



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 624
Series of 2008

Subject: **AMENDED BRANCHING POLICY AND GUIDELINES**

Pursuant to Monetary Board Resolution Nos. 1350, 223 and 1284 dated 29 November 2007, 21 February 2008 and 2 October 2008, respectively, the provisions of the Manual of Regulations for Banks (MORB) on the **Branching Policy and Guidelines** are hereby amended, as follows:

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

“Sec. X151. Establishment/Relocation/Voluntary Closure/Sale of Branches. The BSP shall promote healthy competition in the banking system and maximize the delivery of efficient banking services especially in underserved areas. Toward this end, the following 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, are hereby issued. The establishment of branches of foreign banks in the Philippines shall continue to be governed by the provisions of Sections X121 and X153 of the MORB.

For purposes of this Section AND ITS SUBSECTIONS, THE FOLLOWING DEFINITIONS SHALL APPLY:

“BRANCH” SHALL REFER TO ANY PERMANENT OFFICE OR PLACE OF BUSINESS IN THE PHILIPPINES OTHER THAN THE HEAD OFFICE WHERE DEPOSITS ARE ACCEPTED AND/OR WITHDRAWALS ARE SERVICED BY TELLERS OR OTHER AUTHORIZED PERSONNEL. IT MAINTAINS A COMPLETE SET OF BOOKS OF ACCOUNTS.

“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

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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.

"OTHER BANKING OFFICE" SHALL REFER TO ANY OFFICE OR PLACE OF BUSINESS IN THE PHILIPPINES OTHER THAN THE HEAD OFFICE, BRANCH OR EXTENSION OFFICE, WHICH PRIMARILY ENGAGES IN BANKING ACTIVITIES OTHER THAN THE ACCEPTANCE OF DEPOSITS AND/OR SERVICING OF WITHDRAWALS THRU TELLERS OR OTHER AUTHORIZED PERSONNEL. IT SHALL INCLUDE LOAN COLLECTION AND DISBURSEMENT POINTS (LCDPs) OF MICROFINANCE-ORIENTED BANKS AND MICROFINANCE/BARANGAY MICRO BUSINESS ENTERPRISE (BMBE)-ORIENTED BRANCHES OF BANKS WHICH MAY ACCEPT DEPOSITS SOLELY FROM EXISTING MICROFINANCE/BMBE BORROWERS: *PROVIDED*, THAT ACCOUNT OPENINGS AND OTHER BANKING TRANSACTIONS OF SAID MICROFINANCE/BMBE BORROWERS SHALL BE DONE ONLY AT THE HEAD OFFICE/ BRANCHES/EXTENSION OFFICES OR THRU AUTOMATED TELLER MACHINES (ATMs), AS MAY BE APPLICABLE.

Subsec. X151.1 Prior Monetary Board approval. No bank operating in the Philippines shall establish branches, EXTENSION OFFICES OR OTHER BANKING OFFICES or transact business outside the premises of its duly authorized principal OR HEAD office without the prior approval of the MONETARY BOARD.

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

1. THE BANK HAS COMPLIED with the minimum capital requirement UNDER SUBSEC. X106.1, BUT NOT LOWER THAN ₱10 MILLION, IN THE CASE OF RBs AND LOCAL COOPERATIVE (COOP) BANKS.
2. The bank's risk-based capital adequacy ratio (CAR) at the time of filing the application is not lower than twelve percent (12%).
3. The bank's CAMELS composite rating in the latest examination is at least "3", with Management component score not lower than "3".
4. The bank has established a risk management system appropriate to its operations, characterized by clear delineation of responsibility for risk management, adequate risk measurement system,

appropriately structured risk limits, effective internal control system and complete, timely and efficient risk reporting system.

