



**BANGKO SENTRAL NG PILIPINAS**

OFFICE OF THE GOVERNOR

**CIRCULAR NO. \_\_\_\_\_**  
Series of 2020

**Subject : Guidelines on the Establishment of Digital Banks**

The Monetary Board, in its Resolution No. \_\_\_\_\_ dated \_\_\_\_\_, approved the inclusion of “Digital Banks” as a distinct classification of banks and the corresponding guidelines for their establishment.

Section 1. Section 102 of the Manual of Regulations for Banks (MORB) is hereby amended to read as follows:

**Section 102 BASIC GUIDELINES IN ESTABLISHING DOMESTIC BANKS**

A new banking organization must have suitable/fit shareholders, including the ultimate beneficial owners that may exert significant influence on the bank; adequate financial strength, a legal structure in line with its operational structure, a board of directors and senior management with sufficient expertise and integrity to operate the bank in a sound and prudent manner.

In establishing a new banking organization, the documentary requirements to be submitted to the Bangko Sentral are listed in *Appendix 33*. In the case of foreign bank applicants, the documentary requirements to be submitted during the pre-approval stage of the application process are enumerated in *Appendix 2*.

The revised rules and regulations governing the organization, membership, establishment, administration, activities, supervision and regulation of cooperative banks are found in *Appendix 34*.

The authority to establish a bank shall be automatically revoked if the bank is not organized and opened for business within one (1) year after receipt by the organizers of the notice of approval by the Monetary Board of their application.

Such authority may likewise be revoked if the Bangko Sentral determines later on that the organizers have provided material false information during the processing of the application.

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## ***Establishment of Islamic banks and Islamic banking units.***

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## ***Establishment of digital banks.***

**Policy Statement.** The Bangko Sentral recognizes the role of digital platforms in driving greater efficiency in the delivery of financial products and services and in expanding reach into the unserved and underserved market segments. In this light, the Bangko Sentral endeavors to promote an enabling regulatory environment that allows responsible innovation to flourish, promotes cyber resilience, and contributes to advancing the digitalization of the financial industry. Towards this end, the Bangko Sentral has developed a framework for "digital banks" as a distinct classification of banks.

The Bangko Sentral is cognizant that the adoption of a digital banking business model should be underpinned by robust, secure and resilient technology infrastructure, effective data management strategy and practices, and sound digital governance. Digital banks are exposed to the same set of risks identified in the Bangko Sentral Risk Management Framework thus, are expected to have effective governance structures and risk management processes that appropriately identify, manage and monitor the risks attendant to its business model, strategies, processes and products. In this respect, digital banks shall be subject to the same corporate governance and risk management standards applicable to other banks categories with due regard to the application of the principle of proportionality.

The following guidelines shall govern the establishment of digital banks:

- a. *Capitalization.* The minimum capitalization of digital banks shall be at least P1.0 billion.

The Bangko Sentral may subject a digital bank to higher minimum capital requirement and capital ratio based on its assessment of the risk profile of the digital bank. For this purpose, the term "capital" shall be defined pursuant to Sec. 121.

- b. *Conduct of business.* A digital bank shall be subject to the prudential requirements set out by the Bangko Sentral on corporate governance and risk management, particularly on information technology and cyber security, outsourcing, consumer protection and anti-

money laundering (AML) and countering the financing of terrorism (CFT), as provided under existing regulations, with due regard to the application of the principle of proportionality.

- c. *Physical touchpoints.* A digital bank is expected to primarily conduct its business using a digital platform and/or electronic channels. For this purpose, a digital bank shall not be allowed to establish a branch or branch-lite unit.

Digital banks may likewise offer financial products and services through cash agents and other delivery partners subject to the guidelines provided under Secs. 275 and 112 of the MORB, respectively.

Digital banks shall be required to maintain a principal/head office in the Philippines to serve as the main point of contact for stakeholders as well as provide a venue for interfacing with the Bangko Sentral. The registered principal/head office of the digital bank shall house the offices of management and other support operations. It may also serve as the central hub for receiving and resolving customer complaints.

The application and documentary requirements for the establishment of digital banks are provided under *Appendix 33* of the MORB.

