

[BSP MEMORANDUM, June 28, 1999]

REPORTS TO THE DEPARTMENT OF THRIFT BANKS AND NO-BANK FINANCIAL INSTITUTIONS, BANGKO SENTRAL NG PILIPINAS

Pursuant to Monetary Board Resolution No. 665 dated May 19, 1999, you are hereby directed to submit the following reports to the Department of Thrift Banks and Non-Bank Financial Institutions, Bangko Sentral ng Pilipinas:

1. A new capital build-up program which, aside from the requirements of Circular 156 dated March 19, 1998, would include a recapitalization scheme that shall provide cover for that equivalent portion of capital depleted by the prescribed general loan loss provisioning and recommended specific allowance for probable losses on loan accounts and other risk assets.

The initial capital build-up program as of June 30, 1999 shall be submitted on or before July 31, 1999, and the Monthly Capital Build-up Update on or before 15th day after cut-off month. (Format of Report in Annex A*).

2. Monthly Report on the actual level of compliance with the general loan loss and specific provisioning to be submitted on or before 15th day after cut-off month (format in Schedules 1-3).

3. Monthly Report on the remedial measures/action taken on double digit non-performing loan ratios, on increasing levels of ROPOA and restructured loans and on coverage ratio (loan loss reserves to total non-performing loans) of less than 25% to be submitted on or before 15th day after cut-off month.

In this regard, you are directed to create a special Credit Review Group which will take charge of the periodic review and assessment of the quality of the bank's loans and other risk assets. The criteria to be followed in the review and assessment of the bank's loans and other risk assets shall be the BSP Guidelines in Identifying and Monitoring Problem Loans and Other Risk Assets and Setting Up of Allowance for Probable Losses set forth in Appendix 18 of the new Manual of Regulations for Banks.

Please be informed further that MB resolution No. 665 dated May 19, 1999 likewise prescribes disqualification or deferment of processing of branching applications and the imposition of sanctions under Circular-Letter dated September 9, 1998 for failure to set up prescribed levels of allowance for probable losses, as well as for non-compliance with the minimum capital requirement under Circular No. 176 dated September 7, 1998.

For strict compliance.