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I. OVERVIEW

China Bank Savings has adopted this Policy on Related Party Transaction (the “Policy”) as a supplement to the Bank’s **Related Party Transaction Framework**, which was approved by the Board of Directors (the “Board” in July 2016, as amended).

This policy may be amended at any time with new regulatory issuances, subject to the approval of the appropriate Committee and the Board.

RPTs create financial, commercial, and economic benefits to the Bank and to the entire group where the Bank belongs. RPTs are generally allowed provided that these are approved by the appropriate approving body/authority and done on an arm’s length basis.

II. POLICY

A. Policy Guidelines

This Policy shall apply to all related party transaction (RPT) of the Bank, regardless of the amount, and shall provide for specific procedures and guidelines in managing the Bank’s RPTs. The Bank’s Board of Directors, Senior Management, officers and staff are mandated to comply with this Policy and shall not allow RPTs that may lead to abuses or may cause disadvantages to the Bank, its depositors, creditors, fiduciary clients, and to other stakeholders.


B. Coverage of Related Party Transaction

Related Party Transactions are transactions or dealings with related parties of the Bank regardless of whether or not a price is charged. These include, but not limited to the following:

1. On-and-off balance sheet credit exposures and claims and write-offs;
2. Investment and/ or subscription for debt/ equity issuances;
3. Consulting, professional, agency and other service arrangements/ contracts;
 - Example:*
 - *Services received or furnished, such as accounting, management, engineering and legal services*
 - *Outsourcing arrangements*
4. Purchase and sales of assets, including transfer of technology an intangible items (e.g. research and development, trademarks and license agreements)
 - Example:*
 - *Sales, purchases, and transfers of real and personal property*
5. Construction arrangements/ contracts
6. Lease arrangements/ contracts (including extension of lease)
 - Lease contracts and other similar contracts with recurring payment transaction shall only be reported once by the General Services Department (GSD), upon approval of said

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transaction by the Board of Directors or appropriate approving body. In case the parties involved in the transactions are both supervised by the BSP, only the lessor, in case of a lease contract, or the party engaging/requesting for the services of the other bank, in case of other contracts, shall submit the report.

7. Trading and derivative transactions
8. Borrowings, commitments, fund transfer and guarantees;
9. Sale, purchase or supply of any goods or materials; and
10. Establishment of joint venture entities

Transactions that were entered into with an unrelated party that subsequently becomes an RP may be excluded from the limits and approval process stated in this policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the unrelated party becomes a RP shall subject the RPT to the requirements of the policy. Thus, necessary recommendation and/or approval shall be observed and/or sought for the transaction.

C. Identification of Related Parties

The Business Units (BU), as defined in the RPT framework, shall be responsible for ensuring that related parties are properly identified. The recommending BU officer shall have the main responsibility.

For purposes of this policy, persons /juridical entity falling under the following categories shall be considered related party of the Bank:

i. Subsidiaries

Refer to a corporation or firm more than fifty percent (50%) of the outstanding voting stock of which is directly or indirectly owned, controlled or held with power to vote by the Bank as a parent corporation.


ii. Affiliates

The following are considered affiliates of the Bank thru common ownership of the parent bank - China Banking Corporation:

- ✓ China Bank Capital Corporation (CBCC)
- ✓ CBC Properties and Computer Center, Inc. (CBC PCCI)
- ✓ China Bank Insurance Brokers, Inc. (CIBI)
- ✓ Manulife China Bank Life Assurance Corp. (MCBL)
- ✓ China Bank Securities Corporation
- ✓ Resurgent Capital (FIST-AMC) Inc.
- ✓ CBC Assets One (SPC) Inc.

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In addition to the foregoing, the definition of “Affiliate” as provided in the RPT framework shall likewise be considered.


- iii. Any other party (including their subsidiaries and affiliates) where China Bank Savings exerts direct or indirect control/significant influence.
- iv. Any party that exerts direct or indirect control over the Bank
 - ✓ China Banking Corporation
- v. Subsidiaries, affiliates and special purpose entities
 - ✓ SM Investments Corporation
 - ✓ BDO Unibank, Inc.
 - ✓ SM Prime Holdings, Inc.
 - ✓ SM Retail, Inc.
- vi. Bank’s Directors, Officers, Stockholders, Related Interest (DOSRI)
 1. Directors shall refer to the Bank Directors.
 2. Officers shall refer to senior officers having authority and responsibility for planning, directing and controlling the activities of the Bank, identified to be the President/CEO, Executive Vice President (EVP), Senior Vice President (SVP), First Vice President (FVP), and members of the Management Committee regardless of rank.

However, for DOSRI purposes (in compliance with BSP rules), the definition of Officers shall follow the definition based on existing BSP rules on DOSRI.

