

[**BSP CIRCULAR NO. 1312, October 15, 1991**]

MERGER OR CONSOLIDATION INCENTIVES

The Monetary Board, in its Resolution No. 1112 dated October 9, 1991, approved the following amendments to Books I to IV of the Manual of Regulations for Banks and Other Financial Intermediaries, as follows:

SECTION 1. Sections 1112, 2112, 3112 and 4112Q are hereby added to Books I to IV, respectively, of the Manual of Regulations to read 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, subject to Central Bank approval, avail of any of all of the following:

- a. Revaluation of bank premises, improvements and bank equipment of the institutions: Provided, That such revaluation shall be based on fair valuation of the property which shall be subject to review and approval by the Central Bank;
- b. 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 institution;
- c. Condonation of liquidated damages and/or penalties on loan arrearages to the Central Bank of rural banks which are parties to the merger or consolidation: Provided, That loan arrearages of rural banks to the Central Bank 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;
- d. 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 cases/circumstances as may be prescribed by the Monetary Board;
- e. Outstanding penalties in legal reserve deficiencies and interest on overdrafts with the Central Bank as of the date of merger or consolidation may be paid installments over a period of one (1) year;
- f. Unbooked valuation reserves and other capital adjustments resulting from the merger or consolidation based upon the Central Bank examination may be booked on staggered basis over a maximum period of five (5) years;
- g. Exemption from the 20% and 30% limitations on voting stockholdings in the new or surviving institution on any person or persons related to each other within the third degree of consanguinity or affinity, or corporations, respectively: Provided,