

# **RBAP 56<sup>th</sup> CHARTER ANNIVERSARY SYMPOSIUM**

**12 November 2013  
Manila Hotel**

## **Updates on BSP Regulations**



**BANGKO SENTRAL NG PILIPINAS**

# Topics:

1

- RA No. 10574

2

- Independent Directors

3

- “Complex” Bank



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Circular No.	Date	Subject
RA No. 10574		
809	08.28.2013	Amendments to Relevant Provisions of MORB Implementing RA No. 10574
Independent Directors		
793	07.05.2013	Amendment to Align the Familial Restrictions Applicable to “Independent Director” with the Existing Provision of the Securities Regulation Code



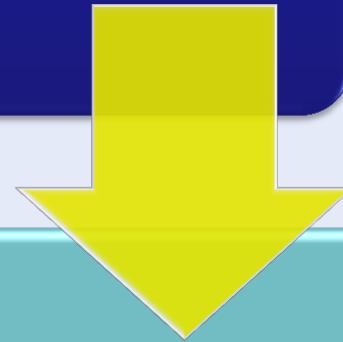
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Memorandum No.	Date	Subject
“Complex” Bank		
M-2013-035	07.30.2013	Guidelines on the Classification of a Bank as a “Complex” Bank for Regulatory Purposes



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RA No. 7353 – “The  
Rural Bank Act of  
1992”



RA No. 10574 – An  
Act Allowing the  
Infusion of Foreign  
Equity in the Capital  
of Rural Banks



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# Rationale for Foreign Equity in RBs

## Revitalize the rural banking industry

Improve  
banking  
access in  
rural areas

Place RBs  
on level  
playing  
field with  
U/KBs and  
TBs

Help RBs  
comply  
with the  
capital  
standards

Play catalytic  
role in  
countryside  
development

- Microfinance sector
- Micro-enterprise sector
- Agricultural sector



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# Salient Features

1

Foreign Ownership

2

Number of Independent Directors for RBs

3

Elective or Appointive Official in the RB Board

4

Foreclosure of Land used as RB Loan Collateral

5

Government Shares in RB



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# 1. Ownership Ceiling

Voting Stocks of	CEILING
Foreign individual or foreign non-bank corporation	60%
Filipino individual or domestic non-bank corporation	60%
Aggregate of foreign individual or foreign non-bank corporation	60%
Combined ownership of an individual and corporation/s which is/are wholly-owned or a majority owned by such individual	60%





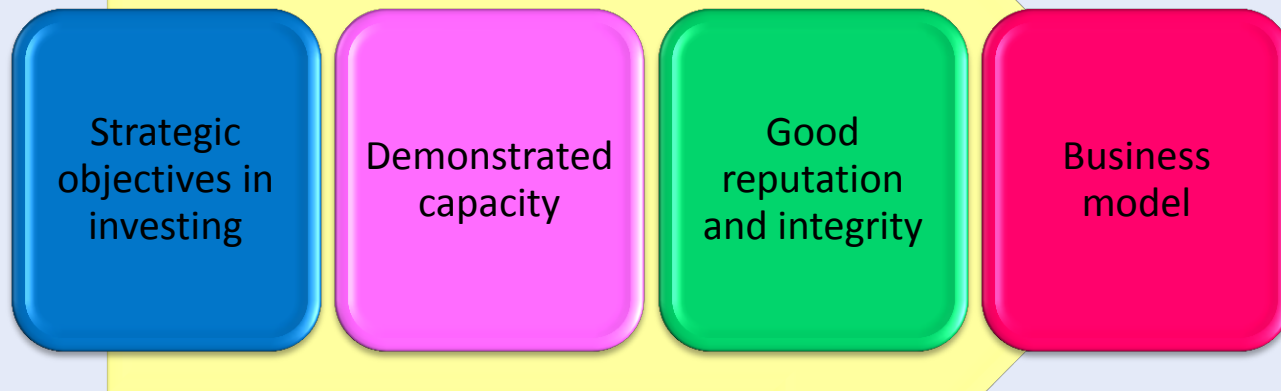
# 1. Ownership Ceiling

Voting Stocks of (RA No. 7721)	CEILING
Qualified foreign bank or qualified Philippine corporation	60%
Combine ownership of qualified foreign banks (including foreign individuals and non-bank corporation)	60%