3. Stockholders shall refer to any stockholder of record in the books of the bank, acting personally, or through an attorney-in-fact.
4. Related Interests
 - a. Spouse and relative within the first degree of consanguinity or affinity, or relative by legal adoption, of a director or officer of the bank.
 - b. Partnership of which a director, officer, or stockholder of a bank or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner.

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- c. Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner’s undivided interest.
 - d. Corporation, association, or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty- percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm.
 - e. Corporation, association or firm wholly or majority-owned or controlled by any related entity or a group of related entities mentioned in Items 4.2 and “4.4 above”.
 - f. Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the lending bank or which controls majority interest of the bank pursuant to MORB, item “g” of Section 362 (Definition of Terms).
 - g. Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the lending bank; and
 - h. Non-governmental organization NGOs/ foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers of related banks.
- vii. Close family members of Directors, Officers Stockholders (DOS)


Persons related to the Bank’s DOS within the second degree of consanguinity or affinity, legitimate or common-law identified in the RP Database.

These shall include the following:

By Consanguinity	By Affinity
<ul style="list-style-type: none"> • Brother • Sister • Grandparents • Grand children 	<ul style="list-style-type: none"> • Brother-in-law • Sister-in-law • Grandparent-in-law • Grand children-in-law

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viii. Corresponding person in affiliated companies


Refers to the DOS of the affiliated companies and their close family members

D. Roles and Responsibilities

1. Regulatory Reporting Department – Controllership Group shall be responsible for:
 - a. Not later than five (5) banking days after the reference quarter, receiving the Material Related Party Transaction template from BUs via email and consolidates them;
 - b. Forwarding the consolidated Material Related Party Transaction template and signed hardcopy of the same to CAD-GAD-RBU Officer of CBC not later than the 15th calendar day after end of the reference quarter. A copy of the report shall be provided to Compliance Division not later than the 20th day from the end of the reference quarter.
 - c. Submitting monthly the summary of the ManCom approved Non-material Related Party Transactions to Compliance Division within five (5) banking days after the reference month.
2. Audit Department shall be responsible for:
 - a. Conducting a periodic review of the effectiveness of the Bank’s system and internal controls governing RPTs to assess consistency with the Board-approved policies and procedures.
 - b. Communicating the resulting audit reports, including exceptions or breaches in limits directly to the Audit Committee.
3. General Services Department – Administrative Division shall be responsible for consolidating the Schedule of Lease Exposures to Related Parties sent by the BUs with lease exposures and forwarding the consolidated and signed hardcopy to the Compliance Division.
4. Compliance Division shall be responsible for:
 - a. Ensuring that a database (RPT Database) is established or in place to be used by BUs and their corresponding Operations Unit in accordance with the policy guidelines issued by Compliance Division for that purpose.

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- b. Ensuring that the Bank complies with relevant rules and regulations in the form of Compliance testing and is informed of regulatory developments in areas affecting RPs.
 - c. Aiding in the review of the Bank’s transactions and identifying any potential RPT that would require review by the BOD or the RPT Committee whenever necessary.
 - d. Conducting a training as necessary to the designated RPT Officer per business units to ensure accuracy and consistency of reporting of Related Party Transactions per definition of the Bank’s RPT policy.
 - e. Reviewing the RPT updates quarterly by comparing the approved documents received from various BUs against the printed copy of RPT updates from RPT Database System.
 - f. Approving the RPT updates made by BUs except updates made by Human Resources Division and Office of the Corporate Secretary.
 - g. Ensuring that the RPT policy of the Bank is kept updated and is properly implemented bank-wide.
 - h. Reporting the summary of material and non-material RPTs to the CG Committee on an annual basis.
 - i. Presenting to the RPT Committee for approval and ratification of the BOD the recommendation of the BUs on the changes in the materiality threshold.
 - j. Within seven (7) banking days from end of reference quarter, Governance and Regulatory Compliance Department shall provide the consolidated list of approved non-material and material RPTs to the Regulatory Reporting Department which shall be its basis to validate the completeness of the RPTs encoded by BUs in the RPT report template.
5. BU shall be responsible for:
- a. Ensuring that RPs are properly identified and evaluated by checking the available documents (such as but not limited to business papers for corporate clients) in order to establish if a client is an RP.
 - b. Ensuring that the RPT is conducted at an arm’s length basis and no stakeholder is unduly disadvantaged.

