

Bangko Sentral ng Pilipinas

MANILA

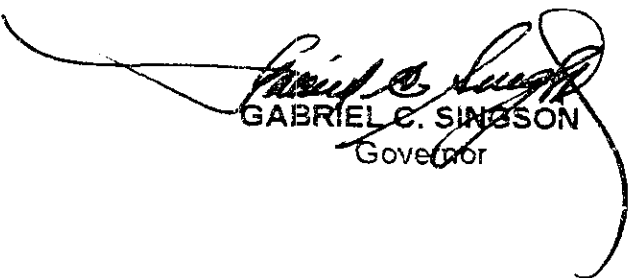
OFFICE OF THE GOVERNOR

Circular No. 192

The Monetary Board, in its Resolution No. 764 dated May 27, 1998, approved the adoption of the attached implementing rules and regulations for R. A. No. 8367, otherwise known as the "Revised Non-Stock Savings and Loans Association Act of 1997". The same resolution revoked the old rules and regulations implementing R. A. No. 3779.

This circular shall take effect immediately.

FOR THE MONETARY BOARD:


GABRIEL C. SINGSON
Governor

March 5, 1999

BOOK IV-S

PART ONE

ORGANIZATION, MANAGEMENT AND ADMINISTRATION

A. SCOPE OF AUTHORITY

Section 4101S SCOPE OF AUTHORITY OF NON-STOCK SAVINGS AND LOAN ASSOCIATIONS (NSSLAs). A "Non-stock Savings and Loan Association", hereinafter called the "NSSLA", shall include any non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long-term financing for home building and development and for personal finance. An NSSLA may also engage in a death benefit program meant exclusively for the benefit of its members.

Subsection 4101S.1 Organization of a Non-Stock Savings and Loan Association

- a. NSSLAs shall issue a certificate of membership to every qualified member and shall maintain a registry of its members.
- b. An NSSLA shall confine its membership to a well-defined group of persons and shall not transact business with the general public. It shall accept deposits from and grant loans to its members only.

Subsection 4101S.2 Organizational Requirements

- a. *Articles of Incorporation; by-laws.* The articles of incorporation and by-laws of a proposed NSSLA, or any amendment thereto, shall not be registered with the Securities and Exchange Commission unless accompanied by a certificate of approval from the Monetary Board.
- b. *Application for approval.* The articles of incorporation and by-laws of a proposed NSSLA, both accomplished in the prescribed forms, shall be submitted to the Monetary Board through the appropriate supervising and examining department of the BANGKO SENTRAL NG PILIPINAS (BSP) together with a covering application for the approval thereof, signed by a majority of the Board of Trustees and verified by one of them. The application shall include:
 1. The proposed articles of incorporation and by-laws together with the names and addresses of the incorporators, trustees and officers, with a statement of their character, experience, and general fitness to engage in the non-stock savings and loan business;

2. An itemized statement of the estimated receipts and expenditures of the proposed NSSLA for the first year;
 3. Filing fee of P1,000.00;
 4. Such other information as the Monetary Board may require.
- c. *Grounds for disapproval of application.* The Monetary Board may deny the application to organize an NSSLA on the basis of a finding that:
1. The NSSLA is being organized for any purpose other than to engage in the business of a legitimate NSSLA;
 2. The NSSLA's financial program is unsound;
 3. The proposed members are adequately served by one or more existing NSSLAs; and
 4. There exist other reasons which the Monetary Board may consider as sufficient ground for such disapproval.
- d. *Certificate of authority to operate; revocation or suspension thereof.* All NSSLAs, prior to transacting business, shall procure a certificate of authority to transact business from the Monetary Board. After due notice and hearing, the Monetary Board may revoke or suspend, for such period as it determines, the certificate of authority of any NSSLA, the solvency of which is imperiled by losses or irregularities, or of any NSSLA which willfully violates any provision of Republic Act No. 8367, these rules or any pertinent law or regulation.

Section 4102S MEMBERSHIP REQUIREMENT

Subsection 4102S.1 The NSSLA shall confine its membership to a well-defined group of persons and shall not transact business with the general public.

A "well-defined group" shall consist of any of the following:

- a. Employees, officers, and trustees of one company, including member-retirees;
- b. Government employees belonging to the same office, branch, or department, including member-retirees; and
- c. Immediate members of the families up to the second degree of consanguinity or affinity of those falling under paragraphs a and b above.

Subsection 4102S.2 NSSLAs whose articles of incorporation and by-laws were approved and registered prior to the effectivity of Republic Act No. 8367 and which limit and/or allow membership coverage broader or narrower than the foregoing definition, shall be allowed to continue as such.

Subsection 4102S.3 The Monetary Board may, as circumstances warrant, require NSSLAs mentioned in the immediately preceding paragraph to amend their by-laws to comply with the concept of a "well-defined group".

Subsection 4102S.4 In no case shall the total amount of entrance fees exceed one percent (1%) of the amount to be contributed or otherwise paid in by the particular member: *Provided*, that for new members, the fee shall be based on the amount of contributions computed in accordance with the revaluation of the assets of the NSSLA.

Section 4103S - 4105S (RESERVED)

B. CAPITALIZATION

Section 4106S - CAPITAL OF NON-STOCK SAVINGS AND LOAN ASSOCIATION

Members who have contributed one thousand pesos (P1,000.00) or more to the capital of an NSSLA may increase their capital contribution or open savings or time deposit accounts. Partial withdrawal from the amount paid by a member as capital contribution, during his membership, may be allowed unless the by-laws of the NSSLA provide otherwise, and subject to such rules and regulations as the Monetary Board may prescribe in the matter of such withdrawal of capital contributions. However, in no case, shall such partial withdrawal diminish the member's capital contribution to less than P1,000.00.

Members of NSSLAs may participate in the profits of the NSSLA on the basis of their capital contributions on the date dividends are declared.

Subsection 4106S.1 – Revaluation Surplus

In cases of both retiring and new members, a revaluation surplus shall be added to their contributions by imputing their respective proportionate shares in the withdrawable share reserve and the reserve for furniture, fixtures, and furnishings.

Sections 4107S - 4110S (RESERVED)

C. (RESERVED)

Section 4111S - 4115S (RESERVED)

D. NET WORTH TO RISK ASSETS RATIO

Section 4116S - CAPITAL TO RISK ASSETS RATIO OF NON-STOCK SAVINGS AND LOAN ASSOCIATION

The combined capital accounts of each NSSLA shall not be less than an amount equal to ten percent (10%) of its risk assets which is defined as its total assets minus the following assets:

- a. Cash on hand;
- b. Evidences of indebtedness of the Republic of the Philippines and of the BSP and any other evidences of indebtedness/ obligations, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- c. Loans to the extent covered by holdout on, or assignment of deposits maintained in the lending NSSLA and held in the Philippines;
- d. Office premises, depreciated;
- e. Furniture, fixtures and equipment, depreciated;
- f. Real estate mortgage loans insured by the Home Insurance Guarantee Corporation to the extent of the amount of the insurance; and
- g. Other non-risk items as the Monetary Board may, from time to time, authorize to be deducted from total assets.

The Monetary Board shall prescribe the manner of determining the total assets of such NSSLA for the purpose of this Section, but contingent accounts shall not be included among total assets.

Whenever the capital accounts of an NSSLA are deficient with respect to the requirement of the preceding paragraph, the Monetary Board, after considering a report of the appropriate supervising and examining department of the BSP on the state of solvency of the NSSLA concerned, shall limit or prohibit the distribution of net profits and shall require that part or all of net profits be used to increase the capital accounts of the NSSLA until the minimum requirement has been met. The Monetary Board may, after considering the aforesaid report of the appropriate supervising and examining department of the BSP, and if the amount of the deficiency justifies it, restrict or prohibit the making of new investments of any sort by the NSSLA with the exception of the purchases of the evidence of indebtedness included under item b of this Section until the minimum required capital ratio has been restored.

