[BSP CIRCULAR NO. 30, s.1994, June 30, 1994]

AMENDMENTS RELATIVE TO THE PROFITABILITY REQUIREMENT

The Monetary Board, in its Resolution No. 372 dated April 22, 1994, approved the following amendments relative to the profitability requirement for:

a. Maintenance of a foreign currency deposit unit (FCDU);

b. Establishment of branches;

c. Acceptance/creation of demand deposits; and

d. Trust, other fiduciary business and investment management activities (IMA),

of thrift banks as follows:

1. Item 2 of Section 71 of Circular 1389 is hereby amended to read as follows:

"2.   Thrift banks may also be authorized to operate an FCDU, provided that they have networth or combined capital accounts of at least P50 million and have the other minimum qualifications prescribed above for commercial banks except that the required profitable operations period is one (1) year instead of two (2) years. Provided, that this profitability requirement may be waived subject to the following conditions:

a. The bank infuses additional capital over and above the minimum paid up capital required of thrift banks or total capital required for this operation/service using the following formula:

1) Expected net profits for one year should be determined by applying the average rate of return on net worth of normally operating thrift banks for the preceding year to the basic minimum paid-in capital required for thrift banks under Section 2106. This is based on the assumption that the bank will earn the industry average profit if it operated for at least one year.

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

a) Total capital required for this service/function, or

b) Basic minimum paid-in capital required for thrift banks under Section 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 engage in FCDU operations, and

b.   The officers who will be in charge of FCDU operations/service shall have actual experience of at least one year in another bank with profitable operations as in-charge (or at least as assistant in-charge) of the same operations/service."

2.   Item 5 of Subsection 2151.3 of the Manual of Regulations for Banks and Other Financial Intermediaries, Book II, is hereby amended to read as follows:

"5.   The banks' operations during the preceding calendar year and for the semester immediately preceding the date of application were profitable. Provided, that the profitability requirement may be waived subject to the following conditions:

a. The bank infuses additional capital over and above the minimum paid up capital required of thrift banks or total capital required for establishing additional banking office(s) using the following formula:

1) Expected net profits for one year should be determined by applying the average rate of return on net worth of normally operating thrift banks for the preceding year to the basic minimum paid-in capital required for thrift banks under Section 2106. This is based on the assumption that the bank will earn the industry average profit if it operated for at least one year.

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

a. Total capital required to establish additional banking office(s) or

b. Basic minimum paid-in capital required for thrift banks under Section 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."

b. The officer/s who will be in charge of the branch/es to be established shall have actual experience of at least one year in another bank with profitable operations as in-charge (or at least as assistant in-charge) of a branch.