

February 21, 2026

Technology Risk and Innovation Supervision Department (TRISD)

Bangko Sentral ng Pilipinas (BSP)

A. Mabini St. cor. P. Ocampo St.

Malate, Manila 1004

Attention: **Mr. Ace Jerico M. Alvaro**
Email: trisd@bsp.gov.ph, alvaroam@bsp.gov.ph

Subject: **COMMENTS on the Draft Circular for “Prudential Requirements for Technology-Driven Rural Banks” – *Competition Issues***

Dear Mr. Alvaro and the TRISD Team,

We write to formally submit our comments on the proposed Circular on “**Prudential Requirements for Technology-Driven Rural Banks.**” We write in our capacity as a law firm with banking & finance and fintech practice.

We believe certain provisions in this draft Circular have a potential **anti-competitive impact**. While we support the goal of financial stability, we wish to put the TRISD on notice that the current draft should meet mandatory legal prerequisites established by Philippine law for the issuance of new regulations, namely: (a) the National Competition Policy under PCC-NEDA Joint Memorandum Circular No. 01-2020 with respect to the conduct of a **competitive impact assessment**, and (b) **Section 5 of Republic Act No. 11032** (*Ease of Doing Business and Efficient Government Service Delivery Act of 2018*) with respect to the conduct of a **regulatory impact assessment**.

The proposed Circular seeks to regulate Rural Banks (RBs) that leverage digital platforms to expand their reach beyond their geographical boundaries. Central to the draft is a **30% threshold**, which is a limit on the number of customer accounts sourced outside an RB’s area of operations (the “**30% Cap**”). Once this threshold is breached, the RB is mandated to either: (i) scale back its digital operations, or (ii) transition into a full Digital Bank license, which requires a significant capital increase of **PHP 1 Billion**.

Respectfully, we would like to flag the potential competition impact of this proposed Circular.

1. **Section 19, Article XII of the Constitution** provides that the State shall regulate or prohibit monopolies when the public interest so requires, and that no combinations in restraint of trade or unfair competition shall be allowed.
2. **Republic Act (RA) No. 10667** or the **Philippine Competition Act (PCA)** declares it a policy of the State to: (i) promote free and fair competition in trade, industry and all commercial economic activities; (ii) prevent economic concentration that unduly stifles competition, as well as those that lessen, manipulate or constrict the discipline of free markets; and (iii) penalize all forms of anti-competitive behavior for the purpose of protecting consumer welfare and advancing trade and economic activity.

3. **Section 2(a) of RA No. 10667** provides that the State shall establish a **National Competition Policy**, to be implemented by the National Government and all of its political agencies.

4. **Section 12(o) of RA No. 10667** mandates the Philippine Competition Commission (PCC) to assist the National Economic and Development Authority (NEDA), in consultation with relevant government agencies and sectors, to prepare and formulate a National Competition Policy and implement the same.

5. The NEDA and PCC issued the National Competition Policy through **NEDA-PCC Joint Memorandum Circular (JMC) No. 01-2020 (s. 2020)**.

6. **Administrative Order No. 44 (s. 2021)** directs all government agencies, including the BSP, to adopt and implement the National Competition Policy.

7. The National Competition Policy in PCC-NEDA JMC No. 01-2020 provides:

5.1 Key elements of the NCP

In the exercise of their respective functions, all government agencies shall adopt and must be guided by the following key elements of the NCP:

1. *Pro-competitive policies and government interventions. — All policies, laws, rules and regulations, issuances and other interventions shall promote market efficiency and enhancement of consumer welfare, and shall not distort competition by creating barriers to entry, promoting collusive market outcomes, e.g., cartels, or restricting trade[.]*

[...]

3. *Enforcement of competition-related laws and issuances. — All government agencies shall uphold the original and primary jurisdiction of the PCC over the enforcement and implementation of the provisions of the PCA.*

[...]

5.2 Responsibilities of government agencies

1. *To initiate and implement pro-competitive policies and interventions, all government agencies shall:*

a) *Review relevant policies, rules and regulations, issuances, and other interventions to determine whether they restrict, prevent, or lessen competition or render undue advantage to some firms within the same sector or industry, and where appropriate, amend or eliminate these policies and interventions. In the case of relevant laws, recommend their revision or repeal to Congress;*

[...]

d) Provide measures to address the potential anti-competitive effects of legal, policy, and regulatory instruments;

[...]

3. To assist PCC in enforcing the national competition policy and attain the objectives and purposes of the PCA, all government agencies shall:

[...]

d) Use the Competition Assessment Manual, and comply with the guidelines and issuances of PCC.

8. The 30% Cap appears to contravene the National Competition Policy.

a. This proposed 30% Cap effectively punishes RBs for being too good at the very thing the BSP has spent years championing: financial inclusion. The regulator is essentially telling the smallest players that they should not be too successful. It artificially creates a “geofence” around a technology that is inherently borderless. It is counterintuitive to the logic of the internet. It “ghettos” RBs to remain small and localized, while the few licensed Digital Banks are handed a protected incumbent status over the urban and migrant worker markets. It disrupts the flow of digital services to urban-based family members (like OFWs or Manila-based workers) who use RBs to send money back to the provinces. Instead of scaling, successful RBs will likely intentionally throttle their own growth or turn away customers to stay under the cap.

b. By forcing RBs into a full Digital Bank license (with a PHP 1 Billion capital requirement) simply because they successfully compete for customers outside their home province, the BSP is artificially creating an unlevel playing field. This protects incumbent Digital Banks from the competitive pressure exerted by agile, technology-driven RBs.

c. Even if certain RBs are ready and willing to comply with the PHP 1 Billion capital requirement to transition into a full Digital Bank, they are currently blocked by a licensing moratorium. To recall, the BSP has closed the application window for new Digital Bank licenses effective December 1, 2025, indefinitely capping the market at only ten (10) players.

d. Thus, the proposed Circular forces RBs to either stop growing or convert to a Digital Bank license that is legally unavailable for the foreseeable future.

9. Consistent with PCC-NEDA JMC No. 01-2020, the TRISD should conduct a **competitive impact assessment**, including quantify how many RBs will be forced to stop digital onboarding due to this cap and how many consumers will lose access to credit/savings.

If a competitive impact assessment has been conducted, we urge the TRISD to confirm that the same has been completed, or to publish the results of the same.

We also urge the BSP to formally refer this draft Circular to the PCC for an Advisory Opinion to ensure it does not create unnecessary market distortions, pursuant to Section 12(k) in relation to Section 12(r) of the PCA.

10. **Section 5 of Republic Act No. 11032** also provides that all government agencies are required to conduct a **regulatory impact assessment** for any proposed regulation. Forcing a successful technology-driven RB to either (i) scale back its digital operations, or (ii) raise its capital to **PHP 1 Billion** simply for onboarded customers crossing the 30% Cap is an extreme regulatory burden.

11. Consistent with **ARTA Memorandum Circular No. 2021-06 s. 2021** on good regulatory practices and other relevant ARTA circulars, we submit that when a regulator identifies a risk, it must choose the least restrictive means to address it. The 30% Cap is a blunt instrument that punishes successful digital inclusion. Financial stability risks can be managed through more pro-competitive alternatives, such as risk-based liquidity requirements or enhanced cybersecurity audits, rather than a prohibitive capital requirement or a license moratorium.

12. Thus, we also request TRISD to confirm if a regulatory impact assessment has been conducted, consistent with the circulars of the Anti-Red Tape Authority (ARTA), for the proposed Circular. If a regulatory impact assessment has been conducted, we urge the TRISD to confirm that the same has been completed, or to publish the results of the same.

