

**[ BSP CIRCULAR NO. 94, S. 1995, October 30, 1995 ]**

**GUIDELINES GOVERNING THE ESTABLISHMENT OF ADDITIONAL BRANCHES OF FOREIGN BANKS IN THE PHILIPPINES PURSUANT TO R.A. NO. 7721**

The Monetary Board, in its Resolution No. 1247 dated October 25, 1995, approved the guidelines to govern the establishment of additional branches of foreign banks in the Philippines pursuant to R.A. No. 7721. Accordingly, the Manual of Regulations for Banks and Other Financial Intermediaries (Book I) is hereby amended as follows:

*SECTION 1.* A new section is hereby added after Section 1152 of the Manual of Regulations to read as follows:

"SEC. 1153. *Establishment of Additional Branches of Foreign Banks* - The following guidelines shall govern the establishment of additional branches of foreign banks in the Philippines pursuant to R.A. No. 7721."

For purposes of this Section, the term 'bank' shall refer to the existing branches of the applicant bank in the Philippines reckoned as a single unit."

*SECTION 2.* A new subsection is hereby added after Section 1153 to read as follows:

"Subsec. 1153.1 *Application for Authority to Establish Additional Branch* - An application for authority to establish additional branch or branches shall be signed by the Country Manager or the highest ranking officer in the Philippines of the applicant foreign bank, and shall be accompanied, as a minimum, 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/es and indicating its proposed site/s, and/or authority of the bank's Country Manager or highest ranking officer in the Philippines to apply for authority to establish additional branch/es and represent the bank in connection therewith;

b. Banking facilities and services to be offered;

c. Organizational set-up of the proposed branch/es showing the proposed staffing pattern; and

d. Certification signed by the bank's Country Manager that the bank's existing branches in the Philippines, reckoned as a single unit, have complied with all the requirements enumerated under Subsection 1153.2".

SECTION 3. A new subsection is hereby added after Subsection 1153.1 to read as follows:

"Subsec. 1153.2 *Requirements for Establishment of Additional Branch* - The requirements for establishment of additional branches of foreign banks are as follows:

a. The bank has complied with the requirements prescribed in Sections 5 and 7 of BSP Circular No. 51 dated October 14, 1994, as follows:

"Section 5. Capital Requirements

a. x x x

b. For Foreign Bank Branches with Full Banking Authority. A foreign bank authorized to establish branches with full banking authority in the Philippines shall inwardly remit and convert into Philippine currency, as permanently assigned capital, the U.S. Dollar equivalent of Two Hundred Ten Million Pesos (P210,000,000.00) at the exchange rate prevailing on June 5, 1994 (the date of effectivity of R.A. No. 7721), i.e., P26.979 to US\$1.00. The foreign bank shall thereby be entitled to establish three (3) branches in locations of its choice.

The same foreign bank may open three (3) additional branches in locations designated by the Monetary Board by inwardly remitting and converting into Philippine currency, as additional permanently assigned capital the U.S. Dollar equivalent of Thirty-Five Million Pesos (P35,000,000.00) for every additional branch, computed at the same exchange rate of P26.979 to US\$1.00. x x x.

c. For Foreign Banks with Existing Branches in the Philippines.

(i) A foreign bank with existing branch or branches in the Philippines upon the effectivity of R.A. No. 7721 shall comply with the required permanently assigned capital by inwardly remitting and converting into Philippine currency the U.S. Dollar equivalent of Two Hundred Ten Million Pesos (P210,000,000.00), computed at the same exchange rate of P26.979 to US\$1.00, within a period of one and one-half (1½) years from the said effectivity date.

The said foreign bank may establish up to six (6) branches in addition to its branch or branches existing as of the effectivity date of R.A. No. 7721, the first three (3) additional branches in locations of its choice, and the next three (3) additional branches in locations designated by the Monetary Board: *Provided*, That upon establishing any additional branch, the bank shall comply immediately with the permanently assigned capital mentioned in the next preceding paragraph: *Provided, further*, That the said permanently assigned capital shall be the capital for the bank's first three (3) additional branches, including its existing branch or branches, and for each branch established in addition thereto, the U.S. Dollar equivalent of Thirty-Five Million Pesos (P35,000,000.00) computed at the

same exchange rate of P26.979 to US\$1.00, shall be inwardly remitted and converted into Philippine currency.

If the permanently assigned capital of the existing branch/es of said foreign bank that has been converted to Philippine currency is sufficient to cover the abovementioned amount of assigned capital required for the additional branches, no additional assigned capital shall be required; otherwise, the foreign bank shall comply immediately with the capital requirements under the above paragraphs.

(ii) Foreign banks with existing branches in the Philippines on the effectivity date of R.A. No. 7721 shall have a period of one and one-half (1½) years from said effectivity date within which to comply with the ratio between the assigned capital and the net due to head office, branches, subsidiaries (more than fifty percent [50%] owned by the foreign bank) and offices outside the Philippines prescribed in Section 7 of this Circular: *Provided*, That upon establishing any additional branch pursuant to the provisions of this Circular, the bank shall comply immediately with the aforesaid ratio."

#### "Section 7. Prescribed Ratio for 'Net Due to' to Permanently Assigned Capital

The amount of 'net due to' which may be added to permanently assigned capital for purposes of determining compliance with capital ratios prescribed in laws/regulations shall not exceed the equivalent of four (4) times the amount of permanently assigned capital. At least fifteen percent (15%) of the 'net due to' required to comply with prescribed capital ratios shall be inwardly remitted and converted into Philippine currency: *Provided*, That amounts invested in productive enterprises or utilized by Philippine companies for export activities, including foreign currency denominated loans granted to Philippine exporters and loans for productive purposes such as the following: agriculture, fisheries and forestry; manufacturing, mining, public utilities; construction; and home building, need not be subject to conversion into Philippine currency.

If there is non-compliance with the prescribed fifteen percent (15%) of 'net due to' required to be inwardly remitted and converted to pesos, the bank shall immediately inwardly remit and convert to Philippine currency the amount of deficiency.

Branches of foreign banks shall submit such reports as may be prescribed by the Bangko Sentral ng Pilipinas to show compliance with the requirement that at least fifteen percent (15%) of its 'net due to' shall be inwardly remitted and converted into Philippine currency."

b. The bank during the last sixty (60) days immediately preceding the date of application has: