



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 1199
Series of 2024

Subject: Divestment of Equity Investments

The Monetary Board, in its Resolution No. 805 dated 11 July 2024, approved the amendments to the Manual of Regulations for Banks (MORB) on divestment of equity investments which are not allowed under applicable laws or which do not comply with applicable regulations.

Section 1. Section 379 of the MORB is hereby amended to read, as follows:

379 SANCTIONS

Equity investment transactions which are not allowed under applicable laws or which do not comply with applicable regulations shall be divested.

For purposes of this Section,

- a. "Transaction" or "equity investment" shall refer to (1) subscription/issuance, purchase/sale, and/or transfer of voting shares, or conversion of preferred shares or debt instruments into voting shares of stock, and (2) such act, contract, agreement or arrangement whereby a bank: (a) acquires voting shares of stock from one person, whether natural or juridical; or (b) is vested the right to vote or vested the control of the voting shares of stock.
- b. "Divestment" shall refer to the manner or scheme of selling or disposing the Bank's investment in another company's equity.

The period within which to divest equity investments which are not allowed under applicable laws or which do not comply with applicable regulations are as follows:

- a. *For transactions not allowed under applicable laws.* Equity investments not allowed under applicable laws shall be divested immediately and without the need of notice from the Bangko Sentral. Divestment may be made for the whole transaction or, in case of divisible transactions, on the portion not allowed under applicable laws.
- b. *For transactions which do not comply with applicable regulations, including those which were disapproved by or for which no request for approval was submitted to the Bangko Sentral for reasons, such as those which are (1) not compliant with the requirements of regulations; (2) not allowed or failed to meet the conditions for approval under applicable regulations; or (3) entered into in violation of existing agreements in relation to the extension of financial assistance to the bank by the Philippine Deposit Insurance*

Corporation. Equity investments which do not comply with applicable regulations shall be divested within a period not exceeding six (6) months from receipt of notice from the Bangko Sentral. Divestment may be made for the whole transaction or, in case of divisible transactions, on the portion which does not comply with applicable regulations.

The following sanctions shall be imposed for equity investments which are not allowed under applicable laws or which do not comply with applicable regulations ~~made without prior Monetary Board approval~~, without prejudice to the imposition of other enforcement actions under Section 002 (e.g., for delay in divestment):

a. ~~First offense - If the investment is not allowable under existing regulations,~~ Divestment of the investment within the required timeline set forth in this Section and reprimand on officer/director who recommended/approved the investment.

b. *Subsequent offense -*

~~On the Bank. If the investment is not allowable under existing regulations,~~ Divestment of the investment within the required timeline set forth in this Section, and fine in amount as may be determined by the Monetary Board to be appropriate, but in no case to exceed P1.0 million for each investment.

~~On the director/officer who recommended/approved the investment.~~

1. Reprimand; and
2. Fine of P20,000 for each investment made

to be imposed on the executive officers and members of the board ~~and the executive officers who recommended/~~ or approved the investment ~~per investment~~. The fine shall ~~and~~ be shouldered personally by the officer/director: *Provided*, That if the subsequent offense is an investment in a non-allied enterprise, the fine shall be P40,000.

A bank which has been directed to divest specific equity investments which do not comply with applicable regulations shall submit the following to the appropriate supervising unit/department of the Bangko Sentral for review: (1) within fifteen (15) calendar days from receipt of notice from the Bangko Sentral, a divestment plan duly approved by the Board of Directors, together with Board resolution or Secretary's Certificate approving the same which should contain, at a minimum, the activities, persons responsible, and timeline; and (2) within five (5) calendar days from end of quarter, a progress or status report/s of the said divestment plan. For monitoring purposes, the said status reports shall be noted by the bank's Board, as documented in a Board resolution or Secretary's Certificate.

Section 2. Section 374 of the MORB is hereby amended to read, as follows:

374 INVESTMENTS IN VENTURE CAPITAL CORPORATIONS

x x x

The guidelines in determining compliance with ceilings on equity investments in a VCC are shown in *Appendix 843*.

~~Banks with acquired shares of stock of VCCs in excess of limits provided in this Section which have not been previously confirmed by the Monetary Board shall seek confirmation of the Monetary Board of such acquisition not later than ninety (90) banking days from 20 December 2009: *Provided*, That said confirmation shall be subject, among others, to the condition that such shares of stock shall be disposed of within a reasonable period not to exceed five (5) years from the date of acquisition thereof.~~

Equity investments of venture of capital corporations. x x x

Section 3. Appendix 83 of the MORB is hereby amended to read, as follows:

GUIDELINES IN DETERMINING COMPLIANCE WITH CEILINGS ON EQUITY INVESTMENTS (Appendix to Secs. 373, 374, 375, 376-A and 378)

x x x

- b. 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 under Secs. 373, 374, 375, 376-A and 378: *Provided*, That confirmation of the Monetary Board shall be required in the following cases within thirty (30) days from the date of acquisition thereof:

(1) x x x

x x x

Provided, further, That said confirmation shall be subject, among others, to the condition that such shares of stock shall be disposed of within a reasonable period not to exceed five three (5 3) years from the date of acquisition thereof.

A bank which has been directed to divest specific equity investments shall submit the following to the appropriate supervising unit/department of the Bangko Sentral for review:

(a) within fifteen (15) calendar days from receipt of notice from the Bangko Sentral, a divestment plan duly approved by the Board of Directors, together with Board resolution or Secretary's Certificate approving the same which should contain, at a minimum, the activities, persons responsible, and timeline; and

(b) within five (5) calendar days from end of quarter, a progress or status report/s of the said divestment plan. For monitoring purposes, the said status reports shall be noted by the bank's Board, as documented in a Board resolution or Secretary's Certificate.

x x x

Section 4. Transitory Provision. The following provision shall be incorporated as a footnote to Section 379 of the MORB.

Banks directed to divest equity investment prior to the effectivity of this Circular but have not fully complied with such shall divest said investment within ninety (90) calendar days following the effectivity of this Circular.

Section 5. Effectivity. 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:



ELI M. REMOLONA, JR.
Governor

8 August 2024