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REVISED GUIDELINES TO GOVERN THE ESTABLISHMENT AND RELOCATION/VOLUNTARY CLOSURE OF BRANCHES OF RURAL BANKS

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The Monetary Board, in its Resolution No. 1247 dated October 25, 1995, approved the revised guidelines to govern the establishment and relocation/voluntary closure of branches of rural banks. Accordingly, the provisions of Book III of the Manual of Regulations for Banks and Other Financial Intermediaries are hereby amended as follows:

SECTION 1. Section 3151 of the Manual of Regulations is hereby amended to read as follows:

> "SEC. 3151. Establishment/Relocation/Voluntary Closure of Branches - The following rules shall govern the establishment, relocation or voluntary closure of branches of rural banks."
>
> For purposes of this section, branches shall refer to branches, agencies, or extension offices outside of a bank's head office.

SECTION 2. Subsection 3151.1 of the Manual is hereby amended to read as follows:

> "Subsec. 3151.1 Prior Monetary Board Approval - Pursuant to Section 6-B of R.A. No. 337, as amended, no bank operating in the Philippines shall establish, open or operate branches or transact business outside the premises of its duly authorized principal office, without the prior approval of the Monetary Board/Governor."

SECTION 3. Subsection 3151.2 of the Manual is hereby amended to read as follows:

> "Subsec. 3151.2 Application for Authority to Establish Branch - An application for authority to establish branch shall be signed by the president of the bank, and shall be accompanied, as a minimum, by the following information/documents:
>
> a. Certified true copy of the resolution of the bank's board of directors authorizing the establishment of the branch and indicating its proposed site;
>
> b. Banking facilities and services to be offered;
>
> c. Organizational set-up of the proposed branch showing the proposed staffing pattern; and
>
> d. Certification signed by the president or the general manager that the bank has complied with all the requirements enumerated under Subsections 3151.3 and 3151.4."

SECTION 4. Subsection 3151.3 of the Manual is hereby amended to read as follows:

> "Subsec. 3151.3 Capital Requirement - The capital requirement for each branch of a rural bank shall be as follows:
>
> In the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque - P5 Million

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In the Cities of Cebu and Davao - P2.5 Million

In a first, second or third class city or in a first class municipality - P1.25 Million

In a fourth, fifth or sixth class city or in a second, third or fourth class municipality - P0.50 Million

In a fifth or sixth class municipality - None

Provided, however, That in no case shall the minimum capitalization for each rural bank be less than the minimum capital required under Section 3106.

A rural bank which has complied with the minimum capitalization required in Section 3106 or, if the rural bank has an approved capital build-up program, said bank is in compliance with the terms of such build-up program, as well as with all the other requirements of this Subsection and Subsection 3151.4 may establish additional branches in the areas specified in Subsection 3151.5. The amount of capital, if any, to be put up by such bank in establishing an additional branch shall be equal to the sum of the products of (a) the number of existing branches of the bank each multiplied by the abovementioned capital required for a branch depending on the location thereof, and (b) the number of branches to be established each multiplied by such capital required for a branch depending on its location, less the present total capital accounts of the bank.

A rural bank establishing a branch in a place classified higher than that of the location of its head office shall comply with the minimum capital requirement for the place of a higher classification.

'Capital', for purposes of this Subsection, shall refer to total adjusted capital accounts, net of government equity."

SECTION 5. Subsection 3151.4 of the Manual is hereby amended to read as follows:

"Subsec. 3151.4 Other Requirements - In addition to the capital requirements in Subsection 3151.3, the following conditions for establishment of branches of rural banks shall be complied with:

a) The bank during the last sixty (60) days immediately preceding the date of application has:

1. Not been deficient in its networth-to-risk assets ratio; and

2. Complied with the ceilings on credit accommodations to directors, officers, stockholders and/or related interests.

b) The bank has not incurred losses during the last six (6) months prior to the date of application or in lieu thereof, the bank infuses additional capital over and above the minimum capital required of rural banks or total capital required for establishing additional branches using the following formula:

1. Expected net profits for one year shall be determined by applying the average rate of return on net worth of normally operating rural banks for the preceding year to the basic minimum capital required for rural banks under Section 3106. This is based on the assumption that the bank will earn the industry average profit for said one year period.

2. Expected net profits (item 1) plus the higher of the:

(i) Total capital required for existing and additional branches or

(ii) Basic minimum capital required for rural banks under Section 3106.

The resulting figure will represent the total capital accounts to be required for applicant bank.

3. The total capital accounts (item 2) required less the present total capital accounts of the bank will be the additional fresh capital that an applicant bank will have to put up before it may be allowed to establish

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additional branch/es.

c) The bank has no net weekly reserve deficiency against deposit liabilities last eight (8) weeks immediately preceding the date of application;

d) The bank has complied with the Loans-to-Deposit ratio for one (1) quarter immediately preceding the date of application;

e) The bank does not have float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Offices" accounts and the "Due From Bangko Sentral" account exceeding one percent (1%) of the total resources as of the date of application;

f) The bank's total past due loans do not exceed 20% of total loan portfolio as of date of application;

g) The bank has conducted its business in a safe and sound manner during the last six (6) months immediately preceding the date of application;

h) The bank has corrected as of date of application the violations noted in its latest examination related to (1) Single borrower's loan limit and (2) Investment in bank premises and other fixed assets; and

i) The cash vault or safe of the proposed branch shall be equipped with a time delay device."

