

[BSP CIRCULAR NO. 581, September 14, 2007]

GUIDELINES IN DETERMINING COMPLIANCE WITH CEILINGS ON EQUITY INVESTMENTS

The Monetary Board in its Resolution No. 818 dated 19 July 2007 approved the following guidelines in determining compliance with ceilings on equity investments prescribed under Sections/Subsections X378 (as amended by Circular No. 530 dated 19 May 2006), X379.1, X380, 1381, 1381.1, 1381.2 and X383 of the Manual of Regulations for Banks (MORB), in view of the adoption of the Philippine Financial Reporting Standards (PFRS)/Philippine Accounting Standards (PAS):

Section 1. Components of Equity Investment - Equity securities booked under the Designated at Fair Value Through Profit or Loss (DFVPL), Available for Sale (AFS), 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 Subsection X379.1 and Section X383 of the MORB: Provided that: Underwritten equity securities booked under the AFS category shall be excluded from total equity investments for a period of two (2) years from the date of acquisition thereof: Provided, further, That upon prescription of the two-year period, such equity securities shall be booked according to intention and shall then be included in the computation of compliance with the prescribed ceilings.

For this purpose, the following financial instruments shall likewise be included in the computation of compliance with the prescribed ceilings:

- (a) Equity securities including those accounted for as debt instruments booked under the Held for Trading (HFT) category, which remain unsold for more than one year.
- (b) Mandatorily redeemable preferred shares and preferred shares of similar nature that are accounted for as debt instruments, which may also be booked under the Held to Maturity (HTM) or Unquoted Debt Securities Classified as Loans (UDSCL) categories.
- (c) Investments in Hybrid Tier 1 securities that are issued in the form of perpetual preferred shares.

Section 2. Shares of Stock Acquired in Settlement of Loans - Shares of stock of another corporation acquired in settlement of loans shall be excluded from total equity investments for purposes of determining compliance with the prescribed ceilings on equity investments: Provided, That confirmation of the Monetary Board shall be required in the following cases within 30 days from the date of acquisition thereof:

- (a) Acquisition of shares of stock of non-allied enterprises by banks without universal banking authority, otherwise prohibited in Section 1381