Section 4117S - WITHDRAWABLE SHARE RESERVE

Every NSSLA shall create a withdrawable share reserve which shall consist of two percent (2%) of the total capital contributions of the members.

An amount corresponding to the withdrawable share reserve shall be set up by the NSSLA, such amount invested in bonds or evidences of indebtedness of the Republic of the Philippines or of its subdivisions, agencies or instrumentalities, the servicing and repayment of which are fully guaranteed by the Republic of the Philippines, and evidences of indebtedness of the BSP.

For a uniform interpretation of the provisions of this Section, the following shall serve as guidelines:

- a. The withdrawable share reserve shall be set up from the profits of the NSSLA and shall be funded in the form of cash deposited as a separate account and/or an investment allowed under this Section;
- b. Should there be an increase in the capital contribution, the reserve shall be correspondingly adjusted at the end of each month from undivided profits, if any; and
- c. The reserve shall be adjusted first before the NSSLA shall declare and pay out dividends at any time of the year.

Section 4118S - SURPLUS RESERVE FOR LEDGER DISCREPANCIES

Whenever an NSSLA has a discrepancy between its general ledger accounts and their respective subsidiary ledgers, the board of trustees of the NSSLA shall set up from the net profits of the NSSLA, if any, a surplus reserve, in an amount equivalent to the amount of discrepancy, and this reserve shall not be available for distribution as dividends or for any other purpose unless and until the discrepancy is accounted for. The board of trustees shall also direct the employee responsible for the discrepancy to account for said discrepancy: *Provided*, that the failure of the employee to do so shall constitute as ground for his dismissal if the discrepancy is of serious or recurring nature.

NSSLAs shall report such discrepancies to the appropriate supervising and examining department of the BSP within fifteen (15) days from discovery.

**Section 4119S - RESERVE FOR OFFICE PREMISES, FURNITURE,
FIXTURES AND EQUIPMENT**

NSSLAs shall set aside five percent (5%) of their yearly net profits until it amounts to at least five percent (5%) of the total assets as a reserve for a building fund to cover the cost of construction or acquisition of office premises, and of the purchase of office furniture, fixtures and equipment.

An NSSLA which, as determined by its board of trustees, has adequate office premises, furniture, fixtures and equipment necessary for the conduct of its business need not set up the reserve: *Provided*, that this fact should be certified by its board of trustees in a resolution to be submitted to the appropriate supervising and examining department of the BSP for verification and approval: *Provided*, however, that in case reserves had been set up, the NSSLA so exempted may revert the reserves to free surplus.

Sections 4120S - 4125S - (RESERVED)

E. DIVIDENDS

Section 4126S - LIMITATIONS ON DECLARATION OF DIVIDENDS

- a. *Basis for participation in profits.* Member-depositors of an NSSLA on the basis of their capital contributions on the date dividends are declared.
- b. *Level of withdrawable share reserve.* No NSSLA shall pay any dividends or distribute any profits to its members if the withdrawable share reserve required under Section 4117S is less than, or if by such payment or distribution would be reduced below, the amount specified in said section. The reserve shall be adjusted first before the NSSLA shall declare and pay out dividends at any time of the year.
- c. *Capital-to-risk assets ratio.* NSSLAs shall not pay any dividends or distribute any profits to their members if their capital-to-risk assets ratio is below the level of required under Sec. 4116S.
- d. *Discrepancies between general ledger and subsidiary ledger accounts.* The surplus reserve set up as required under Section 4118S shall not be reverted for distribution as dividends unless and until the discrepancy between the general ledger accounts and their respective subsidiary ledgers for which the surplus reserve has been set up ceases to exist.

Sections 4127S - 4139S - (RESERVED)

F. TRUSTEES, OFFICERS, EMPLOYEES AND AGENTS

Section 4141S - DEFINITION AND QUALIFICATIONS OF TRUSTEES OF NON-STOCK SAVINGS AND LOAN ASSOCIATION Trustees shall include: (a) those who are named as such in the articles of incorporation; (2) those duly elected in subsequent meetings of the NSSLA's members; (3) those elected to fill vacancies in the board of trustees.

No person shall be eligible as trustee of an NSSLA unless he is a member of good standing of such NSSLA. In addition, such person shall have the qualifications and none of the disqualifications as provided in pertinent laws and BSP rules.

A TRUSTEE shall have the following minimum qualifications:

- a. He shall be at least twenty-one (21) years of age at the time of his election; and
- b. He shall be at least a high school graduate or shall have at least one year experience in a field related to his position/responsibilities, or has undergone any BSP training in banking operations.

Section 4142S - DEFINITION AND QUALIFICATIONS OF OFFICERS OF NON-STOCK SAVINGS AND LOAN ASSOCIATION. Officers shall include the President, Vice President, General Manager, Corporate Secretary, Treasurer and others mentioned as officers of the NSSLA, or whose duties as such are defined in the By-Laws.

The minimum qualifications for trustees prescribed in Section 4141S are also applicable to officers.

Section 4143S - DISQUALIFICATION OF TRUSTEES AND OFFICERS

The following persons are disqualified from becoming trustees of an NSSLA:

- a. Persons who have been convicted judicially or administratively of an offense involving moral turpitude, or judicially declared insolvent, spendthrift, or incapacitated to contract;
- b. Persons found by the Monetary Board to have willfully failed or refused to comply with any law, order, instruction or regulation issued by the Monetary Board or by the Governor, or to have committed irregularities or to have conducted business in an unlawful, unsafe, or unsound manner as determined by the Monetary Board in any institution supervised by the BSP;
- c. Trustees who have been absent for whatever reason for more than 50% of the regular meetings of the board for a two-year period reckoned from the date of the

election of the Trustee concerned: *Provided*, that the disqualification shall apply for purposes of the immediately succeeding election;

- d. Persons who are delinquent in the payment of their obligations and this disqualification shall operate as long as the delinquency persists. "Delinquency" shall mean that an obligation with an NSSLA where he is a trustee or officer, or where he may be elected or appointed as such, or at least two obligations with banks and other non-banks with quasi-banking functions under different credit lines or loan contracts, are past due for at least three (3) months.

Persons disqualified to become trustees are also disqualified to become officers except persons disqualified as trustees due to absenteeism.

Except as may be authorized by the Monetary Board or the Governor, any individual who is the spouse or relative within the second degree of consanguinity or affinity of person holding the position of President, Executive Vice-President, General Manager, Treasurer, Chief Cashier or Chief Accountant is disqualified from holding or being elected/appointed to any of said positions in the same association. In any case, this disqualification shall not effect those already serving in any of the said positions as of August 11, 1975; *Provided*, however, That this exception shall apply only for as long as the director/officer continues to serve uninterruptedly as such.

The foregoing qualifications and disqualifications for trustees and officers shall be in addition to those already required/prescribed by R.A. No. 8367 and other existing applicable laws and regulations.

Section 4144S - BIO-DATA/LIST OF TRUSTEES AND OFFICERS OF NON-STOCK SAVINGS AND LOAN ASSOCIATION

All NSSLAs shall submit to the Department of Thrift Banks and Non-Bank Financial Institutions (DTBNBFI) a bio-data of all their incumbent trustees and officers, in the prescribed form within 30 days after calendar year-end or fifteen (15) days following the creation or filling up of vacancy in the Board of trustees, sub-bodies of the Board or managerial staff.

