

**[ CIRCULAR LETTER NO. 2018-46, September 17, 2018 ]**

**RISK-BASED CAPITAL REQUIREMENTS ON INVESTMENTS IN ASSOCIATES AND/OR SUBSIDIARIES UNDER THE REGULATION OF THE BANGKO SENTRAL NG PILIPINAS (BSP)**

*Adopted: 12 September 2018*

*Date Filed: 17 September 2018*

**WHEREAS**, the Insurance Commission (IC) issued Circular Letter (CL) Nos. 2016-65 and 2016-68, both dated 28 December 2016, to implement the Financial Reporting Framework (FRF) and Amended Risk-Based Capital (RBC2) Framework, respectively in order to assess the net worth and RBC compliances of insurance and reinsurance companies;

**WHEREAS**, insurance and reinsurance companies have investments in other entities approved by the IC and are held by the respective companies for the purpose of maintaining ownership, significant influence and control to the specific entity in the long term;

**WHEREAS**, in implementing the FRF and RBC2, these investments should be appropriately classified to determine their admissibility and the applicable risk charges;

**WHEREAS**, these investments are considered admitted in determining net worth and classified as investments in either associates or subsidiaries;

**WHEREAS**, the risk charges applicable on these investments are 0% and 60% (at 99.5% confidence level) for associates or subsidiaries which are IC regulated entities and/or non-IC regulated entities respectively;

**WHEREAS**, the IC recognizes that investments in some of these non-insurance related or non-regulated entities are subjected to other capital adequacy requirements such as those implemented by the Bangko Sentral ng Pilipinas (BSP);

**WHEREAS**, the IC has access on the relevant information on these information (i.e. capital adequacy compliances) through the Financial Sector Forum (FSF) and through a Memorandum of Agreement with BSP on the exchange of information;

**NOW, THEREFORE**, pursuant to the authority vested to the Insurance Commissioner under Section 437 of the Amended Insurance Code, the following revised rules and regulations for investments in associates and/or subsidiaries not under IC's covered institutions in arriving at the risk-based capital requirement under the RBC2 Framework: