



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

## CIRCULAR NO. 1200 Series of 2024

**Subject: Guidelines on Compensation and Per Diem of Trustees, Officers and Employees of Non-Stock Savings and Loan Associations (NSSLAs)**

The Monetary Board, in its Resolution No. 1012 dated 29 August 2024, approved the following amendments to Chapter D of Part One of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) to add new Sections relative to the guidelines governing the compensation and per diem of trustees, officers and employees of non-stock savings and loan associations.

**Section 1.** Chapter D of Part One of the MORNBFI, as amended by Circular No. 1115 Series of 2021, is hereby amended to add new Section 137-S which shall read, as follows:

### 137-S COMPENSATION AND PER DIEM OF TRUSTEES, OFFICERS AND EMPLOYEES

**Policy Statement.** The Bangko Sentral issues these guidelines on compensation and per diems of trustees, officers and employees of non-stock savings and loan associations (NSSLAs) in accordance with the policy of the State to regulate and supervise the activities of NSSLAs, in order to place their operations on a sound, stable, and efficient basis, and to curtail or prevent acts or practices which are prejudicial to their members' interest, as well as to lay down the minimum requirements and the standards under which NSSLAs may organize and operate, as provided under Section 2 (b) and (c) of Republic Act (R.A.) No. 8367, otherwise known as the "Revised Non-Stock Savings and Loan Association Act of 1997". These guidelines also take into account the relevant provisions of R.A. No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" and Sections 14 and 28 of R.A. No. 8367, in furtherance to the endeavor of the Bangko Sentral to sustain resiliency and stability of the financial system, and pursuant to the Monetary Board's regulatory power over NSSLAs under Section 22 of R.A. No. 8367.

**Definition of Terms.** For purposes of this section, the following definitions shall apply:

- a. *Compensation* - any payment in consideration of employment or in exchange of the work performed, comprised of, but not limited to, salaries/wages, commissions, allowances, emoluments, gratuity, bonuses, severance/ retirement pay, rewards, and other income/benefit of similar nature.

- (1) *Salary/Wage* - consideration given to a person for his industry in another person's business, and

carries with it the fundamental idea of compensation for services. It may also take the form of a fixed compensation for regular work or for continuous service rendered over a period of time. In general, salary is evidenced by a pay slip or its equivalent.

- (2) *Commission* - a fee paid which is usually a percentage of money received from a transaction, as allowed under existing laws, regulations, and the NSSLA's By-Laws.
  - (3) *Allowance* - money that is paid by an employer to an employee for expenses incurred in the course of his or her work for the company. (e.g., meal, gas, telephone, clothing, medical and dental, rice, travel).
  - (4) *Emolument* - any pay received in addition to actual regular salary based on time and length of activity for holding office, services or employment.
  - (5) *Gratuity* - a premium paid in addition to what is due or expected.
  - (6) *Bonus* - refers to what is required under the law and other incentives given based on performance. Amount granted and paid to an employee for his industry and loyalty which contributed to the success of the business and realization of bigger profits.
  - (7) *Severance/separation pay* - amount due to an employee who has been terminated from service for causes authorized by law such as installation of labor-saving devices, redundancy, and retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking.
  - (8) *Retirement pay* - amount to be paid to an employee who has reached the compulsory retirement age or who availed of voluntary retirement.
  - (9) *Reward* - something of value, usually money, given in return for some service or achievement.
- b. *Per Diem* - reimbursement for daily expenses incurred while a trustee, officer or employee is on official business outside of his home base, or for attendance in official meetings whether face-to-face or virtual.
  - c. *Trustee-officer* - a trustee who also performs functions of management such as those ordinarily performed by regular officers, pursuant to existing regulations.
  - d. *Reasonable compensation and per diem* - Compensation and per diem shall be considered reasonable or not excessive when amounts paid are proportionate to the services performed considering factors such as, but not limited to, the following:

- (1) The individual's qualifications which include his/her expertise and work experience;
- (2) The nature, extent and scope of work of the individual;
- (3) The institution's compensation policy for all officers and employees;
- (4) The compensation history of the individual and other individuals with comparable expertise at the institution;
- (5) Prevailing rates of compensation for comparable positions at comparable institutions, based upon factors such as asset size, geographic location, and the complexity of the loan portfolio or other assets;
- (6) The financial condition of the NSSLA; and
- (7) The general economic conditions.

