



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 932
Series of 2016

Subject: Amendments to Relevant Provisions of the Manual of Regulations for Banks on the Establishment/Relocation/Voluntary Closure/Sale of Branches

The Monetary Board, in its Resolution No. 2062 dated 17 November 2016 approved the amendments to relevant provisions of the Manual of Regulations of Banks (MORB) covering the establishment/relocation/voluntary closure/sale of branches to align with the regulatory reform initiatives of the Bangko Sentral ng Pilipinas that promote a stable and competitive banking environment.

Section 1. Section X151 and its Subsections of the MORB are hereby amended to read as follows:

“Sec. X151 Establishment/Relocation/ Voluntary Closure/Sale of Branches. The Bangko Sentral shall promote and maximize the delivery of efficient and competitive banking services especially to underserved markets and customers through innovative policies. Toward this end, the following are the rules and regulations that shall govern the establishment, relocation, voluntary closure and sale of local branches of domestic banks, including locally incorporated subsidiaries of foreign banks and the establishment of branches of foreign banks in the Philippines shall continue to be governed by the provisions of Sec. X105 on liberalized entry and scope of operations of foreign banks and Sec. X153 on establishment of sub-branches of foreign bank branches¹.

“x x x

“Extension office shall refer to any permanent office or place of business in the Philippines other than the head office or a branch, where deposits are accepted and/or withdrawals are serviced by tellers or other authorized personnel. It does not maintain a complete set of books of accounts as its transactions are taken-up directly in the books of the head office or a branch to which it is attached. It shall be treated as a branch for purposes of this Section and its Subsections as well as in determining compliance with the applicable minimum capital requirement under Subsec. X111.1.

“Other banking office (OBO) shall refer to any permanent office or place of business in the Philippines other than the head office, branch or extension office, which engages in any or all of the following non-transactional banking-related activities:

“x x x

“(c) The bank’s compliance program shall take into account MF-OBO/MBOs and their activities.

“*Cities previously considered as restricted areas* refer to the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon and San Juan.²”

¹ With additional special regulatory relief in areas affected by Tropical Depression “Yolanda” as provided under Appendix 89a (Circular No. 820 dated 06 December 2013).

² The branching restriction in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig, Quezon and San Juan, which were previously considered as restricted areas, was fully lifted effective on 1 July 2014.

“Subsec. X151.1 *Prior Monetary Board approval. x x x*”

“Subsec. X151.2 *Pre-requisites for the grant of authority to establish a branch.* With prior approval of the Monetary Board, banks may establish branches subject to the following pre-qualification requirements:

“a. The bank has complied with the minimum capital requirement under Subsec. X111.1;

“b. The bank’s risk-based CAR at the time of filing the application is not lower than twelve percent (12%);

“x x x

“e. The bank has no major supervisory concerns outstanding on safety and soundness as indicated by the following during the period immediately preceding the date of application or as of the date of application:

“x x x

“In the case of branches to be established in cities previously considered as restricted areas, neither the bank nor any of its subsidiary banks is under Prompt Corrective Action (PCA) or if under PCA, it shall be compliant with PCA resolution guidelines.

“f. The bank has been operating profitably for the year immediately preceding the date of application, or in the case of newly-established banks, the submitted projection showed that profitability will be attained on the third year of operations, at the latest; and

“g. Additional requirements for the establishment of microfinance/BMBE-oriented branches of banks which are not microfinance/BMBE-oriented are as follows:

x x x”

“Subsec. X151.3 *Application for authority to establish branches. x x x*”

“Subsec. X151.4 *Branching guidelines.* Branches may be established, subject to the following guidelines:

“a. A bank may apply to establish as many branches as its capital as defined under Sec. X111 and Subsec. X111.1 can support, taking into account any approved but unopened branch/es outstanding at the time of application.

“b. Only applications submitted with complete documentary requirements enumerated in Subsec. X151.3 shall be accepted.

“c. As a general rule, banks shall be allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas: *Provided, That, if TBs/RBs/Coop Banks will establish branches in cities/municipalities of a higher classification than their head office, the applicable minimum required capital under Subsec. X111.1 will be that of the city/municipality of the higher classification, regardless of where the head office is located.*

Branches of microfinance-oriented banks or microfinance-oriented branches of banks which are not microfinance-oriented, may be established anywhere, subject to compliance with, among other requirements, the minimum capital requirement under Subsec. X111.1.

