

Application Guide for Entry of Foreign Banks in the Philippines



BANGKO SENTRAL NG PILIPINAS

Overview

Republic Act No. 10641 (An Act Allowing the Full Entry of Foreign Banks in the Philippines) allows foreign banks to operate in the Philippines through any one of the following modes of entry:

Mode 1: By acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank.

Mode 2: By investing in up to 100% of the voting stock of a new banking subsidiary incorporated in the Philippines.

Mode 3: By establishing branches with full banking authority.

Getting Started

Pre-Approval Stage

1. Submission of the letter of application with supporting documents (*see attachment*) to the Office of the Governor, copy furnished Office of the Supervisory Policy Development (OSPD).

Foreign bank applicant which submitted complete documents will be acknowledged and scheduled for presentation.

2. Presentation of the foreign bank applicant which covers, among others, ownership structure, financial condition, standing in the home country, corporate plan, business model in accordance with the pre-communicated schedule.

Names of the bank representatives with brief background and copy of the presentation material should be furnished to OSPD one week prior to the scheduled presentation.

3. Payment of the P500,000 application fee. The Order of Payment can be obtained from BSP-CASG-(4/F, Multi-Storey Building) and can be paid at the BSP Cash Department (G/F, Multi-Storey Building).
4. Submission of the following additional documents to facilitate assessment of suitability and fitness of the foreign bank's proposed directors or officers who are subject to the confirmation of the Monetary Board (*Mode 2*):

- ✓ Letter-request for BSP confirmation with an affirmative statement that the institution has conducted a fit and proper test on the director/officer concerned;
- ✓ Secretary's certificate attesting to the BOD resolution approving the appointment;
- ✓ Bio-data sheet (using the prescribed format) with a photograph (2" x 2") taken within the last 6 months;
- ✓ Certification under oath of the director/officer concerned that he possesses all the qualifications and none of the disqualifications to become a director/officer;
- ✓ Brief description of the officer/s' duties and responsibilities; and
- ✓ Other documents enumerated in Appendix 98 of the Manual of Regulations for Banks (MORB).

Post-Approval Stage

5. Inward remittance of the minimum capital within 30 days from receipt of advice of the Monetary Board approval on the foreign bank's entry to the Philippines. The minimum capitalization varies depending on the bank category. *(Registration of foreign investments with the BSP-International Operations Department)*
6. Payment of license fee of P24.5 million. *Please refer to item 3 for the procedure.*
7. Filing with the Securities and Exchange Commission (SEC) of application for a license to transact in the Philippines. *(Mode 3)*

Issuance of Certificate of Authority to Register with the SEC (Mode 2)

8. Submission of the proposed Articles of Incorporation (AOI) and By-Laws (BL). *The foreign bank applicant shall effect the filing of these documents with the SEC within 60 days from the issuance of the Certificate of Authority to Register.*

Issuance of Certificate of Authority to Operate

9. Submission of the documents enumerated in item 4 for the confirmation of relevant officers (with rank of SVP and above or equivalent ranks) of the foreign bank branch. *(Mode 3)*
10. Attendance of concerned bank officers, including the compliance officer in the briefing on BSP reportorial requirements conducted by the appropriate units of the BSP.
11. Submission of the following pre-operating requirements:
 - ✓ SEC-registered AOI and BL *(Mode 2)*; or SEC-registered license *(Mode 3)*;
 - ✓ Notarized Certification signed by all the directors/country head stating that –
 - ✓ All the conditions of the approval to establish the proposed bank have been complied with;

- ✓ The manual of operations embodying the policies and operating procedures of each department/unit/office, covering all risk areas of the proposed bank have been prepared;
- ✓ The necessary bond policy on custodial officers and insurance policy on bank properties required to be insured have been obtained;
- ✓ All pre-operating requirements under existing laws and regulations, which include among others, (i) use of business name, (ii) posting of schedule of banking days and hours, notice to depositors on clearing cut-off time, and disclosure statement on loan/credit transaction; (iii).Batas Pambansa Blg. 344 and Republic Act No. 9994; (iv) minimum security measures; and (v) publication of consumer assistance management system have been complied with; and
- ✓ No person who is the spouse or relative within the second degree of consanguinity or affinity will be appointed to any officership positions across the following functional categories in the bank: (a) decision making and senior management function, (b) treasury function, (c) recordkeeping and financial reporting function, (d) safekeeping of assets, (e) risk management function, (f) compliance function, and (g) internal audit function.
- ✓ Proof of compliance with all the pre-operating requirements under existing rules and regulations;
- ✓ List of principal and junior officers and their respective designations and salaries;
- ✓ Chart of organization;
- ✓ Contract of lease on bank's premises;
- ✓ List of stockholders stating the number and percentage of voting stocks owned by them as well as their citizenships (*Mode 2*);
- ✓ Certification from the Philippine Deposit Insurance Company (PDIC) stating that the organizers have undergone a briefing on all of its requirements; and
- ✓ Alien Employment Permit issued by the Department of Labor and Employment for foreign directors and officers.

Opening of the Bank for Business

7. Submission of the following post-operating requirements:
 - ✓ Notification to the BSP of the 1st day of operation as well as the banking days and hours; and
 - ✓ Submission of a Balance Sheet as of the 1st day of operation.

Contact Us

OFFICE OF SUPERVISORY POLICY DEVELOPMENT

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[Subject: RA10641- Bank's Name: Application to Establish _____]

Application Requirements¹

Entry Criteria	Mode 1	Mode 2	Mode 3
1. Contribution to the Philippine economy	✓	✓	✓
2. Contribution to the local banking industry, including undertaking to share banking technology	✓	✓	✓
3. Corporate Plan <ul style="list-style-type: none"> • Business model • Corporate strategy • Financial projections 	✓	✓	✓
4. Financial capability and ownership structure <ul style="list-style-type: none"> • Latest annual report • Basic corporate background • Articles of incorporation and by-laws • Major stockholders and their corresponding percentage of ownership • List of directors and principal officers as well as their respective citizenship • Latest audited financial statements 	✓	✓	✓
<ul style="list-style-type: none"> • Proof of financial capacity and fitness of other investors in the bank 	✓	✓	X
5. Certification from the foreign bank applicant's home country supervisory authority	✓	✓	✓
6. Transition plan	✓	✓	✓
7. Divestment plan for the disposal of title/interest in all land properties	✓	X	X

¹ Details on Annex A of Circular No. 858

Entry Criteria	Mode 1	Mode 2	Mode 3
<p>8. Other requirements</p> <ul style="list-style-type: none"> • Agreement between investor and investee bank/ Agreement to organize a bank • Board resolution authorizing the foreign bank applicant to (i) invest in a domestic bank/establish a subsidiary/branch; and (ii) designate person/s who will represent the foreign bank, duly authenticated by the Philippine consulate • Certification from the foreign bank applicant's Corporate secretary or any officer holding equivalent position containing the information that the bank is widely owned and publicly-listed, duly authenticated by the Philippine consulate • Certification by the responsible officer of the Home Country Stock Exchange that the foreign bank applicant is listed therein, duly authenticated by the Philippine consulate • Authority to obtain information from other relevant regulatory authorities 	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>X</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>