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- c. Seeking the necessary approval for the RPT in accordance with the policies and procedures set herein.
- d. BUs shall also be responsible in identifying if a transaction with a related party is among the covered transactions as defined in the RPT Policy.
- e. Include a client/party in the RPT Database who/which was not found therein upon the initial checking but later became RPT based on the transaction on hand, and all new clients/parties who have been identified by the BUs to be RP but are not yet in the RPT Database.
- f. Conducting a periodic review of their accounts.
- g. Ensuring that internal limits for individual and aggregate exposures are not breached by monitoring the exposures for each transaction based on the consolidated exposures posted by Compliance Division.
- h. Identifying if transactions are classified as material RPTs based on the amount of transaction if equal or higher than the materiality threshold defined hereof.
- i. BUs shall designate a Related Party Officer (i.e, Unit Compliance Coordinator or UCC) that shall also be responsible for the following:
 - 1. Identifying and reporting of the related party transactions in accordance with the Bank's approved RPT Policy.
 - 2. Updating of related parties in the RPT Database System subject for approval of Compliance Division.
 - 3. Performing the following for **non-material transactions**;
 - i. Preparing the RPT Recommendation and Endorsement (Non-material Transactions) form.
 - ii. Forwarding the signed RPT Recommendation and Endorsement (Non-material Transactions) form to the Management Committee for approval.
 - iii. Encoding all approved non-material RPTs (for the quarter) to the Non-material Related Party Transactions template, based on the approved RPT Recommendation.

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4. Performing the following for **material transactions**;
 - i. Preparing the RPT Recommendation and Endorsement (Material Transactions) form.
 - ii. Forwarding the RPT Recommendation and Endorsement (Material Transactions) form to OCS for inclusion of the same in the RPT Committee meeting agenda.
 - iii. Upon review of RPT Committee, forwarding the reviewed RPT Recommendation and Endorsement (Material Transactions) form to OCS for inclusion of the same in the BOD meeting agenda.
 - iv. Encoding all approved material RPTs (for the quarter) to the Material Related Party Transactions template based on the Board Resolution secured from the OCS on approved RPT Recommendation and Endorsement- Material Transactions form.

6. Human Resources Division (HRD) shall be responsible for providing/encoding/maintaining/ updating the data on RPs of the Bank’s Officers and their Related Interests and close family members in the RPT Database, which includes updating of previously identified unrelated parties which eventually became RPs.

7. Office of the Corporate Secretary shall be responsible for:
 - a. Providing/encoding/monitoring/updating the data on RPs of the Bank’s Directors, Stockholders and their Related Interests and close family members in the RPT Database, which include updating of previously identified unrelated parties which eventually became RPs;
 - b. Convening the RPT Committee;
 - c. Preparing and distributing the Minutes of the RPT Committee Meeting and the BOD Meeting on approval of the material RPTs based on existing procedures; and
 - d. Preparing and distributing the Minutes of the Stockholders Meeting based on existing procedures.
 - e. Submitting monthly the summary of the BOD approved Material Related Party Transactions to Compliance Division within five (5) banking days after the reference month.

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8. Risk Management Division shall be responsible for monitoring of risks that arise from RPT by maintaining adequate capital against risks associated with exposures to RPs, including the material risks arising from RPTs in the capital planning process, and ensuring that the prescribed scenario/stress tests under the capital planning process also capture RPTs to determine whether the Bank is well-insulated from any going concern issue of RPs;
9. RPT Committee shall be responsible for:
 - a. Evaluating all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such RPs than similar transactions with unrelated parties under similar circumstances, and that no corporate or business resources of the Bank are misappropriated or misapplied; and determining any potential reputational risk issues that may arise as a result of or in connection with the transactions;

Note: In evaluating RPTs, the RPT Committee shall take into account, among others, the following:

- i. The RP's relationship to the Bank and interest in the transaction;*
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction, all significant terms and conditions (e.g., loans with holdout) and relevant circumstances (e.g., history of the asset, price discovery mechanism, parties involved in negotiations);*
 - iii. The benefits of the proposed RPT to the Bank;*
 - iv. The availability of other sources of comparable products or services; and an assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances; and*
 - v. The Bank has in place an effective price discovery system and has exercised due diligence in determining a fair price for RPTs.*
- b. All RPTs that are considered material based on the Bank's internal policy guidelines shall be endorsed by the RPT Committee to the BOD for approval.
 - c. Whenever necessary, recommending the amount for "materiality threshold" to the BOD, for approval;
 - d. Evaluating on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all RPs are continuously identified;

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Note: RPTs are monitored and subsequent changes in relationships with counterparties (from unrelated to related and vice versa) are captured in the process of identifying RPs. RPTs and changes in relationships shall be reflected in the relevant reports to the BOD and regulatory/ supervising authorities.

- e. Ensuring that appropriate disclosure is made, and/or information is provided to regulating/supervising authorities relating to the Bank's RPT exposures, and policy guidelines on conflicts of interest or potential conflicts of interest;

Note: The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policy guidelines; and conflicts that could arise as a result of the Bank's affiliation or transactions with other RPs.

- f. Reporting to the BOD on a regular basis, the status and aggregate exposures to each RP as well as the total amount of exposures to all RPs;
- g. Ensuring that transactions with RPs, including write-off of exposures, are subject to periodic independent review or audit process;
- h. Overseeing the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policy guidelines and procedures.

