



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 933

Series of 2016

Subject: Amendments to the Manual of Regulations for Non-Bank Financial Institutions applicable to Non-Stock Savings and Loan Associations (NSSLAs)

Pursuant to Monetary Board Resolution No. 2020 dated 11 November 2016, the following guidelines shall be observed in implementing Section 2(a) to (d) of Republic Act No. 8367, otherwise known as "The Revised Non-Stock Savings and Loan Association Act of 1997", in order to prevent acts, practices or omissions considered prejudicial to the interest of NSSLA members.

Section 1. Section 4184S and its Subsections of the Manual of Regulations for Non-Bank Financial Institutions applicable to Non-Stock Savings and Loan Associations (MORNBFI-S Regulations), are hereby added to read as follows:

Section 4184S Rules Governing Prejudicial Acts, Practices or Omissions. In line with the policy of the State to regulate and supervise the activities of Non-Stock Savings and Loan Associations (NSSLAs) through issuance of minimum requirements and standards resulting to judicious utilization of credit; to place their operations on a sound, stable and efficient basis so they may provide for the establishment of additional savings and credit facilities in a fair manner to their members; to curtail or prevent acts, practices or omissions of these NSSLAs which are prejudicial to their members' interest; and to maximize the protection of members of NSSLAs against misfeasance and malfeasance of the trustees and officers thereof, the following rules and regulations on prejudicial acts, practices or omissions are hereby issued.

Subsection 4184S.1 *Acts, practices or omissions considered prejudicial to the interest of members.*

- a. In determining whether a particular act, practice or omission may be deemed as prejudicial to the interest of members, the Monetary Board, upon report of the head of appropriate supervision and examination department, based on the finding in an examination or a complaint, shall consider the following circumstances:

- (1) The act, practice or omission is contrary to the generally accepted standards of prudent operation resulting in, or if continued, may result in abnormal risk, damage or loss to the NSSLA; or
 - (2) The act, practice or omission unduly burdens the members of the NSSLA and/or provide unwarranted benefit to the NSSLA to the advantage or preference of particular parties or groups thereof; or
 - (3) The act, practice or omission has resulted or may result in material loss, damage or undue injury to members.
- b. Acts, practices or omissions which may be considered as prejudicial to the interest of members, include, but are not limited to the following:
- (1) Charging of unreasonably high service fees in the grant of loans;
 - (2) Recognizing as income unused insurance premiums instead of refunding and/or crediting the same to borrowers;
 - (3) Non-disclosing of costs related to services rendered by agents/sales representatives and consultants in the financials and management reports;
 - (4) Limiting the capital contributions of members in a discriminatory manner that has the effect of concentrating control to a family or group of members;
 - (5) Granting excessive compensation/benefits to trustees and/or officers without due consideration of the NSSLA's financial health, or when neither allowed in the by-laws nor approved by a general assembly called for the purpose, or when not commensurate to the assigned duties and responsibilities;
 - (6) Granting of loans to borrowers who have insufficient paying capacity or poor credit history;
 - (7) Continuously deducting loan amortizations from the members' salary even after the loan has been fully paid;
 - (8) Paying unauthorized disbursements or unsupported expenses; or
 - (9) Allowing third parties to use the NSSLA's properties or privileges without due compensation.

The Monetary Board may from time to time, consider any other acts, practices or omissions as prejudicial to the interest of members.

Subsection 4184S.2 Enforcement Actions. Based on the seriousness and materiality of the prejudicial acts, practices or omissions, the NSSLA, its trustees and officers shall be subject to administrative sanctions under Section 37 of R.A. No. 7653 or "The New Central Bank Act" and/or other applicable enforcement actions. The Monetary Board, pursuant to its authority under Section 22 of R.A. No. 8367 and subject to due process, may also order the revocation of an NSSLA's license to operate as such if the prejudicial acts, practices or omissions are found to be persistent and grossly disadvantageous to the interest of the majority of its members.

Moreover, the above is without prejudice to the filing of appropriate criminal charges against culpable persons as provided for under Section 23(c) of R.A. No. 8367.

Section 2. This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.
Governor

16 December 2016