5. 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:

- | | |
|---|---------------------------|
| a) No unbooked valuation reserves | as of date of application |
| b) NO DEFICIENCY IN regular and liquidity reserve requirements on deposits and deposit substitutes | 12 weeks |
| c) NO DEFICIENCY IN asset and liquid ASSET cover for EFCDU/FCDU liabilities | 3 months |
| d) COMPLIANT WITH ceilings on loans to DOSRI | 12 WEEKS |
| e) NO DEFICIENCY IN liquidity floor on government deposits | 3 months |
| f) COMPLIANT WITH THE single borrower's loan limit and limit on total investment in real estate and improvements including bank equipment | as of date of application |
| g) No past due obligation with the BSP or with any financial institution | as of date of application |
| h) No float items outstanding in the "Due From/To Head Office/ Branches/Offices" and "Due from BSP" accounts exceeding 1% of the total resources as of end of THE month | 3 months |
| i) No UNCORRECTED findings of unsafe and unsound banking practices | AS OF DATE OF APPLICATION |

- j) HAS ADEQUATE accounting records, systems, procedures and internal control as of date of application
- k) HAS GENERALLY COMPLIED with banking laws, rules and regulations, orders or instructions of the Monetary Board and/or BSP Management as of date of application
- l) Member in good standing of the Philippine Deposit Insurance Corporation (PDIC) as of date of application

6. For purposes of evaluating branch applications, theoretical capital shall be assigned to each branch to be established, including approved but unopened branches, as follows:

Location	(In Millions)		
	UB/KB	TB/National Coop Bank	RB/Local Coop Bank
1) National Capital Region and the Cities of Cebu and Davao	₱ 50	₱ 15	₱ 5
2) 1 st to 3 rd class cities	₱ 25	₱ 5	₱ 2.5
3) 4 th to 6 th class cities	₱ 25	₱ 5	₱ 1.5
4) 1 st to 3 rd class municipalities	₱ 20	₱ 5	₱ 1.0
5) 4 th to 6 th class municipalities	₱ 15	₱ 2.5	₱ 0.5

The assigned theoretical capital shall be deducted from existing qualifying capital, as defined under Subsec. X116.1, for purposes of determining compliance with the ten percent (10%) risk-based CAR.

If the applicant bank's risk-based CAR, after deducting the assigned capital for the proposed branch from the existing qualifying capital, would be less than ten percent (10%), its application shall not be processed unless it infused such amount as may be necessary to maintain its risk-based CAR to at least ten percent (10%).

7. 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.
8. Additional requirements for the establishment of microfinance/BMBE-oriented branches of banks WHICH ARE NOT MICROFINANCE/BMBE-ORIENTED ARE AS FOLLOWS:
 - a) THE BRANCH SHALL HAVE A manual of operations on microfinancing duly approved by the bank's board of directors;
 - b) The branch shall have an adequate loan tracking system that allows daily monitoring of loan releases, collections and arrearages, and any restructuring and refinancing arrangements;
 - c) The branch shall be managed by a person with adequate experience or training in microfinancing activities; and
 - d) At least seventy percent (70%) of the deposits generated by the branch to be established shall be actually lent out to qualified microfinance/BMBE borrowers and the microfinance/BMBE loans of said branch shall at all times be at least fifty percent (50%) of its gross loan portfolio.

For purposes of this Section, a microfinance-oriented branch is a branch that provides financial services and caters primarily to the credit needs of the basic or disadvantaged sectors such as farmer-peasants, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, 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. A BMBE-ORIENTED BRANCH OF A BANK IS A BRANCH THAT CATERS PRIMARILY TO THE CREDIT NEEDS OF BMBEs DULY-REGISTERED UNDER R.A. NO. 9178.

Subsec. X151.3 Application for authority to establish branches. An application for authority to establish a branch shall be signed by the president of the bank or officer of equivalent rank and shall be accompanied by the following information/documents:

1. Business plan detailing the primary banking activities/products and services to be offered; competition analysis to show that its

application will not lead to overbanking in the target market; and financial projections for the first three (3) years of operations showing sustained viability, as may be required by the appropriate department OF THE SUPERVISION AND EXAMINATION SECTOR (SES); *PROVIDED*, THAT NORMALLY OPERATING UBs, KBs AND TBs WITH TOTAL RESOURCES OF ₱ 1 BILLION OR MORE SHALL BE EXEMPT FROM THE FOREGOING REQUIREMENTS. A BANK IS NOT CONSIDERED NORMALLY OPERATING IF IT IS UNDER PROMPT CORRECTIVE ACTION (PCA) OR IS NON-COMPLIANT WITH SUPERVISORY DIRECTIVES DULY CONFIRMED BY THE MONETARY BOARD. In the evaluation of the business plan, due consideration shall be given to banks that are able or are committed to invest or deploy branch resources in their area of operations;

2. Certified true copy of the resolution of the bank's board of directors authorizing the establishment of the branch and indicating its proposed site;
3. Organizational set up of the proposed branch showing the proposed staffing pattern; and
4. Certification/undertaking signed by the president OF THE BANK or OFFICER OF EQUIVALENT RANK that the bank has complied or will comply, as the case maybe, with the prerequisites for the grant of authority to establish a branch under Subsec. X151.2.

