

**[ CIRCULAR NO. 987, January 09, 2018 ]**

**RATIONALIZATION OF PRUDENTIAL REQUIREMENTS ON  
BANKING OFFICES AND GUIDELINES ON THE ESTABLISHMENT  
OF BRANCH-LITE UNITS**

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The Monetary Board, in its Resolution No. 2093 dated 15 December 2017, approved the rationalization of prudential requirements on banking offices and guidelines on the establishment of branch-lite units amending relevant provisions of the Manual of Regulations for Banks (MORB).

Section 1. Section X151 and its Subsections of the MORB are hereby amended to read as follows:

**Sec. X151 *Establishment/Relocation/voluntary closure/sale of Branches/Branch-lite Units.*** The Bangko Sentral aims to promote greater access to efficient and competitive banking services through the adoption of proportionate regulatory framework that provides banks with flexibility to execute their strategies and enables them to innovate in line with their business model. This is premised on the expectation that banks have effective governance and risk management systems as well as adequate capital to support the implementation of their strategies.

Toward this end, the following guidelines shall govern the establishment, relocation, voluntary closure and sale of local branches/branch-lite units of domestic banks, including locally incorporated subsidiaries of foreign banks. The establishment of branches of foreign banks in the Philippines, on the other hand, shall continue to be governed by the provisions of Sec. X105 on liberalized entry and scope of operations of foreign banks and Sec. X153 on establishment of sub-branches of foreign bank branches.

For purposes of this Section and its Subsections, the following definitions shall apply:

A branch shall refer to any permanent office or place of business in the Philippines other than the head office where a bank may perform activities and provide products and services that are within the scope of its authority and relevant licenses. In this respect, a complete set of books and records shall be maintained in each branch.

A branch-lite unit shall refer to any permanent office or place of business of a bank, other than its head office or a branch. A branch-lite unit performs limited banking activities and records its transactions in the books of the head office or the branch

to which it is annexed.

Subsec. X151.1 Allowable activities of a branch-lite unit. A branch-lite unit may perform activities and provide any of the products and services that a branch may perform or provide except those suited only to sophisticated clients with aggressive risk tolerance<sup>[1]</sup> ; Provided, That:

- a. The board of directors shall approve the defined range of activities and services that shall be carried out in a branch-lite unit consistent with the bank's business model in providing financial services to a specifically defined market or sector;
- b. The board of directors shall ensure that the branch-lite unit has adequate personnel, internal control measures, physical facilities, security arrangements and information systems commensurate with the extent of banking activities undertaken and services offered by the branch-lite unit;
- c. Management shall ensure that branch-lite units are considered in the bank's capital adequacy assessment and planning exercises considering the potentially high operational risk exposures of said units;
- d. Management shall ensure the timely accounting and reporting of activities and transactions of the branch-lite unit to the head office/branch to which it is annexed; and
- e. The bank's risk management system, compliance and internal audit programs shall cover the branch-lite unit.

**Subsec. X151.2 Pre-requisites for the grant of authority to establish a branch/branch-lite unit.** Banks may establish a branch or a branch-lite unit subject to the prudential criteria provided in Subsec. X1101.2. Any approved but unopened branch/es at the time of application shall be taken into account in determining compliance with the minimum capitalization requirement. No bank operating in the Philippines shall establish a branch or a branch-lite unit or transact business outside the premises of its duly authorized principal office or head office without prior approval of the Bangko Sentral.

**Subsec. X151.3 Application for authority to establish a branch/branch-lite unit.** Banks seeking to establish a branch or branch-lite unit shall submit the following documents to the appropriate department of the SES:

- a. Application letter signed by the chief executive officer or officer of equivalent rank which shall indicate the number of branch/es or branch-lite units to be established and their proposed location/s. In this respect, application for the establishment of branch-lite units shall include the range of activities that will be performed and services that will be offered by the branch-lite unit to a specifically defined market or sector;
- b. Secretary's Certificate which indicates the approval of the bank's board of directors of the establishment of branch/es or branch-lite units; and

- c. Certification/Undertaking signed by the chief executive officer or officer of equivalent rank that the bank is compliant or will comply, as the case maybe, with the pre-requisites for the grant of authority to establish branch/es or branch-lite units provided under Subsec. X151.2.

**Subsec. X151.4 Location of branches/branch-lite units.** As a general rule, banks shall be allowed to establish branch/es or branch-lite units anywhere in the Philippines, including in cities previously considered as restricted areas<sup>[2]</sup>: *Provided, That, if TBs/RBs will establish branches in cities/municipalities of a higher classification than their head office, the applicable minimum required capital under Subsec. X111.1 shall be increased to that of the city/municipality of the higher classification, regardless of where the head office is located.*

In addition, the following guidelines shall apply to Coop Banks:

- a. The Coop Bank of the province may set up branches/branch-lite units anywhere within the province subject to compliance with the applicable branching rules and regulations as provided in Sec. X151.
- b. Coop Banks from other provinces may set up branches/branch-lite units in cities or municipalities of another province where there are no other Coop Bank head office/branch/branch-lite units.

**Subsec. X151.5 Processing and special licensing fees.**

*a. Processing fee.*

The bank shall be immediately charged with the total processing fee computed for all branches/branch-lite units approved, in accordance with the following:

Banking Unit and Bank Category	Processing Fee Per Branch/ Branch-Lite Unit	
	Metro Manila cities of Cebu and Davao, All Other Cities, 1st to 2nd Class Municipalities	3rd to 6th Class Municipalities
a . Branch		
(1 ) UBs / KBs/ Affili at ed TBs	P200 , 00 0	P100 , 000
(2 ) Non-affili at ed TBs	100 , 000	50 , 000
(3 ) RBs/ Coop Banks	25 , 000	12 , 500
b . Branch-lite unit	10 , 000	5 , 000

*Provided, That branches/branch-lite units to be established in unbanked cities and municipalities shall be exempted from the processing fee.*

- b. Special licensing fee.

For applications to establish branches/branch-lite units in cities previously considered as restricted areas as defined under Subsec. X151.4, the applicant bank shall upon acceptance of said applications pay a special licensing fee per branch/branch-lite unit depending on the bank's category, as follows:

<b>Ban k Category</b>	<b>Licensin g Fee Per Branch</b>	<b>Proposed Licensi ng Fee Per Branch- lite Unit</b>
UB / KB	P2 0 million	P 5 million
TB	1 5 million	3 million
RB / Coop Bank	1 .5 million	300 thousand

**Subsec. X151.6 Establishment of other banking offices.**  
*(Deleted by this Circular)*

**Subsec. X151.7 Opening of branches/branch-lite units.** Approved branches/ branch-lite units shall be opened, as follows:

Approved branches/branch-lite units shall be opened, within one (1) year from the date of approval thereof, subject to extension on a case by case basis; Provided, That: the entire period from date of approval of the establishment of the branch/branch-lite unit up to the requested extension shall not exceed three (3) years.<sup>[3]</sup>

The opening of approved branches/branch-lite units may, however, be suspended or revoked by the appropriate department of the SES upon approval of the Deputy Governor x x x

Failure to open the approved branches/branch-lite units within the period provided shall result in the forfeiture of the bank's right to open such branches/branch-lite units and of all fees paid to the Bangko Sentral in relation to such application.

Approved but not yet opened branches/branch-lite units may be relocated upon prior approval by the Deputy Governor, SES, subject to the presentation of justification and valid reason for the relocation, and resubmission of the information/documents enumerated in Subsec. X151.3 on application for authority to establish a branch/branch-lite unit: Provided, That branches/branch-lite units located outside the cities previously considered as restricted areas as defined under Subsec. X151.4 which will be relocated therein shall be subject to the special licensing fee under Subsec. X151.5 upon approval of the relocation: Provided, further, That the opening of the relocated branch/branch-lite unit shall be made within the prescribed period mentioned above from date of approval of its establishment.

As an incentive to merger/consolidation of banks or purchase/acquisition of majority or all of the outstanding shares of stock of a distressed bank for the purpose of rehabilitating the same, opening or relocation of approved but not yet opened branches/branch-lite units may be allowed within two (2) years from date of merger/consolidation or purchase/acquisition of majority or all of the outstanding shares of stock of a distressed bank for the purpose of rehabilitating the same.

**Subsec. X151.8 Requirements for opening a branch/branch-lite unit.**

Not later than five (5) banking days from the date of opening, the bank, through its chief compliance officer and the head of the branch banking operations, shall:

a. Notify in writing the appropriate department of the SES of the actual date of opening of the branch/branch-lite unit;

b. Submit a certification on compliance with the following, as applicable:

(1) Adequacy of personnel, internal control measures, physical facilities, information systems and security arrangements, including the installation of security devices and accessibility to persons with disability as required under Subsecs. X181.5 and X160.10, respectively;

(2) Posting in conspicuous places in the premises of the branch/branch-lite unit of the required notices, schedules and other relevant information pertaining to lending and deposit operations activities;

3) Availability of efficient means of accounting and reporting as well as communication facilities (to be specified) between the head office, branches, and branch-lite units; and

(4) The requirements enumerated under Subsec. X151.2 as of the time of actual opening.

A bank that fails to comply with any of the requirements under Subsec. X151.2 on the pre-requisites for the grant of authority to establish a branch/branch-lite unit as of the date of the intended opening of the branch/branch-lite unit shall refrain from opening the branch/branch-lite unit on such date until it has complied with all the requirements under Subsec. X151.2: Provided, That the provisions of Subsec. X151.7 on the date of opening of branch/branch-lite unit shall be observed; and

c. In the case of microfinance-oriented branch&, certify that the branch has:

(1) a manual of operations on micro-financing duly approved by the bank's board of directors;

(2) an adequate loan tracking system that allows daily monitoring of loan releases, collections and arrearages, and any restructuring and refinancing arrangements;

(3) is managed by a person with adequate experience in microfinancing activities; and

(4) at least seventy percent (70%) of deposits lent out to qualified microfinance, including BMBE borrowers,