

PH HOME PRICES CONTRACT FOR FIRST TIME IN 3 YRS

FROM B1 reading was consistent with the results of its quarterly survey of consumers, which showed households' more pessimistic view on buying a house and lot during the period.

Rate cuts

As it is, the BSP is now at a point where it has to unwind its previous anti-inflation rate hikes in order to spur bank lending and support consumption.

That said, the central bank capped 2024 with a third quarter-point cut to the benchmark rate that banks typically use as basis when pricing loans.

But beyond rates, banks are also grappling with an elevated level of soured mortgage loans.

Latest BSP data showed residential real estate loans that are deemed nonperforming—or 90 days late on a payment and at risk of default—amounted to P72.74 billion in the third quarter, cornering 6.82 percent of total home lending portfolio of banks.

The ratio was still higher than the prepandemic level of 3.1 percent. **INQ**

PH ATTRACTS NET 'HOT MONEY' INFLOW OF \$96.59M IN NOV

FROM B1 the country in November came from the United Kingdom, Singapore, the United States, Luxembourg and Norway.

On the flip side, a total of \$1.76 million in hot money exited the Philippines, down by 12.2 percent. The United States remains to be the top destination of outflows, receiving \$914.20 million or 51.8 percent of the total capital that left the country.

Latest data from the Philippine Stock Exchange showed the main index fell by 7.4 percent month-on-month in November, with foreigners selling P23.08 billion more shares than they bought in the local equities market last month amid uncertainties over the second Trump administration's impact on the global economy.

From January to November, the BSP said the Philippines posted a hot money net inflow of \$2.59 billion, still below the \$4.2-billion forecast of the central bank. **—IAN NICOLAS P. CIGARAL INQ**

BIZ BUZZ: GLOBAL FERRONICKEL'S LAZARO GETS RECOGNIZED

FROM B1 toward customer satisfaction and best value to customers," it said in a statement.

Cosco Capita's liquor distribution arm, The Keepers Holdings Inc., also brought in a consolidated revenue of P11.7 billion during the period, thanks in large part to purchases of the Alfonso brandy.

A company representative told Biz Buzz that they will continue to expand in 2025, confident of their growing business in the country. **—ALDEN M. MONZON INQ**

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BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 1205

Series of 2024

Subject: Lifting of the Moratorium on the Establishment of Digital Banks

The Monetary Board, in its Resolution Nos. 776 dated 04 July 2024 and 1463 dated 19 December 2024, approved the lifting of the moratorium on the grant of new digital banking licenses, including the conversion of existing bank's license to digital bank license, starting 01 January 2025, subject to prudential limits and conditions. This aims to continuously harness the potential of digital banks in bringing positive impact to the financial system through the introduction of new or emerging business models while remaining sensitive to their attendant risks and at the same time, levels the playing field between incumbent banks and new entrants.

Section 1. Section 102 of the Manual of Regulations for Banks (MORB) on the *Establishment of digital banks*, as amended by Circular No. 1154 dated 14 September 2022, is hereby further amended to read, as follows:

102 BASIC GUIDELINES IN ESTABLISHING BANKS

x x x

Establishment of digital banks.

x x x

Transitory provision. The Monetary Board shall determine the total number of digital banks that may be established in the country taking into account the total number of applications received and the assessment of the overall banking situation.

Starting 01 January 2025, the moratorium on the grant of new digital bank licenses, including the conversion of an existing bank's license to digital bank license, shall be lifted.¹ Accordingly, a maximum of ten (10) digital banks, which include existing digital banks², shall be allowed to operate in the country.

Applications for the establishment of other types of banks that will primarily offer financial products and services that are processed end-to-end through a digital platform and/or electronic channel shall be treated and evaluated as a digital banking license application. Further, existing banks that will apply for conversion to a digital bank shall comply with the applicable requirements for a digital bank, including the minimum capital requirement, and submit an acceptable plan which shall address how the transition to a digital bank shall be managed. These banks shall be given a period of three (3) years from approval of the Monetary Board within which to implement the transition plan, including divestment or closure of branches, sub-branches or branch lite units.

