

[BSP CIRCULAR NO. 58, December 29, 1994]

**AMENDMENTS TO BOOK I, II, AND III OF THE MANUAL OF
REGULATIONS FOR BANKS AND OTHER FINANCIAL
INTERMEDIARIES**

The Monetary Board, in its Resolution No. 1246 dated Dec. 19, 1994, approved the following amendments to Books I, II and III of the Manual of Regulations for Banks and Other Financial Intermediaries:

Section 1. A new subsection is hereby added after Subsection 1342.1 of Book I of the Manual of Regulations to read as follows:

"Subsec. 1342.2. Loans under Section 14 of R.A. No. 7353 - The following guidelines are hereby issued in connection with the grant by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution of a loan to a rural bank under Section 14 of R.A. No. 7353:

"a. Issuance of certification - Subject to the qualifications of the rural bank prescribed in Item b hereof, the Monetary Board shall issue the certification required under Section 14 of R.A. No. 7353, which shall be final, after the Monetary Board or its delegate has determined that:

"(1) the resources of the rural bank are inadequate to meet the legitimate credit needs of the locality wherein the rural bank is established;

"2) there is dearth of private capital in said locality; and

"3) it is not possible for the stockholders of the rural bank to increase the paid-up capital thereof.

"The appropriate department or office of the Bangko Sentral may prescribe and require the submission by the rural bank of papers and documents necessary for such determination.

"b. Qualifications for loan - In order to qualify for the financial assistance under said provision of law, a rural bank shall first meet the following requirements:

"1) its capital to risk asset ratio during the last six (6) months immediately preceding the loan application should be at least ten percent (10%);

"2) its past due loans are not more than twenty-five percent (25%);

"3) it has not deficiency in allowance for probable losses on loans and other risk assets;

"4) it must not have incurred deficiency in its reserves against deposit liabilities for the last six (6) months preceding the filing of the application;

"5) it must have been operating profitably for the last three (3) years;

"6) its arrearages with the Bangko Sentral or other government financial institutions, if any, are being liquidated through an approved plan of payment, the conditions of which are being complied with; and

"7) it is operating substantially in accordance with applicable laws and Bangko Sentral rules and regulations.

"c. *Extension of loan* - The Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or -controlled bank or financial institution shall, within sixty (60) days from issuance by the Monetary Board of the certification, and subject to their reasonable loan and investment policies, extend to a rural bank of loan or loans from time to time, repayable in ten (10) years, with concessional rates of interests, against security/ies which the stockholder or stockholders of the rural bank may offer."

SECTION 2. A new subsection is hereby added after Subsection 2342.1 of Book II of the Manual of Regulations to read as follows:

"*Subsec. 2342.2 Loans under Section 14 of R.A. No. 7353* - The following guidelines are hereby issued in connection with the grant by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or -controlled bank or financial institution of a loan to a rural bank under Section 14 of R.A. No. 7353:

"a. *Issuance of certification* - Subject to the qualifications of the rural bank prescribed in Item b hereof, the Monetary Board shall issue the certification required under Section 14 of R.A. No. 7353, which shall be final, after the Monetary Board or its delegate has determined that:

"1) the resources of the rural bank are inadequate to meet the legitimate credit needs of the locality wherein the rural bank is established;

"2) there is dearth of private capital in said locality; and

"3) it is not possible for the stockholders of the rural bank to increase the paid-up capital thereof.

"The appropriate department or office of the Bangko Sentral may prescribe and require the submission by the rural bank of papers and documents necessary for such determination.