

## **[ BSP CIRCULAR LETTER, August 06, 1996 ]**

### **OWNERSHIP CEILINGS UNDER R.A. NO. 7906**

The following clarifications regarding Section 8 of R.A. No. 7906, otherwise known as the Thrift Banks Act of 1995, are hereby issued.

*1. On the coverage of the 10-year moratorium period*

The exemption from "ownership ceilings" refers to ceilings on family groups and corporate holdings under Sections 12-B, 12-C and 12-D of R.A. No. 337, as amended. It does not refer to limits on foreign ownership prescribed in Sections 12 and 12-A of said law.

*2. On the matter of foreign holdings*

The sixty percent (60%) limit on foreign ownership in the voting stock of thrift banks shall only apply to those incorporated after February 28, 1995.

Foreign holdings in thrift banks established before or after the approval of R.A. No. 7906 are not covered by the 10-year moratorium period on ownership ceilings. Section 8 of R.A. No. 7906 states that 40% of the voting stock of a thrift bank which may be established after the approval of this Act shall be owned by citizens of the Philippines. The clear implication is that the new foreign equity limits (60%) provided therein should be immediately and mandatorily applied to thrift banks established after the approval of the law.

In the case of a new bank that may be formed as a result of a merger or a consolidation of existing thrift banks with foreign holdings, the resulting foreign holdings shall not be increased but may be reduced and once reduced, shall not be increased thereafter beyond sixty percent (60%) of the voting stock of the thrift bank. The percentage of the foreign-owned voting stocks shall be determined by the citizenship of individual stockholders and in case of corporations owning shares, by the citizenship of each stockholder in the corporations.

R.A. No. 7721, otherwise known as An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and For Other Purposes, authorizes the Monetary Board, under certain conditions, to allow foreign banks to operate in the Philippine banking system through any of the following modes of entry:

1. by acquiring, purchasing or owning up to sixty percent of the voting stock of an existing bank;
2. by investing in up to sixty percent (60%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or