Section 4145S - COMPENSATION OF TRUSTEES, OFFICERS AND EMPLOYEES. No trustee, officer or employee of an NSSLA shall receive from such NSSLA and no NSSLA shall pay to any trustee, officer, or employee of such NSSLA, any commission, emolument, gratuity or reward based on the volume or number of loans made, or based on the interest or fees collected thereon. Nothing in this Section, however, prohibits or limits any of the following:

- a. Receipt or payment of salaries of trustees, officers and employees;
- b. Receipt or payment of commissions to agents whether or not based on the volume or number of loans or on the interest and fees collected thereon.

- c. Receipt or payment of bonuses of trustees, officers or employees if such bonuses are based on the profits and not on the volume or number of loans made or on the interest or fees collected thereon.

Subsection 4145S.1 Compensation Increases

All increases in compensation, in any form, of all trustees and trustee-officers in excess of ten (10) percent thereof per annum shall require the approval of the BSP.

Subsection 4145S.2 Liability for Loans Contrary to Law

No NSSLA shall make or purchase any loan or investment not authorized or permitted under R.A. No. 8367, and any trustee, officer or employee, who on behalf of any such NSSLA, knowingly makes or purchases any such loan or investment or who knowingly consents thereto shall be personally liable to the NSSLA for the full amount of any such loan or investment.

Section 4146S AGENTS AND REPRESENTATIVES

No person shall act as an agent or sales representative of an NSSLA or operate an agency without obtaining a license from the Monetary Board. No license is required for a collector of an NSSLA but no person shall hold himself out or act as collector unless he is authorized as a collector in writing by such NSSLA.

Section 4147S BONDING OF NON-STOCK SAVINGS AND LOAN ASSOCIATION OFFICERS AND EMPLOYEES

All officers and employees of an NSSLA who, in the regular discharge of their duties have access to money or negotiable securities shall, before entering upon such duties, furnish to the employing NSSLA a good and sufficient bond and providing for indemnity to the NSSLA against the loss of money or securities, by reason of their dishonesty.

The bond of the cashier, assistant cashier, treasurer, and other employees having money accountability shall not be less than their average daily accountability. The bond must be issued by a reputable bonding company duly licensed by the Insurance Commission and approved by the BSP. Capital contribution or a cash bond deposited with the NSSLA or with a bank, may also be allowed.

Section 4148S -4150S (RESERVED)

G. BRANCHES AND OTHER OFFICES

Section 4151S - GUIDELINES FOR AUTHORITY TO ESTABLISH NON-STOCK SAVINGS AND LOAN ASSOCIATION BRANCHES/EXTENSION OFFICES. Prior BSP authority shall be obtained before operating a branch or other offices.

Subsection 4151S.1 Application. The application shall be prescribed by the appropriate supervising and examining department of the BSP and accompanied by the following minimum requirements:

- a. Sketch of the location of the proposed office which shall be within the compound of the mother firm's branch office;
- b. Itemized statement of estimated receipts and expenses of the applicant NSSLA in connection with such branch or extension office;
- c. Description or enumeration of service facilities that will cater to the deposit and credit needs of members of the NSSLA.
- d. Financial statements for the year immediately preceding the date of application;
- e. Certification as to the actual number of members that will be serviced by the branch/extension office; and
- f. Undertaking that the branch / extension office will service only members of the NSSLA.

Subsection 4151S.2 Conditions precluding acceptance/processing of application. The application shall not be accepted/processed in any of the following cases:

- a. The applicant-NSSLA's operation during the year immediately preceding the date of filing of application was unprofitable;
- b. Total capital accounts of the NSSLA are less than P100 million as of the date of filing of the application;
- c. Total number of members to be served in the proposed branch/extension office is less than 500;
- d. Non-compliance by the applicant-NSSLA with any of the pertinent provisions of banking laws, rules, regulations and policies of the BSP.

Susbsection 4151S.3 Internal Safeguards and Control Measures. The applicant-NSSLAs shall submit to the appropriate supervising and examining department of the BSP a system of internal safeguards and control measures to be adopted for compliance by the staff of the proposed branch/extension office.

Subsection 4151S.4 Permit to operate. Actual operation shall commence only after a permit to operate has been issued by the BSP.

Sections 4152S - 4155S (RESERVED)

H. BUSINESS DAYS AND HOURS

Section 4156S BUSINESS DAYS AND HOURS OF NON-STOCK SAVINGS AND LOAN ASSOCIATION. NSSLAs may, with the prior approval of the appropriate supervising and examining department of the BSP, adopt such business days and hours as may be convenient for them.

All NSSLAs shall be open for business during business hours and days except when extraordinary instances caused by unforeseen, unavoidable event directly affect the NSSLAs' ability to open for business.

All NSSLAs shall post conspicuously at all times in their place of business their schedule of regular business hours and days.

Sections 4157S - 4160S (RESERVED)

I. REPORTS

Section 4161S REPORTS AND OTHER INFORMATION REQUIRED

The following rules shall govern the submission of reports and other information:

- a. NSSLAs shall submit to the appropriate supervising and examining department of the BSP the reports in prescribed form listed in App. S-2.
- b. All NSSLAs shall report on the following matters to the BSP through the appropriate supervising and examining department:
 1. Crimes whether consummated, frustrated or attempted against property/facilities (such as robbery, theft, swindling or estafa, forgery and other deceits) and other crimes involving loss/destruction of their property when the amount involved in each crime is P20,000 or more.

Crimes involving personnel, even if the amount involved is less than above specified, shall likewise be reported to the BSP whenever the NSSLA initiates judicial or extrajudicial action or imposes sanctions against such personnel.

2. Incidents involving material loss, destruction or damage to the institution's property/facilities other than that arising from a crime, when the amount involved per incident is P100,000 or more.
3. The following guidelines shall be observed in the preparation and submission of report:
 - a. The report shall be prepared in two (2) copies and shall be submitted within five (5) days from knowledge of the crime or incident with the details contained in SES Form 6G (BSP 7-26-20h), the original to the appropriate supervising department and the duplicate copy to the BSP Security Coordinator, thru the Director of Security, Investigation and Transport Department: *Provided*, that in the cases mentioned in the second paragraph of Item 1, the report shall be submitted within five (5) banking days from initiation of judicial or extrajudicial action or from the imposition of administrative sanctions against the personnel concerned, whichever is earlier.
 - b. Where a thorough investigation and evaluation of facts is necessary to complete the report, an initial report submitted within the 5-banking day deadline may be accepted: *Provided*, that a complete report is submitted not later than fifteen (15) banking days from termination of investigation.
 - c. Proof of submission of the report within the 5-banking day deadline shall be determined by the date of postmark, if the report was sent by mail or by the date received, if hand carried to the appropriate supervising and examining department, Manila, or to the unit of the supervising and examining department in any of the Regional Offices of the BSP.

Subsection 4161S.1 Sanctions and Procedures for Filing and Payment of Fines. Failure to submit the above reports on or before the specified dates shall subject the person responsible or entity concerned to the penalties provided by law.

For willful delay in the submission of reports, the following rules shall apply:

- a. *Definition of Terms.* The following definitions shall apply:
 1. "Report" shall refer to all written reports/statements required of an NSSLA to be submitted to the BSP periodically or within a specified period.

2. "Willful delay in the submission of reports" shall refer to the failure of any NSSLA to submit on time the report defined in item (1) above. Failure to submit a report on time due to fortuitous events, such as fire and other natural calamities and public disorders, shall not be considered as willful delay.

b. Fines for willful delay in the submission of reports:

1. Reports. For purposes of implementing fines for willful delay in submission of required reports, these reports shall be classified as follows:

- a) Major reports shall consist of all reports classified as such in Appendix S-2 and such other reports which may be classified/reclassified as major by the head of the Supervision and Examination Sector.
- b) Minor reports shall consist of all reports required to be submitted to the BSP which are not included in the list of major reports.

