



OFFICE OF THE GOVERNOR

CIRCULAR NO. 1113

Series of 2021

Subject: Amendments to the Guidelines on Recovery Plan of a Domestic Systemically Important Bank (D-SIB)

The Monetary Board, in its Resolution No. 450 dated 8 April 2021, approved the amendments to the guidelines on recovery plan of a domestic systemically important bank (D-SIB) as provided under Section 128 and Appendix 110 of the Manual of Regulations for Banks (MORB), particularly on requiring D-SIBs to submit separately their Internal Capital Adequacy Assessment Process (ICAAP) document and recovery plan. D-SIBs are expected to ensure that processes and information contained in these documents are consistent, coherent, and up to date.

Section 1. Section 128 of the MORB on Domestic Systemically Important Banks (D-SIBs) is hereby amended, as follows:

128 DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)

It is the thrust of the Bangko Sentral to ensure that its capital adequacy framework is consistent with the Basel principles. Hence, the Bangko Sentral is adopting policy measures for domestic systemically important banks (D-SIBs), which are essentially aligned with the documents issued by Basel Committee on Banking Supervision (BCBS) on global systemically important banks (G-SIBs) and D-SIBs. The broad aim of the policies is to reduce the probability of failure of D-SIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of D-SIBs on the domestic/real economy.

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The framework for dealing with D-SIBs consists of three parts, as follows:

- a. *Assessment methodology*
xxx.
- b. *Higher Loss Absorbency (HLA) and interaction with other elements of Basel III framework*
xxx.
- c. *Intensive supervisory approach*

Banks identified as D-SIBs shall prepare concrete and reasonable recovery plans which shall be implemented in case the bank breaches the HLA capital requirement. Accordingly, D-SIBs shall ensure consistency and coherence of

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the Internal Capital Adequacy Assessment Process (ICAAP) document and recovery plan. The ICAAP outcome and potential measures to address capital needs shall feed in without delay in the recovery plan, and vice versa, to ensure that the processes and information included in the said documents are consistent and up to date. The recovery plans shall include guidelines and action plans to be taken to restore the D-SIB's financial condition to viable level in cases of significant deterioration in certain scenarios. This shall include specific initiatives appropriate to the bank's risk profile such as capital raising activities, streamlining of businesses, restructuring and disposal of assets, to improve capital position.

xxx.

Section 2. Appendix 110 of the MORB on the Framework for Dealing with Systemically Important Banks is hereby amended, as follows:

Appendix 110

FRAMEWORK FOR DOMESTIC SYSTEMICALLY IMPORTANT BANKS
(Appendix to Sec. 128 on D-SIBs)

Introduction

xxx

IV. Intensive Supervisory Approach

27. Banks identified as D-SIBs shall prepare concrete and reasonable recovery plans which shall be implemented in case the bank breaches the HLA capital requirement. Accordingly, D-SIBs shall ensure consistency and coherence of the Internal Capital Adequacy Assessment Process (ICAAP) document and recovery plan. The ICAAP outcome and potential measures to address capital needs shall feed in without delay in the recovery plan, and vice versa, to ensure that the processes and information included in the said documents are consistent and up to date. The recovery plans shall include guidelines and action plans to be taken to restore the D-SIB's financial condition to viable level in cases of significant deterioration in certain scenarios. This shall include specific initiatives appropriate to the Bank's risk profile such as capital raising activities, streamlining of businesses, restructuring and disposal of assets, to improve capital position.

28. xxx

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GUIDELINES ON RECOVERY PLAN OF D-SIB

1. Introduction

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4. Reporting Requirement and Review by the Bangko Sentral

- 4.1 The recovery plan shall be distinct and separate from the Internal Capital Adequacy Assessment Process (ICAAP) document and shall be submitted every 30 June of each year. The submission of a separate recovery plan shall commence on 30 June 2022.

The Bangko Sentral shall review the recovery plan as part of the overall supervisory process for D-SIBs, focusing on assessing the recovery plan's robustness, credibility and ability to be effectively implemented.

4.2 xxx


Section 3. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

16 April 2021

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