



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 902
Series of 2016

Subject: Phased Lifting of the Moratorium on the Grant of New Banking License or Establishment of New Domestic Banks

Pursuant to Monetary Board Resolution No. 114 dated 21 January 2016 approving the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks, the following regulations are hereby issued:

Statement of Policy. It is the policy of the Bangko Sentral to promote a competitive banking environment while preserving its basic thrust of encouraging mergers and consolidations. With the evolving policy reforms, integration of financial markets and greater use of technology in finance, banks need to reposition themselves to maintain a competitive stance in the industry and remain responsive to the needs of all stakeholders through the efficient delivery of financial services and products and expanded market reach.

Towards this end, the suspension of the grant of new banking licenses or the establishment of new banks under Subsection X102.2 of the Manual of Regulations for Banks (MORB) is hereby lifted under a two-phased approach. Under Phase 1 of the liberalization, the grant of new universal/commercial banking license shall be allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized starting 1 January 2018.

The establishment of banks in cities or municipalities where there are no banking offices as well as the establishment of microfinance-oriented thrift and rural banks shall continue to be allowed as governed by existing regulations.

Section 1. Section X102 of the MORB on basic guidelines in establishing banks is hereby amended to read as follows:

"Sec. X102 Basic Guidelines in Establishing Domestic Banks. A new banking organization must have suitable/fit shareholders, adequate financial strength, a legal structure in line with its operational structure, a management with sufficient expertise and integrity to operate the bank in a sound and prudent manner.

In establishing a new banking organization, the documentary requirements to be submitted to the Bangko Sentral are listed in *Appendix 37*.

The revised rules and regulations governing the organization, membership, establishment, administration, activities, supervision and regulation of cooperative banks are found in *Appendix 38*.

Section 2. Subsection X102.2 of the MORB on suspension of the grant of new banking licenses or the establishment of new banks is hereby amended to read as follows:

“§ X102.2 (2008 - X102.1) Establishment of new domestic banks. There shall be a moratorium¹ on the establishment of new domestic banks, except as follows: (i) grant of new universal/commercial banking license in connection with the upgrading of an existing thrift bank under Phase 1, and (ii) establishment of new banks in cities or municipalities where there are no existing banking offices, both of which shall comply with the required minimum capitalization under Subsec. X111.1 and other qualification requirements prescribed under existing regulations.

The moratorium on the establishment of new domestic banks shall be fully lifted and locational restrictions shall be fully liberalized under Phase 2 starting 1 January 2018.”

¹ The moratorium applied to all applications for the establishment of new banks as of 16 August 1999. The moratorium for establishing new commercial banks lapsed on 12 June 2003, pursuant to Section 8 of R.A. No. 8791.

Section 3. Subsection X102.3 of the MORB on partial lifting of general moratorium on the licensing of new thrift banks and rural banks is hereby renamed and amended to read as follows:

“§ X102.3 (2008 - X102.2) Establishment of microfinance-oriented banks.

“The entry of microfinance-oriented thrift and rural banks shall be governed by the following guidelines:

“x x x

“c. Subject to the standard branching requirements under Sec. X151, microfinance-oriented banks may apply for establishment of a branch after one (1) year of profitable operations but the Monetary Board may require additional capital to be infused for every branch in addition to the minimum capital of the TB/RB.

“d. Existing non-bank microfinance organizations applying for authority to establish, or convert into a microfinance-oriented TB or RB may also be allowed to convert their existing branches/offices into branches of the bank proposed to be established by simultaneously applying for authority for the purpose. However, the standard requirements for the establishment of branches, particularly the capitalization requirement, have to be complied with. Moreover, there must be a proof that the area is not fully served by any existing RB.”

Section 4. Subsections X102.6 (reserved) and X102.7 of the MORB on the application and license fees for new domestic bank are hereby added to read as follows:

***"§ X102.5 (2008 - X102.3) Conversion of microfinance-oriented thrift banks/
rural banks***

"x x x

"§ X102.6 (Reserved)

"§ X102.7 Application and license fees for new domestic banks

"Applications for new domestic banking licenses, except for applications to establish a bank with head office located in cities or municipalities where there are no existing banking offices as well as to merge and acquire a distressed bank, shall be subject to both application and license fees below:

Bank Category	Application Fee	License Fee
	(In Million Pesos)	
Universal Banks	0.500	25.000
Commercial Banks	0.400	20.000
Thrift Banks		
- Head Office in National Capital Region (NCR)	0.100	5.000
- Head Office in All Other Areas Outside NCR	0.040	2.000
Rural and Cooperative Banks		
- Head Office in NCR	0.010	0.500
- Head Office in All Other Areas Outside NCR (All Cities up to 3rd class municipalities)	0.004	0.200
- Head Office in All Other Areas Outside NCR (4th class to 6th class municipalities)	0.002	0.100

"The application fee shall be non-refundable and shall be paid upon filing of the written application to establish a bank. The license fee, net of the application fee, shall be paid after the Monetary Board has approved said application.

"The aforementioned fees shall also apply to existing domestic and foreign banks¹ that are upgrading to the next higher bank category."

