

[**BSP CIRCULAR NO. 1281, April 15, 1991**]

REVISED REGULATIONS GOVERNING ESTABLISHMENT AND RELOCATION OF BRANCHES OF COMMERCIAL AND THRIFT BANKS

The Monetary Board, in its Resolution No. 411 dated April 12, 1991 approved the following revisions on the rules and regulations on the establishment and relocation of branches by commercial and thrift banks in order to liberalize said rules and regulations:

1. Bidding of franchise to establish branches.

a. Franchises to establish branches may be bidden out by the Central Bank. All Banks which meet prequalification requirements may be invited to participate in such bidding; provided that thrift banks with head offices outside Metro Manila shall not be allowed to bid for franchises in service areas in Metro Manila. A franchise shall be awarded to the highest bidder; however, in case a bid is submitted by a bank which does not have any branch/banking office as yet in the relevant service area and such bid is at least 90% of the highest bid submitted by a bank which already has branches/banking offices in the said service area, the franchise shall be awarded to the bank which does not have any branch/banking office yet in the area.

The following shall be minimum bids for a franchise:

Area	Amount
1. National Capital Region, Cebu City and Davao City	P4.0 million
2. 1st Class Cities and 1st Class Municipalities	P2.0 million
3. Other Areas	None

(The above area classification is based on the classification of provinces, municipalities and cities made by the National Statistics Office.)

b. Approved bids shall be paid to the Central Bank as follows:

1. 30% to be paid within seven (7) calendar days upon date of receipt of notice of award of the bid by the appropriate supervising and examining department of the Supervision and Examination Sector; and
2. the balance of 70% to be paid within twenty (20) calendar days from date the 30% was paid.

c. Approved bids shall be considered revoked upon failure of the bank to remit the prescribed payments under item (b) above. The 30% down payment shall be forfeited in favor of the Central Bank upon non-payment of the balance of 70% within the period prescribed above.

d. A bank shall in no case sell/assign its privilege to establish branches covered by approved bids.

e. The number of awarded bids for which no branch/banking office has been opened as yet shall not exceed ten (10) for each bank at any given time. For this purpose, whenever a bank submits more than ten (10) bids, it shall indicate its priorities.

f. A bank which has three (3) existing branches in a service area or which has a branch/branches in the area the combined deposits of which constitute 20% of the combined average deposits of all bank branches in the said service area for the last 12 months prior to a bidding, shall not be allowed to bid for franchises in said service area.

2. Establishment of branch in "Other Areas"

No bidding is required to open a branch in "Other Areas" (i.e., second class cities and municipalities and lower ranked cities and municipalities). Applications to establish a branch in such areas shall be submitted to the Central Bank and shall be processed on a first come, first served basis. A bank which has three (3) existing branches in a service area or which has branch/branches the combined deposits of which constitute 20% of the combined average deposits of all bank branches in the said service area for the last 12 months prior to submission of its application to establish a branch, shall have the least priority in the establishment of branches in "other areas".

Applications for authority to establish branches/banking offices in "other areas" shall be accompanied by the following information/documents:

a. Certified true copy of the resolution of the bank's board of directors authorizing the establishment of the additional branch/banking office.

b. Banking facilities and services to be offered.

c. Projected statement of condition at the end of the first and second semesters of operations of the proposed branch/banking offices.

d. Statement of estimated earnings and expenses for the first twelve (12) months of operations.

e. Organizational setup of the proposed branch/banking office showing the proposed positions.

f. Bank premises and initial outlay.

3. Determination of number of branches that may be authorized to be established in a service area.