

246 ISSUANCE OF BONDS AND COMMERCIAL PAPERS

All banks with quasi-banking authority issuing bonds or commercial papers shall comply with Republic Act No. 8799 or the Securities Regulation Code (SRC) and its Implementing Rules and Regulation, and other applicable rules and regulations issued by the Securities and Exchange Commission (SEC). A bank may issue bonds and/or commercial papers without prior Bangko Sentral approval: *Provided*, That it meets the following prudential criteria as described in Sec. 111 (*Prudential Criteria*).

- a. The bank must have a CAMELS composite rating of at least “3” and a “Management” rating of not lower than “3”;
- b. The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system; and
- c. The bank has complied with directives and/or is not subject of specific directives and/or enforcement actions by the Bangko Sentral.

Provided, further, That bonds issued are enrolled and/or traded in a market which is organized in accordance with the SEC rules and regulations.

Notice to the Bangko Sentral ng Pilipinas. Within five (5) banking days from approval by the bank’s board of directors of the bond/commercial paper issuance, the bank shall submit the following documents to the appropriate supervising department of the Bangko Sentral:

- a. Notification letter signed by the president or officer of equivalent rank, indicating the amount and the terms of the bond/commercial paper issuance. The letter shall also include the funding plan of the bank in the next three (3) years considering its strategic direction and business model. The funding plan, at the minimum, shall contain how the planned issuance factors into the funding plan;
- b. Secretary’s certificate on the approval of the board of directors on the bond/commercial paper issuance;
- c. Certification signed by the bank’s president or officer of equivalent rank and chief compliance officer, that the bank has complied with the prudential criteria as provided in this Section, and the relevant requirements of the SRC and other pertinent rules and regulations of the SEC; and
- d. Written Undertaking to enroll and/or trade the bonds in a market which is organized in accordance with SEC rules and regulations.

Prohibition on Issuing Banks and Their Related Entities. The issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or -controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank, and which is not related to the issuing bank in any manner that would undermine its independence.

Enforcement Action. Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote compliance with the requirements set forth in this Section and ensure timely implementation of preventive or corrective measures as needed. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions which limit the level of or suspend any business activity that adversely affects the safety and soundness of a bank.

(Circular No. 1010 dated 09 August 2018)