

OPENING OF BRANCHES WON THRU THE BIDDING PROCESS

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The Monetary Board, in its Resolution No. 1103 dated September 30, 1991, decided on the following amendments to CB Circular No. 1281 dated April 15, 1991;

1. To amend item 4 of CB Circular No. 1281 so as to read as follows:

“4. No bank which has any of the following violations/exceptions and unsound and unsafe banking practices noted in the latest examination of the bank shall be allowed to open a branch won thru the bidding process until after such exceptions/practices have been corrected:

a. Republic Act No. 387, as amended —

1. Sec. 21-A to Sec. 21-C and Sec. 31 — Investment in equities exceeds prescribed ceilings;
2. Sec. 23 and Sec. 32 — Loans in excess of single borrower’s limit;
3. Sec. 25 and Sec. 34 — Investment in bank premises exceeds ceilings;
4. Sec. 76 — Loans granted without supporting financial statements and/or credit information or loans which are not justified by financial statements and/or credit information (total amount of such loans aggregates 5% of networth);
5. Sec. 78 — Loans granted in excess of maximum loan value (total excess in amount is 5% of networth); and
6. Sec. 12, 12-A, 12-B and 12-C — Limit on stockholdings.

b. Manual of Regulations for Banks and Other Financial Intermediaries — Books I and II.

1. Sec. 1326 to Sec. 1334 and Sec. 2326 to Sec. 2334 — excess loans to directors, officers, stockholders and their related interests;
2. Sec. 1106 and Sec. 2406 — does not meet minimum capital requirement;
3. Sec. 1116 and Sec. 2116 — Minimum capital-to-risk asset requirement (5 or more times deficient within a 60-day period during the last 6 months); and
4. Sec. 1253 to Sec. 1257; Sec. 1283 and Sec. 2253 to Sec. 2257; Sec. 2283 — Legal reserve for deposits and deposit substitutes (4 consecutive weeks net deficiency).

c. Unsound and unsafe banking practices —

1. Loans approved/released without authority from appropriate body/officer (aggregates to 5% of networth);
2. Loans released without complying with the terms and approval thereof (aggregates 5% of networth);
3. Loans released before full documentation of papers (PNs mortgage contracts, pledges, assignments). Aggregates to 5% of networth; and
4. When the aggregate of all loans under items (1) to (3) above is equal to 10% of networth; and

d. Unprofitable Operations”

2. To amend further item 1. (e) of CB Circular No. 1281 as amended under M.B. Res. No. 1070 dated September 20, 1991 to read as follows:

“(e) A bank which has been awarded a branch franchise shall open and operate the branch covered by the franchise within a period of one (1) year from the date of the award; otherwise, the franchise as well as the consideration paid to the Central Bank for said franchise shall be forfeited.”

This Circular shall take effect immediately.

Adopted: 03 Oct. 1991

(SGD.) JOSE L. CUISIA, JR.
Governor

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