GRANT OF AUTHORITY TO ENGAGE IN LIMITED TRUST BUSINESS TO THRIFT BANKS AND RURAL BANKS

BSP CIRCULAR NO. 583, September 24, 2007

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Pursuant to Monetary Board Resolution No. 1024 dated 13 September 2007, the rules and regulations that shall govern the grant of authority to engage in limited trust business to, as well as the conduct of operations of said limited trust business by, thrift banks and rural banks are hereby issued as follows:

Section 1. Statement of Policy - It is hereby declared the policy of the Bangko Sentral ng Pilipinas (BSP) to promote healthy competition in order to improve the delivery of banking services especially in the countryside. Towards this end, authority to engage in limited trust business shall be granted to qualified thrift banks and rural banks which meet the minimum capital required for the grant of such authority, among others.

Section 2. Scope of Limited Trust Business - For purposes of this Circular, limited trust business shall be confined to (1) court trusts or trusts under orders of court of competent jurisdiction, such as acting as: a) executor or administrator of a will; and b) guardian of the estate of a minor or incompetent; and (2) administration of properties.

Section 3. Application for Authority to Engage in Limited Trust Business - A thrift bank or rural bank desiring to engage in a limited trust business shall file an application with the Centralized Application and Licensing Group (CALG) of the Supervision and Examination Sector (SES) of the BSP. The application shall be signed by the bank president or officer of equivalent rank and shall be accompanied by the following documents:

a. Certified true copy of the resolution of the bank’s board of directors authorizing the application; and

b. Certification signed by the bank president or officer of equivalent rank that the bank has complied with all the conditions/pre-requisites for the grant of authority to engage in a limited trust business.

Section 4. Required Capital - A thrift bank or rural bank applying for authority to engage in limited trust business must have minimum capital accounts as follows:

Thrift banks

-Minimum capital under existing regulations or PI00 million, whichever is higher, or such amounts as may be required by the Monetary Board in the future

Rural banks

- PI00 million, or such amounts as may be required by the Monetary Board in the future

Section 5. Pre-requisites for the Grant of Authority to Engage in Limited Trust Business - A thrift bank or a rural bank applying for authority to engage in limited trust business must comply with the following requirements:

a. The banks operation during the preceding calendar year and for the period immediately preceding the date of application has been profitable:

b. The bank is well capitalized whose risk-based capital adequacy ratio (CAR) is not lower than twelve percent (12%) at the time of filing the application;

c. It has not incurred net weekly reserve deficiencies within eight (8) weeks immediately preceding the date of application;

d. It has generally complied with banking laws, rules and regulations, orders or instructions of the Monetary Board and/or BSP Management in the last two (2) preceding examinations prior to the date of application, more particularly:

1. election of at least two (2) independent directors;
2. attendance by every member of the board of directors in a special seminar for board of directors conducted or accredited by the BSP;
3. the ceilings on credit accommodations to directors, officers, stockholders and related interests (DOSRI);
4. liquidity floor requirements for government deposits;
5. single borrower's loan limit; and
6. investment in bank premises and other fixed assets.

e. It maintains adequate provisions for probable losses commensurate to the quality of its asset portfolio but not lower than the required valuation reserves as determined by the BSP;

f. It 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 date of application.

g. It has no past due obligations with the BSP or with any government financial institution;

h. It has established a risk management system appropriate to its operations characterized by clear delineation of responsibility for risk management, adequate risk measurement systems, appropriately structured risk limits, effective internal controls and complete, timely and efficient risk reporting system;

i. It has a CAMELS Composite Rating of at least "3" in the last regular examination with Management Rating not lower than "3"; and

j. It is a member of the Philippine Deposit Insurance Corp. (PDIC) in good standing.

Section 6. Requirements for Engaging in Limited Trust Business - A thrift bank or rural bank authorized to engage in limited trust business shall comply with the following requirements:

a. The articles of incorporation of the bank shall include among its powers or purposes, acting as trustee or administering trust or holding property in trust or on deposit for the use, or in behoof of others;

b. The by-laws of the bank shall include among others, provisions on the following:

1. The organization plan or structure of the department, office or unit which shall conduct the trust and other fiduciary business of the bank;
2. The creation of a trust committee, to be composed of at least three (3) members who are all members of the board of directors and who are not operating officers of the bank, and at least two (2) of whom are independent directors: Provided, That if the bank decides to have a trust committee composed of atleast five (5) members, the provisions of Subsec. X406.2 of the MORB shall apply;

3. The appointment of a trust officer and subordinate officers of the trust department, office or unit: Provided, that the trust officer shall have the following:

a. At least two (2) years of actual experience in trust operations; or

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b. At least one (1) year of actual experience in trust operations and completion of a training program in trust operations acceptable to the BSP; or
c. At least two (2) years of actual experience as officer of a bank and completion of a training program in trust operations acceptable to the BSP; and

4. A clear definition of the duties and responsibilities as well as the line and staff functional relationships of the various units, officers and staff within the organization.

Section 7. Administration of Properties Held in Trust. The properties held in trust or other fiduciary capacity shall be administered in accordance with the terms of the instrument creating the trust and/or order of the court. Unless otherwise directed in writing by the court investments of fiduciary funds shall be limited to:

a. Bank deposits; and

b. Evidences of indebtedness of the Republic of the Philippines or of the BSP, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.

Section 8. Applicability of the Rules and Regulations on Trust, Other Fiduciary Business and Investment Management Activities. The provisions of Part IV of Manual of Regulations for Banks (MORB) which are not inconsistent with the provisions of this Circular shall apply to thrift banks and rural banks authorized to engage in limited trust business.

Section 9. Effectivity. This Circular shall take effect fifteen (15) days following its publication in the Official Gazette or in any newspaper of general circulation.

Adopted: 24 Sept. 2007

FOR THE MONETARY BOARD:

(SGD.) AMANDO M. TETANGCO, JR.

Governor

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