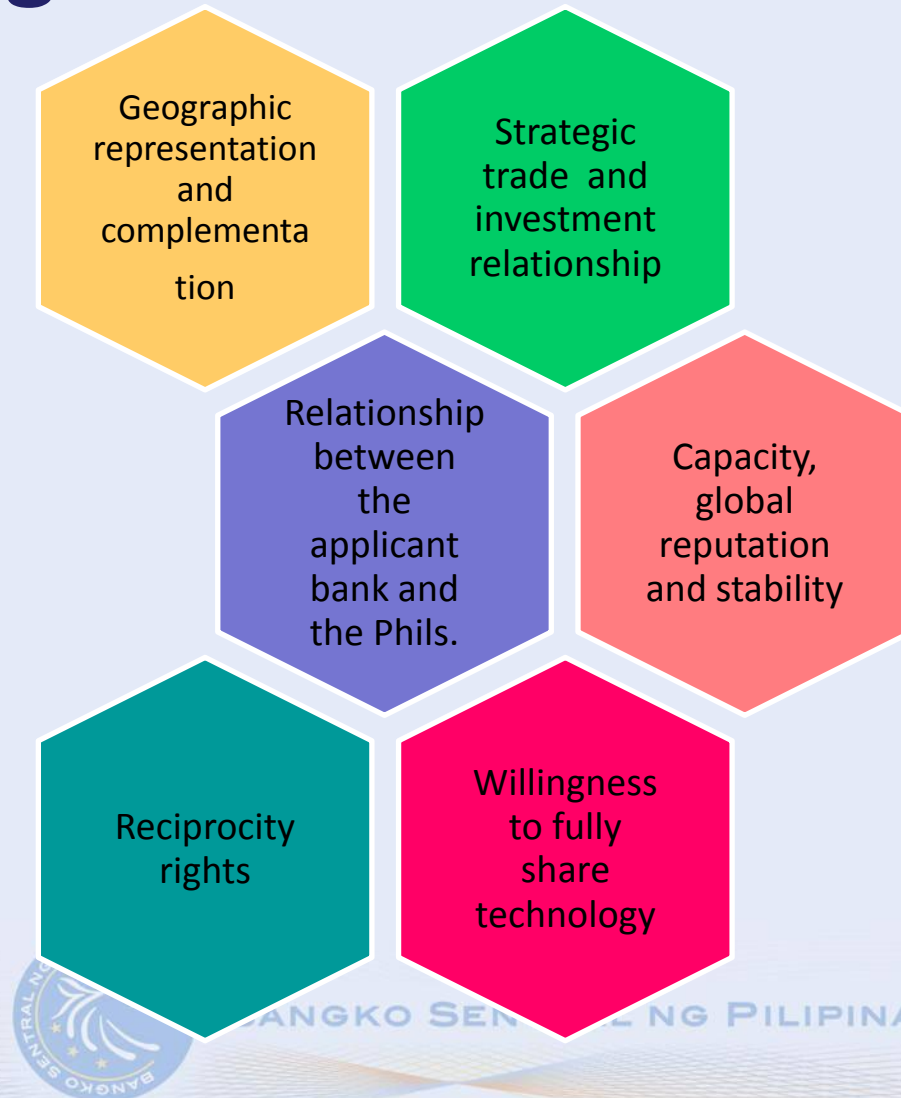
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# 1.1 Selection Criteria – Non-Filipino Citizen



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# 1.2 Selection Criteria – Foreign Bank



# 1.3 Citizenship of Corporation

- In case of RB, a corporate stockholder shall be deemed Filipino-owned if:
  - it is organized under the laws of the Philippines
  - at least 60% of its capital is owned by Filipino citizens



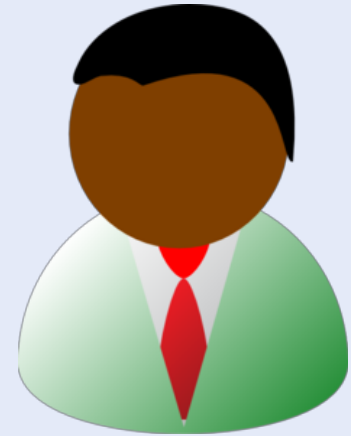
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## 2. Minimum Number of Independent Director

### Rural Bank

- At least one (1)
- If “complex”
  - ❖ At least 20% of the member of BOD but not less than two (2)



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# Independent Director

Is not or has not been an officer or employee of the bank , its subsidiaries or affiliates during the past 3 years counted from the date of election

Is not a director or officer of related companies of the institution's majority stockholder



# Independent Director

Is not a stockholder with share of stock sufficient to elect one seat in the BOD of the institution, or any of its related companies or its majority corporate shareholders



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# Independent Director

Not a relative ~~within 4<sup>th</sup> degree of consanguinity or affinity~~, legitimate or common-law of any DOS holding shares of stock sufficient to elect one seat in the BOD or any of its related companies. For this purpose, relatives refer to:

spouse	Parent	child	brother
sister	parent-in-law	Son- /daughter-in-law	brother- /sister-in-law





