



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1036

Series of 2019

Subject: Regulations on the Establishment, Relocation or Voluntary Closure of Service Units of Non-Stock Savings and Loan Association (NSSLA) and Relocation of NSSLA Head Office

The Monetary Board, in its Resolution No. 246 dated 14 February 2019, approved the following regulations on the establishment, relocation or voluntary closure of service units of NSSLA and relocation of NSSLA head office, amending and introducing relevant provisions of Sections 4151S and 4152S of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

Section 1. Section 4151S and its Subsections of the MORNBFI shall be amended to read, as follows:

"Sec. 4151S Establishment, Relocation or Voluntary Closure of NSSLA Service Units. Policy Statement. The Bangko Sentral aims to promote greater access to financial services and adopt regulations that support sound, stable and prudent operation of NSSLAs in line with their business model. On the other hand, NSSLAs are expected to adhere to the standards of fair and efficient delivery of authorized financial products and services to their members.

Towards this end, the following shall govern the establishment, relocation or voluntary closure of service units of NSSLAs.

§ 4151S.1 Definition of terms. For purposes of this Section, the following definitions shall apply:

a. *Service unit* shall refer to any permanent field office or place of business in the Philippines other than the head office where an NSSLA may perform activities and provide products and services to its members that are within the scope of its authority. A service unit is classified as either a branch or a satellite office.

b. *Branch* shall refer to a service unit authorized to conduct both cash and non-cash transactions. In this respect, a complete set of books and records shall be maintained in each branch.

c. *Satellite office* shall refer to a service unit authorized to perform non-cash transactions only and does not maintain a separate book of accounts as its transactions are taken-up in the books of the head office or a branch to which it is attached.

A satellite office shall perform non-cash transactions which cover the following:

(1) Provide member care services, such as receiving complaints or responding to inquiries/requests;

(2) Conduct prequalification activities relating to loan or membership applications;

(3) Accept applications for membership, or termination of membership or loan. The evaluation of such applications shall be done at the head office or branch to which the satellite office is attached;

(4) Accept checks of members for credit to their savings deposit and/or capital contribution accounts, or for payment of loans;

(5) Release checks or equivalent non-cash document to members to facilitate disbursement of loan proceeds; and

(6) Update and replace passbook.

d. *Mobile desk* shall refer to a temporary desk and chair manned by a single NSSLA personnel located within the premises of the mother company where no service unit is established therein.

e. *Kiosk* shall refer to a temporary booth in an organized information caravan of a group of NSSLAs.

§ 4151S.2 Pre-requisite for the grant of authority to establish a service unit. NSSLAs may establish a service unit as a strategic measure in the implementation of its business model subject to prudential criteria provided under Subsection 4501S.2. No NSSLA operating in the Philippines shall establish a service unit without prior approval of the Bangko Sentral.

An NSSLA authorized to establish service units shall be responsible for all transactions conducted in such service units to the same extent and in the same manner as though such transactions had all been conducted in the head office.

§ 4151S.3 Application for authority to establish a service unit. NSSLAs seeking to establish a service unit shall submit the following documents to the appropriate supervising department of the Bangko Sentral:

a. Application letter signed by the NSSLA president or officer of equivalent rank. The application shall indicate the number and classification of service unit to be established, the proposed location along with the sketch, and necessary justification. The application for a satellite office shall also indicate the office to which it shall be attached;

b. Corporate Secretary's Certificate stating that the NSSLA's board of trustees approved the establishment of the service unit; and

c. Certification/Undertaking signed by the NSSLA president or officer of equivalent rank stating that the NSSLA is compliant with the pre-requisite for the grant of authority to establish a service unit provided under Subsec. 4151S.2 and that said service unit shall only service the members of the NSSLA.

Any request for conversion of a branch to satellite office or vice-versa shall be considered as an application for establishment of a new service unit, subject to the above requirements: *Provided*, That, the documents shall contain information relevant to the conversion.

§ 4151S.4 Location of service units. As a general rule, service units shall be established within the compound of the mother company: *Provided*, That in case of establishment outside the said compound, the NSSLA shall submit sufficient justification along with proof to support its representations.

§4151S.5 Opening of service units. Approved service units shall be opened within one (1) year from the date of Bangko Sentral approval, subject to extension on a case-to-case basis: *Provided*, That the entire period of extension shall not exceed three (3) years reckoned from the date of said approval.

