

Media and Research - Speeches

Message of BSP Governor Benjamin E. Diokno for the Signing of Memorandum of Agreement for the Mergers, Consolidation, and Acquisition of Banks

Date: November 04, 2021

Occasion: Signing of Memorandum of Agreement for the Mergers, Consolidation, and Acquisition of Banks

Speaker: BSP Governor Benjamin E. Diokno

Distinguished heads from our partner agencies,

SEC Chairman Emilio B. Aquino,

CDA Chairman Joseph B. Encabo,

PCC Chairman Arsenio M. Balisacan,

PDIC President and CEO Roberto B. Tan, officers and colleagues, ladies and gentlemen, good morning.

It is my pleasure to be with all of you to mark the partnership among the BSP, SEC, CDA, PDIC and PCC through the signing of the Memorandum of Agreement on Procedures for Applications for Mergers, Consolidations and Acquisitions - or MCAs - of Banks.

One lesson that we learned from the ongoing pandemic is the importance of working together to achieve a common goal.

That goal is to ensure that we continue to provide prompt and responsive services to our stakeholders.

The BSP has long advocated for mergers and consolidations to promote stronger banking institutions founded on good governance and effective risk management. In fact, the Monetary Board has authority under the law to grant incentives for mergers and consolidations.

Mergers and consolidations are designed to bring about a financially strong and less fragmented Philippine banking system over the long run.

In the past, the BSP, in coordination with the PDIC and Land Bank of the Philippines (LBP), introduced several incentive programs to encourage banks and financial intermediaries to merge and consolidate.

These programs include the Strengthening Program for Rural Banks or SPRB, Strengthening Program for Cooperative Banks or SPCB, and the Consolidation Program for Rural Banks or CPRB.

Under these programs, banks and other financial intermediaries that decide to undergo mergers, consolidations or acquisitions can avail of incentives, including staggered booking of unbooked valuation reserves, waiver of certain penalties and fees and restructuring of past due obligations with the BSP, to name a few.

Mergers and consolidations allow banks to become larger and stronger. With more capital and resources and improved economies of scale, banks can expand their reach, broaden their client base, and gain more access to investments that would propel their growth even further.

In recent years, there are many notable mergers of large banks. These include: the Bank of the Philippine Islands and Far East Bank and Trust Co. merger in 2000, Banco de Oro and Equitable PCI Bank merger in 2007; and Philippine National Bank and Allied Banking Corporation merger in 2012.

This year, many rural banks merged too. On October 1st, 2021, Malarayat Rural Bank, Inc. and Rural Bank of Talisay (Batangas), Inc. merged. Producers Savings Bank and PBCOM Rural Bank merged. And in August, four (4) rural banks in Cebu and Negros Oriental merged under its new name First Philippine Partners Bank, Inc. (A Rural Bank).

The BSP has supported the merger of rural banks, knowing their vital role in advancing our financial inclusion goal.

With the signing of today's agreement, we aim to establish a dynamic working arrangement with our fellow agencies in order to streamline procedures, reduce processing time, and facilitate prompt action or resolution of MCA applications of banks.

In closing, the BSP will continue to pursue reforms as well as improvements in supervisory oversight that will further promote the soundness, stability, and competitiveness of the Philippine banking system.

We shall continually promote mergers and consolidations to create resilient banks that are adaptive to the rapidly changing financial environment.

We at the BSP look forward to more projects that ultimately benefit the Filipino people that we all serve. I thank and congratulate everyone responsible for this milestone event. Maraming salamat at Mabuhay po tayong lahat!