

[**BSP CIRCULAR LETTER, July 13, 1998**]

BASIC GUIDELINES IN ESTABLISHING BANKS

The Monetary Board, in its Resolution No. 832 dated June 10, 1998, approved the attached "Basic Guidelines in Establishing Banks".

This Circular-Letter shall take effect immediately.

Adopted: 13 July 1998

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Officer-in-Charge

Basic Guidelines in Establishing Banks^{1/}

A Guiding Principle

The new banking organization must have suitable shareholders, adequate financial strength, a legal structure in line with its operational structure, and a management with sufficient expertise and integrity to operate the bank in a sound and prudent manner. Where the proposed owner or parent organization is a foreign bank, the prior consent of its home country supervisor should be obtained.

B The Application

1. The Application for Authority to Establish a Bank (Form No. 1) shall be accomplished in triplicate. The original copy and duplicate copy shall be submitted to the Supervisory Reports and Studies Office, Bangko Sentral ng Pilipinas (BSP). The third copy shall be retained by the organizers.

2. The required papers/documents and other information in support of the application are, as follows:

a. "Agreement to Organize a Bank" (Form No. 2).

b. Accomplished bio-data sheet of each of the incorporators, proposed directors and officers, and subscribers (Form No. 3).

c. Evidence of Filipino citizenship of each of the incorporators, proposed directors and officers, and subscribers if he/she claims to be a Filipino citizen.

1. In case of a natural-born Filipino citizen, original or certified true copy of birth certificate from issuing office. In case the birth certificate cannot be produced by

reason of destruction or otherwise, an affidavit to that effect by the civil registrar concerned should be submitted accompanied by an affidavit by the incorporator, director, officer or subscriber himself stating, among other things, the date and place of his birth and the names of his parents and their citizenship at the time of the affiant's birth; and joint affidavit of two (2) disinterested/unrelated persons stating, among other things, the date and place of the subject's birth and the names of his parents and their citizenship at the time of the subject's birth; or

2. In case of a naturalized citizen of the Philippines, the naturalization certificate, certificate of registration thereof with the civil registrar and other pertinent papers; or

3. In the absence of the abovementioned documents, a photo-copy of the passport (*with original to be presented for verification*).

d. Statement of Assets and Liabilities as of a date not earlier than ninety (90) days prior to the filing of application of each of the subscribers, sworn to by the subscriber himself and duly notarized, or certified by a Certified Public Accountant, with supporting schedules showing the following information:

1. In the case of cash in banks: (a) name of depository bank, (b) nature of deposit, and (c) amount of deposit with each bank as of balance sheet date;

2. In the case of securities: (a) name and address of issuing corporation/entity, (b) number of shares owned as of balance sheet date; (c) par value, (d) date and cost of acquisition, and (e) information as to whether the securities are actively traded in the stock market and, if so, their current market price;

3. In the case of land: (a) description (agricultural, etc.); (b) area; (c) location; (d) date and cost of acquisition; (e) transfer certificate of title or tax declaration number; (f) amount of encumbrance or lien, if any; (g) assessed value; and (h) current market value (state basis of valuation);

4. In the case of real estate improvements: (a) description of improvement (residential house, etc.), (b) location, (c) date and cost of acquisition/construction, (d) assessed value, and (e) current market value (*state basis of valuation*);

5. In the case of accounts receivable, state the name and address of each debtor and the amount due from each; and

6. In the case of accounts payable or other liabilities, state the name and address of each creditor and the amount owed to each.

(Evidences of asset ownership such as bank certification/statement, savings passbook, certificate of time deposit, bond or stock certificate, transfer certificate of title, tax declaration, etc. and waiver of rights under Republic Act No. 1405, as amended, shall be submitted/presented for verification).

e. Statement of Income and Expense for the last three (3) calendar years of each of the subscribers, sworn to by the subscriber himself and duly notarized, or certified by a Certified Public Accountant.

f. Certified photocopies of Income Tax Returns for the last three (3) calendar years of each of the incorporators, proposed directors and officers, and subscribers.

g. Clearances from the National Bureau of Investigation (NBI) and Bureau of Internal Revenue (BIR) of each of the incorporators, proposed directors and officers, and subscribers.

h. For corporate subscribers:

1. Copy of the Board Resolution authorizing the corporation to invest in such bank; and designating the person who will represent the corporation in connection therewith;

2. Copy of the latest Articles of Incorporation and By-Laws;

3. List of directors and principal officers;

4. List of major stockholders, indicating the citizenship and the number, amount and percentage of the voting and non-voting shares held by them;

5. A copy of the corporation's audited financial statements for the last two (2) years prior to the filing of application;

