



RURAL BANKERS ASSOCIATION OF THE PHILIPPINES

2nd September 2022

Dear fellow rural bankers,

Greetings! I hope that this letter finds you in best of health.

I promised to engage with members through a periodic update of events I call SoRA or State of the RB Association. My apologies, that this may not be as comprehensive, but it speaks of what is most urgent today.

We have all been anticipating the release of the circular on RBSP capitalization requirement and when it came out yesterday, it still gave a feeling of shock. I am sure many of us feel like the holy man Job, in the Good Book, felt, when he exclaimed, *That which I have greatly feared, has come upon me, that which I have dreaded has come.*

It was only on August 19, during the BSPC meeting, that we were informed that, notwithstanding the utmost efforts of the previous and the current RBAP boards, the Monetary Board (MB) had approved the proposed capitalization requirement, and that its provisions would not significantly differ from the initial draft circulated by BSP (though we did manage to bring down the minimum capitalization from P60 million to P50 million, and to add one more tier to the capital requirements). It was apparently approved as early as August 4, but it was awaiting the signature of the Governor. Before yesterday, I felt that nothing was final. In fact, on Aug 22, we submitted 2 letters to the BSP through DG Chuchi Fonacier: 1) First, a letter to the MB seeking for a grace period of 2 years or deferment of the RBSP capitalization circular on account of the pandemic that gravely affected our clients and, consequently, our banks; and 2) Another letter seeking a tripartite meeting between the BSP, government banks (Land Bank and DBP), and RBAP. No action has been taken on the first letter as of yet, but on August 30, a virtual meeting was held with the lone agenda of asking for a Technical Working Group (TWG) to craft the IRR of Sec 4 and 8 of the RB ACT. We are invoking these provisions as it states that when capital is needed, LBP, DBP and other Government Financial Institutions shall provide support to rural banks.

By now, several onboarding sessions have also been held presenting the Rural Bank Strengthening Program and the capitalization structure as approved by the MB. The Association's participation therein is merely as secretariat for now, until a more concrete definition and guidelines on the tracks are provided. Personally, I have observed that these sessions raise a lot of questions, with the answers supplied by BSP leading to even more questions. It is apparent, therefore, that there is a need for clarity so that we can all move forward.

15 days after its publication, the circular on minimum capitalization will be in full force and effect, and among the first things that we will need to do is submit a capital build up program within 6 months (or, for the luckier rural banks, a Certification that they meet the new minimum capital requirement). At press time, we are already planning the holding of a webinar, as follow up to the onboarding sessions, on how to come up with the required plan. The webinar will tackle issues like:

1. How to do self assessments so that banks will know their point A;
2. SWOT analysis, so that banks may also know the best track to take;
3. Merger, consolidation, acquisition (MCA) processes overview;
4. Process of conversion of branches to BLUs;
5. Pairing platform and other available support from RBAP.

Like when faced with any challenge, I appeal for calmness. Rest assured, your RBAP will take the lead in providing support, not only in finding the best solutions but also in seeing them come to fruition. I take much comfort in the story of Job, who was afflicted for a time, but ended up being even more blessed by God for not losing faith in Him.

For any other concerns please feel free to get in touch with our Executive Director at 09663713238/executivedirector@rbap.info, or to me at 09688838548. Thank you very much and more power to you, your rural bank and the RBAP.

Very truly yours,



ATTY. MARY ANN E. M. TUPASI-SADDUL
President, FY 2022-2023