



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1050

Series of 2019

Subject: Guidelines on Voluntary Surrender of a Banking License

The Monetary Board, in its Resolution No. 1313 dated 29 August 2019, approved the following guidelines on voluntary surrender of a banking license and the corresponding amendments to the relevant provisions of the Manual of Regulations for Banks (MORB).

Section 1. Chapter I of Part One of the MORB on "Liquidation and Receivership" is hereby retitled as "Cessation of Banking Business".

Section 2. Section 191 of the MORB is hereby amended, as follows:

191 VOLUNTARY SURRENDER OF A BANKING LICENSE

Policy Statement. Cognizant that the business of banking is imbued with public interest, it is the thrust of the Bangko Sentral to ensure that no depositor or creditor interest is prejudiced when a bank voluntarily surrenders its banking license. Toward this end, the following guidelines shall be observed when a bank decides to voluntarily surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. These guidelines, however, shall not apply to surrender of banking license arising from merger, consolidation and purchase of assets and assumption of liabilities transaction.

Criteria for Accepting Voluntary Surrender of a Banking License. A bank that seeks to voluntarily surrender its banking license must obtain prior approval of the Bangko Sentral, which shall only approve such surrender of banking license if the following criteria/conditions are met:

- a. The voluntary surrender of a banking license is based on the plan either to proceed to voluntary dissolution and liquidation, or to convert into a non-bank entity;
- b. The plan has been approved by the required number of the board of directors and stockholders of the bank or members of the cooperative bank as provided under applicable law;
- c. There are no grounds to prohibit the bank from doing business under Section 30 of Republic Act (R.A.) No. 7653 or the New Central Bank Act, as amended by R.A. No. 11211;

- d. The bank is solvent and has sufficient liquid assets to fully repay all its depositors and creditors in a timely manner;
- e. The bank has appropriated or set aside immediately accessible funds (*e.g.*, escrow, *etc.*) equivalent to its outstanding deposit obligations for the purpose of the payment/settlement of such obligations to its depositors in a timely manner;
- f. The bank submits an acceptable board-approved liquidation plan in the case of a plan to proceed to voluntary dissolution or a plan of action for the cessation of the bank's banking business (*i.e.*, plan of settlement of liabilities) in the case of a plan to convert into a non-bank entity; and
- g. Other conditions which the Bangko Sentral deems necessary or as may be warranted by the attendant circumstances in order to protect the public interest.

Application Procedures. A bank contemplating to cease its banking business shall submit to the appropriate supervising department of the Bangko Sentral an application letter, signed by its President or any authorized representative, for voluntary surrender of its banking license. The application letter shall indicate the reason for surrendering the banking license and shall be accompanied by the following documents:

- a. Certified true copy of the resolution of the required number of the board of directors and stockholders of the bank or members of a cooperative bank as provided under applicable law, authorizing the surrender of the banking license to the Bangko Sentral;
- b. Certified true copy of the resolution of the board of directors granting the bank's President or authorized representative the authority to execute: (1) notarized sworn statement attesting that the bank is solvent and has sufficient liquid assets to fully repay all its depositors and creditors in a timely manner; and (2) notarized sworn statement and/or undertaking that the bank has appropriated or set aside immediately accessible funds equivalent to its deposit obligations for the purpose of the payment/settlement of such obligation to its depositors in a timely manner;
- c. Notarized sworn statement and/or undertaking referred to in Items "(b)(1)" and "(b)(2)" above;
- d. A board-approved liquidation plan, in the case of a plan to proceed to voluntary dissolution and liquidation, which includes, among others, provisions for the following matters:

- (1) Orderly settlement of all claims from depositors and other creditors, including those existing at the time of, and those discovered after, the surrender of the bank license, as well as the manner of notifying its depositors/creditors;
 - (2) Distribution of the remaining assets after the settlement of all claims;
 - (3) Disposition or maintenance of any remaining/unclaimed assets or unclaimed deposits;
 - (4) Retention of records in accordance with Section 172 of the MORB, including information on the physical location, as well as the contact details of the individual(s) and/or entity(ies) responsible for safekeeping of the records; and
 - (5) Relevant details of the individual(s) and/or entity(ies) responsible for the orderly liquidation of the bank, including information on the individual(s) and/or entity(ies) responsible for addressing consumer complaints;
- e. A board-approved plan of action for the cessation of the banking business, in the case of a plan to convert into a non-bank entity, which shall contain, among others, provisions for the following matters:
- (1) Orderly settlement of all claims from the depositors and other creditors, including those existing at the time of, and discovered after, the surrender of the bank license, as well as the manner of notifying its depositors/creditors;
 - (2) Disposition or maintenance of any unclaimed deposits;
 - (3) Retention of records pursuant to Section 172, including information on physical location, as well as the contact details of the individual(s) and/or entity(ies) responsible for safekeeping of the records; and
 - (4) Information on the individual(s) and/or entity(ies) responsible for addressing consumer complaints; and
- f. Such other documents/information that the concerned supervising department of the Bangko Sentral may require.

In case the bank has other licenses/authorities granted by the Bangko Sentral, such as trust/investment management license, the bank shall also comply with the necessary requirements for surrender of said licenses/authorities, if any.

Approval of Voluntary Surrender of Banking License. The bank, upon receipt of notice of the Bangko Sentral approval of its voluntary surrender of banking license, shall immediately cease to carry on banking business.

In the case of a plan to proceed to voluntary dissolution and liquidation, the bank may retain only the powers necessary to effect orderly dissolution and liquidation pursuant to the provisions of applicable law.

In the case of a plan to convert into a non-bank entity that is not under the supervision of the Bangko Sentral, the bank shall file with the Securities and Exchange Commission (SEC)/Cooperative Development Authority (CDA), the corresponding amendments to its Articles of Incorporation/Cooperation (AOI/C) and By-Laws within three (3) months from the receipt of the Bangko Sentral approval of the bank's voluntary surrender of banking license.

Meanwhile, for a plan to convert into a non-bank financial institution under the supervision of the Bangko Sentral, the bank should first comply with the applicable licensing requirements under existing regulations before filing with the SEC/CDA the corresponding amendments to its AOI/C and By-Laws.

Sanctions. The voluntary surrender of banking license to Bangko Sentral will not exempt the bank's directors, officers and employees from any administrative or criminal sanctions arising from a determination that a violation of banking law, rule or regulation was committed.

Section 3. The provisions of Section 192 of the MORB on "Insolvency and Receivership of Banks" is hereby transferred to Section 193. Section 192 shall now read, as follows:

192 VOLUNTARY DISSOLUTION AND LIQUIDATION

The following rules and regulations shall govern the voluntary dissolution and liquidation of banks.

Voluntary Dissolution. It shall be the responsibility of the bank to comply with the requirements for voluntary dissolution pursuant to the provisions of applicable law. The voluntary dissolution process should be completed by the bank within six (6) months from the date the Bangko Sentral approved the bank's voluntary surrender of banking license, subject to extension on the basis of justifiable reasons or in meritorious cases.

Voluntary Liquidation. Pursuant to Section 68 of R.A. No. 8791 or the General Banking Law of 2000, the bank shall submit a written notification of liquidation to the Monetary Board before such liquidation is undertaken in accordance with the liquidation plan previously submitted to the Bangko Sentral. The said written notice shall be submitted within five (5) banking days from receipt of SEC or CDA approval of voluntary dissolution, as may be applicable. Within thirty (30) days after winding up the affairs of the bank, the board of directors/trustee/receiver shall submit a final liquidation report to the appropriate supervising department of the Bangko Sentral.

In case of voluntary liquidation, the Monetary Board shall have the right to intervene and take steps, as may be necessary, to protect the interest of depositors and creditors.

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

FOR THE MONETARY BOARD:



BENJAMIN E. DIOKNO
Governor

18 September 2019