

[BSP CIRCULAR NO. 192, March 05, 1999]

**REVISED NON-STOCK SAVINGS AND LOANS ASSOCIATION ACT
OF 1997**

The Monetary Board, in its Resolution No. 764 dated May 27, 1998, approved the adoption of the attached implementing rules and regulations for R.A. No. 8367, otherwise known as the "Revised Non-Stock Savings and Loans Association Act of 1997". The same resolution revoked the old rules and regulations implementing R.A. No. 3779.

This circular shall take effect immediately.

Adopted: 5 March 1999

(SGD.) GABRIEL C. SINGSON
Governor

BOOK IV-S

PART ONE

ORGANIZATION, MANAGEMENT AND ADMINISTRATION

A. SCOPE OF AUTHORITY

SECTION 4101S. Scope of Authority of Non-Stock Savings and Loan Associations (NSSLAs). — A "Non-stock Savings and Loan Association", hereinafter called the "NSSLA", shall include any non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long-term financing for home building and development and for personal finance. An NSSLA may also engage in a death benefit program meant exclusively for the benefit of its members.

Subsection 4101S.1. — Organization of a Non-Stock Savings and Loan Association

- a. NSSLAs shall issue a certificate of membership to every qualified member and shall maintain a registry of its members.
- b. An NSSLA shall confine its membership to a well-defined group of persons and shall not transact business with the general public. It shall accept deposits from and grant loans to its members only.

Subsection 4101S.2. Organizational Requirements

- a. *Articles of Incorporation; by-laws* - The articles of incorporation and by-laws of a proposed NSSLA, or any amendment thereto, shall not be registered with the Securities and Exchange Commission unless accompanied by a certificate of approval from the Monetary Board.
- b. *Application for approval* - The articles of incorporation and by-laws of a proposed NSSLA, both accomplished in the prescribed forms, shall be submitted to the Monetary Board through the appropriate supervising and examining department of the BANGKO SENTRAL NG PILIPINAS (BSP) together with a covering application for the approval thereof, signed by a majority of the Board of Trustees and verified by one of them. The application shall include:
 1. The proposed articles of incorporation and by-laws together with the names and addresses of the incorporators, trustees and officers, with a statement of their character, experience, and general fitness to engage in the non-stock savings and loan business;
 2. An itemized statement of the estimated receipts and expenditures of the proposed NSSLA for the first year;
 3. Filing fee of P1,000.00;
 4. Such other information as the Monetary Board may require.
- c. Grounds for disapproval of application. The Monetary Board may deny the application to organize an NSSLA on the basis of a finding that:
 1. The NSSLA is being organized for any purpose other than to engage in the business of a legitimate NSSLA;
 2. The NSSLA's financial program is unsound;
 3. The proposed members are adequately served by one or more existing NSSLAs; and
 4. There exist other reasons which the Monetary Board may consider as sufficient ground for such disapproval.
- d. Certificate of authority to operate; revocation or suspension thereof.- All NSSLAs, prior to transacting business, shall procure a certificate of authority to transact business from the Monetary Board. After due notice and hearing, the Monetary Board may revoke or suspend, for such period as it determines, the certificate of authority of any NSSLA, the solvency of which is imperiled by losses or irregularities, or of any NSSLA which willfully violates any provision of Republic Act No. 8367, these rules or any pertinent law or regulation.

SECTION 4102S. MEMBERSHIP REQUIREMENT

Subsection 4102S.1. The NSSLA shall confine its membership to a well-defined group of persons and shall not transact business with the general public.

A "well-defined group" shall consist of any of the following:

- a. Employees, officers, and trustees of one company, including member-retirees;
- b. Government employees belonging to the same office, branch, or department, including member-retirees; and
- c. Immediate members of the families up to the second degree of consanguinity or affinity of those falling under paragraphs a and b above.

Subsection 4102S.2. NSSLAs whose articles of incorporation and by-laws were approved and registered prior to the effectivity of Republic Act No. 8367 and which limit and/or allow membership coverage broader or narrower than the foregoing definition, shall be allowed to continue as such.

Subsection 4102S.3. The Monetary Board may, as circumstances warrant, require NSSLAs mentioned in the immediately preceding paragraph to amend their by-laws to comply with the concept of a "well-defined group".

Subsection 4102S.4. In no case shall the total amount of entrance fees exceed one percent (1%) of the amount to be contributed or otherwise paid in by the particular member: Provided, that for new members, the fee shall be based on the amount of contributions computed in accordance with the revaluation of the assets of the NSSLA.

