



BANGKO SENTRAL NG PILIPINAS

CIRCULAR NO. 1142 Series of 2022

OFFICE OF THE GOVERNOR

Subject: Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio

The Monetary Board, in its Resolution No. 372 dated 17 March 2022, approved the following amendments to the guidelines on the computation of the minimum required capital under Section 121 and the risk-based capital adequacy ratio under Appendices 59 and 62 of the Manual of Regulations for Banks (MORB) and other related regulations.

Section 1. Section 121 of the MORB, is hereby amended, as follows:

"121 MINIMUM REQUIRED CAPITAL

Definition of Capital. The following provisions shall govern the capital requirements for banks.

The term capital shall be synonymous to *unimpaired capital and surplus, combined capital accounts and net worth* and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits. For this purpose, the following items shall likewise be added to or deducted from capital:

a. Deposit for stock subscription x x x.

b. The following shall be deducted from capital:

(1) Treasury stock;

(2) x x x;

(3) Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, and their related interests (DOSRI) granted by the bank proper: *Provided*, That in the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government;

x x x

Section 2. Paragraph 4 of Part II of Appendix 59 of the MORB, as amended¹, on Qualifying Capital under the Risk-Based Capital Adequacy

¹ Amended by Circular Nos. 1107 dated 23 December 2020, 1084 dated 28 April 2020, 1067 dated 13 December 2019, and 1044 dated 6 August 2019

Framework for the Philippine Banking System (Appendix to Section 125 of the MORB) is hereby further amended, as follows:

"Part II. Qualifying Capital

x x x

Regulatory adjustment to CET 1 capital

4. The following shall be deducted from/(added to) CET 1 capital:

a. Common stock treasury shares¹ x x x;

x x x

d. Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI: *Provided*, That in the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government;

x x x"

Section 3. Paragraph 5 of Part II on Qualifying Capital and Paragraph 2 of Part III on Credit Risk-Weighted Assets of Appendix 62 of the MORB under the Risk-Based Capital Adequacy Framework for the Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks (Appendix to Section 127 of the MORB), as amended by Circular Nos. 1084 and 1079 dated 28 April 2020 and 09 March 2020, respectively, is hereby further amended, as follows:

"Part II. Qualifying Capital

x x x

A. Tier 1 capital

x x x

Regulatory Adjustments to CET 1 capital

5. The following must be deducted from/(added to) CET1 capital:

x x x

¹ Treasury shares are: (1) shares of the parent bank held by a subsidiary financial allied undertaking in a consolidated statement of condition, or (2) the reacquired shares of a subsidiary bank/QB that is required to compute its capital adequacy ratio in accordance with this framework.

- c) Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI), net of allowance for credit losses: *Provided*, That in the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government;

x x x"

"Part III. Credit Risk-Weighted Assets

x x x

A. On-Balance Sheet Assets

2. The risk-weighted amount shall be the product of the net carrying amount of the asset and the risk weight associated with that asset. X x x

- a) 0% risk weight -

x x x

- g) 100% risk weight -

All other assets including, among others, the following:

- (i) Claims on central governments and central banks of foreign countries other than those with the highest credit quality;

x x x; and

- xii. Foreign currency checks and other cash items not acceptable as international reserves,

except those which are deducted from capital, as follows:

- (1) Total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI - net of allowance for credit losses: *Provided*, That in the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government;

x x x"

Section 4. Section 1121 of the MORB, as amended by Circular Nos. 1081 and 1032 dated 4 March 2020 and 15 February 2019, respectively, is hereby further amended to align with the foregoing amendments, as follows:

**"1121 PERSONAL EQUITY AND RETIREMENT ACCOUNT (PERA)
MARKET PARTICIPANTS AND PERA INVESTMENT PRODUCTS**

x x x

Qualification/Accreditation requirements

- a. *As an Administrator.* The Bangko Sentral shall issue a Qualification Certificate as Administrator to an entity upon compliance with the following requirements:

- (1) The applicant shall have a net worth of at least Php100 million.

Net worth shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, net of:

x x x

- (b) Total outstanding unsecured credit accommodations, both direct and indirect, extended by the Administrator to DOSRI: *Provided*, That in the case of government-owned or -controlled banks, the adjustment shall not include the unsecured peso-denominated credit accommodations to the Philippine National Government; and

x x x"

Section 5. Effectivity. 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:


BENJAMIN E. DIOKNO
Governor

29 March 2022