

**[ BSP CIRCULAR NO. 273, February 27, 2001 ]**

**PARTIAL LIFTING OF THE GENERAL MORATORIUM ON THE  
LICENSING OF NEW THRIFT AND RURAL BANKS TO ALLOW THE  
ENTRY OF MICRO FINANCE-ORIENTED BANKS**

The Monetary Board, in its Resolution No. 147 dated 25 January 2001 approved the partial lifting of the general moratorium on the licensing of new thrift and rural banks to allow the entry of micro finance-oriented banks, as follows:

*SECTION 1.* Microfinance-oriented banks may be established on a very selective basis, preferably in places not fully served by existing rural banks or in areas not fully serviced by microfinance-oriented banks, subject to the following additional criteria (in addition to standard licensing requirements):

1. That the microfinance-oriented bank to be established shall either be a thrift bank or a rural bank;
2. That the capital of the microfinance-oriented banks to be established should be owned by private person, multilateral entities or a combination thereof;
3. That in the case of a rural bank to be established as a microfinance bank, the minimum paid-in capital shall be P5 million or the applicable existing capitalization requirement for a new rural bank, whichever is higher. The capitalization requirement under existing regulations shall apply to thrift banks;
4. That the organizers must have the capacity to engage in microfinancing, which may be indicated by the following:
  - a. At least twenty percent (20%) of the paid-in capital of the proposed bank must be owned by persons or entities with track record in microfinancing.
  - b. Majority of the members of the board of directors have experience in microfinancing with at least one member having actual banking experience.
  - c. The proposed bank must have as a minimum, an adequate loan tracking system that allows daily monitoring of loan releases, collection and arrearages, and any restructuring and refinancing.
5. In addition to the requirements for the establishment of banks, in general, the application for authority to establish a microfinance-oriented bank must be accompanied by the following documents;

a. A vision and mission statement with clear expression of the commitment to reach low-income clients.

b. A written manual of operations, which shall include the administrative and credit program systems and procedures. The Manual must be consistent with the core principles, characteristics and features of microfinance, attached as Annex A.

6. At least fifty percent (50%) of the bank's gross loan portfolio at all times shall consist of microfinance loans as defined under existing Bangko Sentral ng Pilipinas regulations.

*SECTION 2.* The requirement that the President, Chief Operating Officer or General Manager of a rural or thrift bank must have at least two (2) years experience in banking and/ or finance may be substituted with microfinance experience in cases of officers of a microfinance organization applying for authority to establish, or convert into a rural or thrift bank provided that the concerned officer is a college graduate.

*SECTION 3.* Subject to the standard branching requirements, microfinance-oriented banks are also hereby exempted from the general moratorium on the establishment of bank branches. After one year of profitable operations, a microfinance-oriented bank may apply for establishment of a branch but the Monetary Board may require additional capital to be put up for every branch in addition to the minimum capital of the thrift bank/rural bank.

*SECTION 4.* Existing microfinance organizations applying for authority to establish, or convert into a rural or thrift bank may be allowed to also convert their existing branches/ offices into branches of the bank proposed to be established by simultaneously applying for authority for the purpose. However, the standard requirements for the establishment of branches, particularly the capitalization requirement, have to be complied with. Moreover, there must be a showing that the area is not fully served by any existing rural bank.

This Circular shall take effect immediately.

Adopted: 27 February 2001

(SGD.) RAFAEL B. BUENAVENTURA  
*Governor*

*Annex A*

## NOTES ON MICROFINANCE

### A. Definition of Microfinance

Microfinance is the provision of a broad range of financial services such as — deposits, loans, payment services, money transfers and insurance products — to poor and low income households, for their, microenterprises and small businesses, to enable them to raise their income levels and improve their living standards.