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

1. Only one (1) branch application may be submitted at any time except for banks with at least ₱ 100 million COMBINED capital accounts, AS DEFINED UNDER SEC. X106, which may be allowed a maximum of five (5), including approved but unopened branch applications, at any time.
2. Only applications SUBMITTED WITH COMPLETE DOCUMENTARY REQUIREMENTS ENUMERATED IN SUBSEC. X151.3 shall be accepted. Processing shall be on a first-come, first-served basis.
3. Industry/market notice of application for authority to establish a branch shall be posted at the BSP website upon receipt thereof.
4. AS A GENERAL RULE, banks shall be allowed to establish branches anywhere in the Philippines, except in the Cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig, Quezon, and San Juan (RESTRICTED AREAS); *PROVIDED, HOWEVER*, THAT RBs/LOCAL COOP BANKS SHALL NOT BE ALLOWED TO

ESTABLISH BRANCHES IN METRO MANILA: *PROVIDED, FURTHER*, That –

- a) Branches of microfinance-oriented banks and microfinance/BMBE-oriented branches of banks which are not microfinance/BMBE-oriented may be established anywhere, subject to compliance with, AMONG OTHER REQUIREMENTS, the minimum capital requirement under Item “1” of Subsec. X151.2 and the following conditions:
 - i. A microfinance-oriented TB OR RB may BE ALLOWED TO establish a branch in METRO MANILA, INCLUDING IN THE RESTRICTED AREAS, IF it has COMBINED capital ACCOUNTS OF AT LEAST ₱ 325 MILLION, IN CASE OF A TB, OR AT LEAST ₱ 100 MILLION IN CASE OF AN RB.
 - ii. A TB OR RB/LOCAL COOP BANK may be allowed to establish a microfinance/BMBE-oriented branch in METRO MANILA, INCLUDING IN THE RESTRICTED AREAS, IF it HAS COMBINED capital ACCOUNTS OF AT LEAST ₱ 325 MILLION IN CASE OF A TB, OR AT LEAST ₱ 100 MILLION IN CASE OF AN RB/LOCAL COOP BANK.
- b) SUBJECT TO THE SUBMISSION OF THE SPECIFIC BUSINESS PURPOSE FOR ESTABLISHING THE BRANCH, AMONG OTHER JUSTIFICATIONS:
 - i. A TB OR RB WITH HEAD OFFICE LOCATED OUTSIDE THE RESTRICTED AREAS WITH COMBINED CAPITAL ACCOUNTS OF AT LEAST ₱ 500 MILLION MAY BE ALLOWED TO ESTABLISH ONE (1) BRANCH ANYWHERE WITHIN THE RESTRICTED AREAS IF IT HAS NO EXISTING BRANCH/ES IN SAID AREAS; AND
 - ii. AN RB WITH HEAD OFFICE LOCATED OUTSIDE METRO MANILA WITH COMBINED CAPITAL ACCOUNTS OF AT LEAST ₱ 500 MILLION MAY BE ALLOWED TO ESTABLISH ONE (1) BRANCH ANYWHERE IN METRO MANILA, INCLUDING IN THE RESTRICTED AREAS, IF IT HAS NO EXISTING BRANCH/ES IN METRO MANILA.
- c) A TB WITH COMBINED CAPITAL ACCOUNTS OF AT LEAST ₱ 325 MILLION MAY ESTABLISH BRANCHES IN METRO MANILA, EXCEPT IN THE RESTRICTED AREAS.
- d) SUBJECT TO THE RESTRICTIONS IN ITEMS “e”, “f”, “g” AND “h” HEREOF, AN RB WITH COMBINED CAPITAL ACCOUNTS OF AT LEAST ₱ 10 MILLION, MAY ESTABLISH

BRANCHES IN CITIES/MUNICIPALITIES OF HIGHER CLASSIFICATION AND WITH CORRESPONDING HIGHER CAPITALIZATION REQUIREMENTS, EXCEPT IN METRO MANILA: *PROVIDED*, THAT WHERE THE MAJORITY OF THE RB'S TOTAL ASSETS AND/OR MAJORITY OF ITS TOTAL DEPOSIT LIABILITIES ARE REGULARLY ACCOUNTED FOR BY BRANCHES LOCATED IN SUCH CITIES/MUNICIPALITIES OF HIGHER CLASSIFICATION, THE RB SHALL COMPLY WITH THE CAPITALIZATION REQUIREMENT OF THAT CITY/MUNICIPALITY WITHIN ONE (1) YEAR FROM THE BSP FINDING.