2. Amount of Fine - Any NSSLA which shall incur willful delay in the submission of required reports shall pay a fine in accordance with the following schedule:

I. *For major reports*

Per business day of default
until the report is filed with the Department P 180.00

II. *For minor reports*

Per business day of default
until the report is filed with the Department P60.00

In the implementation of the foregoing rules, delay or default shall start to run on the day following the last day required for the submission of reports. However, should the last day of filing fall on a non-working day in the locality where the reporting NSSLA is situated, delay or default shall start to run on the day following the next working day.

Delayed schedules/attachments and amendments shall be considered late reporting subject to above penalties.

- c. *Manner of filing.* The submission of the reports shall be effected by filing them personally with the appropriate departments of the BSP or with the BSP Regional Offices or by sending them registered mail or special delivery, unless otherwise specified in the circular or memorandum of the Monetary Board or the BSP.

In the first case, the date of acknowledgment by the respective departments of the BSP appearing on the copies of such reports filed or submitted, and in the second case, the date of mailing postmarked on the envelop or the registry receipt, shall be considered as the date of filing.

d. *Manner of payment or collection of fines.*

1. NSSLAs shall, within thirty (30) calendar days from receipt of the statement of account from the BSP, pay the fines imposed thereon for willful failure or refusal to comply with, or violation of, any law or any order, instruction or regulation issued by the Monetary Board, or any order, instruction or ruling by the Governor.
2. Failure to settle the full amount of the fines within the period or on the day prescribed herein shall make an NSSLA, its trustees and officers liable to the sanctions imposed under Section 4199S.

e. *Appeal to the Monetary Board.* NSSLAs may appeal to the Monetary Board from a ruling of the appropriate department imposing a fine.

f. *Other penalties.* The foregoing penalties shall not preclude the application of, or shall be without prejudice to, other administrative sanctions as well as to the filing of criminal case as provided for in the other provisions of the law, as may be warranted by the nature of the offense.

Subsection 4161S.2 Categories and signatories of reports. For purposes of designating the signatories of reports, certain weekly, monthly, quarterly, semi-annual, and annual statements/reports required to be submitted to the BSP are hereby grouped into Category A-1, A-2, A-3 and Category B, as enumerated in App. S-3.

Category A-1 reports shall be signed by the NSSLA's Chief Executive Officer (who may be the President or Chairman of the Board, or designated in the by-laws), or in his absence, by the Executive Vice President or the officer duly authorized under a resolution approved by the board of trustees and by the Chief Finance Officer (i.e., Controller or Chief Accountant, who shall likewise be duly authorized by the NSSLA's board of trustees in a format prescribed in App. S-3a.

Category A-2 reports of head office of the NSSLA shall be signed by the NSSLA's President or Senior Vice President/equivalent position. Offices/units (such as branch) reports in this category shall be signed by their respective managers/officers-in-charge. Likewise, the signing authority in this category shall be contained in a resolution approved by the board of trustees in the format prescribed in App. S-3b.

Category A-3 and B reports are those required to be submitted to the BSP and are not included in Categories A-1 and A-2. They shall be signed by officers or their alternates, who shall be duly designated by the board of trustees. A copy of the board resolution with format as prescribed in App. S-3c, covering the initial designation and subsequent changes in signatories and alternates, shall be submitted to the appropriate department of the BSP within three days from the date of resolution.

Subsection 4161S.3 Sanctions on unauthorized signatories. If a report is submitted to the BSP under the signature of an officer who is not listed or included in any of the resolutions mentioned above, the supervising and examining department shall refuse to acknowledge the report as valid or consider the report as not having been submitted at all. If such a report is not resubmitted by the NSSLAs under the signature of a duly authorized signing officer, administrative sanction/penalties shall be imposed on the erring NSSLAs for the late reporting or failure to submit the required report, as the case may be.

Sections 4162S - 4164S (RESERVED)

J. INTERNAL CONTROL

Section 4165S EXTERNAL AUDITOR FOR NON-STOCK SAVINGS AND LOAN ASSOCIATION. All NSSLAs except those with total resources of Ten Million Pesos (P10,000,000) or less, shall engage the services of an independent Certified Public Accountant to audit their books of accounts at least once a year, or as often as necessary.

Section 4166S UNIFORM SYSTEM OF ACCOUNTS. All NSSLAs are required to pattern their charts of accounts and recording systems after the Uniform System of Accounts prescribed for NSSLAs including reportorial and publication requirements.

The voucher system of accounting or the ticket system, or such other accounting system acceptable to the BSP as well as the prescribed chart of accounts shall be adopted for use by NSSLAs.

Subsection 4166S.1 Adoption of Statements of Financial Accounting Standards (SFAS). All NSSLAs are hereby required to adopt the Statements of Financial Accounting Standards (SFAS) in their financial statements and reports to the BSP prepared in accordance with the generally accepted accounting principles. However, in cases where there are differences between BSP regulations and SFAS as when more than one option is allowed or certain maximum or minimum limits are prescribed by the SFAS, the option or limit prescribed by BSP regulations shall be adopted by all NSSLAs. Copies of the aforesaid SFAS may be obtained from the PICPA House, Shaw Blvd., Mandaluyong, Metro Manila.

Sections 4167S - 4170S (RESERVED)

K. MISCELLANEOUS PROVISIONS

Section 4171S PUBLICATION REQUIREMENTS. Every NSSLA shall, within one hundred twenty (120) calendar days after the close of the calendar year or its fiscal year, as the case may be, furnish the Monetary Board and post in any of the NSSLA's bulletin board or in any other conspicuous place a copy of its financial statement showing, in such form and detail as the Monetary Board shall require, the amount and character of the assets and liabilities of the NSSLA at the end of the preceding fiscal year. The Monetary Board may, in addition to the foregoing, require the disclosure of such other information as it shall deem necessary for the protection of the members of the NSSLA.

Sections 4172S - 4173S (RESERVED)

Section 4174S BUSINESS NAME. NSSLAs organized or operating under R.A. No. 8367 and licensed by the BSP shall include in their names the words "Savings and Loan Association". Such NSSLAs shall display in a conspicuous place at their business offices a sign including, among other things, the following words: "Authorized by the Bangko Sentral ng Pilipinas".

No person, association, partnership or corporation shall do business as an NSSLA, or shall use the term "Savings and Loan Association" or any other title or name tending to give the public impression that it is engaged in the operations and activities of an NSSLA unless so authorized under R.A. No. 8367 and these regulations.

The use by an NSSLA of any other name or title or combination of names and titles or any other deviation from the requirements of this Section shall not be authorized except upon prior approval of the Monetary Board.

No NSSLA shall issue, publish or cause or permit to be issued or published, any advertisement that it is doing or permitted to do business which is prohibited by law to an NSSLA.

No NSSLA shall advertise or represent itself to its members or to the public as a bank, or as a trust company.

Sections 4175S - 4198S (RESERVED)

Section 4199S GENERAL PROVISION ON SANCTIONS. Any violation of this Part shall be subject to the sanctions provided in Sections 34, 35, 36 and 37 of R.A. No. 7653, whenever applicable.

PART TWO

DEPOSIT AND BORROWING OPERATIONS

A. (RESERVED)

Sections 4201S - 4211S (RESERVED)

B. SAVINGS DEPOSIT

Section 4212S DEFINITION. Savings deposits are deposits evidenced by a passbook consisting of funds deposited to the credit of one or more individuals with respect to which the depositor may withdraw anytime, unless prior notice in writing of an intended withdrawal is required by the NSSLA.

