

SUPPLEMENTAL GUIDELINES ON THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND SUPERVISORY REVIEW PROCESS (SRP) FOR FOREIGN BANK BRANCHES

(Appendix to Sec. 130)

In implementing the provisions of Sec. 130 and *Appendices 94 and 95*, the Bangko Sentral shall consider the following guidelines with respect to the ICAAP and the related SRP for foreign bank branches:

1. The guiding principles for banks' ICAAPs and SRP in *Appendix 94 and 95* respectively shall apply to foreign bank branches on a proportionate basis. In this regard, the Bangko Sentral expects that there will be variation in foreign banks branches' ICAAPs in accordance with the nature, size and complexity of their business in the Philippines;
2. The Bangko Sentral will primarily be interested in finding out how a foreign bank branch assesses its capital in relation to its business plans and operations in the Philippines;
3. The ICAAP of a foreign bank branch should cover risks arising from the occurrence of domestically-oriented scenarios. It should also take into account the specific circumstances of the branch, i.e., regulatory commitments in relation to special licenses or authorities, etc.;
4. The Bangko Sentral acknowledges that a foreign bank branch is likely to make use of the methodology of the head office/parent bank for its own ICAAP or portion thereof. However, the branch should be able to explain that such processes and methodologies are appropriate to its business in the Philippines;
5. A branch must include in its ICAAP how capital is being allocated to the branch and the factors that influence this allocation. It should also be able to illustrate how this capital is managed, and how capital can be made available to the branch in a timely manner when it has been determined that there is a need to do so;
6. In line with *Appendix 95* Item "B.6" the Bangko Sentral will refer to the ICAAP developed at the level of the head office/parent bank, and the home supervisor's assessment thereof. The Bangko Sentral will look at the extent that the head office/parent bank ICAAP covers the risks of its branch in the Philippines, including the possible impact of scenarios that primarily affect the operations of the head office/parent bank on the operations and capital adequacy of the branch; and
7. The ICAAP document¹ of foreign bank branches should be submitted to the appropriate

supervising department of the Bangko Sentral on or before 31 March of each year. Banks may refer to Annex A of *Appendix 94* for the suggested format of the document. While a common outline facilitates the Bangko Sentral's evaluation, banks are not precluded from modifying the format and content of the ICAAP document if certain sections or suggested content do not apply to the operations of the branch, or, if presenting the information in another way would best reflect the internal capital assessment process of the branch.

(Circular No. 869 dated 30 January 2015)

Footnotes

1. A "trial" ICAAP document shall be submitted to the CPCD of the Bangko Sentral on or before 30 September 2011. (Circular 731 dated 28 July 2011, as amended by Circular No. 869 dated 30 January 2015)