- e) AN RB OR a local Coop Bank shall only be allowed to establish branch/es if its COMBINED capital accounts is at least ₱ 10 million.
 - f) AN RB or local Coop Bank with COMBINED capital accounts of at least ₱ 10 million but less than ₱ 50 million may establish branch/es anywhere within two (2)-hour normal travel time by land/sea public transport from the head office, except in METRO MANILA.
 - g) AN RB with COMBINED capital accounts of at least ₱ 50 million but less than ₱ 100 million may establish branch/es in any island group (Luzon, Visayas or Mindanao) where the head office is located, except in METRO MANILA.
 - h) AN RB with at least ₱ 100 million capital accounts may establish branch/es anywhere in the Philippines, except in METRO MANILA UNLESS QUALIFIED UNDER ITEMS "4.a" AND "4. b" ABOVE.
5. A maximum of two (2) BRANCHES shall be allowed in EACH OF THE 4th, 5th, OR 6th class municipalities.
6. 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 fee. Branch processing fee shall be as follows:

- Universal Banks/Commercial Banks/
Affiliated Thrift Banks - ₱ 200,000
- Non-Affiliated Thrift Banks/National
Coop Banks - ₱ 100,000

- Rural Banks/Local Coop Banks - ₱ 25,000
- Microfinance-oriented Banks OR
MICROFINANCE/BMBE-ORIENTED
Branches OF BANKS - ₱ 5,000

Provided, That branches of TBs, RBs and local Coop Banks to be established within the region where the head office is located shall be free from assessment.

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:

1. MINIMUM CAPITAL REQUIREMENT UNDER SUBSEC. X106.1 BUT NOT LOWER THAN ₱ 10 MILLION IN THE CASE OF RBs AND LOCAL COOP BANKS;
2. TEN PERCENT (10%) RISK-BASED CAR;
3. CAMELS COMPOSITE RATING NOT LOWER THAN "3", WITH MANAGEMENT COMPONENT SCORE NOT LOWER THAN "3" IN THE LATEST EXAMINATION OF THE BANK; AND
4. CEILING ON TOTAL INVESTMENTS OF A BANK IN REAL ESTATE AND IMPROVEMENTS THEREON, INCLUDING BANK EQUIPMENT.

THE APPLICATION TO ESTABLISH OTHER BANKING OFFICES SHALL BE SIGNED BY THE PRESIDENT OF THE BANK OR OFFICER OF EQUIVALENT RANK AND SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES TOGETHER WITH THE FOLLOWING DOCUMENTS:

1. CERTIFIED TRUE COPY OF THE RESOLUTION OF THE BANK'S BOARD OF DIRECTORS AUTHORIZING THE ESTABLISHMENT OF THE OTHER BANKING OFFICE AND INDICATING ITS PROPOSED SITE;
2. PURPOSE STATEMENT INDICATING THE BANK'S OBJECTIVE OR REASON FOR ESTABLISHING THE OTHER BANKING OFFICE; AND
3. UNDERTAKING SIGNED BY THE PRESIDENT OF THE BANK OR OFFICER OF EQUIVALENT RANK THAT SAID OTHER BANKING OFFICE SHALL NOT ACCEPT DEPOSITS AND/OR SERVICE WITHDRAWALS THRU TELLERS OR OTHER

AUTHORIZED PERSONNEL. IN THE CASE OF LCDPs OF MICROFINANCE-ORIENTED BANKS AND MICROFINANCE/BMBE-ORIENTED BRANCHES OF BANKS, THE UNDERTAKING SHALL STATE THAT THE LCDP SHALL ACCEPT DEPOSITS THRU TELLERS OR OTHER AUTHORIZED PERSONNEL SOLELY FROM EXISTING MICROFINANCE/BMBE BORROWERS.