Subsection 4103S-4105S. (RESERVED)

B. CAPITALIZATION

Section 4106S. CAPITAL OF NON-STOCK SAVINGS AND LOAN ASSOCIATION - Members who have contributed one thousand pesos (P1,000.00) or more to the capital of an NSSLA may increase their capital contribution or open savings or time deposit accounts. Partial withdrawal from the amount paid by a member as capital contribution, during his membership, may be allowed unless the by-laws of the NSSLA provide otherwise, and subject to such rules and regulations as the Monetary Board may prescribe in the matter of such withdrawal of capital contributions. However, in no case, shall such partial withdrawal diminish the member's capital contribution to less than P1,000.00.

Members of NSSLAs may participate in the profits of the NSSLA on the basis of their capital contributions on the date dividends are declared.

Subsection 4106S.1. Revaluation Surplus - In cases of both retiring and new members, a revaluation surplus shall be added to their contributions by imputing their respective proportionate shares in the withdrawable

share reserve and the reserve for furniture, fixtures, and furnishings.

Section 4107S-4110S. (RESERVED)

C. (RESERVED)

Section 4111S-4115S. (RESERVED)

D. NET WORTH TO RISK ASSETS RATIO

Section 4116S - CAPITAL TO RISK ASSETS RATION OF NON-STOCK SAVINGS AND LOAN ASSOCIATION

The combined capital accounts of each NSSLA shall not be less than an amount equal to ten percent (10%) of its risk assets which is defined as its total assets minus the following assets:

- a. Cash on hand;
- b. Evidences of indebtedness of the Republic of the Philippines and of the BSP and any other evidences of indebtedness/obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- c. Loans to the extent covered by holdout on, or assignment of deposits maintained in the lending NSSLA and held in the Philippines;
- d. Office premises, depreciated;
- e. Furniture, fixtures and equipment, depreciated;
- f. Real estate mortgage loans insured by the Home Insurance Guarantee Corporation to the extent of the amount of the insurance; and
- g. Other non-risk items as the Monetary Board may, from time to time, authorize to be deducted from total assets.

The Monetary Board shall prescribe the manner of determining the total assets of such NSSLA for the purpose of this Section, but contingent accounts shall not be included among total assets.

Whenever the capital accounts of an NSSLA are deficient with respect to the requirement of the preceding paragraph, the Monetary Board, after considering a report of the appropriate supervising and examining department of the BSP on the state of solvency of the NSSLA concerned, shall limit or prohibit the distribution of net profits and shall require that part or all of net profits be used to increase the capital accounts of the NSSLA until the minimum requirement has been met. The Monetary Board may, after considering the aforesaid report of the appropriate supervising and examining department of the BSP, and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the NSSLA with the exception of the purchases of the evidence of indebtedness

included under item b of this Section until the minimum required capital ratio has been restored.

Section 4117S. WITHDRAWABLE SHARE RESERVE - Every NSSLA shall create a withdrawable share reserve which shall consist of two percent (2%) of the total capital contributions of the members.

An amount corresponding to the withdrawable share reserve shall be set up by the NSSLA, such amount invested in bonds or evidences of indebtedness of the Republic of the Philippines or of its subdivisions, agencies or instrumentalities, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, and evidences of indebtedness of the BSP.

For a uniform interpretation of the provisions of this Section, the following shall serve as guidelines:

- a. The withdrawable share reserve shall be set up from the profits of the NSSLA and shall be funded in the form of cash deposited as a separate account and/or an investment allowed under this Section;
- b. Should there be an increase in the capital contribution, the reserve shall be correspondingly adjusted at the end of each month from undivided profits, if any; and
- c. The reserve shall be adjusted first before the NSSLA shall declare and pay out dividends at any time of the year.

Section 4118S. Surplus Reserve for Ledger Discrepancies - Whenever an NSSLA has a discrepancy between its general ledger accounts and their respective subsidiary ledgers, the board of trustees of the NSSLA shall set up from the net profits of the NSSLA, if any, a surplus reserve, in an amount equivalent to the amount of discrepancy, and this reserve shall not be available for distribution as dividends or for any other purpose unless and until the discrepancy is accounted for. The board of trustees shall also direct the employee responsible for the discrepancy to account for said discrepancy: Provided, that the failure of the employee to do so shall constitute as ground for his dismissal if the discrepancy is of serious or recurring nature.

NSSLAs shall report such discrepancies to the appropriate supervising and examining department of the BSP within fifteen (15) days from discovery.

Section 4119S. RESERVE FOR OFFICE PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - NSSLAs shall set aside five percent (5%) of their yearly net profits until it amounts to at least five percent (5%) of the total assets as a reserve for a building fund to cover the cost of construction or acquisition of office premises, and of the purchase of office furniture, fixtures and equipment.

An NSSLA which, as determined by its board of trustees, has adequate office premises, furniture, fixtures and equipment necessary for the conduct of its business need not set up the reserve: Provided, that this fact should be certified by its board of trustees in a resolution to be submitted to the appropriate supervising and examining department of the BSP for verification and approval: Provided, however, that in case reserves had been set up, the NSSLA so exempted may revert