10. Senior Management shall be responsible for:


- a. Implementing appropriate controls to effectively manage and monitor RPTs on a per transaction and aggregate basis;
- b. Monitoring exposures (credit and non-credit in nature) to RPs on an ongoing basis to ensure compliance with the Bank's policy guidelines and BSP's regulations;
- c. Addressing legitimate issues on RPTs that are raised.

11. BOD shall be responsible for:

- a. Ensuring that transactions with RPs are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

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- b. Observing good governance and approval of an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged.
- c. Approving all material RPTs, those that cross the materiality threshold and write-off of material exposures to RPs, and submitting the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. All credit transactions with DOSRI, regardless of amount, and any renewal or material changes in the terms and conditions of RPTs.

For write-off of credit exposures to DOSRI, the actual write-off shall require prior approval of the Monetary Board.

All final decisions of the BOD on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board and stockholders' meetings.

- d. Delegating to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the BOD. This shall, however, exclude all DOSRI transactions, which are required to be approved by the BOD.


All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings. For this purpose, non-material RPTs shall be approved by the existing approving authorities/body, duly reported to the BOD (for confirmation) on an annual basis by the Compliance Division.

- e. Establishing an effective system to determine, identify and monitor RPs and RPTs; continuously review and evaluate existing relationships between and among businesses and counterparties; and identify, measure, monitor and control risks arising from RPTs.

The system shall be able to define RPs' extent of relationship with the Bank; assess situations in which an unrelated party (with whom a Bank has entered into a transaction) subsequently becomes a RP and vice versa; and generate information on the type and amount of exposures to a particular RP.

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The said system will facilitate submission of accurate reports to the regulators/supervisors. The process as well as the overarching policy guidelines shall be subject to periodic assessment by the Audit Division and Compliance Division and shall be updated regularly for their sound implementation. The overarching policy guidelines and the system shall be made available to the BSP and audit functions for review. Any changes in the policy guidelines and procedures shall be approved by the BOD.

- f. Overseeing the integrity, independence, and effectiveness of the policies and procedures for whistleblowing. The BOD should ensure that senior management addresses legitimate issues on RPT that are raised. The BOD should take responsibility for ensuring that the staff that raised concerns is protected from detrimental treatment or reprisals.

E. RPT Database

The Bank shall maintain a database or repository of all known and identified related parties. The database shall be periodically reviewed and updated regularly to capture organizational and structural changes in the Bank and its related parties.


The Compliance Division shall consolidate changes and updates to the RPT database; and shall elevate the same to RPT Committee for their information and disposition.

In order to come-up with a comprehensive database, the following shall be observed:

Responsible Department	Particulars
<ul style="list-style-type: none"> Human Resources Division (HRD) 	<ul style="list-style-type: none"> Keep the data updated on RPs of the Bank's Officers and their Related Interests and close family members.
<ul style="list-style-type: none"> Office of the Corporate Secretary 	<ul style="list-style-type: none"> Keep the data updated on RPs of the Bank's Officers and their Related Interests and close family members. OCS shall notify the Compliance Division of approved RPT once approved by the RPT Committee.
<ul style="list-style-type: none"> Regulatory Reporting Department - Controllership Group 	<ul style="list-style-type: none"> Regulatory Reporting Department shall furnish Compliance Division with the quarterly report of RPTs to CBC.

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F. Materiality Threshold

The materiality threshold for each RPT shall vary per transaction and per BU in accordance with the threshold approved by the appropriate approving body/authority.

The materiality threshold shall be retained unless the responsible units send a change request. An email shall be sent by the BU Head to Compliance Division on the change of materiality threshold stating the proposed/recommended threshold and justification for changing the same.


Compliance Division shall present to the RPT Committee for approval and ratification of the BOD the recommendation of the BUs on the changes in the materiality threshold.

The Material Threshold for the different Business Units is enumerated below:

Units Concerned	Transaction/s		Material Transaction (as may be applicable, but not limited to)
SLG	Borrowings, commitments, fund transfers and guarantees (except SmallBiz)	-	₱ 20MM
	Smallbiz		₱ 2MM
CLG	Borrowings, commitments, fund transfers and guarantees	Housing	₱ 5MM
		Auto	₱ 2MM
		Personal/Handy Credit	₱ 1MM
		Handy Salary (credit line is assigned to the company and not to the individual Borrower)	₱ 20MM
Treasury	Borrowings, fund transfer, Investments and/or subscription for debt issuances	-	₱ 200MM or its equivalent in other currencies
		Trading transactions	
		Local Securities	₱ 50MM
		Foreign Currency Securities	USD 1MM
	FX Spot Transaction	USD 1MM	
AAD	Sale of acquired assets	Vehicle	₱ 2MM
		Real Estate	₱ 20MM
DepEd	Borrowings, commitments, fund transfers and guarantees.	-	₱ 1MM