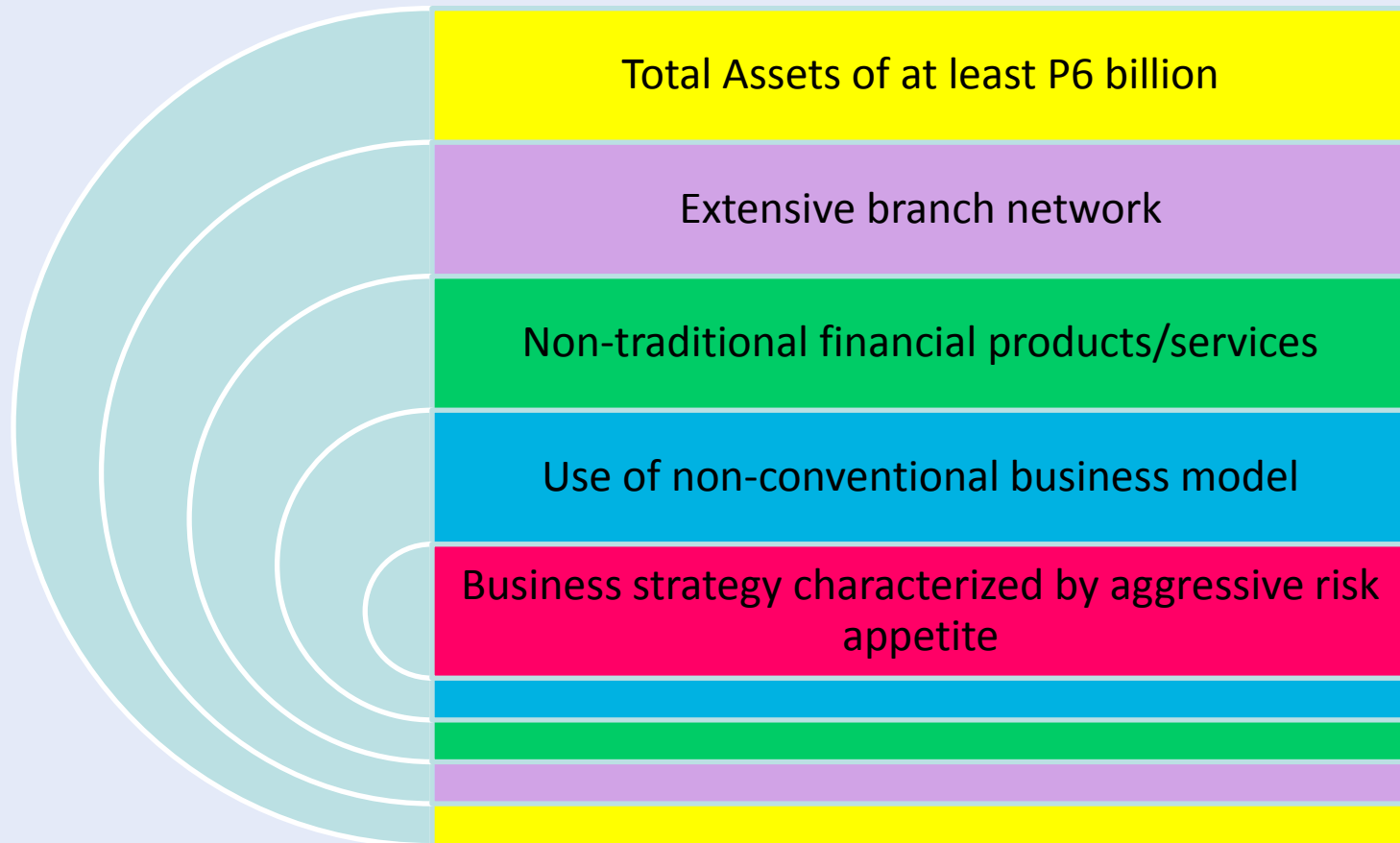
# Independent Director

Is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial share holder

Is not retained as professional adviser, consultant, agent or counsel of the institution, its related companies or any of its substantial shareholders



## 2.1 “Complex” Bank Criteria



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## 2.2 Nationality of Directors

Non-Filipino = up to the extent of the foreign participation in the equity of the bank

Provided, majority of the directors must be residents of the Philippines



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### 3. Disqualified to Become Officer

Appointive or elective official, whether full time or part time, except in cases where such service is incident to the financial assistance provided by the government or GOCCs or in case allowed under existing laws.