§ 4151S.6 Requirements after opening a service unit. Not later than fifteen (15) business days from the date of opening, the NSSLA, through its chief compliance officer and the head of operations or its equivalent rank, shall:

a. Notify in writing the appropriate supervising department of the Bangko Sentral of the actual date of opening of the service unit; and

b. Submit a certification stating that the NSSLA has:

(1) Provided adequate personnel complement, internal control measures, physical facilities, information systems and security arrangements, including the installation of security devices and accessibility to persons with disability;

(2) Posted the required notices, schedules and other relevant information pertaining to its allowed activities, including the NSSLA's well-defined group coverage, in conspicuous places in the premises of the service unit;

(3) Provided efficient means of accounting and reporting as well as communication facilities (to be specified) between the head office, branches and satellite offices;

(4) Adopted a manual of operations for the service unit duly approved by the NSSLA's board of trustees; and

(5) Complied with the requirements under Subsec. 4151S.2 as of the time of actual opening.

An NSSLA that fails to comply with any of the requirements under Subsec. 4151S.2 as of the intended opening date shall refrain from opening the same until it has complied with all the said requirements.

§ 4151S.7 Relocation of service units. Relocation of existing service units is subject to the provisions under Subsec. 4151S.4 and the following procedures:

a. Submit to the appropriate supervising department of the Bangko Sentral the notice of relocation of service unit signed by the NSSLA president or officer of equivalent rank, together with a certified true copy of the resolution of the NSSLA's board of trustees authorizing said relocation, and an undertaking stating that the NSSLA shall comply with the notification requirement under Item "b" below. The notice shall include the sketch and other information on the new site, manner of occupancy, (e.g., whether lease or purchase) and the timetable for said relocation;

b. Display posters of notice of relocation in conspicuous places in the premises of the service unit to be relocated and in the official website of the NSSLA (if the NSSLA has an official website), at least forty-five (45) business days prior to relocation; and

c. Submit to the appropriate supervising department of the Bangko Sentral within five (5) business days from the date of relocation a certification signed by the NSSLA president or officer of equivalent rank, stating that the notification requirement under item "b" above has been complied with and an undertaking stating that the service unit will only service members of the NSSLA.

Relocation beyond one (1) year from the date of closure shall be deemed permanent closure of the service unit. The opening of the service unit at the new site shall be deemed as an establishment of a new service unit subject to the provisions of Subsec. 4151S.2.

The foregoing guidelines shall apply only to relocation within a city/municipality. Otherwise, the rules on permanent voluntary closure and establishment of a new service unit shall apply.

§ 4151S.8 Temporary voluntary closure of service units. Temporary voluntary closure of service units for the purpose of undertaking renovations/major repairs of office premises/facilities and for other valid reasons may be allowed: *Provided*, That the service unit shall be reopened within one(1) year from the date of temporary closure and in accordance with the following procedures:

a. Submit to the appropriate supervising department of the Bangko Sentral a written notice of temporary closure signed by the NSSLA president or officer of

equivalent rank, together with a certified true copy of the resolution of the NSSLA's board of trustees stating the justification and authorizing said temporary closure; and an undertaking stating that the NSSLA shall comply with the notification requirements under Item "b" below. The notice shall include information as to the timetable for the said temporary closure and the nearest service unit that will handle the transactions of the service unit to be temporarily closed;

b. Send notice of temporary closure to the members and creditors of the service unit involved by personal service, or registered mail or other mail couriers, and post said notice in the official website of the NSSLA (if the NSSLA has an official website), upon receipt of acknowledgement of the notice from the Bangko Sentral, but at least two (2) months prior to the intended date of temporary closure. Display posters in conspicuous places in the premises of the service unit to be closed at least two (2) months prior to the date of closure. Information as to the date of the reopening and the address of the service unit that will handle the transactions of the service unit to be temporarily closed shall be indicated in the said notice and posters. Proof of receipt of notice by the members and creditors shall be kept on file and made available upon request of the Bangko Sentral;

c. Submit to the appropriate supervising department of the Bangko Sentral within five (5) business days from the date of temporary closure of the service unit, a notice of such closure signed by the NSSLA president or officer of equivalent rank, together with a certification stating that the notification requirement under Item "b" above has been complied with; and

d. Submit to the appropriate supervising department of the Bangko Sentral within five (5) business days from the date of reopening of the service unit, notice of such reopening together with a certification signed by the NSSLA president or officer of equivalent rank, stating that the NSSLA has complied with the requirements under Item "b" of Subsec. 4151S.6.

Temporary voluntary closure of service units beyond one (1) year shall be deemed as permanent voluntary closure, and its re-opening shall be deemed as an establishment of a new service unit, subject to the provisions of Subsec. 4151S.2.