In addition, the following guidelines shall apply to Coop Banks:

“(1) The Coop Bank of the province may set up branches/extension offices/other banking offices (OBOs) anywhere within the province subject to compliance with the applicable branching rules and regulations as provided in Sec. X151.

“(2) Coop Banks from other provinces may set up branches/extension offices/OBOs in cities or municipalities where there are no other Coop Bank head office/branch/extension office.

“d. The Monetary Board may decide to disapprove an otherwise qualified branch application if in its determination such branch application will lead to an overbanking situation in the specific market.”

“Subsec. X151.5 Branch processing and special licensing fee.

“a. Branch processing fee.

“x x x

“In no case shall staggered payment for the total branch processing fee be allowed.

“b. Special licensing fee.

“For branch applications in the cities previously considered as restricted areas as defined under Sec. X151, the applicant bank shall upon acceptance of branch application pay a special licensing fee per branch depending on the bank’s category, as follows:

Bank Category	Licensing Fee Per Branch
UB/KB	P20 million
TB	15 million
RB/Coop Bank	1.5 million

“Relocation of approved but unopened branches under Subsec. X151.7, relocation of existing branches under Subsec. X151.9, and relocation of head offices under Sec. X152, shall be subject, in the manner therein provided, to the special licensing fees.”

“Subsec. X151.6 Establishment of other banking offices. Other banking offices may be established with prior Monetary Board approval, and subject to compliance with the following:

“a. Minimum capital requirement under Subsec. X111.1;

“b. Ten percent (10%) risk-based CAR;

“x x x”

“Subsec. X151.7 Opening of banking offices Approved branches/OBOs shall be opened, as follows:

“a. Approved branches shall be opened, within one (1) year from the date of approval thereof, subject to extension on a case-to-case basis: *Provided*, That the entire period from date of approval shall not exceed three (3) years.¹

“The opening of approved branches may, however, be suspended or revoked by the appropriate department of the SES upon approval of the Deputy Governor, should any of the following conditions be found to exist:

“(1) The bank’s capital as required under Sec. X111 and Subsec. X111.1 is no longer sufficient to support the remaining unopened branches;

“(2) The bank or any of its subsidiary bank is initiated under PCA or is under condition/s subject to PCA or if already under PCA, continuously fails to comply with the MOU/PCA plan;

“x x x

“Failure to open the approved branch/es within the period provided shall result in the forfeiture of the bank’s right to open such branch/es and of all fees paid to the Bangko Sentral in relation to such application.

“b. Approved OBOs shall be opened within one (1) year from the date of approval thereof and shall not be subject to any extension.

“Approved but not yet opened branches/OBO may be relocated upon prior approval by the Deputy Governor, SES, x x x: *Provided*, That branches located outside the cities previously considered as restricted areas as defined under Sec. X151 which will be relocated therein shall be subject to the special licensing fee under Subsec. X151.5 upon approval of the relocation: x x x

“As an incentive to merger/consolidation of banks or purchase/acquisition of majority or all of the outstanding shares of stock of a distressed bank for the purpose of rehabilitating the same, opening or relocation of approved but not yet opened branches/OBOs may be allowed within two (2) years from date of merger /consolidation or purchase/acquisition of majority or all of the outstanding shares of stock of a distressed bank for the purpose of rehabilitating the same.

¹ Branch applications that have been approved prior to effectivity of this Circular shall be allowed to open the corresponding branches within three (3) years from date of approval.

“**Subsec. X151.8 Requirements for opening a branch/other banking office. x x x**”

“**Subsec. X151.9 Relocation of branches/other banking offices¹**. Relocation of existing branches/OBOs, whether to be opened at the new site on the next banking day or within one (1) year from the date of closure of the branch/OBO, shall be allowed in accordance with the following procedures:

“x x x

“e. Branches/OBO may be relocated anywhere, subject to the branching guidelines under Subsec. X151.4: *Provided*, That branches located outside the cities previously considered as restricted areas as defined under Sec. X151 which

will be relocated therein shall be subject to the special licensing fee under Subsec. X151.5; and

“f. x x x”

¹ With additional special regulatory relief in areas affected by Tropical Depression “Yolanda” as provided under *Appendix 89a (Circular No. 820 dated 06 December 2013)*.