OTHER BANKING OFFICES MAY BE ESTABLISHED ONLY IN AREAS WHERE THE BANK IS ALLOWED TO ESTABLISH BRANCHES AS PROVIDED UNDER SUBSEC. X151.4.

Transitory Provision. OTHER BANKING OFFICES EXISTING AS OF THE EFFECTIVITY OF THIS CIRCULAR, WHICH ARE MANNED BY LESS THAN THREE (3) OFFICERS/EMPLOYEES AT ANY TIME, ACCEPTING DEPOSITS THROUGH TELLERS OR OTHER AUTHORIZED PERSONNEL, AND ARE LOCATED IN AREAS WHERE THE BANKS CONCERNED ARE ALLOWED TO ESTABLISH BRANCHES UNDER THE GUIDELINES PRESCRIBED IN THIS SECTION MAY APPLY FOR THE CONVERSION OF THESE OTHER BANKING OFFICES TO BRANCHES OR EXTENSION OFFICES SUBJECT TO COMPLIANCE WITH THE GUIDELINES ON THE ESTABLISHMENT OF BRANCHES, OTHERWISE, THESE OTHER BANKING OFFICES SHALL PHASE-OUT THEIR DEPOSIT OPERATIONS WITHIN ONE (1) YEAR FROM THE DATE OF EFFECTIVITY OF THIS CIRCULAR.

Subsec. X151.7 Date of opening. Approved branches/OTHER BANKING OFFICES 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, SES, subject to the presentation of justification and valid reason for the failure to open THE BRANCH/OTHER BANKING OFFICE within the original six (6)-month period and proof that said branch/OTHER BANKING OFFICE can be opened within the succeeding six (6)-month period.

Subsec. X151.8 Requirements for opening a branch/OTHER BANKING OFFICE. After a bank's application to establish a branch/OTHER BANKING OFFICE has been approved, it may open the same subject to ITS SUBMISSION TO THE APPROPRIATE DEPARTMENT OF THE SES OF the following:

1. WITHIN THIRTY (30) CALENDAR DAYS PRIOR TO THE INTENDED DATE OF OPENING, personal information sheet (bio-data) of the proposed manager and other officers of the branch/OTHER BANKING OFFICE; and

2. WITHIN TEN (10) BANKING DAYS PRIOR TO THE INTENDED DATE OF OPENING, A certification signed by the HEAD of the Branches Department with the rank of a vice president, or its equivalent or by a higher RANKING officer that the installation of the required security devices under ITEM "b" OF Subsec. X171.4 has been complied with.

The bank shall LIKEWISE submit a written notice to the APPROPRIATE DEPARTMENT OF THE SES of the actual date of opening of its branch/OTHER BANKING OFFICE not later than five (5) banking days from such opening, TOGETHER WITH A CERTIFICATION SIGNED BY THE HEAD OF THE BRANCHES DEPARTMENT WITH THE RANK OF A VICE PRESIDENT, OR ITS EQUIVALENT OR BY A HIGHER RANKING OFFICER THAT THE requirements enumerated under Subsec. X151.2/X151.6 have been complied with as of the time of actual opening OF THE BRANCH/OTHER BANKING OFFICE.

A bank that fails to comply with ANY ONE OF THE REQUIREMENTS IN SUBSEC. X151.2/X151.6 AS OF THE DATE OF THE INTENDED OPENING OF THE BRANCH/OTHER BANKING OFFICE SHALL REFRAIN FROM OPENING THE BRANCH/OTHER BANKING OFFICE ON SUCH DATE UNTIL IT HAS COMPLIED WITH ALL OF THE REQUIREMENTS UNDER SUBSEC. X151.2/X151.6: *PROVIDED*, THAT if the branch/OTHER BANKING OFFICE cannot open within six (6) months from the date of THE ORIGINAL approval OF THE ESTABLISHMENT OF SUCH BRANCH/BANKING OFFICE, the provisions of Subsec. X151.7 ON THE FINAL EXTENSION TO OPEN THE BRANCH/OTHER BANKING OFFICE shall be observed.

