

109 BANK PREMISES AND OTHER FIXED ASSETS

The following rules shall govern the premises and other fixed assets of banks.

Appreciation or increase in book value. Bank premises, furniture, fixtures and equipment shall be accounted for using the cost model under PAS 16 “Property, Plant and Equipment.”¹

Outstanding appraisal increment as of 13 October 2005 arising from mergers and consolidation and other cases approved by the Monetary Board, shall be deemed part of the cost of the assets. However, appraisal increment previously allowed to be booked shall be reversed.

Accordingly, the booking of appreciation or increase in the book value of bank premises and other fixed assets in cases where the market value of the property has greatly increased since the original purchase is no longer allowed.

Ceiling on total investments. The total investment of a bank in real estate and improvements thereon, including bank equipment, shall not exceed fifty percent (50%) of the bank’s net worth. In determining compliance with such ceiling, the following rules shall apply:

- a. The investment shall include all real estate and equipment necessary for the bank’s immediate use in the transaction of its business, such as:
 - (1) *Bank Premises – Land and Buildings, Buildings under Construction, Leasehold Rights and Improvements and Furniture, Fixtures and Equipment* (as defined in the Manual of Accounts for All Banks), owned and used by the bank in the conduct of its business, including staff houses, recreational facilities and landscaping costs, net of accumulated depreciation: *Provided, however,* That appraisal increment on bank premises shall not be included in the total investment in real estate and improvements for purposes of these guidelines; and
 - (2) Real properties, equipment or other chattels purchased by the bank in its name for the benefit of its officers and employees, net of depreciation and in the case of land or other non-depreciable property, net of payments already made to the bank by the officers and employees for whose benefits the property was bought, where such property has not yet been fully paid and ownership has not yet been transferred to them.
- b. The following shall be included in the computation of a bank’s total investment in bank premises:
 - (1)(a) The cost of real estate leased in whole or in part by the bank from a corporation, other than a corporation primarily engaged in real estate in which the bank has equity,

equivalent to the amount obtained by applying the percentage of the equity of the bank in the lessor to the cost of that portion of the property being leased, or

- (b) the amount of equity in the lessor, whichever is lower, plus the amount obtained by applying the percentage of the equity of the bank in the lessor to any outstanding loans of the lessor with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

(2) The lower of -

- (a) the cost of real estate leased in whole or in part by the bank from a corporation in which any or a group of stockholders owning ten percent (10%) or more of the voting stock of the bank, directors and/or officers of the bank, hold or own more than fifteen percent (15%) of the subscribed capital stock of the lessor, equivalent to the amount obtained by applying the percentage of the equity of said stockholders/directors/officers in the lessor to the cost of that portion of the property being leased by the bank, or
- (b) the amount obtained by applying the percentage of the equity of the stockholders/directors/officers in the lessor to any outstanding loans of the corporation with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

The equity investment of a bank in a corporation engaged primarily in real estate shall be included in the computation of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

Reclassification of real and other properties acquired (ROPA) to bank premises, furniture, fixture and equipment; Sanctions. Banks may reclassify ROPA to bank premises, furniture, fixture and equipment, subject to the following conditions:

- a. Prior written approval of the majority of the members of the board of directors has been obtained for such reclassification. The approval shall be manifested in a resolution passed by the board of directors during a meeting and shall contain the following information:
 - (1) Date ROPA was acquired;
 - (2) Description of ROPA property;
 - (3) Outstanding balance of ROPA at the time of reclassification;
 - (4) Specific purpose for reclassifying said property to bank premises, furniture, fixture and equipment; and

(5) Justification and plan for expansion, in the case of real and other property earmarked for future use.

Said resolution shall also be made available for inspection by Bangko Sentral examiners, together with the supporting records and documents involving the ROPA account; and

- b. Only such acquired asset, or a portion thereof, that will be (i) immediately used, or (ii) ready and available for use within a two (2)-year period from date of reclassification (in case of ROPA earmarked for future use) may be reclassified to bank premises, furniture, fixture and equipment;
- c. ROPA reclassified to bank premises, furniture, fixture and equipment shall be recorded at its net carrying amount where the amounts booked as cost, accumulated depreciation and allowances for losses for bank premises, furniture, fixture and equipment shall correspond to the balance of these accounts under ROPA at the time of reclassification. As such, the reclassification shall not give rise to any gains/(losses) being recognized in the bank books; and
- d. Said reclassification shall not cause the bank to exceed the prescribed ceiling on investment in real estate and improvements thereon, including bank equipment, provided under this Section on Ceiling on total investments.

