

**[ BSP CIRCULAR NO. 432, S. 2004, May 14, 2004 ]**

**RULES AND REGULATIONS GOVERNING THE ACCEPTANCE BY A BANK, EITHER DIRECTLY OR INDIRECTLY THROUGH ITS SUBSIDIARY, OF ITS OWN SHARES OF STOCKS**

Pursuant to Monetary Board Resolution No. 650 dated 6 May 2004, prescribing the rules and regulations governing the acceptance by a bank, either directly or indirectly through its subsidiary, of its own shares of stocks, the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are hereby amended as follows:

*Section 1.* Subsection X313.b of the MORB, is hereby amended to read as follows:

b. Readily marketable bonds and other high-grade debt securities and "blue chip" stocks, except those issued by the lending, entity or by its parent company which owns more than fifty percent (50%) of its outstanding share of stocks: Provided, That (1) the issuer corporation must be a listed corporation with a net worth of at least P 1 billion and with annual net earnings during the immediately preceding five (5) years; and (2) the loan value shall be equivalent to fifty percent (50%) of their market value.

*Section 2.* Item (4) of the list of assets and securities referred to as "first class collaterals" under Subsection X322.2 of the MORB is hereby amended to read as follows:

(4) "Blue chip" shares of stocks, except those issued by the lending entity or by its parent company which owns more than fifty percent (50%) of its outstanding shares of stocks. For this purpose, the issuer corporation must be a listed corporation with a net worth of at least P 1 billion and with annual net earnings during the immediately preceding five (5) years; and

*Section 3.* Subsection X326.1k(5) of the MORB, as amended by Circular No. 423 dated 15 March 2004, is hereby amended to read as follows:

(5) Cash margin deposits; or assignment or pledge of government securities or readily marketable bonds and other