debt securities arranged/managed/issued (best effort) under the appropriate column. Otherwise, report only the amount of securities actually sold. For the total, add the amounts reported under the 'equity securities' and the 'debt securities' columns.
Total	Report the sum of the columns under the 'amount of underwritten transaction' heading.

Table III – Participation in the origination/sale of government securities in the primary market	
Report all government securities (GS) sold in the primary market during the reporting period, where the reporting bank participated in the public offering as underwriter, arranger, issue manager, selling agent and other similar role. Report both participations under a firm commitment and a best-effort basis. Exclude GS sold/traded after the public offering period (secondary sale). Exclude treasury bonds, treasury bills, and other GS offering where no underwriting or issue management is involved.	
Heading/Line Item	Instruction
Name of issue	Indicate the complete name of the issue. Avoid acronyms.
ISIN/Series code	Indicate the details of the issue.
Public offering period	
Issue date	
Amount of public offering	Report the result of the public offering, i.e., the total amount raised by the government from the sale of the securities during the public offering period.
Amount of participation	Report the amount of securities allocated or awarded to the reporting bank.

Appendix II

For the purpose of this schedule:

1. Total underwritten transactions in equity and debt markets is referred to in the schedule as the 'total underwriting activity', which is computed as the sum of the equity underwriting activity and the debt underwriting activity, where:
 - a. Equity underwriting activity is the sum of amounts reported under the following headings:
 - Amount of underwritten transaction (A) under Table I; and
 - Amount of underwritten transaction (C) under Table II.
 - b. Debt underwriting activity is the sum of the amounts reported under the following headings;
 - Amount of underwritten transaction (B) under Table I;
 - Amount of underwritten transaction (D) under Table II; and
 - Amount of participation (E) under Table III.
2. Convert foreign currency-denominated securities into Philippine Peso using the average exchange rate for the reporting period.

Category: Category A-1
Deadline: 30 banking days after end of reference period
Submission: Electronic submission to the Supervisory Data Center

FOR UNIVERSAL/COMMERCIAL BANKS

_____	_____
(Name of Bank)	(Code)

(Address)	

**REPORT ON SELECTED ACCOUNTS AND ACTIVITIES
FOR THE IDENTIFICATION OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS
(Consolidated Basis)**

As of /For the Period _____
(Reference Period)

REPUBLIC OF THE PHILIPPINES)

_____) S.S.

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and based on corporate records.

Chief Executive Officer or Executive Vice President and Comptroller
or Chief Accountant or Officer of Equivalent Position

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____
_____ 20_____, affiant exhibiting to me his Community Tax
Certificate No. _____ issued at _____ on
_____ 20_____.

Notary Public
Until December 31, _____ 20_____
PTR No. : _____
Place : _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

Schedule 1 - Outstanding Credit Facilities
As of 30 June _____ or 31 December _____

	Amount
Unused Credit Facilities Extended to:	
Name of Counteparty	
Banks	
Universal Banks	
1	
2	
...	
Commercial Banks	
1	
2	
.....	
Thrift Banks	
1	
2	
....	
Rural Banks	
1	
2	
...	
Sub-total	-
Other Financial Institutions	
(1)	
(2)	
(3)	
(4)	
(5)	
Sub-total	-
Grand Total	-

Schedule 2 - Payments Coursed through Foreign Currency Settlement Banks
For the Six Months Ended 30 June ____ or 31 December ____

	Gross Value of Payments coursed through:	
	In USD	In RMB
1. Philippine Domestic Dollar Transfer System (PDDTS)		
- USD Transfers to another domestic bank and/or correspondent bank abroad		NA
2. RMB Transfer Service	NA	

Schedule 3 - Underwritten Transactions in Debt and Equity Markets
For the Six Months Ended 30 June ____qr For the Year Ended 31 December ____

	Amount
Equity underwriting activity	-
Debt underwriting activity	-
Total underwriting activity	-

(Total of A and C)
(Total of B, D and E)

I. Underwriting of Securities on a Firm Basis

Issuer	A. Equity Securities			B. Debt Securities			Total Securities		
	Amount of Commitment	Actual Securities Sold	Amount of Underwritten Transaction	Amount of Commitment	Actual Securities Sold	Amount of Underwritten Transaction	Amount of Commitment	Actual Securities Sold	Amount of Underwritten Transaction
			-			-			-
			-			-			-
			-			-			-
TOTAL			-			-			-

II. Distribution/Sale of Securities on a Best-Effort Basis (such as Arranger of Securities, Issue Manager and Other Similar Arrangements)

Issuer	Amount of Underwritten Transaction	
	C. Equity Securities	D. Debt Securities
		-
		-
		-
TOTAL		-

III. Participation in the Origination/Sale of Government Securities in the Primary Market (such as Arranger of Securities, Issue Manager, Selling Agent and Other Similar Arrangements)

Name of Issue	ISIN/Series Code	Public Offering Period	Issue Date	Amount of Public Offering	E. Amount of Participation
TOTAL					

Schedule of Restriction on Distribution During the Phased-in Implementation Period of the Higher Loss Absorbency Requirement*

Restriction on Distributions	Level of CET1 Capital					
	Bucket 1		Bucket 2			
	1-Jan-2017 to 31-Dec-2017	1-Jan-2018 to 31-Dec-2018	1-Jan-2019 to 31-Dec-2019	1-Jan-2017 to 31-Dec-2017	1-Jan-2018 to 31-Dec-2018	1-Jan-2019 to 31-Dec-2019
No distribution (until the minimum CET 1, CCB and more than 50% of DSIB HLA are met; and conditions a and c of paragraph 24 of the Circular are complied with)	<=8.75%	<=9.0%	<=9.25%	<=8.9167%	<=9.3333%	<=9.75%
50% of earnings may be distributed (if the minimum CET1, CCB and more than 50% of the DSIB HLA requirements are met; and conditions a and c of paragraph 24 of the Circular are complied with)	>8.75% - 9.0%	>9.0% - 9.5%	>9.25% - 10.00%	>8.9167% - 9.3333%	>9.3333% - 10.1667%	>9.75% - 11.00%

* Assuming there is no change in the bucket/required HLA during the phased-in implementation period.

In case of change in the HLA requirement during the phased-in period, the required HLA shall be distributed equally over the remaining period until the full implementation in 2019.