SECTION 6. Subsection 3151.5 of the Manual is hereby amended to read as follows:

"Subsec. 3151.5 Branch Location - Except in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City and the municipalities of Malabon, Navotas, San Juan and Parañaque, and in the cities of Cebu and Davao, a rural bank may establish branches in the Philippines, as follows:

a) A rural bank with unimpaired paid-in capital of P20 Million or more, net of government equity, may establish branches in any region.

b) A rural bank with unimpaired paid-in capital of less than P20 Million, net of government equity, may establish branches anywhere in the region where its head office is located as well as in the provinces adjacent to the province where its head office is located.

If the head office of said rural bank which has an unimpaired paid-in capital of less than P20 Million, net of government equity, is located in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City and the municipalities of Malabon, Navotas, San Juan and Parañaque, such bank may establish branches only in either Region III (Central Luzon) or Region IV (Southern Tagalog).

If the head office of the rural bank which has an unimpaired paid-in capital of less than P20 Million, net of government equity, is located in the cities of Cebu or Davao, such bank may establish branches only within its region."

SECTION 7. Subsection 3151.6 of the Manual is hereby amended to read as follows:

"Subsec. 3151.6 Date of Opening - Approved branches shall be opened within six (6) months from the date of approval thereof: Provided, that an applicant bank may be given a final extension of another six (6) months by the Deputy Governor, Supervision and Examination Sector, subject to presentation of justification and valid reason for the bank's failure to open within the six (6) month period and proof that said bank can be opened within the succeeding six (6) month period."

SECTION 8. Subsection 3151.7 of the Manual is hereby amended to read as follows:

"Subsec. 3151.7 Requirements for Opening Branch - After a bank's application to establish a branch has been approved, it may open the same subject to the following conditions:

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a) Submission by the personal information sheet (Bio-data) of the proposed manager and other officers of the branch at least thirty (30) days prior to the intended date of opening; and

b) A certification signed by an officer with the rank of a manager or by a higher officer -

(1) that the installation of the required security devices under Subsection 3167.5 have been complied with; and

(2) that the requirements enumerated under Subsections 3151.3 and 3151.4 have been complied with up to the time of actual opening.

A bank that fails to continuously comply with the requirements under Subsections 3151.3 and 3151.4 shall be given an extension of time to open such branch after it has shown compliance for another test period of the same duration required of each requirement under said Subsections: Provided, That the provisions of Subsection 3151.6 shall be observed if the branch cannot open within six (6) months from the date of approval thereof; Provided, further, that before such branch opens for business, the bank shall submit to the Bangko Sentral the requirements under items a and b(1) of this Subsection: and a certification by the bank officer mentioned under item b hereof to the effect that upon opening of the branch, the bank has complied within the time period prescribed with each requirement under Subsections 3151.3 and 3151.4.

Banks shall submit a written notice to the appropriate supervising and examining department of the Bangko Sentral of the actual date of opening of their branches not later than ten (10) banking days from such opening."

SECTION 9. A new subsection is hereby added after Subsection 3151.7 of the Manual to read as follows:

"Subsec. 3151.8 Relocation/Transfer of Branch - Transfer of a branch shall only be allowed within the same city or municipality where the branch to be transferred is located and such transfer shall not require prior Bangko Sentral approval but shall be subject to the following conditions:

a) Notice of transfer to depositors and other creditors by registered mail and posters in conspicuous place in the premises of the branch to be transferred at least three (3) months prior to the transfer;

b) Written notice to the appropriate supervising and examining department of the Bangko Sentral of the transfer not later than five (5) banking days from the date of such transfer. The notification shall be accompanied by a certified true copy of the resolution of the bank's board of directors authorizing the transfer; and

c) A certification signed by an officer with the rank of Manager or by a higher ranking officer, that the above requirements have been complied with. The certification shall be submitted to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from the date of transfer."

SECTION 10. A new subsection is hereby added after Subsection 3151.8 of the Manual to read as follows:

"Subsec. 3151.9 Voluntary Closure of Branch - Voluntary closure of branches may be effected only with prior approval of the Bangko Sentral and shall be subject to the following conditions:

a) Notice of closure to depositors and other creditors by registered mail and posters in conspicuous place in the premises of the branch to be closed at least three (3) months prior to the closure;

b) Written notice of closure to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from the date of closure. The notification shall be accompanied by a certified true copy of the resolution of the bank's board of directors authorizing the closure; and

c) A certification signed by an officer with the rank of Manager or by a higher officer, that the above requirements have been complied with. The certificate shall be submitted to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from the date of closure."

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SECTION 11. A new subsection is hereby added after Subsection 3151.9 of the Manual to read as follows:

"Subsec. 3151.10 Sanctions - If any part of the certification submitted by the bank as required in these guidelines is found to be false, the following sanctions shall be imposed:

a) On the bank

Suspension for one (1) year of the privilege to establish and/or open approved branches

b) On the Certifying Officer

A fine of P200.00 per day from the time the certification was made up to the time the certification was found to be false for each branch opened, transferred or closed

without prejudice to the sanctions under Section 35 of Republic Act No. 7653

This Circular shall take effect immediately.

Adopted: 30 Oct. 1995

(SGD.) ANDRE NAVATO
Officer-In-Charge

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