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Controllership/ Accounting	Consulting, professional, agency and other service arrangements/contracts	-	₱ 2MM
General Services Dep	Construction arrangements/contracts Consulting, professional, agency and other service arrangements/contracts Sale, purchase or supply of any goods/materials Lease arrangements/ contracts (including extension of lease) – whether or not the bank is lessor/lessee.	-	₱ 20MM
Human Resources	Research and development Consulting, professional, agency and other service arrangements/contracts	-	₱ 5MM
All Units	Other Service Arrangements and Contracts	-	₱ 2MM

The BU shall identify if transactions are classified as material RPTs based on the following criteria:


1. If the parties and relationship of parties involved in the transaction are classified as RPs, as defined hereof.
2. If the amount of transaction is equal or higher than the materiality threshold defined hereof. *Please refer to “Related Party Transactions” hereof.*

Transaction	Identify and Monitor RPT	RPT Committee (reviewed/endorsed)	BOD (approved)
Material transactions - RPT is equal or above the materiality threshold	Yes	Yes	Yes
Non-material transactions - RPT is below the materiality threshold	Yes	No	No

3. All credit transactions to DOSRI, subsidiaries and affiliates shall require approval of the BOD regardless of amount.

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G. Transactions excluded from the materiality threshold and reporting to BSP

Transactions excluded from materiality threshold and reporting to BSP shall be as follows:

- a. Any transactions involving deposit operations (e.g., deposits, withdrawals);
- b. Regular trade transactions involving purchases and sales of debt securities traded in an active market;
- c. Those granted under BSP-approved fringe benefit programs.

However, even if such transactions are not covered, these shall still be tagged and monitored as “RPT”.

H. Observance of Arm’s Length Terms

RPT shall be conducted at arm’s length basis, taking into consideration the following:

1. Economic terms

Assessment of terms as compared to similarly situated non-related third-party clients. This shall cover discussions on why the transaction is at arm’s length basis, particularly discussing that such price, commissions, interest rates, fees, tenor, terms and conditions are also granted to unrelated party clients/parties under similar terms.

2. Processing of transactions

Transaction shall be conducted in the regular course of business and in accordance with existing policies of the bank.


3. Price Discovery Mechanism (PDM)

To ensure that RPT are engaged into terms that promote the best interest of the Bank and its stakeholders, a Price Discovery mechanism shall be observed which shall include, but not limited to the following:

- a. When a material RPT is endorsed to the RPT Committee for its review by the concerned units, it shall be supported by: i) an endorsement form and ii) with an effective price discovery mechanism.
- b. The PDM may include price comparison from the market, bidding (for sale of properties), and publication of available property for sale, among others. In this regard, the documents supporting the said process shall be attached to the endorsement memo

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to aid the RPT Committee in the review of the transaction.

- c. The Price Discovery Mechanism may include acquiring professional or external expert service as may be determined by the RPT Committee.

Any or all of the above, among others, if considered in the pricing of the transaction, shall be properly disclosed/discussed in the RPT Recommendation and Endorsement (For Non-material Transactions) form or RPT Recommendation and Endorsement (For Material Transactions) form.

The Price Discovery Mechanism documents (if any, such as those mentioned above) shall be attached to the RPT Recommendation and Endorsement (For Non-material Transactions) form or RPT Recommendation and Endorsement (For Material Transactions) form, to aid the RPT Committee in the review of the RPT.

The following are the sample price discovery mechanism:

- ✓ For construction arrangements/ contracts; service arrangements

Opening the transaction to a bidding process – proof that the transaction was opened to public bidding, including documentation of the bidding process and the awarding of the winning bid.

- ✓ Sale of ROPA

Publication of available property for sale – This ensures that the property for sale was also offered to the public to maximize the potential for the bank to get the best price offer for the property. Evidenced of publication (e.g. thru website, newspaper, etc.) shall evidence as one of the proof of price discovery mechanism.

Comparable Market Rates – offering price for the sale of ROPA to a related party shall be based on comparable market value such as: using the latest appraised value and making reference to online property seller.


- ✓ Borrowings, commitments, fund transfer and guarantees

Rate provided is based on the approved rate as set by Treasury/ALCO, etc. In this case, copy of duly approved rate sheet may serve as proof of PDM.

In case of rate deviation, appropriate approval shall be secured in accordance with the existing Bank's policy. The request for rate deviation should not in any manner result in excessive or unwarranted variance that would connote terms that are not favorable to the Bank.

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To support the request for rate deviation, proper justification and comparable terms (e.g. the deviation is within the average deviation allowed for the bank's regular client) shall be properly documented.

The rate sheet and approval for rate deviation, together with the documented justification, shall serve as proof of PDM.