Subsec. X151.9 Relocation of branches/OTHER BANKING OFFICES. Relocation of EXISTING/OPERATING branches/OTHER BANKING OFFICES shall be allowed without prior MONETARY BOARD approval IN ACCORDANCE WITH THE following PROCEDURES:

1. Notice of relocation SHALL BE SENT to depositors and other creditors, WHERE APPLICABLE, by registered mail or proof of delivery (POD) service of the Philippine Postal Corporation (PhilPost) or other mail couriers, and posters SHALL BE DISPLAYED in conspicuous places in the premises of the BRANCH/OTHER BANKING OFFICE, to be relocated at least three (3) months prior to the relocation: *Provided*, That said notification period may be reduced to forty-five (45) CALENDAR days under any of the following circumstances:
 - a) as an incentive to merger or consolidation of banks;

- b) as an incentive to the purchase or acquisition of majority or all of the outstanding shares of stock of a distressed bank for the purpose of rehabilitating the same; or
 - c) the proposed relocation site is within the same barangay of the branch/OTHER BANKING OFFICE to be RELOCATED.
2. WITHIN five (5) banking days from the date of RELOCATION, A NOTICE OF relocation, together with a certification signed by the head of the Branches Department with the rank of vice president or its equivalent RANK or by a higher ranking officer that the NOTIFICATION requirement under Item "1" above has been complied with shall be submitted to the appropriate DEPARTMENT OF THE SES. The certification shall be accompanied by a certified true copy of the resolution of the bank's board of directors authorizing the relocation.
 3. Branches located in the RESTRICTED AREAS may be relocated anywhere.
 4. Branches located in other areas may be relocated anywhere except in the RESTRICTED AREAS: *Provided*, THAT BRANCHES OF TBs MAY BE RELOCATED IN METRO MANILA BUT OUTSIDE THE RESTRICTED AREAS IF THEY HAVE COMPLIED WITH THE MINIMUM CAPITAL REQUIREMENT FOR TBs WITH HEAD OFFICES IN METRO MANILA: *Provided, further*, That branches of RBs and local Coop Banks may be transferred only in areas where they are allowed to establish branches: *Provided, finally*, That existing branches of RBs and local Coop Banks in cities and municipalities of Metro Manila other than in the RESTRICTED AREAS may be relocated anywhere, except in the RESTRICTED AREAS.
 5. OTHER BANKING OFFICES MAY BE RELOCATED ONLY IN AREAS WHERE THE BANK'S BRANCHES ARE ALLOWED TO BE RELOCATED AS INDICATED IN ITEMS "3" AND "4" ABOVE.

Subsec. X151.10 Voluntary closure/sale of BRANCHES/OTHER BANKING offices.

1. Voluntary closure OF BRANCHES/OTHER BANKING OFFICES.

Voluntary closure of BRANCHES/OTHER BANKING OFFICES may be effected only with prior approval of the MONETARY BOARD IN ACCORDANCE WITH THE FOLLOWING PROCEDURES:

- a) REQUEST FOR MONETARY BOARD APPROVAL OF THE CLOSURE OF BRANCHES/OTHER BANKING OFFICES

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 closure AND STATING THE JUSTIFICATION/REASONS THEREFOR, SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES;

- b) UPON RECEIPT OF THE NOTICE OF MONETARY BOARD APPROVAL BUT at least three (3) months prior to the closure, notice of closure SHALL BE SENT to depositors and other creditors by registered mail or POD service of the PhilPost or other mail couriers, and posters SHALL BE DISPLAYED in conspicuous places in the premises of the BRANCH/OTHER BANKING OFFICE to be closed: *PROVIDED*, THAT SAID NOTIFICATION PERIOD MAY BE REDUCED TO FORTY-FIVE (45) CALENDAR DAYS UNDER ANY OF THE FOLLOWING CIRCUMSTANCES:
 - i. AS AN INCENTIVE TO MERGER OR CONSOLIDATION OF BANKS;
 - ii. AS AN INCENTIVE TO THE PURCHASE OR ACQUISITION OF MAJORITY OR ALL OF THE OUTSTANDING SHARES OF STOCK OF A DISTRESSED BANK FOR THE PURPOSE OF REHABILITATING THE SAME; OR
 - iii. THE PROPOSED RELOCATION SITE IS WITHIN THE SAME BARANGAY OF THE BRANCH/OTHER BANKING OFFICE TO BE RELOCATED; AND
- c) WITHIN FIVE (5) BANKING DAYS FROM DATE OF CLOSURE, A NOTICE OF CLOSURE, TOGETHER WITH a certification signed by the president OF THE BANK or OFFICER OF EQUIVALENT RANK, that the NOTIFICATION requirement in Item "b" above has been complied with, SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES.