Section 4213S - 4215S (RESERVED)

Section 4216S WITHDRAWALS. Savings deposits with NSSLAs may be opened with a minimum deposit of P100.00.

Withdrawal from a savings deposit shall be made through the presentation to the NSSLA of a duly accomplished withdrawal slip together with the depositor's passbook.

An NSSLA shall reserve the right to require the depositor to give prior written notice of withdrawal of not more than thirty (30) days.

An NSSLA may limit the number of withdrawals that a depositor may make: *Provided*, that the number of the withdrawals allowed shall not be less than three (3) times a month. A service charge to be determined by the board of trustees of the NSSLA and approved by the BSP, may be charged by the NSSLA for every withdrawal made in excess of the maximum number allowed in any one month.

Section 4217S DORMANT SAVINGS DEPOSIT.

An NSSLA may charge a fee, the amount of which shall be approved by the BSP for the maintenance of dormant savings deposits. Savings deposit shall be classified as dormant if no deposit or withdrawal has been made for the last two years.

Sections 4218S – 4222S (RESERVED)

C. (RESERVED)

Section 4223S - 4229S (RESERVED)

D. TIME DEPOSITS

Section 4230S - 4231S (RESERVED)

Section 4232S MINIMUM TERM AND SIZE OF TIME DEPOSITS.

- a. *Term* - No time deposit shall be accepted for a term of less than thirty (30) days.
- b. *Minimum Size* - NSSLAs shall not require a minimum amount of time deposit greater than P1,000.00.

Section 4233S WITHDRAWAL OF TIME DEPOSITS. The withdrawal of a time deposit can be made only by presentation of the certificate of time deposit on the day of or after its maturity.

Section 4234S - 4238S (RESERVED)

E. (RESERVED)

Sections 4239S - 4241S (RESERVED)

F. INTEREST ON DEPOSITS

Section 4242S (RESERVED)

Section 4243S INTEREST ON SAVINGS DEPOSITS. Savings deposits of NSSLAs shall not be subject to any interest rate ceiling.

Section 4244S INTEREST ON TIME DEPOSITS. Interest on time deposits shall not be subject to any interest rate ceiling.

Subsection 4244S.1 Time of payment. Interest on time deposits may be paid at maturity or upon withdrawal or in advance: *Provided, however,* That interest paid in advance shall not exceed the interest for one (1) year.

Subsection 4244S.2 Treatment of matured time deposits. A time deposit not withdrawn or renewed on its due date shall be treated as a savings deposit and shall earn an interest from maturity to the date of actual withdrawal or renewal at a rate applicable to savings deposits.

Section 4245S - 4252S (RESERVED)

G. (RESERVED)

Sections 4253S - 4260S (RESERVED)

H. SUNDRY PROVISIONS ON DEPOSIT OPERATIONS

Section 4261S OPENING AND OPERATION OF DEPOSIT ACCOUNTS. The following are basic provisions on the opening and operation of deposit accounts of NSSLAs.

Subsection 4261S.1 Who may open deposit accounts. Only members may open deposit accounts with NSSLAs. A natural person, although lacking capacity to contract, may nevertheless open a savings or time deposit account for himself, provided he has sufficient discretion. However, he cannot withdraw therefrom, except through, or with the assistance of a guardian authorized to act for him. Parents may deposit for their minor children, and guardians for their wards. Notwithstanding the provisions of the preceding paragraphs, the cashier, bookkeeper and their assistants, and other employees of an NSSLA whose duties entail the handling of cash or checks are prohibited from opening savings deposit accounts with the head office or branch of the NSSLA in which they are assigned as such.

Subsection 4261S.2 Identification of member-depositors. An NSSLA shall be responsible for the proper identification of its member-depositors.

Subsection 4261S.3 Number of deposit accounts. A member-depositor may open and have more than one savings deposit in his own name in the same capacity, and he may open and have various deposits in different capacities such as guardian, agent, or trustee for others.

Subsection 4261S.4 Signature Card. A signature card bearing at least three (3) specimen signatures of each member-depositor shall be required upon opening of a deposit account.

Subsection 4261S.5 Passbook and certificate of time deposit. A savings deposit passbook, signed by the receiving teller and an authorized officer, shall be issued to a member-depositor showing, among other things, his name and address, account number, date, amount of deposit, interest credits and balance. NSSLAs shall pre-number their savings deposit passbooks. In the case of a time deposit, a certificate of time deposit signed by two authorized officers, shall be issued to the member-depositor containing, among other things, his name, amount of deposit, date when the deposit was made, its due date and interest rate.

Subsection 4261S.6 Deposits in checks and other cash items. Checks and other cash items may be accepted for deposit by NSSLAs provided that withdrawals from such deposits shall not be made until the check or other cash item is collected.

Subsection 4261S.7 Checking Accounts. No NSSLA shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.

Sections 4262S - 4268S (RESERVED)

I. (RESERVED)

Sections 4269S - 4280S (RESERVED)

J. (RESERVED)

Sections 4281S - 4290S (RESERVED)

K. OTHER BORROWINGS

Sections 4291S - 4293S (RESERVED)

Section 4294S BORROWINGS. An NSSLA may borrow money or incur such obligation up to not more than twenty per centum (20%) of the total assets of the NSSLA, from any public lending institution, and from private banking institutions, and such private lending institutions as may be approved by the Monetary Board: *Provided*, That the proceeds of such loan shall be used exclusively to meet the normal credit requirements of its members. The Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of an NSSLA to not more than thirty per centum (30%) of its total assets. NSSLAs organized by employees of an entity or a corporation may borrow funds from said entity or corporation, but not vice-versa.

Sections 4295S - 4298S (RESERVED)

Section 4299S GENERAL PROVISION ON SANCTIONS. Any violation of the provisions of this Part shall be subject to sanctions prescribed in Section 37 of Republic Act No. 7653, whenever applicable.

Subsection 4261S.6 Deposits in checks and other cash items. Checks and other cash items may be accepted for deposit by NSSLAs provided that withdrawals from such deposits shall not be made until the check or other cash item is collected.

Subsection 4261S.7 Checking Accounts. No NSSLA shall have or carry upon its books for any person any demand, commercial or checking account, or any credit to be withdrawn upon the presentation of any negotiable check or draft.

Sections 4262S - 4268S (RESERVED)

I. (RESERVED)

Sections 4269S - 4286S (RESERVED)

J. (RESERVED)

Sections 4281S - 4290S (RESERVED)

K. OTHER BORROWINGS

Sections 4291S - 4293S (RESERVED)

Section 4294S BORROWINGS. An NSSLA may borrow money or incur such obligation up to not more than twenty per centum (20%) of the total assets of the NSSLA, from any public lending institution, and from private banking institutions, and such private lending institutions as may be approved by the Monetary Board: *Provided*, That the proceeds of such loan shall be used exclusively to meet the normal credit requirements of its members. The Monetary Board may, in meritorious cases, raise the ceiling on the borrowing capacity of an NSSLA to not more than thirty per centum (30%) of its total assets. NSSLAs organized by employees of an entity or a corporation may borrow funds from said entity or corporation, but not vice-versa.

Sections 4295S - 4298S (RESERVED)

Section 4299S GENERAL PROVISION ON SANCTIONS. Any violation of the provisions of this Part shall be subject to sanctions prescribed in Section 37 of Republic Act No. 7653, whenever applicable.

time deposits. Where, subsequent to the release of the loan proceeds, member-borrowers open deposit accounts or make additional deposits to their existing accounts, no part of such new deposits shall be covered by a stipulation prohibiting or limiting withdrawal while new portion of their loans are outstanding: *Provided*, however, That this prohibition shall not apply in cases of loans secured by a hold-out on deposits to the extent of the unencumbered amount of the deposit existing at the time of the filing of the above-mentioned loan application.

