

[CIRCULAR NO. 887, October 14, 2015]

**FURTHER AMENDMENTS TO THE REGULATIONS ON THE
APPROVAL/CONFIRMATION OF THE ELECTION/APPOINTMENT
OF DIRECTORS/OFFICERS**

Adopted: 07 October 2015

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The Monetary Board in its Resolution No. 1342 dated 20 August 2015, approved the following amendments to the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI):

Section 1. Subsection X141.2 of the MORB prescribing the minimum qualifications of a director is hereby amended to read as follows:

Subsec. X141.2 Qualifications of a director.

a. A director shall have the following minimum qualifications:

- (1) xxx
- (2) xxx
- (3) xxx
- (4) xxx

An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix 98. Non- submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and result in his/her removal from the Board.

The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

b. xxx

xxx xxx xxx

Section 2. Subsection X141.4 of the MORB on confirmation of the election/appointment of directors/officers is hereby amended, as follows:

Subsec. X141.4 Confirmation of the election/appointment of

directors/officers. The election/appointment of directors/officers of banks shall be subject to confirmation by the following:

| Con fi rmi ng Aut hority | Pos iti on Le v e l |
|--|---|
| a . Monet ary Board | D i rect ors and seni or vi ce presi dent and above (o r equi val ent ranks) of UBs and KBs, and of I sl amic Banks, TBs, RBs and Coop Banks with Tota l Assets of at l east P1.0 billi on. |
| b . An SES Committ ee to be composed of: - Deputy Governor, SES - Heads of SES Subsect ors I, II and III | D i rect ors and seni or vi ce presi dent and above (o r equi val ent ranks) of I sl amic Banks, TBs, RBs and Coop Banks with t ot al assets of l ess t han P1.0 billi on |

The election/appointment of abovementioned directors/officers shall be deemed to have been confirmed by the Bangko Sentral, if after sixty (60) banking days from receipt of the complete required reports, the appropriate supervising department of the SES does not advise the bank concerned against said election/appointment.

However, the confirmation by the Monetary Board/SES Committee of the election/appointment to abovementioned position levels shall not be required, in the following cases:

- a. Reelection of a director (as a director) in the same bank or election of the same director in another bank, QB, trust entities other than stand-alone or trust corporation within a banking group;
- b. Reelection of an independent director (as an independent director or not) in the same bank or election of the same director (as an independent director or not) in another bank, QB, trust entities other than stand-alone or trust corporation within a banking group; and
- c. Promotion of an officer, other than to that which requires (i) prior Monetary Board approval or (ii) a different set of minimum qualifications or (iii) a different level of confirming authority as provided in the first paragraph hereof, in the same bank or appointment/transfer to another bank, QB, trust entities other than stand-alone or trust corporation within a banking group:

Provided, That the director/officer concerned has been previously confirmed or in the case of a compliance officer or trust officer who will be promoted to the rank of senior vice president or above (or equivalent rank), previously approved/confirmed by the Monetary Board, or if previously confirmed by the SES Committee, his/her reelection/promotion/transfer requires the same level of confirming authority as provided in the first paragraph hereof: *Provided, further,* That said director/officer has had continuous service within the same bank or banking group. This exemption shall apply to directors/officers confirmed by the Monetary Board/SES Committee starting 1 January 2011.

The appointment of officers below the rank of SVP shall be subject neither to Monetary Board approval nor Bangko Sentral confirmation.

The appointment of compliance officers and trust officers regardless of rank shall be subject to prior Monetary Board approval/confirmation as provided in Subsecs. X180.4 and X406.10, respectively.

"For purposes of this Subsection, the term banking group shall refer to the parent bank and its subsidiary banks, QBs, trust entities other than stand-alone and trust corporations, as well as other banks, QBs, trust entities other than stand-alone and trust corporations over which the parent bank has the power to exercise "control" as defined in Subsec. X141.2.

"The documentary requirements for the confirmation of the election/ appointment of directors/officers/trust officer, and approval of the appointment of compliance officers of banks/QBs/NBFIs with trust authority/trust corporations are shown in Appendix 98. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position.

A director/officer whose election/appointment was not confirmed for failure to submit the complete documentary requirements shall be deemed removed from office after due notice to the board of directors of the bank, even if he/she has assumed the position to which he/she was elected/appointed, pursuant to Section 16 of R.A. No. 8791.