***Compensation and Per Diem Policy; General Principles.*** In consonance with the policy on corporate governance and consistent with the interests of all stakeholders, the board of trustees shall establish a sound policy on compensation and per diem, as herein defined, that can be used by the NSSLA to attract/recruit and retain highly qualified workforce. Said policy shall appropriately motivate personnel and discourage excessive risk taking. This can be achieved through timely assessment of individual work performance and competencies based on set standards. Results of the individual work performance assessment/appraisal and not merely the number of loans made or on the interest or fees collected thereon can be used in the NSSLA's compensation-related decisions.

***Compensation and Per Diem of Trustees and Trustee-Officers.*** The board of trustees shall establish policies on compensation of trustees and trustee-officers, which shall contain, at a minimum, the following:

- a. Compensation and Per Diem of trustees and trustee-officers shall be in accordance with the provisions of the NSSLA's By-laws;
- b. Increases in compensation of trustee and trustee-officer, in any form, in excess of ten percent (10%) per annum shall require approval of the Bangko Sentral pursuant to Section 14 of the Revised Non-Stock Savings and Loan Association Act of 1997. For this purpose, the increase in compensation shall be computed based on the total compensation package of each trustee or trustee-officer on the preceding calendar/fiscal year: *Provided*, That total accumulated compensation of all the members of the board, after the proposed increase, is compliant with item "d" (Definition of Terms);
- c. Trustees and Trustee-officers shall not participate in the determination of their own per diems or compensation

pursuant to Section 29 of the Revised Corporation Code;  
and

- d. Total accumulated compensation of all the members of the board received in their capacity as trustees during the current year shall be at amounts not to exceed ten percent (10%) of the NSSLA's net income before tax during the preceding year pursuant to Section 29 of the Revised Corporation Code.

**Approval.** In the absence of any provision in the bylaws fixing their compensation, the trustees shall not receive any compensation in their capacity as such, except for reasonable per diems: Provided however, That the majority of the members may grant trustees with compensation and approve the amount thereof at a regular or special meeting.

**Monitoring, Control, Recording and Reporting.** The board of trustees shall be transparent to its members on all compensation and per diem received. As such, policies shall also include measures that will monitor and control compliance with the foregoing, including, but not limited to the following:

- a. Defining the compensation and per diem of trustees and trustee-officers in accordance with these guidelines, including the frequency, nature, and manner of payment and recording;
- b. Directing management of the NSSLA to monitor and report to the compliance function the levels received by the trustees and trustee-officers;
- c. Performance of an annual review by the Compliance Officer on the following:
  - (1) Reasonableness of compensation and per diem;
  - (2) Adequacy and effectiveness of the compensation and per diem policies, and mechanisms on monitoring and reporting of management and the compliance officer; and
  - (3) Adequacy of the actions taken to address the breaches in policies, threshold and/or limit;
- d. Commitment of the board of trustees to report annually to the members in the general assembly the total annual compensation received by each of their trustees, and a report on compliance with compensation and per diem policies, and the threshold and limits provided in applicable laws; and
- e. Putting on record in the minutes of meetings the reports submitted, discussions made, and decisions or resolutions on breaches, annual review, amendments of policies and mechanisms, and on the reporting to the members.

**Determination of Compensation Increase; Factors to Consider.** The compensation increase shall be computed based on item "b" (Compensation and Per diem of Trustees and Trustee-

Officers). NSSLA meeting the following prudential criteria may submit for approval of Bangko Sentral an application for increase in compensation in excess of ten percent (10%):

- a. The increase in compensation is compliant with existing laws and regulations and approved by the majority of members at a regular or special general assembly;
- b. The NSSLA has a composite rating of at least three (3) "Stable" in the latest Bangko Sentral report of examination;
- c. The NSSLA's capital-to-risk assets ratio is at least ten percent (10%);
- d. The NSSLA has not incurred continuous losses for the past two (2) years;
- e. The NSSLA has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
- f. The NSSLA does not engage in acts, practices or omissions that are considered prejudicial to the interest of the members and/or has not conducted its business in an unsafe or unsound manner, which are continuing or remain uncorrected; and
- g. The increase is in accordance with item "b" (Compensation and Per Diem of Trustees and Trustee-Officers) and the NSSLA has established, adopted and implemented duly approved compensation policies in accordance with these guidelines.

