[BSP CIRCULAR NO. 731, S. 2011, July 28, 2011]

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND SUPERVISORY REVIEW PROCESS (SRP) FOR FOREIGN BANK BRANCHES

The Monetary Board in its Resolution No. 791 dated 25 May 2011 approved the supplemental guidelines in relation to the Internal Capital Adequacy Assessment Process (ICAAP) of foreign bank branches, in accordance with the provisions of Circular No. 639 dated 15 January 2009, as follows:

In implementing the provisions of Circular No. 639 dated 15 January 2009, the Bangko Sentral ng Pilipinas (BSP) shall consider the following guidelines with respect to the Internal Capital Adequacy Assessment Process (ICAAP) and the related Supervisory Review Process (SRP) for foreign bank branches:

1. The guiding principles for banks' ICAAPS and the SRP in Circular No. 639 shall apply to foreign bank branches on a proportionate basis. In this regard, the BSP expects that there will be variation in foreign banks branches' ICAAPs in accordance with the nature, size and complexity of their business in the Philippines.

2. The BSP will primarily be interested in finding out how a foreign bank branch assesses its capital in relation to its business plans and operations in the Philippines.

3. The ICAAP of a foreign bank branch should cover risks arising from the occurrence of domestically-oriented scenarios. It should also take into account the specific circumstances of the branch, i.e., regulatory commitments in relation to special licenses or authorities, etc.

4. The BSP acknowledges that a foreign bank branch is likely to make use of the methodology of the head office/parent bank for its own ICAAP or portions thereof. However, the branch should be able to explain that such processes and methodologies are appropriate to its business in the Philippines.

5. A branch must include in its ICAAP how capital is being allocated to the branch and the factors that influence this allocation. It should also be able to illustrate how this capital is managed, and how capital can be made available to the branch in a timely manner when it has been determined that there is a need to do so.