Section 3. Subsection X141.9 of the MORB on reports required is hereby amended, as follows:

Subsec. X141.9 Certifications required. Banks shall furnish all of their first-time directors within a bank or banking group with a copy of the general responsibility and specific duties and responsibilities of the board of directors and of a director prescribed under Items "b", "c" and "d" of Subsec. X141.3 upon election.

"The bank must submit to the appropriate department of the SES, within twenty (20) banking days from date of election, a certification under oath of the directors concerned that they have received copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same, in accordance with Appendix 6.

"The bank must submit to the appropriate department of the SES a certification under oath of the director/officer with rank of senior vice president and above, and officer whose appointment requires prior Monetary Board approval that he/she has all the prescribed qualifications and none of the disqualifications within twenty (20) banking days from the date of election/re-election of the directors/meeting of the board of directors in which the officers are appointed/promoted, in accordance with Appendix 6."

Section 4. Subsection X142.2 of the MORB prescribing the minimum qualifications of an officer is hereby amended to read as follows:

Subsec. X142.2 *Qualifications of an officer.* An officer shall have the following minimum qualifications:

xxx

In the case of Coop Bank, the manager must have actual banking experience (at least manager or assistant manager).

An appointed officer has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix 6. Non-submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and result to his/her removal therefrom.

The foregoing qualifications for officers shall be in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.

Section 5. Subsection X144 of the MORB on bio-data of directors and officers is hereby amended to read as follows:

Sec. X144. *Biodata of Directors and Officers.*

a. Banks shall submit to the appropriate department of the SES a bio-data with ID picture of their (i) directors/officers with rank of senior vice president (SVP) and above (or equivalent ranks), (ii) officers below the rank of SVP requiring a different set of minimum qualifications or (iii) officers whose appointment requires prior Monetary Board approval upon every election/re-election/appointment/promotion in a prescribed form and for first-time directors/officers with rank of SVP and above (or equivalent ranks) within a particular bank/banking group whose election/appointment requires Monetary

Board/SES Committee confirmation or whose appointment requires prior Monetary Board approval, the duly notarized authorization form per Appendix 76, within twenty (20) banking days from the date of election/re-election of the directors/meeting of the board of directors in which the officers are appointed/promoted, in accordance with Appendix 6.

The bio-data shall be updated and submitted (i) in cases of change of name due to change in civil status and change of residential address, within twenty (20) banking days from the date the change occurred and (ii) in cases of requests for prior Monetary Board approval of interlocks.

For other officers below the rank of SVP, the bank shall not be required to submit their bio-data to the Bangko Sentral.

b. The bank shall, however, keep a complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the Bangko Sentral for submission for off-site verification.

c. Banks shall also submit to the appropriate department of the SES, a duly

notarized list of the incumbent members of the board of directors and officers (President or equivalent rank, down the line, format attached as Appendix 98b), within twenty (20) banking days from the annual election of the board of directors as provided in the bank's by-laws, in accordance with Appendix 6.

d. xxx.

xxx xxx xxx

Section 6. Subsection 4141Q.2 of the MORNBFBI prescribing the minimum qualifications of a director is hereby amended to read as follows:

Subsec. 4141Q.2 Qualifications of a director.

a. A director shall have the following minimum qualifications: (1) xxx

(2) xxx (3) xxx (4) xxx

An elected director has the burden to prove that he/she possesses all the foregoing minimum qualifications and none of the disqualifications by submitting the documentary requirements listed in Appendix Q-57. Non- submission of complete documentary requirements within the prescribed period shall be construed as his/her failure to establish his/her qualifications for the position and result to his/her removal from the Board.

The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations."

b. xxx.

xxx xxx xxx

Section 7. Subsection 4141Q.4 of the MORNBFBI on confirmation of the election/appointment of directors/officers is hereby amended to read as follows:

Subsec. 4141Q.4. Confirmation of the election/appointment of directors/officers. The election/appointment of directors/officers of QBs and NBFIs with trust authority shall be subject to confirmation by the following:

| Confirming Authority | Position Level |
|---|--|
| a. Monetary Board | Directors and senior vice president and above (or equivalent ranks) of QBs, and NBFIs with trust authority with total assets of at least P1.0 billion. |
| b. An SES Committee to be composed of: - Deputy Governor, SES - Heads of SES Subsectors I, II and III | Directors and senior vice president and above (or equivalent ranks) QBs, and NBFIs with trust authority with total assets of less than P1.0 billion |

The election/appointment of abovementioned directors/officers shall be deemed to have been confirmed by the Bangko Sentral, if after