***Establishment of microfinance-oriented banks. x x x***

x x x

***Application and license fees for new domestic banks. x x x***

Bank Category	Application Fee	License Fee
	(in Million Pesos)	
Universal Banks	0.500	25.000
Commercial Banks	0.400	20.000
Thrift Banks		
-Head Office in National Capital Region (NCR)	0.100	5.000
-Head Office in All Other Areas Outside NCR	0.040	2.000
Rural and Cooperative Banks		
-Head Office in NCR	0.010	0.500
-Head Office in All		

Bank Category	Application Fee	License Fee
	(in Million Pesos)	
Other Areas Outside NCR (All Cities up to 3rd class municipalities)	0.004	0.200
-Head Office in All Other Areas Outside NCR (4th class to 6th class municipalities)	0.002	0.100
Digital Banks	0.250	12.500

x x x

**Business name**

- a. *UBs/KBs.* x x x
- b. *TBs.* x x x
- c. *RBs/Coop Banks.* x x x
- d. *Digital Banks.* Only a bank that is granted a digital banking license may represent itself to the public as such in connection with its business name.

x x x

**Section 2.** Section 101 of the MORB is hereby amended to read as follows:

**Section 101 CLASSIFICATIONS, POWERS AND SCOPE OF AUTHORITIES OF BANKS**

The following are the classification, powers and scope of authorities of banks, as well as the prerequisites for the grant of authorities.

- a. *Classification of banks.* Banks are classified into the following subject to the power of the Monetary Board to create other classes or kinds of banks:
  - (1) Universal banks (UBs);
  - (2) Commercial banks (KBs);
  - (3) Thrift banks (TBs) xxx;
  - (4) Rural banks (RBs) xxx;
  - (5) Cooperative banks (Coop Banks); ~~and~~
  - (6) Islamic banks (IBs)-; and
  - (7) Digital banks.
- b. *Powers and scope of authorities.* The following are the powers and scope of authorities of banks.

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(6) *IBs. xxx*

(7) *Digital banks.* A digital bank largely offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with minimal to no reliance on physical touchpoints.

A digital bank may perform any or all of the following services:

- (a) grant loans, whether secured or unsecured;
- (b) accept savings and time deposits, including basic deposit accounts as defined under Sec. 213;
- (c) accept foreign currency deposits, as defined under Republic Act (R.A.) No. 6426, as amended;
- (d) invest in readily marketable bonds and other debt securities, commercial papers and accounts receivable, drafts, bills of exchange, acceptances or notes arising out of commercial transactions;
- (e) act as correspondent for other financial institutions;
- (f) act as collection agent;
- (g) issue electronic money products subject to the guidelines provided under Sec. 702;
- (h) issue credit cards subject to pertinent Bangko Sentral regulations;
- (i) buy and sell foreign exchange;
- (j) present, market, sell and service microinsurance products subject to the guidelines provided under Sec.113-B.

With prior approval of the Monetary Board, and subject to such guidelines as may be established by it, digital banks may also perform the following services:

- (k) open current or checking accounts;

- (l) act as collection agent for government entities; and
- (m) other activities as may be allowed by the Monetary Board.

**Section 3.** Section 122 of the MORB is hereby amended to read as follows:

**Section 122 SHARES OF STOCKS OF BANKS**

The following shall govern transactions affecting shares of stock of banks and the limits on stockholdings in a single bank or in several banks.

x x x

**Limits of stockholdings in a single bank. x x x**

Particulars	Ceiling
(a) Voting shares of stock of a foreign individual or a foreign non-bank corporation in: <ul style="list-style-type: none"> <li>i. UB/KB, <del>and</del> TB and Digital Bank</li> <li>ii. RB</li> </ul>	40% 60%
(b) Aggregate ownership of the voting shares of stock of foreign individuals and/or foreign non-bank corporations in: <ul style="list-style-type: none"> <li>i. UB/KB and Digital Bank</li> <li>ii. x x x</li> </ul>	40% 60%
(c) Voting shares of stock of a qualified foreign bank in UB, KB, TB, <del>and</del> RB and Digital Bank	100%
(d) Combined ownership of the voting shares of stock of qualified foreign banks in UB, KB, TB, <del>and</del> RB and Digital Bank	100%
(e) Voting shares of stock of a Filipino individual or a Philippine non-bank corporation in: <ul style="list-style-type: none"> <li>i. UB/KB <del>and</del> TB and Digital Bank</li> <li>ii. RB</li> </ul> Voting shares of stock of a qualified Philippine Corporation in UB, KB, TB and RB, prior to the effectivity of R.A. 10641 (7 August 2014)	40% 60% 60%
(f) Combined ownership of an individual and corporation/s which is/are wholly owned or a majority of the voting shares of stock of which is owned by such individual in: <ul style="list-style-type: none"> <li>i. UB/KB, <del>and</del> TB and Digital Bank</li> <li>ii. RB</li> </ul>	40% 60%

