



BANGKO SENTRAL NG PILIPINAS

CIRCULAR NO. ____ Series of 2022

OFFICE OF THE GOVERNOR

Subject: **Amendments to the Minimum Capitalization of Rural Banks**

The Monetary Board, in its Resolution No. ____ dated _____ 2022, approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) aimed at increasing the minimum capital requirements for rural banks. The new minimum capitalization requirement is part of the initiatives under the Rural Bank Strengthening Program (RBSP). The RBSP was developed to enhance the operations, capacity, and competitiveness of rural banks. It is anchored on the principle that a safe and sound bank is well-capitalized. A strong capital base enables rural banks to enhance their risk management systems, upgrade resources and manage operational costs, meet prudential standards, and accelerate digital transformation.

Section 1. Section 121 of the MORB is hereby amended to read, as follows:

121 MINIMUM REQUIRED CAPITAL

xxx

Minimum capitalization. The minimum capitalization of banks shall be as follows:

Bank Category	Required Minimum Capitalization
UBs¹	
Head Office only Up to 10 branches ¹² xxx	xxx xxx
KBs¹	
Head Office only Up to 10 branches ¹² xxx	xxx xxx
TBs¹	
Head Office in National Capital Region (NCR)	
Head Office only Up to 10 branches ¹² xxx	xxx xxx
RBs	
Head Office only Up to 5 branches ³	P60 million 60 million

Bank Category	Required Minimum Capitalization
More than 5 branches ³	200 million
RBs and Coop Banks¹	
Head Office in NCR	
Head Office only Up to 10 branches ¹² xxx	xxx xxx

¹ Banks which are existing, or which are already authorized by the Monetary Board but not yet operating, or persons from whom completed applications have been received but pending action by the Bangko Sentral, shall be allowed five (5) years from 19 November 2014 within which to meet the above minimum capital requirements. Banks granted with special banking authorities/licenses which require compliance with minimum capital requirements shall be given five (5) years from 19 November 2014 within which to comply.

¹² Branches - inclusive of Head Office

³ Branches - excluding Head Office

For purposes of compliance with this Section, the term branch shall exclude the *branch-lite* units of banks.

The above shall also be the required minimum capitalization upon (a) establishment of a new bank, (b) conversion of an existing bank from a lower to a higher category bank and vice versa, and (c) relocation of the head office of a TB/RB in an area of higher classification.

For the grant of the following special banking authorities:

- a. xxx
- b. xxx
- c. Limited trust for TBs and RBs/~~Coop Banks~~;
xxx

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

Transitory provisions. ~~Banks which are existing, or which are already authorized by the Monetary Board but not yet operating, or persons from whom completed applications have been received but pending action by the Bangko Sentral, shall be allowed five (5) years from 19 November 2014 within which to meet the above minimum capital requirements. Banks granted with special banking authorities/licenses which require compliance with minimum capital requirements shall be given five (5) years from 19 November 2014 within which to comply.,~~

Rural B banks which comply with the new capital levels shall submit to the Bangko Sentral a certification to this effect within ten (10) banking ~~thirty~~

~~(30) calendar days from~~ the date of effectivity of this Circular ~~19 November 2014~~. Rural ~~B~~banks which do not meet the ~~with~~ capital levels below the new ~~required~~ minimum capital requirements shall refer to the available options under the Rural Bank Strengthening Program. Rural banks availing of the capital build-up track shall ~~must~~ submit to the Bangko Sentral an acceptable capital build-up program ~~for this purpose within~~ three (3) months from the date of effectivity of this Circular ~~one (1) year from 19 November 2014~~.

If the prescribed minimum capital necessitates an increase in the authorized capital stock, affected banks shall cause the corresponding amendments to their articles of incorporation/~~cooperation~~.

The appropriate supervising department of the Bangko Sentral will evaluate the continuing compliance of banks to the aforementioned capital build-up program. Rural banks which are existing, or which are already authorized by the Monetary Board but not yet operating, or persons from whom completed applications have been received but pending action by the Bangko Sentral shall be given three (3) years from the date of effectivity of this Circular within which to meet the new minimum capital requirements. The Bangko Sentral reserves the right to ~~may~~ require appropriate actions and/or impose sanctions for non-compliance with the capital build-up program on rural banks concerned as provided under existing banking laws and/or Bangko Sentral rules and regulations.

Section 2. The Bangko Sentral-approved regulatory relief granted to certain rural banks exempting them from meeting the minimum capital requirements provided under Circular No. 854 dated 29 October 2014 shall be revoked upon effectivity of this Circular.

Section 3. 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:

BENJAMIN E. DIOKNO
Governor

_____ 2022