NATIONAL ADMINISTRATIVE REGISTER · DECEMBER 4, 1998

FILING OF APPLICATION AND OTHER REQUIREMENTS FOR THE ESTABLISHMENT OF BRANCHES OF RURAL BANKS, AND SANCTIONS FOR FAILURE TO SUBMIT REQUIRED CERTIFICATIONS

BSP CIRCULAR NO. 184, December 04, 1998

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The Monetary Board, in its Resolution No. 1582 dated November 17, 1998, approved the following amendments to Book III of the Manual of Regulations for Banks and Other Financial Intermediaries on the filing of application and other requirements for the establishment of branches of rural banks, and sanctions for failure to submit required certifications.

SECTION 1. Subsection 3151.2 of the Manual is hereby amended by adding the following paragraphs:

> "No application for establishment of branches shall be accepted by the Bangko Sentral from a rural bank which has two (2) approved but unopened branches. Applications which may be accepted at any given time from a rural bank shall be in such number that if all these applications were approved, the applicant bank shall not have approved but unopened branches in excess of the limit herein prescribed.
>
> "The herein prescribed limit shall be applied prospectively and shall not include branches approved and unopened prior to the effectivity of this Circular: Provided, however, that any approved but unopened branches shall be opened within the six (6) months period and failing which such branch/es shall be included for purposes of determining compliance with the prescribed limit.
>
> "Nothing herein shall operate to bar substitution of applications within the prescribed limit."

SECTION 2. Subsection 3151.4 of the Manual is hereby amended to read, as follows:

> "Subsec. 3151.4. Other requirements. — In addition to the capital requirements for establishment of branches in Subsection 3151.3, the following conditions shall be complied with:
>
> a. The bank during the last ninety (90) days immediately preceding the date of application has:
>
> 1) Not been deficient in its net worth-to-risk assets ratio;
>
> 2) Complied with the ceilings on credit accommodations to directors, officers, stockholders and/or related interests; and
>
> 3) Complied with the liquidity floor on government deposits;
>
> b. The bank has no net weekly reserve deficiency against deposit liabilities during the last twelve (12) weeks immediately preceding the date of application;
>
> c. The bank has complied with the loans-to-deposit ratio for two (2) quarters immediately preceding the date of application;
>
> d. The bank has complied with the mandatory allocation of credit resources to small and medium enterprises for two (2) quarters immediately preceding the date of application;

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e. The bank has not been found engaging in unsafe and unsound banking practices during the last six (6) months immediately preceding the date of application where applicable;

f. 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 end of preceding month;

g. The bank's total investments in real estate and improvements thereon, including bank equipment, does not exceed fifty percent (50%) of its net worth as of date of application;

h. The bank has set up the prescribed allowances for probable losses, both general and specific, as of date of application;

i. The bank has corrected as of date of application major findings/violations noted in its latest examination;

j. The bank has no past due obligation with the Bangko Sentral or with any financial institution as of date of application;

k. The bank is a member of the Philippine Deposit Insurance Corporation in good standing as of date of application; and

l. For each branch to be established, a time delay device shall be installed in the cash vault or safe prior to start of operation."

SECTION 3. Subsection 3151.10 of the Manual is hereby amended to read, as follows:

"Subsec. 3151.10 Sanctions. — If a rural bank fails to submit any certification as required in these guidelines, or if any part of the certification submitted by the bank is found to be false, the following sanctions shall be imposed:

1. On the Bank

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

2. On the Responsible/Certifying Officer

A fine of P 200.00 per day from the deadline of the submission of the certification up to the time the certification was found to be not submitted, or from the time the certification was made up to the time the certification was found to be false as the case may be, 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: 4 Dec. 1998

(SGD.) GABRIEL C. SINGSON
Governor

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