

[BSP CIRCULAR NO. 560, s. 2007, January 31, 2007]

CEILINGS ON LOANS, OTHER CREDIT ACCOMMODATIONS AND GUARANTEES GRANTED TO SUBSIDIARIES AND AFFILIATES

Pursuant to Monetary Board Resolution No. 43 dated 11 January 2007, the following rules and regulations that shall govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks are hereby issued as follows:

Section 1. Statement of Policy. Dealings of a bank/quasi-bank with its subsidiaries and/or affiliates shall be in the regular course of business and upon terms not less favorable to the bank/quasi-bank than those offered to others.

Section 2. Ceilings on loans, other credit accommodations and guarantees granted to subsidiaries and affiliates. The total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed ten percent (10%) of the net worth of the lending bank/quasi-bank: Provided, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed five percent (5%) of such net worth: Provided, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed twenty percent (20%) of the net worth of the lending bank/quasi-bank: Provided, finally, That these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the board of directors or is appointed officer of such corporation as representative of the bank/quasi-bank.

Section 3. Exclusions from the ceilings. Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations as well as interbank call loans shall be excluded in determining compliance with the ceilings prescribed under Section 2 above.

Section 4. Procedural Requirements. The following provisions shall apply if a bank/quasi-bank grants a loan, other credit accommodation or guarantee to any of its subsidiaries and affiliates.

- a. *Approval of the board, when to obtain.* Except with prior written approval of the majority of all the members of the board of directors, no loan, other credit accommodation and guarantee shall be granted to a subsidiary or affiliate.
- b. *Approval by the board, how manifested.* The approval shall be manifested in a resolution passed by the board of directors during a meeting and made of