Section 4303S - INTEREST AND OTHER CHARGES - The following rules shall govern the rates of interest and other charges on loans granted by NSSLAs.

Subsection 4303S.1 Interest in the absence of contract. In the absence of express contract, the rate of interest for the loan or forbearance of any money, goods or credit and the rate allowed in judgment shall be twelve percent (12%) per annum.

Subsection 4303S.2 Escalation clause; when allowable. Parties to an agreement pertaining to a loan or forbearance of money, goods or credits may stipulate that the rate of interest agreed upon may be increased in the event that the applicable maximum rate of interest is increased by the Monetary Board: *Provided*, That such stipulations are valid only if there is also a stipulation in the agreement that the rate of interest agreed upon shall be reduced in the event that the applicable maximum rate of interest is reduced by law or by the Monetary Board: *Provided, further*, That the adjustment in the rate of interest agreed upon shall take effect on or after the effectivity of the increase or decrease in the maximum rate of interest.

Section 4304S. EXTENSION, RENEWAL AND WRITING OFF OF LOAN ACCOUNTS. The following rules shall govern extension or renewal of loans, accrual of interest and write-offs.

- a. **Extension/Renewal of loans.** Extension of the period of payment of loans may be allowed under the following circumstances:
 1. For productive loans, the extension shall not exceed one-half of the original period: *Provided*, That thirty percent (30%) of the loan shall have been paid. A second extension shall not exceed one-half of the period of the first extension.
 2. For Consumer loans, the extension shall not exceed one-half of the original period: *Provided*, that thirty percent (30%) of the loan shall have been paid.

Loans payable in periodical installments may be renewed for the full amount of loans: *Provided*, that at least thirty percent (30%) of the loan shall have been paid.

- b. **Accrued interest on past due loans.** NSSLAs shall not accrue interest income on loans which are already past due or on loan installments which are in arrears, regardless of whether the loans are secured or unsecured. Interest on past due loans or loans installments in arrears shall be taken up as income only when actual payments thereon are received. For this purpose, the following shall be considered as past due.

1. A loan or receivable payable on demand not paid upon written demands as required herein or within one (1) year from date of grant or renewal whichever comes earlier.

NSSLAs shall in case of non-payment of a demand loan, make a written demand within six (6) months following the grant of such loan. The demand shall indicate a period of payment which shall not be later than six (6) months from date of said demand.

2. The total outstanding balance of a loan or receivable payable in installments, in accordance with the following schedules:

Mode of Payment	Installments in Arrears
Monthly	6 or more
Quarterly	2 or more
Semestrally	1 or more
Annually	1 or more

Provided, however, That when the total amount of arrearages reaches 20% of the total outstanding balance of the loan, the entire total outstanding balance of the loan shall be considered as past due, irrespective of the number of installments in arrears. *Provided further,* that the modes of payment other than those listed above (e.g. daily, weekly or semi-monthly), the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10%) of the total loan/receivable balance;

3. Any due and unpaid loan installment or portion hereof, from the time the obligor defaults for the purpose of obligations as defined in Section 4143S.(d); and
4. All items in litigation as defined in the Manual of Accounts for NSSLAs.

Subsection 4304S.1 Write-off of loans as bad debts. To maximize the protection of members of NSSLAs against misfeasance and malfeasance of the trustees and officers thereof, the Monetary Board adopted the following regulations on writing off of loans by NSSLAs.

- a. The term loan shall include all types of credit accommodations granted to, and advances made by the NSSLA for the account of the borrower/debtors, including the interest thereon recorded in the books;
- b. Writing-off of loans by an NSSLA shall be made not more than twice a year by its board of trustees;
- c. Notice/application for write-off of loans shall be submitted, in the prescribed form to the Department of Thrift Banks and Non-Bank Financial Institutions (DTBNBFI) at least 30 days prior to the intended date of write-off: *Provided*, That no such loans with an aggregate outstanding amount of P15,000.00 or more, as certified in said notice/application shall be written-off without the prior approval of:
 1. The Monetary Board in case of loans to trustees and officers of the NSSLA, direct or indirect; or
 2. The head of the DTBNBFI subject to confirmation by the Monetary Board, in the case of loans other than those mentioned in the next preceding paragraph (1).

Section 4305S "TRUTH IN LENDING ACT" DISCLOSURE REQUIREMENT. NSSLAs are required to strictly adhere to the provisions of Republic Act No. 3765, otherwise known as the "Truth in Lending Act," and shall make the true and effective cost of borrowing an integral part of every loan contract.

Subsection 4305S.1 Information to be Disclosed. Any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth the following information to be disclosed.

- a. The cash price or delivered price of the property or service to be acquired;
- b. The amounts, if any, to be credited as down payment and/or trade-in;
- c. The difference between the amounts set forth under clauses (a) and (b);
- d. The charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- e. The total amount to be financed;
- f. The finance charges expressed in terms of pesos and centavos; and

- g. The percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

The contract covering the credit transaction, or any other document to be acknowledged and signed by the debtor, shall indicate the above seven items of information. In addition, the contract or document shall specify additional charges, if any, which will be collected in case certain stipulations in the contract are not met by the debtor.

In case the seven items of information mentioned in this Section are not disclosed in the contract covering the credit transaction, said items to the extent applicable, shall be disclosed in another document in the form (*Appendix S-4*) prescribed by the Monetary Board, to be signed by the debtor and appended to the main contract. A copy of the disclosure statement shall be furnished the borrower.

Subsection 4305S.2 Definition of Terms

- a. *Creditor* (who shall furnish the information) means any person engaged in the business of extending credit (including any person who as a regular business practice makes loans or sells or rents property or services on a time, credit, or installment basis, either as principal or as agent), who requires as an incident to the extension of credit, the payment of a finance charge.

The term creditor shall include, but shall not be limited to, banks and banking institutions, insurance and bonding companies, savings and loan associations, credit unions, financing companies, installment houses, real estate dealers, lending investors, pawnshops, and any other person or entity engaged in the business of extending credit who requires as an incident to the extension of credit, the payment of a finance charge.

- b. *Person* means any individual, corporation, partnership, NSSLA, or other organized group of persons, or the legal successor or representative of the foregoing, and includes the Philippine Government or any agency thereof, or any other government, or any of its political subdivisions, or any agency of the foregoing.
- c. *Cash price or delivered price* (in case of trade transactions) is the amount of money which would constitute full payment upon delivery of the property (except money) or service purchased at the creditor's place of business. In the case of financial transactions, cash price represents the amount of money received by the debtor upon consummation of the credit transaction, net of finance charges collected at the time the credit is extended (if any).
- d. *Down payment* represents the amount paid by the debtor at the time of the transaction in partial payment for the property or service purchased.

- e. *Trade-in* represents the value of an asset, agreed upon by the creditor and debtor, given at the time of the transaction in partial payment for the property or service purchased.
- f. *Non-finance charges* correspond to the amounts advanced by the creditor for items normally associated with the ownership of the property or of the availment of the service purchased which are not incident to the extension of credit. For example, in the case of the purchase of an automobile on credit, the creditor may advance the insurance premium as well as the registration fee for the account of the debtor.
- g. *Amount to be financed* consists of the cash price plus non-finance charges less the amount of the down payment and value of the trade-in.
- h. *Finance charge* represents the amount to be paid by the debtor incident to the extension of credit such as interest or discounts, collection fees, credit investigation fees, attorney's fees, and other service charges. The total finance charge represents the difference between (i) the aggregate consideration (down payment plus installments) on the part of the debtor, and (ii) the sum of the cash price and non-finance charges.
- i. *Simple annual rate* is the uniform percentage which represents the ratio, on an annual basis, between the finance charges and the amount to be financed.