6. A copy of the corporation's annual report to the stockholders for the year immediately preceding the date of filing of application;

7. Certified photocopies of Income Tax Returns for the last two (2) calendar years; and

8. BIR clearance.

i. For foreign bank subscribers:

1. A copy of the Board Resolution authorizing the bank to invest in a bank in the Philippines, and designating the person who will represent the bank in connection therewith;

2. Historical background of the bank, as follows:

a. Date and place of incorporation;

b. List of domestic branches, agencies, other offices, subsidiaries and affiliates and their line of business (if different from banking) in the home country;

c. List of foreign branches, agencies, other offices, subsidiaries and affiliates, and their location and line of business (if different from banking);

d. Range of banking services offered; and

- e. Financial and commercial relationship with the Philippine Government, local banks, business entities and residents, past or present;
- 3. A copy each of the bank's latest amended Articles of Incorporation and By-Laws;
- 4. List of the bank's directors and their citizenships;
- 5. List of principal officers of the bank's head office;
- 6. List of major stockholders, indicating the citizenship and the number, amount and percentage of the voting and non-voting shares held by them;
- 7. A copy of the bank's audited financial statements for the last two (2) years prior to the filing of application;
- 8. A copy of the bank's annual report to the stockholders for the year immediately preceding the date of filing of application; and
- 9. A certification from the bank's home country supervisory authority that the bank's home country supervisory authority has no objection to the bank's investment in a bank in the Philippines, and that adequate information on the bank and its subsidiaries will be provided to the Bangko Sentral ng Pilipinas to the extent allowed under existing laws.
- j. Detailed Plan of Operation and Economic Justification for Establishing the Bank. *(The plan of operation should describe and analyze the market area from which the bank expects to draw the majority of its business and establish a strategy for the bank's ongoing operations. It should also describe how the bank will be organized and controlled internally. The economic justification for establishing the bank should provide information on the economic profile of the region, e.g., population, agricultural/industrial/service projects to be financed).*
- k. Projected monthly financial statements for the first twelve (12) months of operations, together with assumptions. *(The financial projections should be consistent and realistic in relation to the bank's proposed strategic plan, and should show sufficient capital to support the bank's strategy, specially in the light of start-up costs and possible operational losses in the early stages. See suggested forms.)*
- l. Proposal by each of the subscribers on how they will raise the amount to pay for their proposed paid-up capitalization in the bank.
- 3. The application shall be considered filed on a first-come, first-served basis, provided all the required documents are complete and properly accomplished.
- 4. Pursuant to Section 26 of R.A. No. 7653, approval of application shall be subject, among others, to the condition that any director, officer or stockholder who, together with his related interest, contracts a loan or any term of financial accommodation from: (1) his bank; or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest

that owns a controlling proportion of the shares of his bank, in excess of five percent (5%) of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the Bangko Sentral in an appropriate legal action it has initiated involving the deposit account.

5. Prescribed application form, together with other forms, is available at the Studies and Chartering Group Supervisory Reports and Studies Office.

C

Capital Requirement/Stockholdings

1. Banks to be established shall comply with the required minimum capital enumerated below or as may be prescribed by the Monetary Board:

Type of Bank	Revised Amounts (in million pesos)
a. Expanded commercial banks	5,400.00
b. Commercial banks	2,800.00
c. Thrift banks	
— With head office within Metro Manila	400.00
— With head office outside Metro Manila	64.00
d. Rural banks	
— In 1st, 2nd & 3rd, class cities and 1st class municipalities	8.0
— In 4th, 5th & 6th class cities and in 2nd, 3rd & 4th class municipalities	4.8
— In 5th & 6th class municipalities	3.2

2. At least 25% of the total authorized capital stock shall be subscribed by the subscribers of the proposed bank, and at least 25% of such subscription shall be paid-up, provided that in no case shall the paid-up capital be less than the minimum required capital stated in Item 1 above.

3. Stockholdings of any person or persons related to each other within the 3rd degree of consanguinity or affinity, or one (1) or more corporations wholly-owned or majority of the voting stock of which is owned by such person or persons shall not exceed 20% of the voting stock of the bank; while stockholdings of any other corporation, or two (2) or more corporations wholly-owned or majority of the voting stock of which is owned by the same group of persons shall not exceed 30% of the voting stock of the bank. *(Temporarily waived for a period of 10 years from the effectivity of R.A. No. 7906, i.e., 17 March 1995 for thrift banks; and from the date of approval of R.A. No. 7353, i.e., 2 April 1992 for rural banks).*

4. At least 70% of voting stock of any commercial bank shall be owned by