“Subsec. X151.10 *Temporary closure¹, permanent closure and surrender of branch/other banking office license, and sale/acquisition of branches/other banking offices*

“x x x

“c. *Sale/acquisition of branches/OBOs.* Sale/acquisition of existing/operating branches/ OBOs may be allowed with prior approval of the Monetary Board in accordance with the following procedures:

“x x x

“(5) Request for Monetary Board approval to acquire the branch/other banking office signed by the president of the bank or officer of equivalent rank, together with a certified true copy of the resolution of the bank’s board of directors authorizing the acquisition shall be submitted by the acquiring bank to the appropriate department of the SES. The acquiring bank shall likewise comply with the following:

“(a) Minimum capital requirement under Subsec. X111.1;

“x x x

“A bank may purchase/acquire branches/OBOs anywhere, including in Metro Manila subject to compliance with the applicable minimum capital requirement under Subsec. X111.1.

“(6) The acquiring bank shall pay a licensing fee per branch/OBO acquired, as follows:

“x x x”

¹ With additional special regulatory relief in areas affected by Tropical Depression “Yolanda” as provided under *Appendix 89a (Circular No. 820 dated 06 December 2013)*.

“Subsec. X151.11 *Relocation/Transfer of branch licenses of closed banks. x x x*”

“Subsec. X151.12 *Sanctions. x x x*”

Section 2. Section X152 of the MORB on the relocation of head offices is hereby amended as follows:

“Sec. X152 Relocation of Head Offices. Relocation of a bank’s head office shall require prior approval of the Monetary Board in accordance with the following procedures:

“x x x

c. x x x

“A bank’s head office may be relocated anywhere it is allowed to establish branches as provided in Subsec X151.4 on branching guidelines: *Provided*, That head offices located outside the cities previously considered as restricted areas as defined under Sec. X151 which will be relocated therein shall be subject to the special licensing fee under Subsec. X151.5 upon approval of the relocation.

“x x x”

Section 3. Subsection X102.3 of the MORB on the establishment of microfinance-oriented banks is hereby amended as follows:

“Subsec. X102.3 Establishment of microfinance-oriented banks. A microfinance-oriented bank is a bank that provides financial services and caters primarily to the credit needs of the basic or disadvantaged sectors such as farmers, peasants, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sectors, indigenous peoples and cultural communities, women, differently-abled persons, senior citizens, victims of calamities and disasters, youth and students, children, urban poor and low income households for their microenterprises and small businesses so as to enable them to raise their income levels and improve their living standards. Microfinance loans are granted on the basis of the borrower’s cash flow and are typically unsecured.

“The guidelines on the establishment of a microfinance-oriented bank are as follows:

“a. x x x

“x x x

“(3) That the minimum paid-in capital of microfinance-oriented banks shall be the applicable capitalization requirement under Subsec. X111.1;

“x x x

“b. x x x

"c. Subject to the standard branching requirements under Sec. X151 and minimum capital requirements under Subsec. X111.1, microfinance-oriented banks may apply for establishment of a branch after one (1) year of profitable operations.

"d. Existing non-bank microfinance organizations applying for authority to establish, or convert into a microfinance-oriented TB or RB may also be allowed to convert their existing branches/offices into branches of the bank proposed to be established by simultaneously applying for authority for the purpose.

"However, the standard requirements for the establishment of branches and the minimum capitalization requirement have to be complied with. Moreover, there must be a proof that the area is not fully served by any existing RB."

Section 4. Subsection X111.1 of the MORB on minimum capitalization is hereby amended to read as follows:

"Subsec. X111.1 *Minimum capitalization.* The minimum capitalization of banks shall be as follows:

"x x x

"The above shall also be the required minimum capitalization upon (a) establishment of a new bank, (b) conversion of an existing bank from a lower to a higher category bank and vice versa, and (c) relocation of the head office of a TB/RB in an area of higher classification.

"x x x"

Section 5. Appendix 38 of the MORB on the rules and regulations for cooperative banks are hereby amended to read as follows:

"Appendix 38 RULES AND REGULATIONS FOR COOPERATIVE BANKS

"x x x

"Sec. 4 Capital Requirements. Coop Banks that will be established under R.A. No. 9520 shall comply with the minimum paid in capital provided in Subsec. X111.1.