¹ This excludes foreign banks established after the effectivity of R.A. No. 10641 (An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose R.A. No. 7721).

Section 5. Appendix 37 of the MORB on the basic guidelines in establishing banks is hereby amended to rationalize licensing requirements and processes (Annex A).

This Circular shall take effect fifteen (15) calendar days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read 'Amto', with a long horizontal line extending to the right.

AMANDO M. TETANGCO, JR.
Governor

15 February 2016

BASIC GUIDELINES IN ESTABLISHING DOMESTIC BANKS
(Appendix to Sec. X102)

A. THE APPLICATION PROCESS

PRE-APPROVAL

1. The application for authority to establish a bank shall be submitted to the Office of Supervisory Policy Development (OSPD) in two (2) copies.
2. The required papers/documents and other information in support of the application are, as follows:
 - a. Agreement to organize a bank.
 - b. For each individual Filipino/non-Filipino incorporators, subscribers, proposed directors and principal officers:

Requirements	Incorporators	Subscribers	Directors	Principal Officers
1. Biographical data	✓	✓	✓	✓
2. Evidence of citizenship	✓	✓	✓	✓
3. Evidence of financial capacity as of a date not earlier than ninety (90) days prior to the filing of application such as credit reports, bank deposits, investments, real estate owned, etc., accompanied by waiver of rights under R. A. No. 1405, as amended, for covered items	✓	✓		
4. Certified photocopies of Income Tax Returns (ITRs) for the last two (2) calendar years	✓	✓		
5. Clearances from the National Bureau of Investigation (NBI) and Bureau of Internal Revenue (BIR) as well as equivalent clearances from home country for non-Filipinos	✓	✓	✓	✓

c. For corporate subscribers:

Requirements	Domestic		Foreign ¹	
	Bank	Non-bank	Bank ²	Non-bank
1. Board resolution authorizing the corporation to invest in such bank; and designating the person who will represent the corporation in connection therewith	✓	✓	✓	✓
2. Latest articles of incorporation and by-laws	✓	✓	✓	✓
3. Corporate background providing the following:		✓	✓	✓
a. date and place of incorporation;				
b. list of domestic and foreign branches, agencies, other offices, subsidiaries and affiliates and their location and line of business;				
c. range of products/services offered to their clients;				
d. Conglomerate structure/map where the corporate subscriber belongs; and				
e. Financial and commercial relationship with the Philippine government, local banks, business entities and residents, past and present				
4. Latest General Information Sheet filed with the Securities and Exchange Commission (SEC)	✓	✓		
5. List of all stockholders, including the corporation's ultimate beneficial owners, indicating the citizenship and the number, amount and percentage of the voting and non-voting shares held by them	✓	✓	✓	✓
6. Annual report with audited financial statements for the last two (2) years prior to the filing of application	✓	✓	✓	✓
7. Certified photocopies of ITRs for the last two (2) calendar/fiscal years	✓	✓		
8. BIR clearance	✓	✓		
9. Certification from the Board of Directors that it is compliant with the applicable conditions set forth in Section X376 and its subsections for the equity investment to the proposed bank	✓			
10. List of directors and principal officers	✓	✓	✓	✓

¹ For foreign corporate subscribers, items 1, 2 and 11 should be duly consularized by the Philippine Consulate Officer or authorized officer of the Philippine Representative Office in the country of origin

² For foreign bank subscriber other than those entering via R.A. No. 7721, as amended by R.A. No. 10641

Requirements	Domestic		Foreign ¹	
	Bank	Non-bank	Bank ²	Non-bank
including their citizenships				
11. Certification from home country supervisory authority that it has no objection to the investment in a bank in the Philippines, and it will provide the Bangko Sentral with relevant supervisory information on the foreign bank subscriber to the extent allowed under existing laws			✓	

- d. Corporate plan describing in meaningful details its business model, corporate strategy and economic justification for establishing the bank.
 - e. Feasibility study to show viable business together with projected monthly financial statements for the first twelve (12) months of operations, using realistic assumptions consistent with the proposed business model and corporate strategy.
 - f. Notarized Certification executed by each of the subscribers that the amount committed to pay the proposed paid-up capitalization in the bank was not derived from borrowings, unlawful activity or any money laundering activity.
3. The application shall be processed on a first-come, first-served basis: *Provided*, That all the required documents are complete and properly accomplished. The application fee shall be paid upon acceptance of application.
 4. Prescribed application form, together with other forms, is available at the Bangko Sentral website³.

EVALUATION

Capital Requirements/Stockholdings

1. Banks to be established shall comply with the required minimum capital prescribed under Subsec. X111.1.
2. At least twenty-five percent (25%) of the total authorized capital stock shall be subscribed by the subscribers of the proposed bank, and at least twenty-five percent (25%) of such subscription shall be paid-up: *Provided*, That in no case shall the paid-up capital be less than the minimum required capital stated in Item 1 above.
3. The stockholdings in any bank shall be subject to the limits on stockholdings in a single bank and several banks as prescribed under Subsecs. X126.1 and 1127.1, respectively.