- a. Any foreign individual or non-bank corporation may each own or control up to forty percent (40%) only of the voting stock of a UB, KB, ~~or~~ TB or Digital Bank: *Provided*, That the aggregate foreign-owned voting stock owned by foreign individuals and non-bank corporations shall not exceed forty percent (40%) of the voting stock of the UB/KB and Digital Banks, and sixty percent (60%) in the case of TBs.

x x x

- b. Any Filipino individual or a domestic non-bank corporation may each own up to forty percent (40%) only of the voting stock of a UB, KB ~~or~~ TB or Digital Bank, and up to sixty percent (60%) only of the voting stock of an RB ~~rural bank~~ ~~bank~~.
- c. An individual and a corporation or corporations which are wholly-owned, or a majority of the voting stock of which is owned, by him, may own only up to a combined forty percent (40%) of the voting stock of a UB, KB ~~or~~ TB or Digital Bank, and up to a combined sixty percent (60%) of the voting stock of an RB.
- d. Stockholdings of family groups or related interests. Individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and may each own up to forty percent (40%) of the voting stock of a UB, KB ~~or~~ TB or Digital Bank and up to sixty percent (60%) of the voting stock of an RB: *Provided*, That said relationship must be fully disclosed in all transactions by such individuals or family groups or related interests.
- e. Two (2) or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests but may each own up to forty percent (40%) of the voting stock of a UB, KB ~~or~~ TB or Digital Bank and up to sixty percent (60%) of the voting stock of an RB: *Provided*, That said relationship must be fully disclosed in all transactions by such individuals or family groups or related interests.

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**Section 4.** *Appendix 33* of the MORB (Annex A of this Circular) on basic guidelines in establishing banks is hereby amended to incorporate additional requirements for applicant banks, including those specific to digital banks.

**Section 5. Transitory Provision.** Existing banks may apply for conversion to a digital bank. Said bank shall comply with all applicable requirements for a digital bank and submit an acceptable plan which shall address how it shall manage the transition to a digital bank.

Existing banks converting to digital banks shall be given a period of three (3) years from the effectivity of this Circular within which to meet the minimum capital requirement and implement the transition plan, including divestment or closure of branches or branch lite units. In the case of an existing bank with up to sixty percent (60%) of its voting stock is held by a foreign individual or non-bank corporation, such stockholding may be retained or reduced, but once reduced, shall not be increased thereafter beyond forty percent (40%) of the voting stock.

Upon receipt of notice of approval of conversion, the bank shall no longer engage nor renew transactions under authorities not associated with those allowed for a digital bank. Within six (6) months from date of receipt of notice of approval of its application for conversion, the bank shall (1) phase-out all inherent powers and activities under special authorities not normally associated to a digital bank; and (2) submit the pertinent amended Articles of Incorporation and By-Laws duly registered with the SEC.

The bank shall start operation as a digital bank after approval by the SEC of the bank's amended Articles of Incorporation and By-Laws, compliance with all the conditions of approval of the conversion, and issuance by the Bangko Sentral of a Certificate of Authority to Operate.

Existing banks that meet the definition of a digital bank shall convert to a digital bank license following the foregoing provisions, where applicable.

Failure to comply with these requirements shall subject the bank to the appropriate enforcement action provided under Section 002.

The Bangko Sentral reserves the right to determine the maximum number of digital banks that may be established considering the total number of applications received and the assessment of the overall banking situation.

This section shall be incorporated as part of Section 102 of the MORB on the establishment of digital banks.

**Section 6.** This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

**FOR THE MONETARY BOARD:**

**BENJAMIN E. DIOKNO**  
Governor

\_\_\_\_\_ 2020