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REVISED RULES AND REGULATIONS GOVERNING THE ESTABLISHMENT OF BRANCHES OF RURAL BANKS

BSP CIRCULAR NO. 1280, April 15, 1991

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The Monetary Board, in its Resolution No. 411 dated April 12, 1991, approved the following revised rules and regulations governing the establishment of branches of rural banks, including the privilege of nationwide branching:

1. Rural Banks with unimpaired paid-in capital of P10 million or more, net or government equity, may establish branches in any region, except in the National Capital Region and in the cities of Cebu and Davao.

2. Rural Banks with unimpaired paid-in capital of less than P10 million net of government equity, may establish branches in the region where the head office is located, except in the National Capital Region and in the cities of Cebu and Davao. Such rural banks when situated in the National Capital Region may establish branches only in either Region III (Central Luzon) or IV (Southern Tagalog). However if such rural banks are situated in Cebu City and Davao City, they may branch out only within their respective regions but outside said cities.

3. The bidding requirements imposed on commercial banks and thrift banks shall not apply to rural banks.

4. Rural banks shall be subject to the applicant bank's compliance with banking laws, rules and regulations and observance of sound practices as well as Central Bank policies on:

- compliance with minimum capital requirements, capital adequacy and solvency;

- profitable operations for the preceding year and capacity to absorb losses;

- legal reserves and liquidity position; and

- ceilings on credit accommodations to directors, officers, and/or stockholders.

5. Where an applicant rural bank is found to be in any or all of the exceptions enumerated hereunder, its application shall not be given due course:

- Unprofitable operation during the year immediately preceeding the filling of application

- Networth is found to be deficient for five or more times within a 30-day period during the last six months immediately preceding the date application was filed.

- Net deficiencies in reserves against deposit liabilities for four consecutive weeks during the last six months preceding the date application was filed.

- With past due obligations with the Central Bank.

- With past due obligations with the Central Bank covered by an approved plan of payment, the terms and conditions of which are not fully complied with.

- Past due loans ratio exceeding 25% as of latest examination.

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6. Only applications complete with the minimum documents as prescribed in existing regulations shall be accepted on a first-come-first-served basis.

7. Approved branch shall be opened within six months from date of receipt of notice of approval of the application. Extension shall only be granted upon presentation of justification and meritorious reason for bank's failure to open within the six-month period and proof that said branch can be opened within the extension period.

Subparagraphs (d) and (f) of Section 3151.5 of the Manual of Regulations for Banks and Other Financial Intermediaries (Book III) are hereby superseded.

Provisions of existing rules and regulations governing establishment of branches by rural banks not inconsistent with provisions of this Circular shall continue to remain in full force and effect.

Adopted: 15 April 1991

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

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