

AMENDMENT TO BOOK III OF THE MANUAL OF REGULATIONS FOR BANKS AND OTHER FINANCIAL INTERMEDIARIES BY ADDING SECTION 3393 ON LOANS-TO-DEPOSIT RATIO

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The Monetary Board, in its Resolution No. 417 dated 6 May 1994, approved the addition of Section 3393 and its subsections under Book III of the Manual of Regulations for Banks and Other Financial Intermediaries, as follows:

SECTION 3393 Loans-to-Deposits Ratio. - The following policies and guidelines shall govern the loans-to-deposits ratio of head offices, branches, agencies, extension offices, etc. in regions outside the National Capital Region, of rural banks:

SUBSECTION 3393.1 Statement of Policy. - At least seventy-five per cent (75%) of total deposits, net of required reserves against deposit liabilities and total amount of cash in vault, accumulated by branches, agencies, extension offices, units and/or head offices of rural banks, in a particular regional grouping outside the National Capital Region, shall be invested therein as a means to develop that region.

For purposes hereof, deposits shall include Time Certificates of Deposits — Special Financing, but shall exclude government deposits subject to 50% liquidity floor requirement.

SUBSECTION 3393.2 Other Methods of Compliance. - The policy shall be deemed complied with if, in a particular region, the bank's lendings for the financing of agricultural and export industries aggregated 60% of its deposits.

Loans granted by the head office and other offices in a region may be assigned and considered part of the loans of offices in another region, subject to the presentation of acceptable proof that the end-users of the loan proceeds are located in the latter region. Acceptable proof may include but need not be limited to the following: (a) tickets showing that the loan proceeds were released by an office in that region and/or (b) cable advice from the lending office to the office in the region where end-users are located re: approval of loan and release thereof.

SUBSECTION 3393.3 Sanctions for Non-Compliance. - Compliance with the loans-to-deposits ratio for four (4) consecutive quarters shall be one of the conditions for the processing and/or approval of any of the following approval of any of the following applications or requests of rural banks:

- a. For authority to establish new banking offices, regardless of type;
- b. For permit to operate new banking offices, regardless of type; and
- c. To avail of BSP credit facilities and other financing programs managed by the BSP, except as may be allowed under Section 90 of Republic Act No. 265, as amended.

SUBSECTION 3393.4 Regional Groupings. - For purposes of this policy, the Philippines is hereby divided into four enlarged regional groupings, as follows:

National Capital Region

Luzon (Regions I, II, III, IV-A and V)
Visayas (Regions VI, VII and VIII)
Mindanao (Regions IX, X, XI and XII)

The enlarged groupings shall be used for purposes of determining the regional retention of deposits.

SUBSECTION 3393.5 Grace Period. - For purposes of determining compliance with the loans-to-deposits ratio, rural banks shall be granted a six-month grace period from every reporting date within which to invest their loanable funds.

All rural banks are given an additional eighteen (18) months from 30 June 1994 within which to comply with the prescribed ratio under the following schedule:

Minimum Ratio

Target Date

25%

December 31, 1994

50%

March 31, 1995

62.5%

June 30, 1995

75%

December 31, 1995

It is understood that compliance with the regulation shall mean compliance with the ratios in all of the three (3) regions outside the National Capital Region.

This Circular shall take effect immediately.

Adopted: 18 May 1994

(SGD.) GABRIEL C. SINGSON
Governor

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