§ 4151S.9 Permanent voluntary closure of service units. Permanent voluntary closure of any service unit shall be subject to prior approval of the Bangko Sentral and compliance with the following procedures:

a. Submit to the appropriate supervising department of the Bangko Sentral a request for approval, signed by the NSSLA president or officer of equivalent rank, together with a certified true copy of the resolution of the NSSLA's board of trustees stating the justification and authorizing the said closure on the date duly indicated;

b. Send written notice of closure to members and creditors of the service unit involved by personal service, or registered mail/other mail couriers or publish

said notice in a newspaper of general circulation, and post the same in the official website of the NSSLA (if the NSSLA has an official website), upon receipt of notice of the Bangko Sentral approval, but at least three (3) months prior to the intended date of closure. Display posters in conspicuous places in the premises of the service unit to be closed at least three (3) months prior to the closure. Proof of receipt of notice by the members and the creditors shall be kept on file and made available upon request of the Bangko Sentral; and

c. Submit to the appropriate supervising department of the Bangko Sentral within five (5) business days from date of closure, a certification signed by the NSSLA president or officer of equivalent rank, stating that the closure was implemented and that the notification requirement under Item "b" above has been complied with.

§ 4151S.10 Mobile desks and kiosks. Without prior authority from the Bangko Sentral, NSSLAs may operate mobile desks and kiosks, subject to the following guidelines:

a. A mobile desk or kiosk shall be used mainly for advertising, marketing or providing information about the NSSLA. Acceptance of application forms shall be allowed provided that the same will be forwarded to the nearest NSSLA branch or head office for processing;

b. The NSSLA shall notify the appropriate supervising department of the Bangko Sentral, not later than the day of the start of operation of the mobile desks or kiosks. Such notice shall include information on the period of operation, the specific address of operation, justification and proofs to support representation, the branch where application forms will be turned over, and certified true copy of the resolution of the NSSLA's board of trustees authorizing the operation of the mobile desk or kiosk;and

c. Within three (3) days from completion of the activity, the NSSLA thru the Compliance Officer and head of operations shall notify the appropriate supervising department of the Bangko Sentral of the termination of operations of the mobile desk or kiosk.

§ 4151S.11 Supervisory Enforcement Action. The Bangko Sentral may deploy any of its supervisory action to promote adherence to the requirements set forth in the foregoing rules and bring about timely corrective actions and compliance with the Bangko Sentral directives.

For this purpose, the Bangko Sentral may, among others, limit the activities and services offered by a service unit or close any service unit. If any part of the certification submitted by the NSSLA as required in this Section is found to be false, the Bangko Sentral may also, among others, suspend the privilege to establish and/or open approved service units and/or relocate service units and impose sanctions on the certifying officers concerned."

Section 2. Section 4152S of the MORNBFI shall now provide for the requirements and procedure in the relocation of NSSLA head offices, to read as follows:

"Sec. 4152S Relocation of Head Offices. Relocation of an NSSLA's head office shall require prior approval of the Bangko Sentral, and compliance with the following procedures:

a. Submit to the appropriate supervising department of the Bangko Sentral a request for approval of the relocation of the NSSLA's head office signed by the NSSLA president or officer of equivalent rank, together with the following documentary requirements:

(1) A certified true copy of the resolution of the NSSLA's board of trustees stating the justification and authorizing the relocation of the head office;

(2) A certified true copy of the trustees' certificate stating that at least two-thirds (2/3) votes of members and majority of the trustees approved the proposed amendment to the Articles of Incorporation on the change of address;

(3) Description of the building and place of relocation, manner of occupancy, i.e., whether lease or purchase, estimate of the total costs to be incurred in connection with the relocation, and the proposed timetable for such relocation; and

(4) Plan for the disposition of the original site.

b. Send written notice of relocation to members and creditors by registered mail/other mail couriers and post such written notice in the official website of the NSSLA (if the NSSLA has an official website) upon receipt of notice of Bangko Sentral approval but at least three (3) months prior to the relocation: *Provided*, That said notification period may be reduced to forty-five (45) calendar days if the proposed relocation site is within the same municipality/city of the head office. Display posters in conspicuous places in the premises of the head office; and

c. Submit a notice of relocation to the appropriate supervising department of the Bangko Sentral within five (5) business days from the date of relocation, together with a certification signed by the NSSLA president or officer of equivalent rank, stating that the notification requirements under Item "b" above have been complied with."

Section 3. Transitory Provision - Within two (2) months from the date of the effectivity of this Circular, NSSLAs shall (i) perform a review of the activities of all their existing service units; and (ii) submit to the appropriate department of the Bangko Sentral a certified list of said existing service units, categorized as branch or satellite office as defined under Subsection 4151S.1. NSSLAs' management should

take appropriate action to ensure that the activities performed in their existing service units are in accordance with the provisions of this Circular.

The foregoing provision shall be incorporated as a footnote to Section 4151S of the MORNBFI.

Section 4. Effectivity – This Circular shall take effect fifteen (15) days from publication in a newspaper of general circulation.

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

21 March 2019