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REVISED GUIDELINES GOVERNING THE ESTABLISHMENT/RELOCATION/VOLUNTARY CLOSURE OF LOCAL BRANCHES OF EXPANDED COMMERCIAL BANKS, COMMERCIAL BANKS AND THRIFT BANKS

BSP CIRCULAR NO. 93, S. 1995, October 30, 1995

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The Monetary Board, in its Resolution No. 1247 dated October 25, 1995, approved the revised guidelines to govern the establishment/relocation/voluntary closure of local branches of expanded commercial banks, commercial banks and thrift banks. Accordingly, the provisions of Books I and II of the Manual of Regulations for Banks and Other Financial Intermediaries are hereby repealed/amended as follows:

SECTION 1. Sections 1151 and 2151 of Books I and II, respectively, of the Manual of Regulations are hereby amended to read as follows:

> SEC. _151. Establishment/Relocation/Voluntary Closure of Branch - The following rules shall govern the establishment, relocation or voluntary closure of local branches of banks.
>
> For purposes of this section, branches shall refer to branches, agencies or extension offices outside of a bank's head office.

SECTION 2. Subsections 1151.1 and 2151.1 of the Manual are hereby amended to read as follows:

> "Subsec. _151.1. Prior Monetary Board Approval - Pursuant to Section 6-B of R.A. No. 337, as amended, no bank operating in the Philippines shall establish, open or operate branches or transact business outside the premises of its duly authorized principal office without the prior approval of the Monetary Board/Governor.

SECTION 3. Subsections 1151.2 and 2151.2 of the Manual are hereby amended to read as follows:

> "Subsec. _151.2. Application for Authority to Establish Branches - An application for authority to establish a branch shall be signed by the president of the bank and shall be accompanied, as a minimum, by the following information/documents:
>
> 1. Certified true copy of the resolution of the bank's board of directors authorizing the establishment of the additional branch and indicating its proposed site;
>
> 2. Banking facilities and services to be offered;
>
> 3. Organizational set-up of the proposed branch showing the proposed staffing pattern; and
>
> 4. Certification signed by the president or the executive vice president that the bank has complied with all the requirements enumerated under Subsections _151.3 and _151.4."

SECTION 4. Subsections 1151.3 and 2151.3 of the Manual are hereby amended to read as follows:

> "Subsec. _151.3. Capital Requirements - The capital requirement for each branch of an expanded commercial bank, a commercial bank or a thrift bank shall be as follows:

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Expanded Commercial Banks/Commercial Banks

Thrift Banks

In the National Capital Region and the Cities of Cebu and Davao

P20 Million P10 Million

In other cities and first class municipalities

P10 Million P5 Million

In second, third and fourth class municipalities

P10 Million P3 Million

In fifth and sixth class municipalities

P10 Million None

Provided, however, that in no case shall the minimum capitalization for each bank be less than the minimum capital required for expanded commercial banks/commercial banks and thrift banks under Section 1106 or Section 2106, as the case may be.

An expanded commercial bank/commercial bank or thrift bank that has complied with the above minimum capital requirements or, if the bank has an approved capital build-up program, said bank is in compliance with the terms of such build-up program, as well as with all the other requirements of this subsection and Subsection _151.4 may establish additional branches. The amount of capital, if any, to be put up by such bank in establishing additional branches shall be equal to the sum of products of (a) the number of existing branches of the bank each multiplied by the abovementioned capital required for a branch depending on the location thereof, and (b) the number of branches to be established each multiplied by such capital required for a branch depending on its location, less the present total capital accounts of the bank.

In the case of a thrift bank with head office outside the National Capital Region (NCR), it may establish a branch in the NCR only after it has put up the minimum capital requirement for a new thrift bank in the NCR.

SECTION 5. Subsection _151.4 of the Manual is hereby amended to read as follows:

"Subsec. _151.4 Other Requirements - In addition to the capital requirements for establishment of branches in Subsection _151.3, the following conditions shall be complied with:

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

1. Not been deficient in its networth-to-risk assets ratio; and

2. Complied with the ceilings on credit accommodations to directors, officers, stockholders and/or related interests.

b. The bank has not incurrent losses during the last six (6) months prior to the date of application or in lieu thereof, the bank infuses additional capital over and above the minimum capital required of expanded commercial

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banks, commercial banks or thrift banks, as the case may be, or total capital required for establishing additional branches using the following formula:

> 1) Expected net profits for one year shall be determined by applying the average rate of return on net worth of normally operating expanded commercial banks, commercial banks, or thrift banks, as the case may be, for the preceding year to the basic minimum capital required, for expanded commercial banks/commercial banks or thrift banks under Sections 1106 and 2106, respectively. This is based on the assumption that the bank will earn the industry average profit for said one year period.
>
> 2) Expected net profits (item 1) plus the higher of the:
>
> i) Total capital required for existing and additional branch/es or
>
> ii) Basic minimum capital required for expanded commercial banks/commercial banks or thrift banks under Sections 1106 and 2106.
>
> The resulting figure will represent the total capital accounts to be required for applicant bank.
>
> 3) The total capital accounts (item 2) required less the present total capital accounts of the bank will be the additional fresh capital that an applicant bank will have to put up before it may be allowed to establish additional branch/es.