4. Business Units shall properly disclose in the endorsement form that all material or significant information about the account or transactions are disclosed correctly and properly in order for the approving body to come up with a sound decision or judgment and that no undue favor is granted to a related party.
5. Proponents of related party transactions are required to provide documented benchmarks of similarly-situated unrelated party transactions. In order to provide guidance on the procedures for determination of the appropriate price, terms and conditions, which warrant the fairness and reasonableness of RPTs, the following should be incorporated in the Business Units Operating Manual:
 - 5.1 Parameters for the selection of comparable accounts and process on price discovery mechanism for types of transactions, (i.e., outsourcing or insourcing of services, sale/disposal of acquired assets, leasing of bank properties, among others) which will serve as inputs for vetting of RPTs;
 - 5.2 Internal limits for individual and aggregate exposures to related parties based on reasonable basis and/or assumptions; and
 - 5.3 Responsibilities of personnel and/or business units for ensuring that RPTs below or exempted from materiality threshold for RPT Committee's review and regulatory reporting requirements are done in arm's length basis

Likewise, the Business Unit's designated RPT Officer shall certify that the RPT Policy Section of their respective operating manuals had been updated, and that a compliance self-assessment are being conducted.


I. Treasury Transactions

The following non-material related party transactions of Treasury Group shall have a blanket approval from the Management Committee as long as the transactions are within the Board-approved counterparty lines.

- a. Money Market Clean Line
- b. Foreign Exchange Line
- c. Bonds PSR

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Compliance Division shall report the summary of the above Treasury Group transactions to the CG Committee on an annual basis.

III. Approval Guidelines

A. Recommendation for Approval of RPTs

1. All recommendations for approval of a RPT shall be made using the prescribed recommendation forms as provided herein - RPT Recommendation and Endorsement (For Non-material Transactions) form and RPT Recommendation and Endorsement (For Material Transactions) form duly addressed to the appropriate approving body/authority. The accomplishment of the RPT form is in addition to the usual process involved in the transaction.
2. In recommending approval for a RPT, the following should be clearly stated in the RPT Recommendation and Endorsement (For Material/Non-material Transactions) form:

- a. Request Details

This shall cover the approving body/authority to which the recommendation is addressed, the date of request and the name of requesting BU.

- b. Related Party Transaction Details

This shall refer to the identification of the RP, including the name of the person or company related to the client/party making the client/party a RP, the classification of the RP and the nature of the RPT.

The BU should mark the appropriate box on the compliance with the limits.

- c. Certification


The signatories to the form shall signify that they have checked, recommended and validated the transaction, certifying that the request or transaction and the material facts of the proposed RPT are in compliance with the existing DOSRI and RPT rules.

- d. Endorsement

This section summarizes the information that the approving body/authority shall look into to ensure that the transaction is conducted at an arm's length basis in accordance with policy guidelines set herein and no stakeholder is unduly disadvantaged.

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Endorsement by the RPT Committee is necessary prior to the BOD's approval of a Material RPT.

e. Material Facts of the RPT

This shall include:

i. The General Terms and Conditions of the RPT.

The BU shall discuss the general terms about the RPT such as price, terms (short term/long term) and other necessary information that should be made known to the appropriate approving body/authority.

ii. Price Discovery Mechanism

This shall include discussion of the price granted for a RPT. *Please refer to policy guideline no. H.2 hereof.*

In general, the price for the transaction should be within the approved prices. In case there is a deviation the same shall be duly justified by the BU. The handling of the deviation shall be in accordance with the existing procedures of the Bank on price deviation.

Moreover, the BU should provide an explanation in the "Assessment of Terms as Compared to Similarly-situated Non-related Clients" section of the form that such deviation is not giving favor to the RP, but that such is given to similarly-situated client/party.

iii. Benefits to the Bank


This shall cover any benefit that the Bank may derive from the transaction (e.g., for lease of branches inside malls, it should be taken into consideration that most of the clients/parties of the Bank are also tenants of the mall, thus, the benefit for the Bank and its clients/parties is that it will be very accessible for both parties in addition to the added safety and security due to the presence of security guards in the mall premises).

iv. Availability of Other Sources of Products/Services

This shall refer to other sources, products and services that were considered in the selection process. This may apply to outsourcing of services with a RP (e.g., in engaging a RP for the construction of a branch, the BU Officer in AD should indicate and discuss the price/s given by other contractors).

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Should the cost be given by the RP for the same service (construction) as compared with the other contractors are more beneficial to the Bank, the same should be mentioned.

This section is related to the item iii herein which covers general benefits without comparison to other sources of products/services.

