

**[ REPUBLIC ACT NO. 10641, July 15, 2014 ]**

**AN ACT ALLOWING THE FULL ENTRY OF FOREIGN BANKS IN THE PHILIPPINES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7721**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. Section 2 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 2. *Modes of Entry.* – The Monetary Board may authorize foreign banks to operate in the Philippine banking system through any one of the following” modes of entry: (i) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (ii) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (iii) by establishing branches with full banking authority.”

SEC. 2. Section 3 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 3. *Guidelines for Approval.* – In approving entry applications of foreign banks, the Monetary Board shall: (i) ensure geographic representation and complementation; (ii) consider strategic trade and investment relationships between the Philippines and the country of incorporation of the foreign bank; (iii) study the demonstrated capacity, global reputation for financial innovations and stability in a competitive environment of the applicant; (iv) see to it that reciprocity rights are enjoyed by Philippine banks in the applicant’s country; and (v) consider willingness to fully share their technology.

“Only established, reputable and financially sound foreign banks shall be allowed entry in accordance with Section 2 of this Act. The foreign bank applicant must be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin.

“In the exercise of this authority, the Monetary Board shall adopt such measures as may be necessary to ensure that the control of at least sixty percent(60%) of the resources or assets of the entire banking system is held by domestic banks which are majority-owned by Filipinos.”

SEC. 3. Section 4 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 4. *Capital Requirements.* – (i) *For Locally Incorporated Subsidiaries* – The minimum capital required for locally incorporated subsidiaries of foreign banks shall be equal to that prescribed by the Monetary Board for domestic banks of the same category.

“(ii) *For Foreign Bank Branches* - Foreign banks that shall be authorized to establish branches pursuant to Section 2(hi) of this Act shall permanently assign capital of an amount not less than the minimum capital required for domestic banks of the same category. The permanently assigned capital shall be inwardly remitted and converted into Philippine currency.

“The foreign bank branch may open up to five (5) sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks pursuant to Section 2(h) of this Act shall have the same branching privileges as domestic banks of the same category.”

SEC. 4. Section 6 of Republic Act No. 7721 is hereby repealed.

SEC. 5. Section 8 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 8. *Equal Treatment.* – Foreign banks authorized to operate under Section 2 of this Act, shall perform the same functions, enjoy the same privileges, and be subject to the same limitations imposed upon a Philippine bank of the same category. The single borrower’s limit of a foreign bank branch shall be aligned with that of a domestic bank.

“The foreign banks shall guarantee the observance of the rights of their employees under the Constitution.

“Any right, privilege or incentive granted to foreign banks or their subsidiaries or affiliates under this Act, shall be equally enjoyed by and extended under the same conditions to Philippine banks.”

SEC. 6. A new provision in Section 9 is hereby inserted in the same Act, in lieu of the original provisions of Section 9 repealed by Section 11 of Republic Act No. 10000. Section 9 shall now read as follows:

“SEC. 9. *Participation in Foreclosure Proceedings.*—Foreign banks which are authorized to do banking business in the Philippines through any of the modes of entry under Section 2 hereof shall be allowed to bid and take part in foreclosure sales of real property mortgaged to them, as well as to avail of enforcement and other proceedings, and accordingly take possession of the mortgaged property, for a period not exceeding five (5) years from actual possession: *Provided,* That in no event shall title to the property be transferred to such foreign bank. In case said bank is the winning bidder, it shall, during the said five (5)-year period, transfer its rights to a qualified Philippine national, without prejudice to a borrower’s rights under applicable laws. Should the bank fail to transfer such property within the five (5)-year period, it shall be penalized one half (1/2) of one percent (1%) per annum of the price at which the property was foreclosed until it is able to transfer the property to a qualified Philippine national.”

SEC. 7. *Transitory Provisions.* –Foreign banks which are already authorized to do banking business in the Philippines through any of the modes of entry under Section 2 hereof may apply to change their original mode of entry.

Foreign banks operating through branches in the Philippines upon the effectivity of this Act shall retain their original privilege upon entry to establish a limited number of sub-branches. However, the previous restriction on the locations of such additional branches is hereby lifted.