Existing banks that are assessed by the Bangko Sentral as having a highly digital-centric business model shall be required to comply with the requirements applicable to a digital bank, as may be determined by the Bangko Sentral.

x x x

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

Establishment of microfinance-oriented banks. x x x

x x x

1 Under Memorandum No. M-2021-046 dated 19 August 2021, the Bangko Sentral closed the application window for new digital banks, including converting banks, effective 31 August 2021.

2 There are six (6) digital banks licensed by the Bangko Sentral as of the date of effectivity of this Circular.

Section 2. Appendix 33 of the MORB on *Basic Guidelines in Establishing Banks*, as amended by Circular No. 1154 dated 14 September 2022, is hereby further amended to read, as follows:

BASIC GUIDELINES IN ESTABLISHING BANKS

(Appendix to Section 102)

A. THE APPLICATION PROCESS

x x x

Stage I: Application for Bangko Sentral approval to establish a new bank

PRE-APPROVAL

x x x

2. The required documents and other information in support of the application are as follows:

x x x

f. Feasibility study with projected monthly financial statements (FS) for the first year and projected yearly FS for the first five (5) years of operation, using realistic assumptions consistent with the proposed business model and corporate strategy of the bank. The applicant bank should be able to demonstrate the viability of its business model and compliance with the minimum required capital prescribed under Sec. 121 (Minimum capitalization) on a continuing basis, among others. The details of the assumptions used shall be presented in the feasibility study.

g. x x x

h. In addition to the foregoing requirements, an applicant seeking for a digital banking license shall also meet the following:

(1) Demonstrate capacity to offer unique value proposition, or develop new and innovative business models that are currently not offered or accessed by existing players. A foreign applicant with a solid background and good track record on digital banking may be considered as having the capacity to offer new value proposition, provided that its business model is currently not offered in the country;

(2) Exhibit significant potential of proposed product and service offerings in reaching broader clientele, particularly, the untapped or underserved market segments; and

(3) Display sufficient capabilities and readiness to deploy their digital solutions and to sustainably grow their business within the Philippine context.

The applicant seeking a digital bank license must ensure that a detailed review and assessment of its supporting information technology (IT) systems and infrastructure vis-a-vis its digital banking business model shall be performed by a competent independent third-party IT expert. Said technical review shall cover a comprehensive assessment of the design, security controls, scalability, and resilience capability of the IT infrastructure, network, application, database, security systems, AML/CFT measures and other applicable technologies supporting the digital banking operations. A copy of the assessment and technical reports shall be submitted to the Bangko Sentral as part of the application requirements.

The applicant seeking a digital bank license shall, likewise, submit the applicable requirements in offering Electronic Payments and Financial Services (EPFS) as enumerated under Sec. 701 (Requirements for the grant of authority to offer EPFS) and *Appendix 141*, including the list and nature of material outsourcing arrangements.

i. x x x

x x x

4. The applicant bank shall be required to make a presentation to the Bangko Sentral. The presentation shall cover the following: ownership structure, including UBOs, of the proposed bank and its related parties, if any; corporate plan, business model, and results of the feasibility study; governance structure (i.e., board of directors and senior management); amount and sources of capitalization; risk management and internal control system; consumer assistance mechanism; general overview of the AML/CFT measures to be adopted; and other information relevant to the evaluation of the application.

x x x

EVALUATION

Capital Requirements/Stockholdings

1. Banks to be established shall comply with the required minimum capital prescribed under Sec. 121 (Minimum capitalization).

2. x x x

x x x

Section 3. This Circular shall take effect immediately upon its publication either in the Official Gazette or in any newspaper of general circulation.

FOR THE MONETARY BOARD:

(Sgd.) **ELI M. REMOLONA, JR.**

Governor

26 December 2024

This circular can be accessed at the BSP website: <https://www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=5080>