

[BSP CIRCULAR NO. 93, S. 1995, October 30, 1995]

**REVISED GUIDELINES GOVERNING THE
ESTABLISHMENT/RELOCATION/VOLUNTARY CLOSURE OF LOCAL
BRANCHES OF EXPANDED COMMERCIAL BANKS, COMMERCIAL
BANKS AND THRIFT BANKS**

The Monetary Board, in its Resolution No. 1247 dated October 25, 1995, approved the revised guidelines to govern the establishment/relocation/voluntary closure of local branches of expanded commercial banks, commercial banks and thrift banks. Accordingly, the provisions of Books I and II of the Manual of Regulations for Banks and Other Financial Intermediaries are hereby repealed/amended as follows:

SECTION 1. Sections 1151 and 2151 of Books I and II, respectively, of the Manual of Regulations are hereby amended to read as follows:

SEC. _151. Establishment/Relocation/Voluntary Closure of Branch - The following rules shall govern the establishment, relocation or voluntary closure of local branches of banks.

For purposes of this section, branches shall refer to branches, agencies or extension offices outside of a bank's head office.

SECTION 2. Subsections 1151.1 and 2151.1 of the Manual are hereby amended to read as follows:

"Subsec. _151.1. *Prior Monetary Board Approval* - Pursuant to Section 6-B of R.A. No. 337, as amended, no bank operating in the Philippines shall establish, open or operate branches or transact business outside the premises of its duly authorized principal office without the prior approval of the Monetary Board/Governor.

SECTION 3. Subsections 1151.2 and 2151.2 of the Manual are hereby amended to read as follows:

"Subsec. _151.2. *Application for Authority to Establish Branches* - An application for authority to establish a branch shall be signed by the president of the bank and shall be accompanied, as a minimum, by the following information/documents:

1. Certified true copy of the resolution of the bank's board of directors authorizing the establishment of the additional branch and indicating its proposed site;
2. Banking facilities and services to be offered;
3. Organizational set-up of the proposed branch showing the proposed staffing pattern; and

4. Certification signed by the president or the executive vice president that the bank has complied with all the requirements enumerated under Subsections _151.3 and _151.4."

SECTION 4. Subsections 1151.3 and 2151.3 of the Manual are hereby amended to read as follows:

"Subsec. _151.3. *Capital Requirements* - The capital requirement for each branch of an expanded commercial bank, a commercial bank or a thrift bank shall be as follows:

	<u>Expanded Commercial Banks/Commercial Banks</u>	<u>Thrift Banks</u>
In the National Capital Region and the Cities of Cebu and Davao	P20 Million	P10 Million
In other cities and first class municipalities	P10 Million	P5 Million
In second, third and fourth class municipalities	P10 Million	P3 Million
In fifth and sixth class municipalities	P10 Million	None

Provided, however, that in no case shall the minimum capitalization for each bank be less than the minimum capital required for expanded commercial banks/commercial banks and thrift banks under Section 1106 or Section 2106, as the case may be.

An expanded commercial bank/commercial bank or thrift bank that has complied with the above minimum capital requirements or, if the bank has an approved capital build-up program, said bank is in compliance with the terms of such build-up program, as well as with all the other requirements of this subsection and Subsection _151.4 may establish additional branches. The amount of capital, if any, to be put up by such bank in establishing additional branches shall be equal to the sum of products of (a) the number of existing branches of the bank each multiplied by the abovementioned capital required for a branch depending on the location thereof, and (b) the number of branches to be established each multiplied by such capital required for a branch depending on its location, less the present total capital accounts of the bank.

In the case of a thrift bank with head office outside the National Capital Region (NCR), it may establish a branch in the NCR only after it has put up the minimum capital requirement for a new thrift bank in the NCR.

SECTION 5. Subsection _151.4 of the Manual is hereby amended to read as follows:

"Subsec. _151.4 *Other Requirements* - In addition to the capital requirements for establishment of branches in Subsection _151.3, the following conditions shall be complied with:

a. The bank during the last sixty (60) days immediately preceding the date of application has:

1. Not been deficient in its networth-to-risk assets ratio; and
2. Complied with the ceilings on credit accommodations to directors, officers, stockholders and/or related interests.

b. The bank has not incurred losses during the last six (6) months prior to the date of application or in lieu thereof, the bank infuses additional capital over and above the minimum capital required of expanded commercial banks, commercial banks or thrift banks, as the case may be, or total capital required for establishing additional branches using the following formula:

1) Expected net profits for one year shall be determined by applying the average rate of return on net worth of normally operating expanded commercial banks, commercial banks, or thrift banks, as the case may be, for the preceding year to the basic minimum capital required, for expanded commercial banks/commercial banks or thrift banks under Sections 1106 and 2106, respectively. This is based on the assumption that the bank will earn the industry average profit for said one year period.

2) Expected net profits (item 1) plus the higher of the:

i) Total capital required for existing and additional branch/es or

ii) Basic minimum capital required for expanded commercial banks/commercial banks or thrift banks under Sections 1106 and 2106.

The resulting figure will represent the total capital accounts to be required for applicant bank.

3) The total capital accounts (item 2) required less the present total capital accounts of the bank will be the additional fresh capital that an applicant bank will have to put up before it may be allowed to establish additional branch/es.

c. The bank has no net weekly reserve deficiency against deposit liabilities and deposit substitutes during the last eight (8) weeks immediately preceding the date of application;