RECOMMENDATION

In light of the foregoing concerns, we respectfully recommend the TRISD to:

1. **SUSPEND THE FINALIZATION OF THE CIRCULAR** pending the conduct of a formal **Competitive Impact Assessment** (in compliance with the National Competition Policy) and **Regulatory Impact Assessment** (in compliance with the Ease of Doing Business and Efficient Government Service Delivery Act);
2. **CONFIRM** the completion **or PUBLISH** the results of the Competitive Impact Assessment and Regulatory Impact Assessment, if the same have already been conducted; and
3. **CONSULT** and **REFER** the draft Circular to the **PCC** for an Advisory Opinion under Section 12(k) in relation to Section 12(r) of the PCA.

Should you have questions or clarifications, please contact us at:

E-mail: attorney@geronimo.law

Mobile: +63 9999329836

Address: 6/F Valero One Center, Valero St., Salcedo Village, Makati City

Website: www.geronimo.law

Thank you.

Very truly yours,


ATTY. RUSSELL STANLEY Q. GERONIMO
Founder and Managing Lawyer

Copy-furnished:

PHILIPPINE COMPETITION COMMISSION

Attn: Office of the Chairman / Economics Office

25/F Vertis North Corporate Center 1, North Avenue, Quezon City 1105

Email: policy@phcc.gov.ph ; queries@phcc.gov.ph

ANTI-RED TAPE AUTHORITY

Attn: Better Regulations Office (BRO)

4/F-5/F NFA Building, Visayas Avenue, Diliman, Quezon City 1128

Email: info@arta.gov.ph ; bro@arta.gov.ph

Subject: Comments on Draft BSP Circular (Prudential Requirements for Technology–Driven RBs) – Geronimo Law
From: Russell Stanley Geronimo <attorney@geronimo.law>
Date: 2/21/26, 4:17 PM
To: info@arta.gov.ph, bro@arta.gov.ph

To the Better Regulations Office:

We are writing to formally bring to your attention a proposed regulation by the Bangko Sentral ng Pilipinas (BSP) titled “**Prudential Requirements for Technology–Driven Rural Banks,**” which we believe carries significant regulatory burdens on rural banks.

We have submitted our formal comments to the BSP (attached) urging them to conduct a regulatory impact assessment.

This is to copy–furnish our comments to the ARTA.

Thank you.

Russell Stanley Q. Geronimo
Managing Lawyer

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----- Forwarded Message -----

Subject:Comments on Draft BSP Circular (Prudential Requirements for Technology–Driven RBs) – Geronimo Law
Date:Sat, 21 Feb 2026 16:15:21 +0800
From:Russell Stanley Geronimo <attorney@geronimo.law>
To:policy@phcc.gov.ph, queries@phcc.gov.ph

Dear Chair and the PCC Economics Office,

We are writing to formally bring to your attention a proposed regulation by the Bangko Sentral ng Pilipinas (BSP) titled “**Prudential Requirements for Technology–Driven Rural Banks,**” which we believe carries significant anti–competitive implications.

We have submitted our formal comments to the BSP (attached) urging them to refer this matter to the PCC for an Advisory Opinion.

This is to copy–furnish our comments to the PCC.

Thank you.

Russell Stanley Q. Geronimo
Managing Lawyer

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----- Forwarded Message -----

Subject:COMMENTS on Draft Circular (Prudential Requirements for Technology-Driven RBs) – Geronimo Law

Date:Sat, 21 Feb 2026 16:10:22 +0800

From:Russell Stanley Geronimo <attorney@geronimo.law>

To:trisd@bsp.gov.ph, alvaroam@bsp.gov.ph

Dear TRISD team,

On behalf of **Geronimo Law**, we formally submit our comments on the proposed BSP Circular: **“Prudential Requirements for Technology-Driven Rural Banks.”**

Thank you.

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Russell Stanley Q. Geronimo
Managing Lawyer

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— Attachments: —

Geronimo_Law_Comments_TRISD_RuralBank_30PercentCap_February2026.pdf 128 KB