

003 PROMPT CORRECTIVE ACTION FRAMEWORK

Prompt Corrective Action Framework. A bank may be subject to PCA whenever any or all of the following conditions obtain:

- (1) When either of the Total Risk-Based CAR, Tier 1 risk-based ratio, or leverage ratio (total capital/total assets) falls below ten percent (10%), six percent (6%) and five percent (5%), respectively, or such other minimum levels that may be prescribed for the said ratios under relevant regulations, and/or the combined capital account falls below the minimum capital requirement prescribed under Sec. 121;
- (2) CAMELS composite rating is less than three “3” or a Management component rating of less than three “3”; and
- (3) A serious supervisory concern has been identified that places a bank at more-than-normal risk of failure in the opinion of the head of the examination department concerned, which opinion is confirmed by the Monetary Board. Such concerns could include, but are not limited, to any one (1) or a combination of the following:
 - (a) Finding of unsafe and unsound activities that could adversely affect the interest of depositors and/or creditors;
 - (b) A finding of repeat violations of law/regulations or continuing failure to comply with Monetary Board directives; and
 - (c) Significant reporting errors that materially misrepresent the bank’s financial condition.

The framework for the enforcement of PCA on BSFI supervision is in *Appendix 68*.