³ <http://www.bsp.gov.ph/downloads/Regulations/guidelines/guidelines%20for%20banks.pdf>

Incorporators, Subscribers, Directors and Officers

1. The incorporators, subscribers and proposed directors and officers must be persons of integrity and of good credit standing in the business community. The subscribers must have adequate financial strength to pay for their proposed subscriptions in the bank.
2. The incorporators, subscribers and proposed directors and officers must not have been convicted of any crime involving moral turpitude, and unless otherwise allowed under the provisions of existing laws are not officers or employees of a government agency, instrumentality, department or office charged with the supervision of, or the granting of loans to banks.
3. A bank may be organized with not less than five (5) nor more than fifteen (15) incorporators.
4. The number and nationality of the members of the board of directors of the bank shall be subject to the limits prescribed under Subsec. X141.1.
5. No appointive or elective public official, whether full-time or part-time shall at the same time serve as officer of a bank except in cases where such service is incident to financial assistance provided by the government or a government-owned or -controlled corporation (GOCC) to the bank or in cases allowed under existing laws.
6. The proposed directors and officers of the bank shall be subject to qualifications and other requirements under Sections X141 and X142.
7. The disqualifications of directors and officers prescribed under Section X143 shall also apply.

POST APPROVAL

1. Within thirty (30) days from receipt of advice of approval by the Monetary Board of their application for authority to establish the bank, the organizers shall:
 - a. Submit the proposed articles of incorporation, by-laws and treasurer's sworn statement in four (4) copies;
 - b. Deposit with any KB (for KBs and TBs) and any bank (for RBs) the initial paid-up capital of the proposed bank;
 - c. Pay the applicable license fee at the Bangko Sentral Cash Department, net of the previously paid application fee; and
 - d. Proof of inward remittance of capital, in the case of foreign subscribers.
2. Within sixty (60) days after the articles of incorporation and by-laws had been passed upon by the Office of the General Counsel and the corresponding certificates of authority to register had been issued, the organizers shall effect the filing of said documents with the SEC.

3. Within one year from receipt of advice of approval by the Monetary Board of their application for authority to establish the bank, the organizers shall:
 - a. Complete the establishment of the bank premises, with the minimum security measures under Subsection X181.4 and the requirements under Batas Pambansa Blg. 344⁴ and Republic Act No. 9994⁵;
 - b. Effect and complete the recruitment and hiring of officers and employees of the bank;
 - c. Attend the briefing on BSP reportorial requirements conducted by the appropriate department of the BSP together with the relevant officers of the bank;
 - d. Submit the following documentary requirements at least thirty (30) days before the scheduled start of operations:
 - (1) Proof of registration of articles of incorporation and by-laws with the SEC;
 - (2) Notarized Certification signed by all the directors stating that –
 - i. All the conditions of the approval to establish the proposed bank have been complied with;
 - ii. The manual of operations embodying the policies and operating procedures of each department/unit/office, covering all risk areas of the proposed bank have been prepared;
 - iii. The necessary bond policy on custodial officers and insurance policy on bank properties required to be insured have been obtained;
 - iv. All pre-operating requirements under existing laws and regulations, which include among others, (a) use of business name, (b) posting of schedule of banking days and hours, notice to depositors on clearing cut-off time, and disclosure statement on loan/credit transaction; (c) Batas Pambansa Blg. 344 and Republic Act No. 9994; (d) minimum security measures; and (e) publication of consumer assistance management system have been complied with; and
 - v. No person who is the spouse or relative within the second degree of consanguinity or affinity will be appointed to any officership positions across the following functional categories in the bank: (a) decision making and senior management function, (b) treasury function, (c) recordkeeping and financial reporting function, (d) safekeeping of assets, (e) risk management function, (f) compliance function, and (g) internal audit function.
 - (3) Proof of compliance with all the pre-operating requirements under existing rules and regulations;
 - (4) List of principal and junior officers and their respective designations and salaries;
 - (5) Chart of organization;
 - (6) Contract of lease on bank's premises, if the same are to be leased;

⁴ An Act to Enhance the Mobility of Disabled Persons by Requiring Certain Buildings, Institutions, Establishments and Public Utilities to Install Facilities and Other Devices

⁵ An Act Granting Additional Benefits and Privileges to Senior Citizens

- (7) List of stockholders stating the number and percentage of voting stocks owned by them as well as their citizenships;
- (8) Certification from the Philippine Deposit Insurance Corporation (PDIC) stating that the organizers have undergone a briefing on all of its requirements;
- (9) Alien Employment Permit issued by the Department of Labor and Employment for foreign directors and officers; and
- (10) Other documents/papers which may be required.

B. OPENING OF THE BANK FOR BUSINESS AFTER THE CERTIFICATE OF AUTHORITY TO OPERATE HAS BEEN ISSUED

C. START OF OPERATIONS

Within five (5) banking days after the start of operation, the bank shall –

1. Inform the Bangko Sentral of the first day of operation and the banking days and hours; and
2. Submit a statement of condition as of the first day of operation.

D. REVOCATION OF AUTHORITY TO ESTABLISH A BANK

The authority to establish a bank shall be automatically revoked if the bank is not organized and opened for business within one year after receipt by the organizers of the notice of approval by the Monetary Board of their application.