MERGER OR CONSOLIDATION INCENTIVES

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The Monetary Board, in its Resolution No. 1112 dated October 9, 1991, approved the following amendments to Books I to IV of the Manual of Regulations for Banks and Other Financial Intermediaries, as follows:

SECTION 1. Sections 1112, 2112, 3112 and 4112Q are hereby added to Books I to IV, respectively, of the Manual of Regulations to read as follows:

"Merger or Consolidation Incentives — In pursuance of the policy to promote mergers and consolidations among banks and other financial intermediaries as a means to develop larger and stronger financial institutions, constituent entities may, subject to Central Bank approval, avail of any of all of the following:

a. Revaluation of bank premises, improvements and bank equipment of the institutions: Provided, That such revaluation shall be based on fair valuation of the property which shall be subject to review and approval by the Central Bank;

b. Conversion or upgrading of the existing head offices, branches and/or other offices of the merged or absorbed institutions into branches of the new or surviving financial institution;

c. Condonation of liquidated damages and/or penalties on loan arrearages to the Central Bank of rural banks which are parties to the merger or consolidation: Provided, That loan arrearages of rural banks to the Central Bank are paid in full or shall be covered by a plan of payment payable on an equal monthly amortization schedule over a period not exceeding ten (10) years;

d. Relocation of branches/offices may be allowed within one (1) year from date of merger or consolidation in cases where the merger or consolidation resulted in duplication of branches/offices in a service area, or in such other cases/circumstances as may be prescribed by the Monetary Board;

e. Outstanding penalties in legal reserve deficiencies and interest on overdrafts with the Central Bank as of the date of merger or consolidation may be paid installments over a period of one (1) year;

f. Unbooked valuation reserves and other capital adjustments resulting from the merger or consolidation based upon the Central Bank examination may be booked on staggered basis over a maximum period of five (5) years;

g. Exemption from the 20% and 30% limitations on voting stockholdings in the new or surviving institution on any person or persons related to each other within the third degree of consanguinity or affinity, or corporations, respectively: Provided, That this shall be allowed only if the bank that is being merged is distressed; Provided, further, That whenever any of the stockholders exceed the 20% and/or 30% ceilings, their holdings shall not be increased, but may be reduced and once reduced, shall not thereafter be increased beyond the 20% and/or 30% ceilings;

h. In the case of thrift banks, the merged or consolidated bank may be allowed to establish branches in Metro Manila provided the paid-in capital of the merged or consolidated bank is at least P100 million, subject to the provisions of CB Circular No. 1281; and

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i. Any right or privilege granted a merging bank under a rehabilitation program previously approved by the Monetary Board or under any special authority previously granted by the Monetary Board shall continue to be in effect.

SECTION 2. An additional item is hereby added to Section 3112 of Book III, as follows:

j. Training of officers and staff of the merging or consolidating rural banks by the Central Bank.

This Circular shall take effect immediately.

Adopted: 15 Oct. 1991

(SGD.) EDGARDO P. ZIALCITA
Officer-in-Charge

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