Within five (5) banking days from date of reclassification, the bank shall submit the Certification on Compliance with Regulations on the Reclassification of ROPA to Bank Premises, Furniture, Fixture and Equipment (*Appendix 99*) signed by the president of the bank or officer of equivalent rank, to the appropriate supervising department of the Bangko Sentral. Said certification shall be accompanied by the certified true copy of the resolution of the bank's board of directors authorizing the reclassification.

Sanctions. The following sanctions shall be imposed for violations noted:

1. On the bank

a. Monetary fines

A bank which fails to comply with the provisions of this Subsection shall be subject to the appropriate monetary penalties under Sec. 1102 (*Guidelines on the imposition of monetary penalties*).

(1) *For non-submission of the required certification*

A bank which fails to submit the required Certification on Compliance with Regulations on the ROPA to Bank Premises, Furniture, Fixture and Equipment or the certified true copy of the resolution of the board of directors authorizing said reclassification within the prescribed deadline shall be subject to the appropriate monetary penalties under Sec. 1102 (*Guidelines on the imposition of monetary penalties*) which shall be reckoned on a daily basis from the day following the due date of submission until the required certification on compliance or the certified true copy of the resolution of the board of directors is filed with the Bangko Sentral.

(2) *For false/misleading statements*

A bank which has been found to have willfully made a false or misleading statement in the required Certification on Compliance with Rules and Regulations on the ROPA to Bank Premises, Furniture, Fixture and Equipment or in the certified true copy of the resolution of the bank board of directors shall be subject to the appropriate monetary penalties under Sec. 1102 (*Guidelines on the imposition of monetary penalties*) for the willful making of a false or misleading statement which shall be reckoned on a daily basis from the day following the due date of the said certification until such time that an amended or corrected certification on compliance or certified true copy of the resolution of the board of directors has been submitted to the Bangko Sentral.

2. On the concerned directors/officers of the bank.

- a. For willful non-compliance Directors/officers of the bank who willfully fail/refuse to comply with the provisions of this Subsection shall be subject to the appropriate monetary penalties under Sec. 1102 (*Guidelines on the imposition of monetary penalties*).
- b. For false/misleading statements Directors/officers of the bank which have been found to have willfully falsely certified or willfully submitted misleading statements in the required Certification on Compliance with the Regulation on the Reclassification of ROPA to Bank Premises, Furniture, Fixture and Equipment or in the certified true copy of the resolution of the bank's board of directors shall be subject to the to the appropriate monetary penalties under Sec. 1102 (*Guidelines on the imposition of monetary penalties*), which shall be reckoned on a daily basis from the day following the due date of the said certification until such time that an amended or corrected certification on compliance or certified true copy of the resolution of the board of directors has been submitted to the Bangko Sentral.

The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of a false/misleading statement.

Batas Pambansa Blg. 344 - An Act to Enhance the Mobility of Disabled Persons by Requiring Certain Buildings, Institutions, Establishments and Public Utilities to Install Facilities and Other Devices. In order to promote the realization of the rights of disabled persons to participate fully in the social life and the development of the societies in which they live and the enjoyment of the opportunities available to other citizens, no license or permit for the construction, repair or renovation of public and private buildings for public use, educational institutions, airports, sports and recreation centers and complexes, shopping centers or establishments, public parking places, workplaces, public utilities, shall be granted or issued unless the owner or operator thereof shall install and incorporate in such building, establishment or public utility, such architectural facilities or structural features as shall reasonably enhance the mobility of disabled persons such as sidewalks, ramps, railings and the like. If feasible, all such existing buildings, institutions, establishments, or public utilities may be renovated or altered to enable the disabled persons to have access to them.

Republic Act No. 9994 - An Act Granting Additional Benefits and Privileges to Senior Citizens, Further Amending Republic Act No. 7432 of 1992 as Amended by Republic Act No. 9257 of 2003. To be able to give full support to the improvement of the total well-being of the elderly and their full participation in society, and to motivate and encourage them to contribute to nation building, senior citizens shall be provided with express lanes in all banking establishments, including all their branches and other offices. If the provision of express lanes is logistically impossible in any particular branch or office of any bank, said branch or office shall ensure that senior citizens are accorded priority service. The provision of express lanes and/or priority service shall be made known to the general public through a clearly written notice prominently displayed in the transaction counters of all banks and/or offices.

(Circular Nos. 988 dated 20 December 2017)

Footnotes

1. With additional special regulatory relief in areas affected by Tropical Depression "Yolanda" as provided under *Appendix 93*.