



New capital rules could spell doom for rural bank

As the Philippines starts to recover from the pandemic-caused recession, the Bangko Sentral ng Pilipinas (BSP) plans to hike the minimum capital requirement of rural banks in a bid to strengthen and enhance the capacity of these small lenders which could spell the doom for some of them.

In a draft circular, the central bank sought to raise the minimum capital requirements for rural banks to P60 million (head offices and banks with less than five branches) up to P200 million (more than five

branches). This excludes the lenders' branch-lite units.

Under the current regulations, rural banks and cooperatives must have a minimum capitalization of P10 million to P200 million depending on the location and number of branches.

The planned adjustment of required capital for smaller banks forms part of the initiatives under the Rural Bank Strengthening Program (RBSP), which was approved by the Monetary Board last March 3.

The RBSP was developed to enhance the operations, capacity,