

**[ BSP CIRCULAR NO. 71, May 05, 1995 ]**

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

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:

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|---|-------------|
| 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.*