"x x x

"Sec. 8 Establishment of Branches and Other Offices. The establishment of branches/extension offices/other banking offices by Coop Banks shall be governed by the provisions of Section X151 and its Subsections, as applicable.

"Sec. 9 Powers, Functions and Allied Undertakings of Coop Banks

“Sec. 9 Powers, Functions and Allied Undertakings of Coop Banks

“x x x”

Section 6. Appendices 94a and 94b of the MORB on the Strengthening Program for Rural Banks (SPRB) Plus, as amended, and BSP Guidelines on the Grant of Regulatory Relief under the Strengthening Program for Cooperative Banks (SPCB) Plus, respectively, are hereby amended to read as follows:

“Appendix 94a Strengthening Program for Rural Banks (SPRB) Plus, As Amended

“x x x

“Regulating/Branching Incentives

“x x x

“The branch licensing fees¹ to be waived by the Bangko Sentral shall be equivalent to the amount of capital contribution of the STPI banks to bring the eligible banks’ RBCAR to ten percent (10%). Under Subsec. X151.5, a bank applying for a branch license in cities previously considered as restricted areas as defined under Sec. X151 shall be charged a licensing fee of P20.0 million for UBs/KBs and P15.0 million for TBs. Hence, if an STPI bank’s capital contribution in a TB is P50.0 million, said STPI bank is qualified to establish three (3) branches (P50.0 million/P15.0 million=3.33 branches) in cities previously considered as restricted areas for free.

“As additional premium, STPI UBs/KBs and TBs shall be granted one (1) additional license in cities previously considered as restricted areas while STPI RBs shall be granted one (1) additional branching license in areas outside Metro Manila, for every three (3) distressed banks resolved under the Program.

“In the case of RBs, they can establish branches outside Metro Manila equivalent to the number of branches of the acquired bank/s. Branch processing fee applicable to RBs of P25.0 thousands shall be waived.

“In case the capital contribution of an STPI in the acquired bank is less than the amount of branch licensing fees under Subsec. X151.5, that is, P20.0 million for UBs/KBs and P15.0 million for TBs, the STPI can still avail of one (1) branch license in cities previously considered as restricted area for free.

“x x x”

¹ This is different from the branch processing fees under Subsec. X151.5. Branch processing fees will still be charged from the STPI UBs/KBs and TBs.

“Annex A, Appendix 94b BSP Guidelines on the Grant of Regulatory Relief under the Strengthening Program for Cooperative Banks (SPCB) Plus

“x x x

“For eligible Strategic Third Party Investor (STPI) UKBs and TBs

a. The special branch licensing fees² to be waived by the Bangko Sentral shall be equivalent to the amount of capital contribution of the STPIs to bring the eligible bank’s RBCAR to 10 percent. Under Subsec. X151.5, a bank applying for a branch license in cities previously considered as restricted areas as defined under Sec. X151 shall be charged a licensing fee of P20 million for UBs/KBs and P15 million for TBs. Hence, if an STPI’s capital contribution in a TB is P50 million, said STPI bank is qualified to establish 3 branches (P50 million/P15 million= 3.33 branches) in cities previously considered as restricted areas for free.

“In case the capital contribution of the STPI in the acquired bank is less than the amount of branch licensing fees under Subsec. X151.5, that is, P20 million for UBs/KBs and P15 million for TBs, the STPI can avail of one (1) branch license in cities previously considered as restricted area for free.

“x x x

“For Eligible STPI RBs

a. In the case of RBs, they can establish branches outside Metro Manila equivalent to the number of branches of the acquired bank/s. Branch processing fee applicable to RBs of P25,000 shall be waived.

“x x x

“For All Eligible STPIs

a. As additional premium, STPI UBs/KBs and TBs shall be granted one (1) additional branching license in cities previously considered as restricted areas while STPI RBs shall be granted one (1) additional branching license in areas outside Metro Manila for every three (3) eligible banks resolved under the Program.”

² This is different from the branch processing fees under Subsec. X151.5. Branch processing fees will still be charged from the STPI UBs/KBs and TBs.

Section 7. Effectivity. 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:


AMANDO M. TETANGO, JR.
Governor

16 December 2016