

## 123 DEPOSITS FOR STOCK SUBSCRIPTION

*Deposits for stock subscription* refer to payments made by existing stockholders or new subscribers of the bank/QB on subscription to the increase in the authorized capital, which may be recognized either as a liability or equity.

Deposits for stock subscription shall be recognized as part of equity for prudential reporting purposes when all of the following conditions are met:

- a. The deposit for stock subscription meets the definition of an equity instrument under Philippine Accounting Standards (PAS) 32 Financial Instruments: Presentation such that the deposit for stock subscription shall not be interest-bearing nor withdrawable by the subscriber;
- b. The bank's existing authorized capital is already fully subscribed;
- c. The bank's stockholders and board of directors have approved the proposed increase in authorized capital;
- d. The bank/QB has filed an application for the amendment of its articles of incorporation for the increase in authorized capital with the appropriate supervising department of the Bangko Sentral, duly supported by complete documents as prescribed by the Bangko Sentral: *Provided*, That the approval of the Securities and Exchange Commission (SEC) on the same application shall be obtained within the period prescribed under the SEC Financial Reporting Bulletin on Deposit for Future Subscription.

In case the applications for the amendment of articles of incorporation for the increase in authorized capital have been returned due to insufficiency of supporting documents, the deposit for stock subscription shall not qualify for recognition as an equity instrument; and

- e. The bank must have obtained approval of the Monetary Board on transactions involving significant ownership of voting shares of stock by any person, natural or juridical, or by one group of persons as provided in Sec. 122 (*Transactions involving voting shares of stocks*, Item "b"), if applicable.

Deposits for stock subscription, which do not meet the abovementioned conditions shall be classified as a liability.

Deposits for stock subscription, which meet the conditions to be recognized as equity shall form part of a bank's qualifying capital for purposes of computing the risk-based capital

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adequacy ratio under Sec. 125 for UBs/KBs as well as their subsidiary banks and QBs, and Sec. 127 for standalone TBs, RBs and Coop Banks.

*(Circular Nos. 1027 dated 28 December 2018)*