TEMPORARY CLOSURE OF BRANCHES/OTHER BANKING OFFICES. TEMPORARY CLOSURE OF BRANCHES/OTHER BANKING OFFICES FOR THE PURPOSE OF UNDERTAKING RENOVATIONS/MAJOR REPAIRS OF BRANCH/OFFICE PREMISES/FACILITIES MAY BE ALLOWED FOR A PERIOD NOT EXCEEDING SIX (6) MONTHS SUBJECT TO THE PRIOR APPROVAL OF THE DEPUTY GOVERNOR, SES, AND COMPLIANCE WITH THE FOLLOWING CONDITIONS:

- a) REQUEST FOR APPROVAL OF THE TEMPORARY CLOSURE OF THE BRANCH/OTHER BANKING OFFICE SIGNED BY THE PRESIDENT OF THE BANK OR OFFICER OF EQUIVALENT RANK SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES, TOGETHER WITH A CERTIFIED TRUE COPY OF THE RESOLUTION OF THE BANK'S BOARD OF DIRECTORS AUTHORIZING SAID CLOSURE AND STATING THE JUSTIFICATION/REASONS THEREFOR. THE REQUEST SHALL INCLUDE INFORMATION AS TO THE TIMETABLE FOR SAID CLOSURE AND THE BRANCH/OTHER BANKING OFFICE THAT WILL HANDLE THE TRANSACTIONS OF THE BRANCH/OTHER BANKING OFFICE TO BE CLOSED;
- b) UPON RECEIPT OF NOTICE OF APPROVAL BY THE DEPUTY GOVERNOR, SES, BUT AT LEAST THREE (3) MONTHS PRIOR TO THE INTENDED DATE OF CLOSURE, NOTICE OF TEMPORARY CLOSURE SHALL BE SENT TO DEPOSITORS AND OTHER CREDITORS, WHERE APPLICABLE, BY REGISTERED MAIL OR POD SERVICE OF THE PHILPOST OR OTHER MAIL COURIERS, AND POSTERS SHALL BE DISPLAYED IN CONSPICUOUS PLACES IN THE PREMISES OF THE BRANCH/OTHER BANKING OFFICE TO BE CLOSED. INFORMATION AS TO THE DURATION OF SAID CLOSURE AND THE ADDRESS OF THE BRANCH/BANKING OFFICE THAT WILL HANDLE THE TRANSACTIONS OF THE BRANCH/OTHER BANKING OFFICE TO BE CLOSED SHALL BE INDICATED IN THE SAID NOTICE/POSTERS;
- c) THE TRANSACTIONS OF THE BRANCH/OTHER BANKING OFFICE TO BE CLOSED SHALL BE HANDLED BY THE BRANCH/OTHER BANKING OFFICE NEAREST TO THE BRANCH/OTHER BANKING OFFICE TO BE CLOSED;
- d) WITHIN FIVE (5) BANKING DAYS AFTER THE DATE OF CLOSURE, A NOTICE OF SUCH CLOSURE SIGNED BY THE HEAD OF THE BRANCHES DEPARTMENT WITH THE RANK OF A VICE PRESIDENT, OR ITS EQUIVALENT OR BY A HIGHER RANKING OFFICER TOGETHER WITH A CERTIFICATION THAT THE NOTIFICATION REQUIREMENT UNDER ITEM "b" ABOVE HAS BEEN COMPLIED WITH SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES.
- e) WITHIN FIVE (5) BANKING DAYS AFTER RE-OPENING OF THE BRANCH/OTHER BANKING OFFICE, NOTICE OF SUCH RE-OPENING SIGNED BY THE HEAD OF THE BRANCHES

DEPARTMENT WITH THE RANK OF A VICE PRESIDENT, OR ITS EQUIVALENT OR BY A HIGHER RANKING OFFICER SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES.