In the case of single payment upon maturity, the simple annual rate (R) in percent is determined by the following method:

$$R = \frac{(\text{finance charge})}{(\text{amount to be financed})} \times \frac{(12)}{(\text{total number of payments plus one})} \times 100$$

In the case of the normal installment type of credit of at least one year in duration, where installment payments of equal amount are made in regular time periods spaced not more than one year apart, the simple annual rate, in percent is computed by the following method:

$$R = 2 \times \frac{(\text{finance charge})}{(\text{amount to be financed})} \times \frac{(\text{number of payments in a year})}{(\text{total number of payments plus one})} \times 100$$

In cases where the credit matures in less than one year (e.g., installment payments are required every month for six months), the same formula will apply except that the number of payments in a year would refer to the number of installment

periods, as defined in the credit contract, as if the credit matures in one year. For example, the number of payments a year would be twelve for this purpose in cases where six monthly installment payments are called for in the credit transaction;

In cases where credit terms provide for premium or penalty charges depending on, say, the timelines of the debtor's payments, the annual rate to be disclosed in writing shall be the rate for regular payments, i.e., the premium and penalty need not be taken into account in the determination of the annual rate. Such premium or penalty charges shall, however, be indicated in the credit contract.

Subsection 4305S.3 Scope of requirements. The foregoing regulations shall apply to all creditors engaged in the following types of credit transactions:

1. Transactions covered
 - a. Any loan, mortgage, deed or trust, advance and discount;
 - b. Any conditional sales contract, any contract to sell, or sale or contract of sale of property or services, either for present or future delivery, under which, part or all of the price is payable subsequent to the making of such sale or contract;
 - c. Any option, demand, lien, pledge, or other claim against, or for delivery of, property or money;
 - f. Any purchase, or other acquisition of, or any credit upon the security of any obligation or claim arising out of any of the foregoing; and
 - g. Any transaction or series of transactions having a similar purpose or effect.
2. Transactions not covered. Considering that the specific purpose of the law is the full disclosure of the true cost of credit, the following categories of credit transactions are outside the scope of the above regulations:
 - a. Credit transactions which do not involve the payment of any finance charge by the debtor; and
 - b. Credit transactions in which the debtor is the one specifying a definite and fixed set of credit terms such as bank deposits, insurance contracts, sale of bonds, etc.

Subsection 4305S.4 Inspection of contracts covering credit transactions. Every creditor shall keep in his office or place of business copies of contracts covering all credit transactions entered into by him which involve the extension of credit to another and the

payment of finance charges therefor. Such copies shall be available for inspection or examination by the respective directors of the appropriate supervising and examining departments of the BSP or their duly authorized deputies.

Subsection 4305S.5 Posters. An abstract of R.A. No. 3765 otherwise known as the "Truth in Lending Act" (app.S-3) shall be reproduced in a format which is 60 cm. wide and 75 cm. long, and posted on a conspicuous place in the creditor's place(s) of business.

Subsection 4305S.6 Penal provisions

- a. Any creditor who in connection with any credit transaction fails to disclose to any person any information in violation of this Section or any regulation issued hereafter shall be liable to such person in the amount of P100 or in an amount equal to twice the finance charge required by such creditor in connection with such transactions, whichever is the greater, except that such liability shall not exceed P2,000 on any credit transaction. Action to recover such penalty may be brought by such person within one year from the date of the occurrence of the violation, in any court of competent jurisdiction. In any action under this Subsection in which any person is entitled to a recovery, the creditor shall be liable for reasonable attorney's fees and court costs as determined by the court.
- b. Except as specified in Item "a" above, nothing contained in this rule shall affect the validity or enforceability of any contract or transaction.
- c. Any person who willfully violates any provision of this Section or regulation issued hereafter shall be fined by not less than P1,000 nor more than P5,000 or imprisonment for not less than 6 months, nor more than one year or both.
- d. No punishment or penalty provided by this Section shall apply to the Philippine Government or any agency or any political subdivision thereof.

Section 4306S - BASIC REQUIREMENTS IN GRANTING LOANS

- a. **Application.** A member-borrower applying for a loan must submit an application stating the purpose of the loan and such other information as may be required by the NSSLA. The loan application and other required documents shall form part of credit information file of the member-borrower in the NSSLA.
- b. **Credit investigation.** No loan shall be approved unless prior investigation has been made to determine the credit standing of the applicant and/or the fair market value of the property offered as security and the report thereon shall be made part of the loan application: *Provided, however,* That this requirement may be waived by an NSSLA in the case of permanent employee or wage earner who is borrowing an amount not exceeding his deposit plus his twelve (12) months regular salary or retirement pension.

- c. **Credit information file/collateral file.** An NSSLA shall be required to maintain as far as practicable, a credit information file which must contain, among other things, the member-borrower's application and financial record. Other information relative to the member-borrower, where applicable, shall also be maintained which must contain among other things, the collateral and other documents pertinent to the loan.
- d. **Loan approvals.** Loans shall be approved by the NSSLA's board of trustees or if approved by a body or officer/s duly authorized by the board, such loan must be confirmed by the board of trustees.
- e. **Loan agreements.** For each loan granted by an NSSLA, a promissory note must be executed by the member-borrower in favor of the NSSLA expressing such particulars as the amount of the loan, date granted, due date, interest rate and other similar information.
- f. **Inscription of Lien.** In case of mortgage loans, no release against an approved loan shall be made before the inscription of the mortgage.

Section 4307S LOAN REPAYMENT. The treasurer, cashier or paymaster of the firm employing a member-borrower shall be required, pursuant to R.A. No. 8367, to make deductions from the salary, wage, income or retirement pension of the member-borrower in accordance with the terms of his loan, and all other deductions authorized by the member-borrower, to remit such deductions to the NSSLA concerned and to collect such reasonable fee for his services as may be authorized by rules promulgated by the Monetary Board.

Sections 4308S - 4310S (RESERVED)

B. SECURED LOANS

Section 4311S KINDS OF SECURITY. Loans by an NSSLA may be secured by any or all of the following:

- a. Mortgages on registered real estate;
- b. Chattel mortgages on harvested or stored crops of non-perishable character;
- c. Chattel mortgages on livestock, tools equipment or machinery, supplies or materials, merchandise and other personal properties.
- d. Assignment of quedans which gives the right of disposal of readily marketable products;
- e. Time and / or savings deposits and / or capital contribution;

- f. Pledge of bonds, stock and other securities of the government or government-owned or controlled corporations and other bonds, stocks or securities which are non speculative in nature;
- g. Land transfer certificates issued by the government to tenant farmers, under the agrarian reform program to the extent of sixty percent (60%) of the value of the farm holdings: *Provided*, That a certification shall be first secured from the offices of the Registry of Deeds to the effect that the Land Transfer Certificate being presented is valid; and
- h. Other securities as may be approved by the Monetary Board.

Sections 4312S - 4318S (RESERVED)

C. (RESERVED)

Sections 4319S - 4325S (RESERVED)

D. LOANS/CREDIT ACCOMMODATIONS TO TRUSTEES, OFFICERS, STOCKHOLDERS AND RELATED INTERESTS

Section 4326S DIRECT/INDIRECT BORROWINGS; CEILINGS. No NSSLA shall directly or indirectly make any loan to any trustee or officer of such NSSLA, either for himself or as agent or as partner of another, except with the written approval of the majority of the trustees of the NSSLA, excluding the trustee concerned: *Provided*, That the aggregate loans to such trustees and officers shall not exceed twenty (20%) of the total capital contributions of the NSSLA.

