



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

**CIRCULAR NO. 1045**  
**Series of 2019**

**Subject: Amendments to Minimum Capitalization of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members**

The Monetary Board, in its Resolution No. 1168 dated 1 August 2019, approved the amendments to Sections 4106S of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on the minimum capitalization of NSSLAs and capital contributions of members.

**Section 1.** Section 4106S on Capital of NSSLAs and Subsection 4106S.1 on Regulatory Treatment of Capital Contributions of Members are transferred to Subsections 4106S.1 and 4106S.2, respectively. New Section 4106S and Subsection 4106S.3 are hereby added and its Subsections are amended to read, as follows:

**Section 4106S Policy Statement.** It is the policy of the Bangko Sentral ng Pilipinas to ensure that Non-Stock Savings and Loan Associations operate in a safe and sound manner. Towards this end, the Bangko Sentral shall set prudent and appropriate minimum capital adequacy requirements for NSSLAs that is capable to support the NSSLA as a going concern, commensurate to the risk exposures of the NSSLA and provides loss absorption mechanism, for both expected and unexpected losses.

**§ 4106S.1 Minimum capitalization of NSSLAs.** The capital of an NSSLA shall comprise of: (1) capital contributions, both fixed capital and capital contribution buffer, (2) retained earnings free, (3) retained earnings reserve, (4) undivided profits, (5) other comprehensive income, and (6) revaluation increment reserves. An NSSLA shall have a minimum capital of ₱1.0 million. Thereafter, an NSSLA shall maintain a minimum capital that would allow it to comply with the capital adequacy ratio requirement as provided under Section 4116S.

**§ 4106S.2 Capital contributions of members.**

Capital contributions represent ownership interest by the members in an NSSLA, including the rights provided in the By-Laws (e.g., voting rights, right to take part in the distribution of the income of the Association, etc.) arising therefrom. As such, it may absorb losses incurred by an NSSLA.

Each capital contribution of a member shall consist of fixed and buffer components, as defined hereunder:

- a. *Fixed-capital contributions* shall refer to the portion of member's capital contributions that must be maintained and once increased and recorded, cannot be reduced for the duration of membership except upon termination of membership.
- b. *Capital contribution buffer* shall refer to the capital contributions in excess of the fixed capital contribution which shall not exceed ten times (10X) thereof.

The capital contribution buffer may be reduced pursuant to the policies set by the Board of Trustees and duly confirmed by majority of the NSSLA's General Assembly.

Each member must own a capital contribution of an NSSLA which shall be under his name in the books of the NSSLA. The capital contributions of members shall be subject to the following requirements:

- a. *Minimum amount of fixed capital contributions.* Every member of an NSSLA shall be required to contribute a fixed capital of at least P1,000.00, which shall be considered as the minimum capital contribution, unless a higher minimum is prescribed under the NSSLA's by-laws.

The payment of minimum capital contribution, including entrance or membership fee, as may be determined by the NSSLA concerned, shall be one of the requisites for membership. All payments which fail to meet the minimum amount of capital contribution shall be treated as payables and presented under "other liabilities" account in the financial reporting package.

- b. *Ceiling in fixed capital contributions.* The total amount that a member may contribute as fixed capital contributions shall be subject to a ceiling which shall be determined by the board of trustees and duly confirmed by the majority of the NSSLA's general assembly. The prescribed ceiling shall be applied uniformly to all members and without prejudice to Bangko Sentral setting lower or higher ceiling.
- c. *Reduction and ceiling of capital contribution buffer.* The NSSLA shall establish and prescribe the conditions and/or circumstances when members' capital contribution buffer may at least be maintained, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S: *Provided*, That such conditions and/or circumstances shall be disclosed to the members upon their placement of capital contribution buffer and in a manner as may be determined by the Board of Trustees.

The amounts held in excess of the prescribed ceiling on capital contributions buffer (formerly referred as withdrawable capital contributions), i.e., ten times (10X) of fixed capital contributions, as of 22 March 2013 shall be allowed to continue as such but once reduced shall not thereafter be increased beyond the prescribed ceiling.

NSSLAs shall encourage their respective members to increase their capital contributions. For this purpose, each NSSLA shall adopt policies and mechanisms towards the attainment thereof. The policies shall include but not limited to the following:

- a. capital contribution build up program or schedule of capital contribution;
- b. restriction on reduction of capital contribution;
- c. ceilings on additional capital contribution; and/or
- d. mode and terms of payment.

**§4106S.3 Administration of capital contributions of members**

- a. An NSSLA shall ensure that each member has a capital contribution account representing the member's capital contributions.
- b. An NSSLA shall issue to its member a member's ownership document evidencing the member's capital contribution (e.g., certificate of capital contribution, passbook, etc.). Such document/s shall contain the capital contribution balance of the member with a breakdown showing separately the fixed and capital contribution buffer balances.
- c. For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain records/capital contribution account ledger, either in manual or automated form, showing separately the fixed and capital contribution buffer of each member.
- d. The member's ownership documents and the capital contribution account ledger shall be timely updated whenever transaction affecting the fixed and capital contribution buffer balances occurs.
- e. Receipt of funds from persons not belonging to the well-defined group of an NSSLA is strictly prohibited. In cases of violations pertaining to receipts of funds intended as capital contribution and/or deposits from persons not belonging to the well-defined group of an NSSLA, such funds shall not be considered as capital contributions, as herein defined, and/or deposits, as the case may be, and shall be treated as payables and presented under other liabilities in the financial reporting package.

**Section 2.** The provisions of Section 4116S on Capital-to-Risk Assets ratio are hereby amended to read, as follows:

**Section 4116S Capital-to-Risk Assets Ratio.**

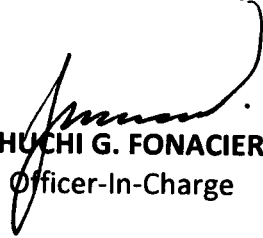
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For purposes of computing CAR, the aggregate amount of capital contribution buffer that shall be allowed to form part of an NSSLA's total capital accounts shall be capped at ten times (10X) the aggregate amount of fixed capital contributions.

x x x

**Section 3. Effectivity.** This Circular shall take effect fifteen (15) days from publication in a newspaper of general circulation.

**FOR THE MONETARY BOARD:**

  
**CHUCHI G. FONACIER**  
Officer-In-Charge

29 August 2019