Any benefit derived at after comparing the RPT with other sources of products/ services, as a result of the said comparison, should be discussed in this section.

v. Assessment of Terms as Compared to Similarly Situated Non-related Clients

This shall cover discussion on why the transaction is at arm’s length, particularly discussing that such price, terms and conditions are also granted to unrelated party clients/parties under similar circumstances or terms.

vi. Other Remarks

Other remarks that do not fit in any of the sections of the form shall be indicated on this section.

For credit transactions, the BU shall attach the duly accomplished and approved CRM to the RPT Forms.

B. Request for Endorsement of Material RPTs

Material RPTs shall be indicated by the concerned BU in the RPT Recommendation and Endorsement (For Material Transactions) form for subsequent review and endorsement to the RPT Committee.


The concerned BU shall be responsible for ensuring that the information in the RPT Recommendation and Endorsement (For Material Transactions) form are complete, accurate and validated. The signed RPT Recommendation and Endorsement (For Material Transactions) form shall be submitted by the BU to OCS for inclusion in the RPT Committee Meeting Agenda.

C. Approval Requirements of Material RPTs

All material RPTs shall be endorsed to the RPT Committee using the RPT Recommendation and Endorsement Form (for material transactions) and approved by the BOD.

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D. Approval Requirements of Non-material RPTs

All non-material RPTs shall be approved by the Management Committee, subject to consolidation by the Regulatory Reports Department, and subsequent presentation to BOD (for its confirmation) by the Compliance Division.

For credit transactions to DOSRI/Subsidiaries/Affiliates, approval by the BOD shall be required.

E. Independent Review Committee

1. All Material RPTs shall be reviewed by the RPT Committee during its meeting, prior to submission to BOD for approval. The RPT Committee shall be responsible for passing upon any RPT and rendering an opinion on the transaction.
2. In case a RPT Committee member has conflict of interest in a particular RPT, he shall refrain from the deliberation and in evaluating the particular transaction.
3. In cases where there is deadlock on matters for resolution of the RPT Committee, the same shall be elevated to BOD for its decision and resolution. For this purpose, the Corporate Secretary shall include the matters which need to be decided upon or resolved by the BOD in view of the deadlock, in the next BOD meeting agenda.

F. RPT Committee Resource Persons


The Chief Compliance Officer or the Chief Audit Executive may sit as non-voting member/resource person in the said Committee.

G. Approval and Ratification of Material RPTs

1. The members of the BOD, stockholders, and management shall disclose to the BOD whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Therefore, no DOS shall be allowed to participate in the discussion/deliberation, approval and management of such transaction or matter affecting the Bank.
2. All BOD approved material Related Party Transaction shall be ratified by the Stockholders (by majority vote) during the Annual Stockholders' Meeting.

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IV. REPORTING GUIDELINES

A. RP Database Viewing and Updating Guidelines

1. Access the CBS Plus Gateway and login using your employee ID and password.
2. Click the RPT Database System icon.
3. From the RPT Database dashboard, click the menu of the type of Related Parties for viewing, addition, deletion or revision. Only concerned Business Units specified in the RPT Policy (Human Resources, Office of the Corporate Secretary and Compliance Division) are authorized to approve changes in the RP Database System.
4. Submit copy to Compliance Division necessary documents approved by Management or BOD for every update made in the RPT Database System, said file is subject for Compliance Testing periodically. Updating of RPT Database shall be done by BUs every time a related party is identified to be a new RP or considered not anymore an RP within five (5) banking days after the reference month.
5. Quarterly review of RPT updates is to be conducted by Compliance Division by comparing the approved documents (e.g. Secretary's Certificate or Board approval on the designation of officer or the election of new director) against the printed copy of RPT updates from RPT Database System. Also, an annual review shall be done through the information from the updated Biographical Data submitted to HRD and from other information available to the Bank.
6. To print an RPT Database reports, Heads of Business Units specified in the RPT Policy shall click what type of Related Parties in the dashboard. An RPT Database report will be downloaded in Excel file.


B. Reporting of RPTs

Business Unit Designated Staff/Officer

1. Encodes the necessary details in the Request for Endorsement of RPTs template and prints two (2) copies.
2. Checks the details encoded in the request for endorsement of RPTs template, and if everything is in order, prints the request for endorsement of RPTs in two (2) copies.

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3. Affixes signature over printed name on the “Prepared By” portion of the form and indicates date thereon.
4. Forwards the Request for Endorsement of RPTs and applicable supporting documents depending on the type of account/arrangement/service to the Business Unit Department Head/Officer supervising the account/arrangement/service for checking.

Business Unit Department Head/Officer Supervising the Account/Arrangement /Service

5. Upon receipt of the Request for Endorsement of RPTs, ensures that the form is signed by the Business Unit Designated Staff/Officer and date is indicated thereon.
6. Reviews the correctness and completeness of details in the Request for Endorsement of RPTs based on applicable supporting documents.
7. If everything is in order, affixes signature over printed name on the “Checked By” portion of the form and indicates date thereon. Otherwise, coordinates with the Business Unit Designated Staff/Officer for correction.
8. Forwards the Request for Endorsement of RPTs and applicable supporting documents to the Business Unit Group/Division Head for approval.

