

[BSP CIRCULAR NO. 384, April 11, 2003]

**GUIDELINES FOR ESTABLISHING OF A FOREIGN SUBSIDIARY BY
A BANK SUBSIDIARY**

The Monetary Board in its Resolution No. 182 dated February 6, 2003, decided to adopt the following guidelines in the establishment of a foreign subsidiary by a bank subsidiary:

a. The investment of a bank subsidiary in the equity of a subsidiary located abroad shall be subject to prior Bangko Sentral ng Pilipinas (BSP) approval;

b. The bank subsidiary may invest in a subsidiary if it meets the following pre-qualification requirements:

- It has complied with the minimum capital requirement of the host country;
- It has booked the required valuation reserves and other capital adjustments, if any;
- Its operations in the preceding three (3) years were profitable; otherwise, the feasibility study on the proposed subsidiary should show profits in the first two (2) years of operations.

c. The application for authority of a bank subsidiary shall be accompanied by the following:

- Certified true copy of the resolution authorizing the investment by the board of directors of the parent bank and the bank subsidiary;
- Feasibility studies on the proposed subsidiary indicating, among others, the economic justification, the type of industry and organizational expenses to be incurred, including the capital expenditures; and
- Proposed organizational structures, including the proposed officers and their qualifications.

d. The applicant parent subsidiary shall comply with the licensing requirements of the host country and the necessary license to operate shall be secured from the appropriate government agency of the host country;

e. The proposed subsidiary may invest in another subsidiary with prior approval of the BSP;