

SECURED LOANS TO DIRECTORS, OFFICERS, STOCKHOLDERS AND THEIR RELATED INTERESTS (DOSRI) OF BANKS AND NON-BANKS PERFORMING QUASI-BANKING FUNCTIONS

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Pursuant to Monetary Board Resolution Nos. 1666 and 1802 dated December 2 and 29, 1998, respectively, the provisions of the Manual of Regulations for Banks and Other Financial Intermediaries (Books I to IV) regarding secured loans to directors, officers, stockholders and their related interests (DOSRI) of banks and non-banks performing quasi-banking functions, are amended as follows:

SECTION 1. Subsection 1326.1.h (1) Book I is hereby amended to read as follows:

"h. Secured loan, borrowing, or credit accommodation shall refer to:

"(1) Any loan, discount, credit or advance or portion thereof referred to in Section 1327 which is secured by real estate mortgage; chattel mortgage on tangible assets; standby letters of credit issued by foreign banks excluding Philippine branches of foreign banks; assignment of, or hold-out on, deposits or deposit substitutes maintained in the lending bank; cash margin deposits; or assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity, and subject to the following additional provisions: (a) the issuer corporation must be a listed corporation with a networth of at least P1 billion and with a record of at least 5 consecutive years earnings reckoned from the immediately preceding 5 years; and (b) the loan value shall be equivalent to fifty percent (50%) of the market value of the stocks;"

SECTION 2. Subsection 2326.1.g(1) (Book II) is hereby amended to read as follows:

"g. Secured loan, borrowing, or credit accommodation shall refer to:

"(1) Any loan, discount, credit or advance or portion thereof, referred to in Section 2327 which is secured by real estate mortgage; chattel mortgage on tangible assets; standby letters of credit issued by foreign banks excluding Philippine branches of foreign banks; assignment of, or hold-out on, deposits or deposit substitutes maintained in the lending bank; cash margin deposits; or assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity, and subject to the following additional provisions: (a) the issuer corporation must be a listed corporation with a networth of at least P1 billion and with a record of at least 5 consecutive years earnings reckoned from the immediately preceding 5 years; and (b) the loan value shall be equivalent to fifty percent (50%) of the market value of the stocks;"

SECTION 3. Subsection 3326.1.g (1) (Book III) is hereby amended to read as follows:

"g. Secured loan, borrowing, or credit accommodation shall refer to:

"(1) Any loan, discount, credit or advance, or portion thereof, referred to in Section 3327 which is secured by real estate mortgage; chattel mortgage on tangible assets; standby letters of credit issued by foreign banks excluding Philippine branches of foreign banks; assignment of, or hold-out on, deposits maintained in the lending bank; or assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity, and subject to the

following additional provisions: (a) the issuer corporation must be a listed corporation with a networth of at least P1 billion and with a record of at least 5 consecutive years earnings reckoned from the immediately preceding 5 years; and (b) the loan value shall be equivalent to fifty percent (50%) of the market value of the stocks;"

SECTION 4. Subsection 4326Q.1.d (Book IV) is hereby amended to read as follows:

"d. 'Secured loan, borrowing, or credit accommodation' shall refer to any loan, discount, credit or advance, or portion thereof referred to in Section 4327Q which is secured by real estate mortgage; chattel mortgage on tangible assets; standby letters of credit issued by foreign banks; assignments of or hold-out on deposit substitutes issued by the lending entity; cash margin deposits; assignment or pledge of government securities or readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending entity, or receivables arising from financial leases to the extent of the guaranty deposit plus sixty percent (60%) of the remaining value of the leased equipment. For this purpose, the issuer corporation of "blue chip" stocks must be a listed corporation with a networth of at least P1 billion and with a record of at least 5 consecutive years earnings reckoned from the immediately preceding 5 years; and the loan value of said stocks shall be equivalent to fifty percent (50%) of its market value."

This Circular shall take effect immediately.

Adopted: 26 Jan. 1999

(SGD.) GABRIEL C. SINGSON
Governor

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