Business Unit Group/Division Head


9. Upon receipt of the Request for Endorsement of RPTs and applicable supporting documents, sees to it that the form is signed by the Business Unit Designated Staff/Officer and Department Head/Officer supervising the account/arrangement/service, and that date is indicated thereon.
10. Checks if the transaction falls under the category of an RPT based on the definition of a Related Party.
11. If everything is in order, affixes signature over printed name on the “Approved By” portion of the form and indicates date thereon.
12. Returns the Request for Endorsement of RPTs and applicable supporting documents to the Department Head/Officer supervising the account/arrangement/service.

Business Unit Department Head/Officer Supervising the Account/Arrangement /Service

13. Upon receipt of the Request for Endorsement of RPTs, sees to it that the form is signed by the Business Unit Group/Division Head and date is indicated thereon.

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14. Forwards the first (1st) copy of the Request for Endorsement of RPTs (material RPT) to the OCS for inclusion of the request for endorsement of RPTs in the RPT Committee meeting agenda and subsequent inclusion in the BOD meeting agenda, once passed by the RPT Committee. For non-material RPT, forwards the request to the appropriate approving body.
15. Requests the Business Unit Designated Staff/Officer to file the second (2nd) copy of the Request for Endorsement of RPTs.
16. Encodes all approved RPTs for the quarter to the Related Party Transactions Template (material and non-material) (MS Excel file).
17. Checks the correctness and completeness of details encoded in the Related Party Transactions Template against the Request for Endorsement of RPTs.
18. If everything is in order, sends the softcopy of the Related Party Transactions Template to the designated officer of the Controllership Group - **Regulatory Reporting Department** via email not later than five (5) banking days after the reference quarter. If there is none to report, sends the report template with “NONE to REPORT” notation.

Designated Officer of Regulatory Reporting Department


19. Receives the Related Party Transactions Template from the Business Unit Department Head/Officer supervising the account/arrangement/service via email.
20. Consolidates the Related Party Transactions Template using the BSP template.
21. Upon consolidation, forwards via email the consolidated quarterly Related Party Transaction Template to another officer for review.

Reviewing Officer of the Controllership Group – Regulatory Reporting Department

22. Checks the correctness and completeness of details in the consolidated quarterly Related Party Transactions against the Related Party Transactions Templates received from the Business Units.
23. If everything is in order, forwards the consolidated quarterly Related Party Transactions to the designated Staff for printing.

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Designated Staff

24. Upon receipt of email from the Officer, prints the consolidated quarterly Report on Related Party Transactions in two (2) copies and forwards the same to the Officer for signature.

Regulatory Reporting Officer

25. Affixes signature on the consolidated quarterly Report on Related Party Transactions and indicates date thereon.
26. Forwards the signed and soft copy of the consolidated quarterly Report on Related Party Transactions to the designated *CAD-GAD-RBS Officer of CBC not later than the 15th calendar day after end of the reference quarter.*
27. Sends a softcopy of the consolidated quarterly Report on Related Party Transactions to Compliance Division via email, not later than the 20th calendar day from the end of the reference quarter.

C. Annual Ratification of RPTs

Designated Officer at Compliance Division


1. Upon receipt of the softcopy of the consolidated quarterly Report on Material Related Party Transactions from Regulatory Reporting Department, saves the said softcopy in a file to be used as basis for the preparation of the Annual Summary of Significant Related Party Transactions for the year.
2. Based on the consolidated quarterly Report on Material Related Party Transactions, prepares the Annual Summary of Significant Related Party Transactions.
3. Forwards the Annual Summary of Significant Related Party Transactions to OCS, not later than the last banking day of April of every year, for the annual ratification/approval by the stockholders.

Designated Officer at OCS

4. Upon ratification/approval, prepares the Minutes of the Stockholders Meeting based on existing procedures.

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V. Whistleblowing

Employees may report/communicate confidentially, without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs, based on the policy guidelines on Whistleblowing.

VI. Sanctions and Restitution of Losses

All concerned units are expected to fully comply with the policies set forth herein and the BOD shall not allow losses to be incurred by the Bank due the non-observance of arm's length terms in any RPT. In order to further safeguard the interest of the Bank, the following polices on Sanctions shall apply, without prejudice to the actions of the Bank to seek refund or restitution of losses within the bounds allowed by law:

Proper disclosure is governed by the standards on honesty and integrity. Any violation shall be considered a breach of such standards.

Sanctions on the delay of submission or failure to submit the signed original consolidated quarterly Report on Material Related Party Transactions to BSP shall be imposed in accordance with the prescribed regulations of the MORB.

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