

EXPIRING CORPORATE TERMS

BSP MEMORANDUM NO. M-2012-009, February 16, 2012

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Considering the primary corporate franchise of a bank serves as the authority for a bank to continue as a corporate entity by which it can obtain other licenses, such as banking license, the expiration of the primary franchise necessarily carries with it the withdrawal/revocation of all outstanding licenses. A bank whose corporate franchise expires, therefore, may be placed under receivership for its inability to continue in business without probable loss to its depositors or creditors.

Banks are therefore reminded to timely initiate the extension of their corporate terms. Under Section 11 of the Corporation Code, a bank can file its amendment of Articles of Incorporation extending its corporate term, five (5) years prior to the expiry date of its corporate term. Accordingly, a bank may secure the required favorable endorsement/ recommendation from the Bangko Sentral ng Pilipinas (BSP) for the filing of its amendment of Articles of Incorporation with the Securities and exchange Commission (SEC), as early as five (5) years prior to the expiry date of its corporate term. moreover, the SEC will only consider a bank's application for extension of corporate term filed therewith when the application is accompanied by a favorable endorsement from the BSP.

For information and guidance.

(SGD.) NESTOR A. ESPENILLA, JR.
Deputy Governor

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