

[**BSP CIRCULAR NO. 718, S. 2011, April 26, 2011**]

TRANSACTIONS INVOLVING VOTING SHARES OF STOCK

Pursuant to Monetary Board Resolution No. 588 dated 14 April 2011, the provisions of the Manual of Regulations for Banks (MORB) are hereby amended, as follows:

Section 1. Sec. X126 on shares of stock of banks is hereby amended by adding the following paragraph:

"Sec. X126 Shares of Stock of Banks.

" x x x

"For purposes of this section, the term "corporations" shall include partnerships, cooperatives, associations and other juridical persons/entities."

Section 2. Subsec. X126.1 on limits on stockholdings in a single bank is hereby amended to read as follows:

"§ X126.1 Limits of stockholdings in a single bank. The stockholdings of an individual, corporation, family group, or same group of persons in any bank shall be subject to the limits prescribed in Sections 11, 12, and 13 of R.A. No. 8791, R.A. No. 7906, R.A. No. 7353, R.A. No. 7721 and other relevant laws.

"a. Foreign individuals and non-bank corporations may own or control up to forty percent (40%) of the voting stock of a domestic bank: *Provided*, That the aggregate foreign-owned voting stock owned by foreign individuals and non-bank corporations in a domestic bank shall not exceed forty percent (40%) of the outstanding voting stock of the bank. The percentage of foreign-owned voting stock in a bank shall be determined by the citizenship of the individual stockholders in that bank.

"b. Qualified foreign banks may own or control up to sixty percent (60%) of the voting stock of a domestic bank: *Provided*, That the aggregate foreign-owned voting stock owned by the qualified foreign banks (including the foreign individuals and non-bank corporations) in a domestic bank shall not exceed sixty percent (60%) of the outstanding voting stock of the bank established under R.A. No. 7721.

"c. A Filipino individual and a domestic non-bank corporation may each

own up to forty percent (40%) of the voting stock of a domestic bank. There shall be no ceiling on the aggregate ownership by such individuals and non-bank corporations in a domestic bank.

"d. An individual and a corporation or corporations which are wholly-owned or a majority of the voting stock of which is owned by him may own only up to a combined forty-percent (40%) of the voting stock of a domestic bank.

"e. The right of the qualified Philippine corporations, however, under Section 8 of R.A. No. 7721, as implemented under Subsec. X105.12 shall continue to be in force and effect.

"f. Stockholdings of family groups or related interests. Individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests but may each own up to forty percent (40%) of the voting stock of a domestic bank: *Provided*, That said relationship must be fully disclosed in all transactions by such individuals or family groups or related interests.

"g. Two (2) or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests but may each own up to forty percent (40%) of the voting stock of a domestic bank: *Provided*, That said relationship must be fully disclosed in all transactions by such corporations or related groups of persons in the bank.

"h. Ceiling on stockholdings in a Coop Bank. The equity investment of any cooperative in any Coop Bank shall not exceed forty percent (40%) of the subscribed capital stock of such Coop Bank.

"i. Determination of foreign-owned voting stock and citizenship of corporate stockholders in a bank as well as the relationship of stockholders of a bank.

"(1) The percentage of foreign-owned voting stock in a bank shall be determined by the citizenship of all the stockholders in that bank.

"(2) The citizenship of the corporation, which is a stockholder of a bank shall follow the citizenship of the controlling stockholders of the corporation, irrespective of the place of incorporation. For purposes hereof, the term "controlling stockholders" shall refer to stockholders holding more than fifty percent (50%) of the voting stock of the corporate stockholders of the bank.

"(3) The relationship of individuals who are stockholders of a bank shall be determined in accordance with the provisions of Articles 963 to 966 of the Civil Code of the Philippines.

Section 3. Subsec. X126.2 on transfer of shares of stock is hereby amended as follows:

"§ X126.2 Transactions involving voting shares of stock. The following regulations shall govern all transactions involving voting shares of stock of banks.

"For purposes of this subsection, "transaction" shall refer to subscription/issuance, purchase/sale, transfer, conversion of preferred shares or debt instruments into voting shares of stock, and such act, contract, agreement or arrangement whereby a person, whether natural or juridical, acquires voting shares of stock from one person, whether natural or juridical, or is vested the right to vote or the control of the voting shares of stock of a bank.

"a.*Unlawful and void transactions involving voting shares of stock of banks.* The following transactions, to the extent of the excess over any of the pre- scribed ceilings under R.A. No. 8791, R.A. No. 7906, R.A. No. 7353, R.A. No. 7721 and other relevant laws are hereby declared unlawful and void:

"(1) Any transaction involving voting shares of stock of a bank, if such transaction, in itself, or in relation with other/previous transaction/s shall result in the ownership and control by an individual or corporation of voting shares of stock in excess of any of the following prescribed ceilings:

**Under R.A. No. 8791, R.A. No. 7906 Ceiling
and R.A. No. 7353**

(a)Voting shares of stock of a Filipino individual or a Philippine non-bank corporation in a domestic bank	40%
(b)Voting shares of stock of foreign individual or a foreign non-bank corporation in a domestic:	
i. UB/KB and TB	40%
ii. RB	No foreign
	stockholdings ^[1]
Combined ownership of the voting shares of stock of foreign individuals and/or foreign non-bank corporations in a domestic:	
i. UB/KB	40%
ii. TB	60%
iii. RB	No foreign
	stockholdings ^[2]
(d)Combined ownership of the voting	40%

shares of stock in a domestic bank of an individual and corporation/s which is/are wholly-owned or a majority of the voting shares of stock of which is owned by such individual

Under R.A. 7721

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| (a) Voting shares of stock of a qualified foreign bank or qualified Philippine corporation in a domestic bank, i.e., UB/KB, TB and RB | 60% |
| (b) Combined ownership of the voting shares of stock of qualified foreign banks (including foreign individuals and non-bank corporations) in a domestic bank, i.e., UB/KB, TB and RB | 60% |

“(2) Any act, contract, agreement or arrangement, such as voting trust agreement or proxy, which vests in any person, whether natural or juridical, the right to vote or the control of the voting shares of stock of a bank, if such arrangement in itself, or in relation with other/previous transaction/s, shall result in the acquisition of the right to vote or the control of voting shares of stock of the bank, in excess of the prescribed ceilings.

“b. *Transactions requiring prior Monetary Board approval*

“(1) Prior approval of the Monetary Board shall be required on transaction involving voting shares of stock of a bank, if such transaction, in itself or in relation with other/previous transactions will:

“(a) result in ownership or control of more than twenty percent (20%) of voting shares of stock of a bank by any person whether natural or juridical or which will enable such person to elect, or be elected as, a director of such bank; or

“(b) effect a change in the majority ownership or control of the voting shares of stock of the bank from one group of persons to another group: