

[BSP CIRCULAR NO. 442, July 20, 2004]

**ADDED SECTION OF THE MANUAL OF REGULATIONS ON BANKS
AND MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL
INSTITUTIONS**

Pursuant to Monetary Board Resolution No. 965 dated 08 July 2004, the following shall be added as Section X654 of the Manual of Regulations for Banks, and at the end of Section 4654.Q of the Manual of Regulations for Non-Bank Financial Institutions:

1. The term "examination" shall, henceforth, refer to an investigation of an institution under the supervisory authority of the Bangko Sentral ng Pilipinas (BSP) to determine compliance with laws and regulations. It shall include determination that the institution is conducting its business on a safe and sound basis. Examination requires full and comprehensive looking into the operations and books of institutions, and shall include, but need not be limited to, the following:

- Determination of the bank's solvency and liquidity position;
- Evaluation of asset quality as well as determination of sufficiency of valuation reserves on loans and other risk assets;
- Review of all aspects of bank operations;
- Assessment of risk management system, including the evaluation of the effectiveness of the bank management's oversight functions, policies, procedures, internal control and audit;
- Appraisal of overall management of the bank;
- Review of compliance with applicable laws, rules and regulations; and
- Any other activity relevant to the above.

2. Regular or periodic examination shall be done once a year, with an interval of twelve months from the last date thereof. Special examination may be conducted earlier, or at a shorter interval, when authorized by the Monetary Board by an affirmative vote of five (5) members.

3. In the full exercise of the supervisory powers of the BSP, examination by the BSP of institutions shall be complemented by overseeing thereof. In this regard, the term "overseeing" shall refer to a limited investigation of an institution, or any investigation/s that is limited in scope, conducted to inquire into a particular area/aspect of an institution's operations, for the purpose of overseeing that laws and regulations are complied with,