

REQUIRED POLICY ON THE ESTABLISHMENT OF NEW RURAL BANKS AND BRANCH OFFICES

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The Monetary Board, in its Resolution No. 339 dated March 29, 1995, approved the revision of the policy on the establishment of new rural banks and branch offices, as follows:

SECTION 1. Section 3106 of the Manual of Regulations for Banks and Other Financial Intermediaries (Book III) is hereby amended to read as follows:

"Section 3106. Minimum Capitalization - Except in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, and in the cities of Cebu and Davao, a new rural bank may be established in any city or municipality.

"The minimum capitalization requirements of rural banks shall be as follows:

a. In the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City and the municipalities of Malabon, Navotas, San Juan and Parañaque(existing rural banks)

P20 million

b. In the cities of Cebu and Davao(existing rural banks)

10 million

c. In first, second and third class cities and first class municipalities

5 million

d. In fourth, fifth and sixth class cities and in second, third and fourth class municipalities

3 million

e. In fifth and sixth class municipalities

2 million

Existing rural banks, including those which have been authorized but not yet operating as of March 29, 1995, shall likewise comply with the above capital requirements: Provided, That those not complying with the minimum capital required shall be granted one and one-half (1-1/2) years from date of this Circular within which to meet the above minimum capital requirements: Provided, further, That a capital build-up program for this purpose shall be submitted to the Bangko Sentral ng Pilipinas (BSP) within six (6) months from date of this Circular.

If the prescribed minimum capital necessitates an increase in the authorized capital stock, the rural bank shall cause the corresponding amendments to its articles of incorporation and submit the same to the BSP together with its capital build-up program.

It shall be the responsibility of the rural bank's board of directors and senior management to ensure full compliance with the bank's capital build-up program. Any or all of the following sanctions, among others, may be imposed on a rural bank which fails to (i) comply with the minimum capital requirement or (ii) submit its capital build-up program within the prescribed deadline or to comply with its approved capital build-up program:

- a. Suspension of branching privilege;
- b. Prohibition against granting of new unsecured loans to directors, officers, stockholders and related interests;
- c. Denial of access to the rediscounting window of the BSP; and
- d. Denial of application to accept government deposits.

SECTION 2. Section 3151 of the Manual is hereby amended to read as follows:

"Section 3151. Establishment of Banking Offices - A rural bank may establish banking offices which include branches, sub-branches, agencies and extension offices, as follows:

"a. A rural bank with unimpaired paid-in capital of P20 million or more, net of government equity, may establish banking offices in any region, except in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, and in the cities of Cebu and Davao.

Non-compliance with the P20 million minimum capitalization shall disqualify a rural bank from the establishment of additional branches.

"b. A rural bank with unimpaired paid-in capital of less than P20 million, net of government equity, may establish branches in the region where its head office is located, except in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, and in the cities of Cebu and Davao.

For this purpose, the term "region" shall include provinces adjacent to the province where the rural bank's head office is located.

A rural bank in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, may establish branches only in either Region III (Central Luzon) or Region IV (Southern Tagalog).

A rural bank in the city of Cebu or Davao may establish branches only within its region but outside said cities.

SECTION 3. Item c of Subsection 3151.3 of the Manual is hereby amended to read as follows:

"Subsec. 3151.3 Requirements for establishing banking offices:

"c. For each branch to be established by a rural bank in areas other than the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, and in and the cities of Cebu and Davao, additional capital shall be put up as follows:

In a first, second or third class city, or in a first class municipality

P1.25 million

In a fourth, fifth or sixth class city, or in a second, third or fourth class municipality

0.50 million

In a fifth and sixth class municipality

none

if the capital of the bank is less than an amount equal to P5 million times the number of existing branches located in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque, plus P2.5 million times the number of existing branches located in the cities of Cebu and Davao; plus P1.25 million times the number of existing and proposed additional branches located/to be located in first, second and third class cities, and in first class municipalities; plus P0.50 million times the number of existing and proposed additional branches located/to be located in fourth, fifth and sixth class cities, and in second, third and fourth class municipalities.

"In implementing the above, the following guidelines shall be observed:

"(1) Where the capital of a rural bank is lower than an amount equal to the sum of:

a. P5.00 million times the number of existing branch/es in the City of Manila, Kalookan City, Quezon City, Pasay City, Mandaluyong City and Makati City, and the municipalities of Malabon, Navotas, San Juan and Parañaque;

b. P2.50 million times the number of existing branch/es in the cities of Cebu and Davao;

c. P1.25 million times the number of existing branch/es in first, second and third class cities, and in first class municipalities; and

d. P0.50 million times the number of existing branch/es in fourth, fifth and sixth class cities, and in second, third and fourth class municipalities,

such bank shall not be allowed to branch out until its capital is increased to at least the sum of (a), (b), (c) and (d) above;

"(2) Where the capital of a rural bank is greater than the sum of Items (a), (b), (c) and (d) above, such bank need not put up additional capital for each additional branch to be established if the excess is greater than P1.25 million or P0.50 million, as the case may be, depending on the proposed site of the additional branch.

Where such excess is less than P1.25 million or P0.50 million, as the case may be, only an amount to cover the deficiency shall be required to be put up as additional capital for the establishment of an additional branch;

"(3) Capital, for this purpose, shall refer to total adjusted capital accounts, net of government equity; and

"(4) A rural bank establishing a branch in a place classified higher than that of the location of its head office shall comply with the minimum capital requirement for the place of a higher classification.

This circular shall take effect immediately.

Adopted: 5 May 1995

(SGD.) EDGARDO P. ZIALCITA

Officer-In-Charge

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