AMENDMENT ON TRUST RULES

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Pursuant to the provisions of Monetary Board Resolution No. 266 dated 13 March 1996, Subsection __404.1 of the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities (Trust Rules) is hereby amended to read as follows:

> "Subsec. 404.1. Pre-requisites for - Engaging in Trust and Other Fiduciary Business. A bank or investment house, before it may engage in trust and other fiduciary business, shall comply with the following requirements:
>
> 1. The applicant has combined capita! accounts as follows:
>
> Expanded commercial banks (EKBs)
>
> - P2.5 billion
>
> Commercial banks (KBs) - P1.25 billion
>
> Branches of foreign banks
>
> - Permanently assigned capital plus "Net Due to Head Office" account which shall not exceed four (4) times the amount of such permanently assigned capital as required under Sections 5 and 7 of BSP Cir. No. 51
>
> Thrift banks and investment houses - P250 million

"For domestic financial institution 'Combined Capital Accounts' for purposes of this subsection shall mean the total of the unimpaired paid-in capital, earned surplus and undivided profits, net of deferred income tax, and such unbooked valuation reserves and other capital adjustments as may be required by the Bangko Sentral; and excluding any appraisal surplus or appreciation credit as a result of appreciation or an increase in book value of assets.

"For branches of foreign banks, "Combined Capital Accounts' shall mean the total of the permanently assigned capital plus 'Net Due to Head Office' account which shall not exceed four (4) times the amount of such permanently assigned capital. This shall, however, be net of deferred income tax and such valuation reserves and other capital adjustments as may be required by the Bangko Sentral.

"2. The applicant has been duly licensed or incorporated as a financial institution by the appropriate government agency or by special law or charter.

"3. The articles of incorporation or governing charter of the institution shall include among its powers or purposes, acting as trustee or administering any trust or holding property in trust or on deposit for the use, or

behoof of others.

"4. The by-laws of the institution shall include among others, provisions on the following:

a. The organization plan or structure of the department, office or unit which shall conduct the trust and other fiduciary business of the institution;

b. The creation of a trust committee, the appointment of a trust officer and subordinate officers of the trust department; and

c. A clear definition of the duties and responsibilities as well as the line and staff functional relationships of the various units, officers and staffs within the organization.

"5. The applicant bank/investment house shall also meet the following additional requirements:

a. It has not incurred losses during the last six (6) months immediately preceding the date of application or in lieu thereof, the applicant shall infuse additional capital over and above the basic minimum capital required equivalent to an amount computed by multiplying the average rate of return of networth of normally operating bank/financial institution (EKS, KB, FxB, TB or IH), as the case may be, during the preceding year by the basic minimum capital required for the applicant bank/financial institution;

b. It has continuously complied with its net worth-to-risk assets ratio, liquidity floor, and ceilings on DOSRI loans for the last sixty (60) days immediately preceding the date of application;

c. It has not incurred net weekly reserve deficiency against deposit liabilities and deposit substitutes during the last eight (8) weeks immediately preceding the date of application.

d. It has shown substantial compliance with other pertinent laws, rules and regulations, policies and instructions of the Bangko Sentral; has not been cited for serious violations or exceptions affecting its solvency, liquidity and profitability.

"Compliance with the foregoing as well as with other requirements under existing regulations shall be maintained up to the time the trust license is granted. A bank or investment house that fails in this respect shall be required to show compliance for another test period of the same duration.

These amendments shall take effect immediately.

Adopted: 25 Apr. 1996

(SGD.) ALBERTO V. REYES

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