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# Transitory Provision

Appointive or elective officials, currently holding officership positions in RBs shall continue holding such position until the end of their current terms



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# 3.1 Board Membership

## Sec. 12, Rule XVIII of the Civil Service Rules

- No officer or employee of the government shall engage directly in any private business, vocation, or profession without a written permission from the head of the Department

## Section 90 (a) of the Local Government Code of 1991

- All **governors** and **city/municipality** mayors are prohibited from practicing profession or engaging in any occupation other than the exercise of their functions as local chief executives:



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## 4. Foreclosure by Rural Banks

Allowed to foreclose lands mortgage to it

- Including lands covered by RA 6657 (The Comprehensive Agrarian Reform Law)
- Subject to retention limit



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## 4.1 Foreclosure - Limitations



RBs which are not qualified to acquire or hold land in the Philippines:

- Allowed to bid and take part in the foreclosure sale of the property mortgage
- Avail enforcement and other proceedings
- Take possession of the property
- Not exceeding 5 years from actual possession



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# 4.1 Foreclosure - Limitations

RBs which are not qualified to acquire or hold land in the Philippines:

- Title to the property shall in no event be transferred to RB



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## 4.1 Foreclosure - Limitations

If RB, which are is not qualified to acquire or hold land in the Philippines, is the winning bidder

- During the five (5) year period, transfer its right to a qualified Philippine national
- In case of failure, penalty of  $\frac{1}{2}$  of 1% per annum of the price at which the property was foreclosed



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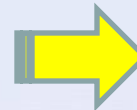
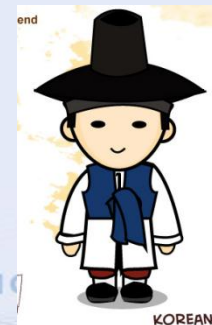


## 4.2 Requirements for Not Qualified RBs

- RBs prior to RA 10574
  - submit to appropriate department of SES a divestment plan for disposal
  - Given 5 years to transfer the property to qualified Philippine nationals

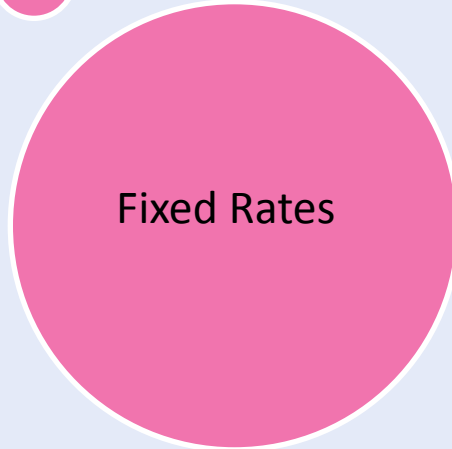


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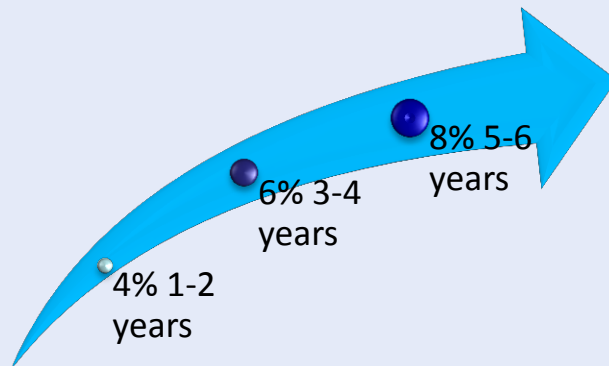
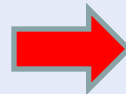
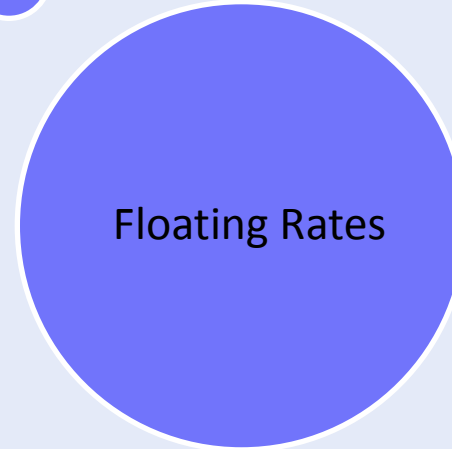


# 5. Dividend Rates of GFIs-held Shares

● R.A. 7353



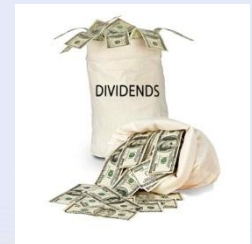
● R.A. 10574



Lending benchmark approved  
by the BSP

+

Prevailing non-prime spread  
of the GFI



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***“The only thing that is  
constant is change”***

**- Heraclitus**



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# Thank You



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