



**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF THE GOVERNOR

**CIRCULAR NO. 960**

Series of 2017

**Subject: Investment in Readily Marketable Bonds and Other Debt Securities**

Pursuant to Monetary Board Resolution No. 623 dated 11 April 2017, allowing rural and cooperative banks to invest in readily marketable bonds and other debt securities without prior Bangko Sentral approval subject to compliance with certain requirements, the following provisions of the Manual of Regulations for Banks (MORB) are hereby amended.

**Section 1.** Section X101 of the MORB on classifications, powers, and scope of authorities of bank is hereby amended to read as follows:

**“Section X101 Classifications, Powers and Scope of Authorities of Banks.** The following are the classifications, powers and scope of authorities of banks, as well as the pre-requisites for the grant of banking authorities:

a. *Classification of banks.* xxx

xxx

b. *Powers and scope of authorities.* The following are the powers and scope of authorities of banks.

(1) *Universal Banks (UBs).* xxx

xxx

(2) xxx

xxx

(3) *Thrift Banks (TBs).* xxx

xxx

(4) *Rural Banks (RBs).*

(a) xxx

(b) xxx

(c) xxx

(d) xxx

(e) xxx

(f) acquire readily marketable bonds and other debt securities;

(g) offer other banking services as provided in Section 53 of Republic Act (R.A.) No. 8791; and

(h) buy and sell foreign exchange.

With prior approval of the Monetary Board, an RB may perform any or all of the following services:

- (i) xxx
- (j) xxx
- (k) xxx
- (l) xxx
- (m) xxx
- (n) xxx

(5) *Cooperative Banks (Coop Banks)*. xxx

In addition to the powers granted to Coop Banks under existing laws, any Coop Bank may perform any or all of the banking services offered by rural banks under Items "4.a" to "4.h" above. A Coop Bank may likewise perform any or all of the banking services offered by rural banks under Items "4 (i)" to "4 (n)" xxx.

(6) *IBs*. xxx

xxx"

**Section 2.** Subsection X388.5 of the MORB on investment in debt and readily marketable equity securities is hereby amended as follows:

**"Subsection X388.5 *Investment in readily marketable bonds and other debt securities.*** The following rules and regulations shall govern investment in readily marketable bonds and other debt securities.

a. Banks may invest in the following:

(1) Readily marketable bonds and other debt securities xxx. *Provided*, That the bonds and other debt securities have complied with the new rules on registration of commercial papers: *Provided, further*, That RBs/Coop Banks investing in readily marketable bonds and other debt securities shall comply with the prudential criteria enumerated under Subsection X1101.2 of the MORB. In addition to said criteria, the investment shall not be held for trading purposes.

RBs/Coop Banks shall submit a one-time notarized certification that the pre-qualification requirements under Subsection X1101.2 of the MORB have been complied with to the appropriate department of the SES within ten (10) calendar days from date of initial investment. In addition, banks shall conduct a continuous self-assessment of their compliance with said pre-qualification requirements.

TBs may invest in evidences of indebtedness which are registered with the Securities and Exchange Commission (SEC) but are not readily marketable securities: x x x”

xxx

(2) Evidences of indebtedness of the Republic of the Philippines or the Bangko Sentral, and any other evidences or indebtedness or obligations the servicing and repayment of which are guaranteed by the Republic of the Philippines.

b. Any violation of the provision stated in Item “a” above shall subject the bank and its concerned officer/s to applicable enforcement action enumerated under Subsection X1101.3 of the MORB.

Regular banking xxx.”

**Section 3.** Subsection X191.4 is added to provide the guidelines on the accounting treatment of financial securities which shall read as follows:

***“Subsection X191.4 Accounting treatment of Financial Securities.*** The classification, accounting procedures, valuation, sales and transfers of Investment in Debt Securities and Marketable Equity Securities shall be in accordance with the guidelines in *Appendices 33 and 33a.*”

**Section 4.** The provisions on penalties and sanctions under Subsec. X191.3 are hereby transferred to a new Subsection, X191.5, and shall read as follows:

***“Subsection X191.5 Penalties and sanctions.*** The following penalties and sanctions shall be imposed on BSP-Supervised Financial Institutions (BSFIs) and concerned officers found to violate the provisions of *Appendices 33, 33a and 97.*

a. Fines to be imposed on BSFIs for each violation, reckoned from the date the violation was committed up to the date it was corrected:

- (1) P20,000/day for UBs;
- (2) P10,000/day for KBs;
- (3) P2,000/day for TBs; and
- (4) P1,000/day for RBs/Coop Banks.

b. Sanctions to be imposed on concerned officers:

- (1) First offense - reprimand the officers responsible for the violation; and
- (2) Subsequent offenses - suspension of ninety (90) days without pay for officers responsible for the violation.”

**Section 5.** The titles of Appendices 33, 33a and 97 are hereby amended to properly indicate the relevant subsection of the MORB to which they pertain to.

A. On Appendix 33.

“CLASSIFICATION, ACCOUNTING PROCEDURES, VALUATION AND SALES AND TRANSFERS OF INVESTMENTS IN DEBT SECURITIES AND MARKETABLE EQUITY SECURITIES

(Appendix to Subsec. X191.3 and 191.4)”

B. On Appendix 33.a

“ESTABLISHING THE MARKET BENCHMARKS/REFERENCE PRICES AND COMPUTATION METHOD USED TO MARK-TO MARKET DEBT AND MARKETABLE EQUITY SECURITIES

(Appendix to Subsec. X191.4)”

C. On Appendix 97

“GUIDELINES GOVERNING THE IMPLEMENTATION/EARLY ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS 9) FINANCIAL INSTRUMENTS AS OF 31 DECEMBER 2015)

(Appendix to Subsec. X 191.3 and 191.5)

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Section 5. Sanction. The penalties and sanctions provided under Subsec. X191.5 xxx”

**Section 6.** This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

  
AMANDO M. TETANGCO, JR.

Governor

4 May 2017