104 MERGERS AND ACQUISITIONS

The merger or consolidation of banks and other financial intermediary(ies) to meet minimum capital requirements shall be allowed subject to the following regulations.

For purposes of merger and consolidation, the following definitions shall apply:

a. *Merger* – is the absorption of one (1) or more corporations by another existing corporation, which retains its identity and takes over the rights, privileges, franchises, and properties, and assumes all the liabilities and obligations of the absorbed corporation(s) in the same manner as if it had itself incurred such liabilities or obligations. The absorbing corporation continues its existence while the life or lives of the other corporation(s) is/are terminated.

b. *Consolidation* – is the union of two (2) or more corporations into a single new corporation, called the consolidated corporation, all the constituent corporations thereby ceasing to exist as separate entities. The consolidated corporation shall thereupon and thereafter possess all the rights, privileges, immunities, franchises and properties, and assume all the liabilities and obligations of each of the constituent corporations in the same manner as if it had itself incurred such liabilities or obligations.

Requirement of Bangko Sentral approval. Mergers and consolidations including the terms and conditions thereof shall comply with the provisions of applicable law and are subject to approval by the Bangko Sentral.

The guidelines and procedures in the application for merger/consolidation as shown in *Appendix 90* shall be observed by banks.

Rules on exchange of shares. As a general rule, the ratio of exchange of shares between or among the participants in a bank merger or consolidation shall be based on mutual agreement of the parties concerned. However, any appraisal increment reserve (revaluation reserve) arising from the revaluation of the fixed assets, as may be agreed upon by the parties, shall be limited to premises, improvement, and equipment which are necessary for its immediate accommodation in the transaction of the bank's business. Such revaluation should be based on fair valuation of the property which shall be subject to review and approval by the Bangko Sentral.

Merger or consolidation incentives. In pursuance of the policy to promote mergers and consolidations among banks and other financial intermediaries, as well as purchases or acquisitions of majority or all of the outstanding shares of stock of a bank/quasi-bank, as a means to develop larger and stronger FIs, constituent/participating entities may avail themselves of incentives or reliefs, subject to prior approval of the Monetary Board.

Consolidation Program for Rural Banks (CPRB). The CPRB aims to strengthen the rural banking industry, in recognition of the major role that RBs play in financial inclusion. It intends to promote mergers and consolidations among RBs to bring about a less fragmented banking system by enabling them to improve financial strength, enhance viability, strengthen management and governance and expand market reach, among others.

The CPRB shall be available for a period of two (2) years from the signing of the Memorandum of Agreement among the Bangko Sentral, the PDIC and the LBP. The eligibility of the merging or consolidating RBs to qualify under the CPRB as well as the incentives thereunder shall be governed by the CPRB Framework and its implementing guidelines as provided under *Appendix 118* and *Appendix 119*, respectively.

For proponent banks that wish to avail of the equity investment facility from the LBP under the program, their eligibility shall be subject to the guidelines on the LBP equity investment facility in *Annex A of Appendix 119.*

(Circular Nos. 917 dated 08 July 2016, 903 dated 29 February 2016, M-2015-043 dated 11 December 2015, CL-2015-067 dated 05 November 2015, Circular No. 890 dated 02 November 2015, CL-2015-050 dated 18 August 2015, CL-2015-029 dated 06 May 2015, M-2015-008 dated 28 January 2015, and M-2014-003 dated 27 January 2014)