*Provided, That increase in compensation as mandated by law, rules and/or wage board is not covered by the ten percent (10%) limit.*

The NSSLA shall define and document in its policies whether a calendar, or a fiscal year with a corresponding fiscal period, will be used in determining the compensation increase. In the absence of any definition of the NSSLA, a calendar year will be used to determine the increase in compensation.

**Application; Documentary Requirements.** The application for increase in compensation in excess of ten percent (10%) shall be accompanied by the following documentary requirements:

- a. Application letter signed by the President or equivalent rank, requesting for the approval of increase in compensation in excess of ten percent (10%) together with the justification for the proposed increase;
- b. Notarized certification from the President or equivalent rank stating that the NSSLA has complied with all the requirements for the increase in compensation and all the factors to be considered as stated in Sec. 137-S of the MORNBFI;

- c. Detailed breakdown of all the compensation received by the trustee/s or trustee-officer/s concerned for the preceding calendar/fiscal year;
- d. Detailed breakdown of the proposed compensation of the trustee/s or trustee-officer/s concerned as approved by the majority of the members in a regular or special meeting; and
- e. Notarized Secretary's Certificate certifying that the proposed compensation was approved by majority of the members in a regular or special meeting.

**Enforcement Actions.** Consistent with Sec. 002-S, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in Sec. 137-S and bring about timely corrective actions. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions on the NSSLA and/or its trustees, officers and/or employees concerned for noted violations and/or supervisory issues on the provisions of this Section.

**Restriction on Compensation.** To protect the funds of depositors and creditors, the Monetary Board may regulate/restrict the payment by the NSSLA of compensation to its trustees and officers in exceptional cases and when the circumstances warrant, such as, but not limited to the following:

- a. When the NSSLA is found by the Monetary Board to be engaging in an act, practice or omission considered prejudicial to the interest of its members;
- b. When the total compensation package of trustees and officers is not reasonable as defined in this Section;
- c. When the NSSLA is found by the Monetary Board to be in an unsatisfactory financial condition such as, but not limited to, the following cases:
  - (1) Its capital is impaired;
  - (2) It has insufficient liquid/realizable assets to meet its maturing obligations; and
  - (3) It has suffered continuous losses from operations for the past two (2) years.

In the presence of any one (1) or more of the circumstances mentioned above, the Monetary Board may impose the following restrictions in the compensation of trustees and officers:

- a. Except for the financial assistance to meet expenses for the medical, maternity, education and other emergency needs of the trustees or officers or their immediate family, other forms of financial assistance may be suspended;
- b. The Monetary Board may order the reduction of compensation and per diem to its reasonable levels;

- c. The NSSLA and/or its concerned trustees and/or officers may be subject to penalties/sanctions which the Monetary Board may impose pursuant to R.A. No. 8367 (The Revised Non - Stock Savings and Loan Association Act of 1997), these rules and any pertinent laws or regulations; and
- d. The provisions of Republic Act No. 7653 and Republic Act No. 337, as amended, insofar as they are applicable and not in conflict with any provision of this Act, shall apply to Associations organized hereunder.

**Transitory Provisions.** NSSLAs shall have one (1) year reckoned from the date of effectivity of this Circular within which to amend any pertinent provisions of its By-laws and written policies to adhere to the foregoing guidelines.

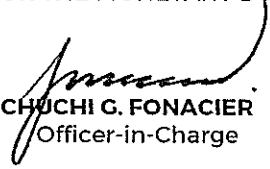
**Section 2.** Section 133-S of the MORNBFI on "Liability for loans contrary to law" is hereby renumbered to Section 138-S, as follows:

**138-S LIABILITY FOR LOANS CONTRARY TO LAW**

No NSSLA shall make or purchase any loan or investment not authorized or permitted under R.A. No. 8367, and any trustee, officer or employee, who on behalf of any such NSSLA, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the NSSLA for the full amount of any such loan or investment.

**Section 3.** This Circular shall take effect fifteen (15) calendar days following its publication in any newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

  
**CHUCHI G. FONACIER**  
Officer-in-Charge

6 September 2024