Section 4327S RECORDS; REPORTS. In all cases of accommodations granted to trustees and officers under Section 4326S, the written approval of the majority of the trustees of the NSSLA, excluding the trustee concerned, shall be entered upon the records of the NSSLA and a copy of such entry shall be transmitted forthwith to the appropriate supervising and examining department of the BSP within twenty(20) business days from the date of approval.

Section 4328S SANCTIONS. The transactions of all trustee or officers with the NSSLA shall not be under terms more favorable than those transacted with other members. The office of any trustee or officer of an NSSLA who violates the provisions of these rules on accommodations granted to trustee and officers shall immediately become vacant and said trustees or officer shall be punished by imprisonment of not more than one (1) year nor more than ten (10) years and by a fine of not less than five thousand pesos (P5,000.00) nor more than fifty thousand pesos (P50,000.00) pursuant to Section 15 of R.A. No. 8367.

Sections 4329S - 4340S (RESERVED)

E. (RESERVED)

Sections 4341S - 4350S (RESERVED)

F. (RESERVED)

Sections 4351S - 4365S (RESERVED)

G. (RESERVED)

Sections 4366S - 4387S (RESERVED)

H. OTHER OPERATIONS

Section 4388S FUND INVESTMENTS - An NSSLA may invest its funds in any or all of the following:

- a. In bonds and securities in an aggregate amount not exceeding ten percent (10%) of its total assets; any investment in excess of ten percent (10%) shall require the prior approval of the BSP.
- b. In real property, in an aggregate amount not exceeding at any one time five percent (5%) of the total assets of such NSSLA.
- c. In furniture, fixtures, furnishings and equipment, and leasehold improvements for its offices, in amount not exceeding at any one time ten percent (10%), of its total capital contribution.

Sections 4389S - 4392S (RESERVED)

I. MISCELLANEOUS PROVISIONS

Sections 4393S - 4398S (RESERVED)

Section 4399S GENERAL PROVISION ON SANCTIONS. Any violation of the provision of this Part shall be subject to the sanctions prescribed in Section 36 and 37 of Republic Act No. 7653, whenever applicable.

PARTS FOUR AND FIVE (RESERVED)

Sections 4401S – 4599S (RESERVED)

PART SIX
MISCELLANEOUS

Sections 4601S - 4607S (RESERVED)

Section 4608S – ANNUAL FEES ON NON-STOCK SAVINGS AND LOAN ASSOCIATION. For purposes of computing the annual fees chargeable against NSSLAs, the term "Total Assessable Assets" shall be the amount referred to as the total assets under Section 28 of R. A. No. 7653 {end-of- quarter total assets per balance sheet, after deducting cash on hand and amounts due from banks, including the BSP and banks abroad}.

"Average Assessable Assets (AAAs) shall be the summation of end-of-quarter total assessable assets divided by the number of quarters in operation during the particular assessment period."

The prescribed rate of annual fees for NSSLAs, assessable only when actual examination is conducted for the year, shall be 1/40 of 1% multiplied by the AAAs, but not to exceed P100,000.00, payable within thirty days from receipt of the bill. Failure to pay the bill within the prescribed period shall subject the NSSLAs to administrative sanctions.

Sections 4609S - 4624S (RESERVED)

Section 4625S NOTICE OF DISSOLUTION. An NSSLA contemplating to dissolve shall give written notice thereof to the Monetary Board through the appropriate supervising and examining department of the BSP at least thirty (30) days before taking steps to effect dissolution.

Section 4626S CONFIDENTIAL INFORMATION. No director, officer or employee of NSSLAs or of the BSP shall disclose any information relating to member-borrowers and their applications or to the operations of the NSSLA unless permitted by the Monetary Board of the BSP: *Provided, however,* That in the case of an NSSLA, under examination, the Director of the appropriate supervising and examining department of the BSP may furnish findings of examination to the Office or firm where such NSSLA does business.

All deposits of whatever nature with an NSSLA are considered absolutely confidential in nature, and may not be examined, inquired or looked into by any person, government official, bureau or office, except upon written permission of the depositor, or in cases of impeachment, or upon order of competent court in cases of bribery or dereliction of duty of public officials or in cases where the money deposited or invested is the subject matter of litigation.

No official or employee of an NSSLA shall disclose to any person any information concerning said deposits, except in cases mentioned in the preceding paragraph. Any official or employee of an NSSLA who violates this section shall be punished under Republic Act No. 1405, as amended.

SECTION 4627S (RESERVED)

Section 4628S EXAMINATION BY THE BSP. The director of the appropriate supervising and examining department of the BSP, personally or by deputy, shall make at least once a year and at such other times as he or the Monetary Board may deem necessary and expedient, an examination, inspection or investigation and inspection of the books and records, business affairs, administration and financial condition of any NSSLA.

"Examination" shall include, but need not be limited to, the verification, review, audit, investigation and inspection of the books and records, business affairs, administration and financial condition of any NSSLA including the reproduction of the records as well as the taking possession of the books and records and keeping them under BSP custody after giving proper receipts therefor. It shall also include the interview of the directors and personnel of any NSSLA.

Subsection 4628S.1 Sanctions. Any NSSLA which shall willfully refuse to permit examination shall pay a fine of P3,000.00 daily from the day of refusal and for as long as such refusal lasts.

The provisions of Section 34 of Republic Act No. 7653 shall apply to any agent, manager, or other officer-in-charge of any NSSLA who willfully refuses any lawful examination into the affairs of such NSSLA.

"Refusal to permit examination" shall mean any act or omission which impedes, delays or obstructs the duly authorized BSP officer/examiner/employee from conducting an examination, including the act of refusing to honor a letter of authority to examine presented by any officer/examiner/employee of the BSP.

The willful making of a false statement or misleading statement on a material fact to the Monetary Board or to the director of the department of the BSP charged with the regulation of NSSLAs or to his examiner shall be punished in accordance with Section 36 of Republic Act No. 7653.

Subsection 4628S.2 Procedures in imposing the fine.

- a. The BSP officer/examiner/employee shall report the refusal of the NSSLA to permit examination to the head of the appropriate department of BSP, who shall forthwith make a written demand upon the NSSLA concerned for such examination. If the NSSLA continues to refuse said examination without any

satisfactory explanation therefor, the BSP officer/examiner/employee concerned shall submit a report to that effect to the appropriate department head.

- b. The fine shall be imposed starting on the day following the receipt by the appropriate department of the written report submitted by the BSP officer/examiner/employee concerned regarding the continued refusal of the NSSLAs to permit the desired examination.

Subsection 4628S.3 Manner of payment or collection of fine. NSSLAs shall pay the fines imposed according to the procedures and rules stated in Subsection 4161S.1(d).

Section 4629S APPLICABILITY OF OTHER RULES. Other rules and regulations applicable to the examination of thrift banks, insofar as they are applicable and not inconsistent with these rules shall apply to NSSLAs .

Section 4630S BASIC LAW GOVERNING NON STOCK SAVINGS AND LOAN ASSOCIATION. Republic Act No. 8367, as amended, known as the "Revised NSSLAs Act," regulates the organization and operation of NSSLAs .

Sections 4631S - 4698S (RESERVED)

Section 4699S GENERAL PROVISION ON SANCTIONS. Unless otherwise provided, any violation of the provisions of this Part shall be subject to the sanctions provided in Sections 34, 35, 36 and 37 of Republic Act No. 7653, whenever applicable.
