

[BSP CIRCULAR NO. 583, September 24, 2007]

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

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 P100 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