c. The bank has no net weekly reserve deficiency against deposit liabilities and deposit substitutes during the last eight (8) weeks immediately preceding the date of application;

d. The bank has complied with the Loans-to-Deposits ratio for one (1) quarter immediately preceding the date of application;

e. The bank does not have float items outstanding for more than sixty (60) calendar days in the "Due From/To Head Office/Branches/Offices" accounts and the "Due From Bangko Sentral" account exceeding one percent (1%) of the total resources as of date of application;

f. The bank's total past due loans do not exceed 20% of total loan portfolio as of date of application;

g. The bank has conducted its business in a safe and sound manner during the last six (6) months immediately preceding the date of application;

h. The bank has corrected as of date of application the violations noted in its latest examination related to (a) single borrower's loan limit, and (b) investment in bank premises and other fixed assets, and

i. For each branch to be established by an expanded commercial bank, a commercial bank or a thrift bank, a time delay device shall be installed in the cash vault or safe; provided that for branches which have already been established, the said mechanism shall be installed not later than December 4, 1995."

SECTION 6. Subsection _151.5 of the Manual is hereby amended to read as follows:

> "Subsec. _151.5 Branch Locations - Expanded commercial banks/commercial banks or thrift banks may establish branches on a nationwide basis."

SECTION 7. Subsection _151.6 of the Manual is hereby amended to read as follows:

> "Subsec. _151.6 Date of Opening - Approved branches shall be opened within six (6) months from the date of approval thereof: Provided, that an applicant bank may be given a final extension of another six (6) months by the Deputy Governor, Supervision and Examination Sector, subject to presentation of justification and valid reason for the bank's failure to open within the six (6) month period and proof that said branch/es can be

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opened within the succeeding six (6)-month period.

SECTION 8. Subsection _151.7 of the Manual is hereby amended to read as follows:

"Subsec. _151.7 Requirements for Opening Branch - After a bank's application to establish a branch has been approved, it may open the same subject to the following conditions:

a. Submission of the personal information sheet (Bio-data) of the proposed manager and other officers of the branch at least thirty (30) days prior to the intended date of opening; and

b. A certification signed by the officer-in-charge of the Branches Department with the rank of a Vice President or its equivalent or by a higher officer -

(1) that the installation of the required security devices under Subsecs. 1167.5 and 2167.5 have been complied with; and

(2) the requirements enumerated under Subsections _151.3 and _151.4 have been complied with up to the time of actual opening.

A bank that fails to continuously comply with the requirements under Subsections _151.3 and _151.4 shall be given an extension of time to open such branch after it has shown compliance for another test period of the same duration required of each requirement under said Subsections: Provided, That the provisions of _151.6 shall be observed if the branch cannot open within six (6) months from the date of approval thereof: Provided, further, That before such branch opens for business, the bank shall submit to the Bangko Sentral the requirements under items a and b(1) of this Subsection; and a certification by the bank officer mentioned under item b hereof to the effect that upon opening of the branch, the bank has complied within the time period prescribed with each requirement under Subsections _151.3 and _151.4.

Banks shall submit a written notice to the appropriate supervising and examining department of the Bangko Sentral of the actual date of opening of their branches not later than ten (10) banking days from such opening.

SECTION 9. A new subsection is hereby added after Subsection _151.7 of the Manual to read as follows:

"Subsec. _151.8 Relocation/Transfer of Branches - Transfer of branches shall only be allowed within the same city or municipality where the branch to be transferred is located and such transfer shall not require prior Bangko Sentral approval, but shall be subject to the following conditions:

1. Notice of transfer to depositors and other creditors by registered mail and posters in conspicuous place in the premises of the branch to be transferred at least three (3) months prior to the transfer;

2. Written notice to the appropriate supervising and examining department of the Bangko Sentral of the transfer not later than five (5) banking days from the date of such transfer. The notification shall be accompanied by a certified copy of the resolution of the bank's board of directors authorizing the transfer; and

3. A certification signed by the officer-in-charge of the Branches Department with the rank of Vice President or its equivalent or by a higher ranking officer, that the above requirements have been complied with. The certification shall be submitted to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from date of transfer."

SECTION 10. A new subsection is hereby added after Subsection _151.8 of the Manual to read as follows:

"Subsec. _151.9 Voluntary Closure of Branches - Voluntary closure of a branch may be effected only with prior approval of the Bangko Sentral and shall be subject to the following conditions:

1. Notice of closure to depositors and other creditors by registered mail and posters in conspicuous place in the

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premises of the branch to be closed at least three (3) months prior to the closure;

2. Written notice of closure to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from the date of closure. The notification shall be accompanied by a certified copy of the resolution of the bank's board of directors authorizing the closure; and

3. A certification signed by the officer-in-charge of the Branches Department with the rank of Vice President or its equivalent or by a higher ranking officer, that the above requirements have been complied with. The certification shall be submitted to the appropriate supervising and examining department of the Bangko Sentral not later than five (5) banking days from date of closure."

SECTION 11. A new subsection is hereby added after Subsection _151.9 of the Manual to read as follows:

"Subsec. _151.10 Sanctions - If any part of the certification submitted by the bank as required in these guidelines is found to be false, the following sanctions shall be imposed:

1. On the bank

Suspension for one (1) year of the privilege to establish and/or to open approved branches.

2. On the Certifying Officer

A fine of P5,000.00 per day from the time the certification was made up to the time the certification was found to be false for each branch opened, transferred or closed without prejudice to the sanctions under Section 35 of Republic Act No. 7653."

This Circular shall take effect immediately.

Adopted: 30 Oct. 1995

(SGD.) ANDRE NAVATO
Officer-in-Charge

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