

**[ BSP CIRCULAR NO. 172, September 03, 1998 ]**

**BANK MERGES OR CONSOLIDATIONS**

Pursuant to Monetary Board Resolution No. 1141 dated 12 August, 1998, the provisions of Sections 1112, 2112, 3112 and 4112Q of the Manual of Regulations for Banks and Other Financial Intermediaries (Books I to IV) are hereby amended as follows:

"Merger or Consolidation Incentives. In pursuance of the policy to promote mergers and consolidations among banks and other financial intermediaries as a means to develop larger and stronger financial institutions, constituent entities may, FOR A PERIOD OF THREE (3) YEARS FROM August 31, 1998 AND subject to Bangko Sentral approval, avail of any or all of the following:

a. Revaluation of bank premises, improvements and bank equipments of the institutions: Provided, That such revaluation shall be based on fair valuation of the property CONDUCTED BY A REPUTABLE APPRAISAL COMPANY which shall be subject to review and approval by the Bangko Sentral;

b. Unbooked valuation reserves based upon the Bangko Sentral examination and other capital adjustments resulting from the merger or consolidation may be booked on staggered basis over a maximum period of five (5) years WHILE THE TWO PERCENT (2%) GENERAL PROVISION FOR PROBABLE LOAN LOSSES MAY BE BOOKED OVER A PERIOD OF THREE (3) YEARS RECKONED FROM THE DATE OF MERGER OR CONSOLIDATION;

c. Exemption from the 20% and 30% limitations on voting stockholdings in the new or surviving institution of any person or persons related to each other within the third degree of consanguinity or affinity, or corporations, respectively: Provided, That this shall be allowed only if the bank that is being merged is distressed: Provided, further, That whenever any of the stockholders exceed the 20% and 30% ceilings, their holdings shall not be increased, but may be reduced and once reduced, shall not thereafter be increased beyond the 20% and/or 30% ceilings;

d. IF BY REASON OF MERGER OR CONSOLIDATION, THE RESULTING BANK IS UNABLE TO COMPLY FULLY WITH THE PRESCRIBED NET WORTH TO RISK ASSETS RATIO, THE MONETARY BOARD MAY, AT ITS DISCRETION, TEMPORARILY RELIEVE THE BANK FROM FULL COMPLIANCE WITH THIS REQUIREMENT UNDER SUCH CONDITIONS AS IT MAY PRESCRIBE;

e. Conversion or upgrading of the existing head offices, branches and/or other offices of the merged or absorbed institutions into branches of the new or surviving financial institutions;

f. Condonation of liquidated damages and/or penalties on loan arrearages to the Bangko Sentral of rural banks which are parties to the merger or consolidation: Provided, That loan arrearages of rural banks to the Bangko Sentral are paid in full or shall be covered by a plan of payment payable on an equal monthly amortization schedule over a period not exceeding ten (10) years;

g. Relocation of branches/offices may be allowed within one (1) year from date of merger or consolidation in cases where the merger or consolidation resulted in duplication of branches/offices in a service area, or in such other case/circumstances as may be prescribed by the Monetary Board;

h. Outstanding penalties in legal reserve deficiencies and interest on overdrafts with the Bangko Sentral as of the date of the merger or consolidation may be paid in installments over a period of one (1) year;

i. REDISCOUNT CEILING OF 150% OF ADJUSTED CAPITAL ACCOUNTS FOR A PERIOD OF ONE (1) YEAR, RECKONED FROM THE DATE OF MERGER OR CONSOLIDATION PROVIDED THE MERGED/CONSOLIDATED BANK MEETS THE REQUIRED NET WORTH TO RISK ASSETS RATIO AND ALL OF THE OTHER REQUIREMENTS FOR REDISCOUNTING;

j. COMMERCIAL BANKS WHOSE TOTAL OUTSTANDING REAL ESTATE LOANS EXCEED 20% OF TOTAL LOAN PORTFOLIO MAY BE GIVEN A PERIOD OF ONE (1) YEAR WITHIN WHICH TO COMPLY WITH THE PRESCRIBED 20% RATIO RECKONED FROM THE DATE OF MERGER OR CONSOLIDATION;

k. RESTRUCTURING/PLAN OF PAYMENT OF PAST DUE OBLIGATIONS OF THE PROPONENTS WITH THE BANGKO SENTRAL AS OF THE DATE OF MERGER/CONSOLIDATION OVER A PERIOD NOT EXCEEDING TEN (10) YEARS;

l. IN THE CASE OF RURAL BANKS, GRANT OF ACCESS TO THE REDISCOUNTING WINDOW OF THE BSP FOR A PERIOD OF TWO (2) YEARS FROM THE DATE OF MERGER OR CONSOLIDATION EVEN IF ITS PAST DUE RATIO EXCEEDS 25% OF LOAN PORTFOLIO BUT NOT EXCEEDING 30% PROVIDED THE MERGED/CONSOLIDATED BANK MEETS ALL THE OTHER REQUIREMENTS. DURING SAID PERIOD OF TWO (2) YEARS, ITS REDISCOUNTING LIMIT PER APPLICATION MAY ALSO BE INCREASED TO AN AMOUNT EQUIVALENT TO THE TOTAL OF THE REDISCOUNTING LIMIT PER APPLICATION OF EACH OF THE CONSTITUENT BANKS BEFORE MERGER OR CONSOLIDATION;

m. SUBJECT TO APPROVAL OF THE MONETARY BOARD CONCURRENT OFFICERSHIPS BETWEEN A MERGED OR CONSOLIDATED BANK/FINANCIAL INSTITUTION AND ANOTHER BANK/FINANCIAL