

[BSP CIRCULAR NO. 784, January 25, 2013]

**AMENDMENTS ON EXCLUSIONS FROM SINGLE BORROWER'S
LOAN (SBL) LIMIT AND EQUITY INVESTMENT CEILINGS**

Pursuant to Monetary Board Resolution No. 2147 dated 20 December 2012, to strengthen the application of the single borrower's loan (SBL) limit and the equity investment ceilings on underwriting exposures of universal banks (UBs) and investment houses (IHs), the holding period for not recognizing the risk exposures involved for any unsold portion of the issue taken on by said UB and IH for its own account as a result of its securities underwriting, is hereby tightened.

Section 1. The pertinent provisions of the Manual of Regulations for Banks (MORB) on exclusions from SBL limit are hereby amended to read as follows:

1. "Subsection X303.4 Exclusions from loan limit

"x x x

"d. The total liabilities of a commercial paper issuer for commercial paper held by a UB acting as a firm underwriter of said commercial paper shall not be counted in determining compliance with the SBL within a period of ninety (90) calendar days from the issuance of the commercial paper: Provided, That in no case shall such liabilities exceed five percent (5%) of the net worth of the UB beyond the normal applicable SBL;

"x x x

"g. Loans and other credit accommodations as a result of an underwriting or sub-underwriting agreement of debt securities outstanding for a period not exceeding thirty (30) calendar days. Said other credit accommodations shall include, among others, inventories of debt securities such as, but not limited to bonds and notes purchased by the UB out of its underwriting commitments;

"x x x"

2. "Subsection X348.5 Loan limit. The liabilities of a commercial paper issuer to a bank arising from the availment by the issuer of the credit line agreement shall not be counted in determining compliance by the bank with the SBL for a period of ninety (90) calendar days from each availment of the credit line: Provided, That in no case shall they exceed five percent (5%) of the net worth of the bank beyond the normal applicable SBL."

Section 2. Subsection 4303Q.1 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby amended to read as follows:

"Subsection 4303Q.1 (2008-4306Q.1) Exclusions from loan limit.

In addition to those enumerated in Sec. 4303Q:

- "a. The total liabilities of a commercial paper issuer for commercial papers held by a QB acting as a firm underwriter of said commercial paper shall not be counted in determining compliance with the SBL within a period of ninety (90) calendar days from the issuance of the commercial paper: Provided, That in no case shall such liabilities exceed five percent (5%) of the net worth of the QB beyond the normal applicable SBL.; and
- "b. Loans and other credit accommodations as a result of an underwriting or sub-underwriting agreement of debt securities outstanding for a period not exceeding thirty (30) calendar days. Said other credit accommodations shall include, among others, inventories of debt securities such as, but not limited to bonds and notes purchased by the QB out of its underwriting commitments."

Section 3. The MORB provisions excluding underwritten exposures for a period of two (2) years from equity investments ceilings are hereby amended, as follows:

1. Section X383.c of the MORB is hereby amended to read as follows:

"Sec. X383 Other Limitations and Restrictions. The following limitations and restrictions shall also apply regarding equity investments of banks.

"x x x

- "c. *Exclusion of underwriting exposure from ceiling.* The exposure of a bank with UB authority arising from the firm underwriting of equity securities of enterprises shall not be counted in determining compliance with the ceilings prescribed in this Section and Subsec. 1381.2 for a period of ninety (90) calendar days from the issuance of such equity securities.

"x x x"

2. Appendix 79 of the MORB is hereby amended to read as follows:

"The following are the guidelines in determining compliance with ceilings on equity investments prescribed under Sections/Subsections X378, X379.1, X380, 1381, 1381.1, 1381.2 and X383, in view of the adoption of the PFRS/PAS:

- a. Components of equity investment. Equity securities booked under the Designated at Fair Value Through Profit or Loss (DFVPL), Available-For-Sale, Investment in Non-Marketable Equity Securities (INMES) and Equity Investments in Subsidiaries/Associates/Joint Ventures categories shall all be considered in computing for compliance with the ceilings on equity investments prescribed under Sec. X383 and Subsec. X379.1: Provided, That Underwritten equity