



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 696
Series of 2010

Subject : Minimum Capital Requirement for Rural Banks

Pursuant to Monetary Board Resolution No. 1457 dated 14 October 2010, the following provisions of the Manual of Regulations for Banks (MORB) are hereby amended as follows:

Section 1. Subsec. X111.1 on minimum capitalization is hereby amended to read as follows:

"Subsec. X111.1 *Minimum capitalization.* The required minimum capitalization (a) upon establishment of a new bank, (b) upon conversion of an existing bank from a lower to a higher category bank and vice versa, (c) upon relocation of the head office of a TB/RB in an area of higher classification, and (d) when majority of an RB's total assets and/or majority of its total deposit liabilities are regularly accounted for by branches located in areas of higher classification as provided in Subsec. X151.4 on the branching guidelines, shall be as follows:

Bank Category	Required Minimum Capitalization
a. UBs	₱ 4.95 billion
b. KBs	2.40 billion
c. TBs with Head Office in:	
(1) Metro Manila	325 million
(2) Outside Metro Manila	52 million
d. RBs with Head Office in:	
(1) Metro Manila	100 million
(2) Cities of Cebu and Davao	50 million
(3) All other cities	25 million
(4) 1 st to 4 th class municipalities	10 million
(5) 5 th to 6 th class municipalities	5 million
e. Coop Banks	10 million

PANANALAPING MATATAG, BANSANG PANATAG

For the grant of the following special banking authorities:

- a. Quasi-banking functions for TBs;
- b. Trust and other fiduciary business for U/KBs and TBs;
- c. Limited trust for TBs and RBs/Coop Banks;
- d. Foreign currency deposit unit/expanded foreign currency deposit unit (FCDU/EFCDU);
- e. Issuance of foreign letters of credit (LCs) for TBs;
- f. Acceptance of demand deposit and NOW accounts for TBs and RBs/Coop Banks; and
- g. Acting as third party securities custodian/registry;

the higher of (a) the required minimum capital under this Subsection at the time of the application for the grant of special banking authority or (b) the amount specified in the applicable Sections/Subsections for the grant of special banking authorities shall be the required minimum capital which shall be complied with on a continuing basis.

Transitory Provision. Approved but not yet operating RBs as well as pending and complete applications for establishment of a new RB or conversion of an existing bank from a higher category to an RB or for the grant of special banking authorities, as of the effectivity of the implementing Circular shall not be covered by the new minimum capital requirement for RBs."

Section 2. Subsec. X151.4 on branching guidelines is hereby amended to read as follows:

"Subsec. X151.4 Branching guidelines. Branches may be established, subject to the following guidelines:

"x x x

"d. As a general rule, banks shall be allowed to establish branches anywhere in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig, Quezon and San Juan (restricted areas): *Provided, however,* That RBs/Coop Banks shall not be allowed to establish branches in Metro Manila: *Provided, further,* That –

"x x x

"(4) Subject to the restrictions in Items "5", "6", "7" and "8" hereof, an RB with combined capital accounts of at least P10.0 million, may establish branches in cities/municipalities of higher classification and with corresponding higher capitalization requirements, except in Metro Manila: *Provided,* That where the majority of the RB's total assets and/or majority of its total deposit liabilities are regularly accounted for by branches located in such cities/municipalities of higher classification, the RB shall comply with the required minimum capital under Subsection X111.1 for that city/municipality of the highest classification within one (1) year from the BSP finding.

Section 3. Subsec. X201.1 on prerequisites to accept or create demand deposits for thrift banks/rural banks/cooperative banks is hereby amended to read as follows:

"Subsec. X201.1 Prerequisites to accept or create demand deposits for Thrift Banks/Rural Banks/Cooperative Banks. In addition to the *Standard Pre-qualification Requirements for the Grant of Banking Authorities* enumerated in *Appendix 5*, a TB/RB/Coop Bank applying for authority to accept or create demand deposits shall also comply with the following requirements:

"a. The applicant TB/RB/Coop Bank must have complied with the minimum capital required under Subsec. X111.1.

The terms *capital* and *net assets* shall have the same meaning as in Sec. X111.

"b. x x x

"c. x x x."

Section 4. Subsec. X501.2 on qualification requirements for FCDU or EFCDU is hereby amended to read as follows:

"Subsec. X501.2 Qualification requirements

"a. x x x

"b. x x x

"c. RBs/Coop Banks may, subject to prior Monetary Board approval, be authorized to operate an FCDU: *Provided*, That they meet the minimum capital under Subsec. X111.1 or P20.0 million, whichever is higher. x x x."

Section 5. Subsection X111.2 on capital build-up program and Subsection X111.3 on Memorandum of Understanding, prompt corrective action program and sanctions are hereby deleted.

Section 6. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor