

**[ BSP CIRCULAR NO. 459, November 11, 2004 ]**

**RULES AND REGULATIONS TO IMPLEMENT SECTION 6 OF RA 8791**

Pursuant to Monetary Board Resolution No. 1560 dated 21 October 2004, the following rules and regulations are hereby issued to implement Section 6 of R.A. 8791.

*SECTION 1. Subsection X 234.4 of the Manual of Regulations for Banks is amended to read as follows:*

**Subsection X234.4 - Pre-conditions for the exercise of quasi-banking functions** - No bank shall engage in quasi-banking functions without authority from the Bangko Sentral: Provided, however, That banks authorized by the BSP to perform universal or commercial banking functions shall automatically have the authority to engage in quasi-banking functions: Provided, further that the authority to obtain funds from the public, which shall mean twenty (20) or more persons under Section 8.2 of R.A. 8791, is not a condition but an authorization for the bank or quasi-bank, once the Monetary Board has granted the quasi-banking license.

In addition to the Standard Pre-qualification Requirements for the Grant of Bank Authorities enumerated in Appendix 5, a thrift bank securing BSP authority to engage in quasi-banking functions must meet the following requirements:

- a. The bank must have a networth or combined capital of at least P650 million computed in accordance with Section X 106.
- b. The bank is well capitalized with risk-based capital adequacy ratio of not lower than twelve percent (12%) at the time of filing the application.
- c. The bank's operation during the preceding calendar year and for the period immediately preceding the date of application has been profitable.
- d. The bank has elected at least two (2) independent directors and all its directors have attended the required seminar for directors of banks conducted or accredited by the BSP.

e. The bank has established a risk management system appropriate to its operations characterized by clear delineation of responsibility for risk management, adequate risk measurement systems, appropriately structured risk limits, effective internal controls, and complete, timely and efficient risk reporting system.

f. The bank has a CAMELS Composite Rating of at least "3" in the last regular examination with management rating of not lower than "3".

*SECTION 2.* Section 4102Q of the Manual of Regulations for Non-Bank Financial Institutions is hereby amended as follows:

**Section 4102Q. Preconditions for the Exercise of Quasi-Banking Functions**

- No person or entity shall engage in quasi-banking functions without authority from the Bangko Sentral. Only a duly incorporated non-bank financial institution (NBFI) organized as stock corporation may undertake or perform quasi-banking functions as defined in Section 4101Q. An NBFI securing BSP authority to engage in quasi-banking functions must meet the following requirements:

a. It must have complied with the minimum adjusted capital accounts of at least P650 million or such amounts as may be required by the Monetary Board in the future;

b. It has generally complied with applicable laws, rules and regulations, orders or instructions of appropriate authority including the Monetary Board and/or BSP Management where applicable;

c. Its accounting records, systems and procedures as well as internal control systems are satisfactorily maintained;

d. It does not have float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Offices" accounts exceeding one percent (1%) of the total resources as of end of preceding month;

e. It has no past due obligation with any financial institution as of date of application;

f. The officers who will be in-charge of the QB operations have actual experience of at least two (2) years in a bank or non-bank with quasi-banking functions (NBQBs) as in-charge (or at least as assistant-in-charge). The directors of the NBFI, officer-in charge of the QB operations and the managerial staff must comply with the fit and proper rule prescribed under existing law/rules and regulations;