2. Sale of Branches/OTHER BANKING OFFICES.

Sale of branches/OTHER BANKING OFFICES may be allowed with prior approval of the Monetary Board IN ACCORDANCE WITH THE FOLLOWING PROCEDURES:

- a) IN THE CASE OF SALE OF BRANCHES, the selling and acquiring banks shall secure the prior written consent of the PDIC in the transfer of assets and assumption of liabilities as provided under Section 21 of the PDIC Charter (R.A. No. 3591), as amended by R. A. No. 9302;
- b) REQUEST FOR MONETARY BOARD APPROVAL to close the branches/OTHER BANKING OFFICES to be sold 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 SALE SHALL BE SUBMITTED BY THE SELLING BANK TO THE APPROPRIATE DEPARTMENT OF THE SES;
- c) UPON RECEIPT OF THE NOTICE OF MONETARY BOARD APPROVAL BUT at least three (3) months prior to the closure, notice of sale SHALL BE SENT to depositors and other creditors, WHERE APPLICABLE, by registered mail or POD service of the PhilPost or other mail couriers, and posters SHALL BE DISPLAYED in conspicuous places in the premises of the BRANCH/OTHER BANKING OFFICE TO BE SOLD: *Provided*, That said notification period may be reduced to forty-five (45) CALENDAR days when there is no actual closure or disruption of operations. Depositors shall likewise be informed of their option to withdraw their deposits or to maintain the same with the acquiring bank;
- d) WITHIN FIVE (5) banking days from the date of closure, A NOTICE OF CLOSURE, TOGETHER WITH a certification signed by THE president OF THE BANK or OFFICER OF EQUIVALENT RANK that the NOTIFICATION requirement under Item "c" above has been complied WITH, SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES;
- e) 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:

- i. MINIMUM CAPITAL REQUIREMENT UNDER SUBSEC. X106.1 BUT NOT LOWER THAN ₱ 10 MILLION IN THE CASE OF RBs AND LOCAL COOP BANKS;
- ii. TEN PERCENT (10%) RISK-BASED CAR;
- iii. CAMELS COMPOSITE RATING NOT LOWER THAN "3", WITH MANAGEMENT COMPONENT SCORE NOT LOWER THAN "3" IN THE LATEST EXAMINATION OF THE BANK; AND
- iv. CEILING ON TOTAL INVESTMENTS OF A BANK IN REAL ESTATE AND IMPROVEMENTS THEREON, INCLUDING BANK EQUIPMENT.

A UB, KB OR TB MAY PURCHASE/ACQUIRE BRANCHES/OTHER BANKING OFFICES ANYWHERE, INCLUDING IN METRO MANILA AND IN THE RESTRICTED AREAS: *PROVIDED*, THAT A TB MAY PURCHASE/ACQUIRE BRANCHES/OTHER BANKING OFFICES IN METRO MANILA, INCLUDING IN THE RESTRICTED AREAS, IF IT HAS COMBINED CAPITAL ACCOUNTS OF AT LEAST ₱ 325 MILLION; *PROVIDED, FURTHER*, THAT AN RB/LOCAL COOP BANK MAY PURCHASE/ACQUIRE BRANCHES/OTHER BANKING OFFICES ONLY IN AREAS WHERE IT IS ALLOWED TO ESTABLISH BRANCHES/OTHER BANKING OFFICES AS PROVIDED UNDER SUBSEC. X151.4.

- f) The acquiring bank shall pay a licensing fee per BRANCH/OTHER BANKING OFFICE ACQUIRED, as follows:

Type of <u>Acquiring Bank</u>	LOCATION OF BRANCH/OTHER BANKING OFFICE TO BE ACQUIRED	
	<u>Within Metro Manila</u>	<u>Outside Metro Manila</u>
Universal Banks/ Commercial Banks	₱ 1 million	₱ 500,000
Thrift Banks	₱ 500,000	₱ 250,000

- g) WITHIN THIRTY (30) CALENDAR DAYS PRIOR TO THE INTENDED DATE OF OPENING OF THE ACQUIRED BRANCH/OTHER BANKING OFFICE, THE PERSONAL INFORMATION SHEET (BIO-DATA) OF THE PROPOSED MANAGER AND OTHER OFFICERS OF THE BRANCH/OTHER BANKING OFFICE SHALL BE SUBMITTED BY THE ACQUIRING BANK TO THE APPROPRIATE DEPARTMENT OF THE SES; AND
- h) WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF OPENING OF THE ACQUIRED BRANCH/OTHER BANKING OFFICE, A WRITTEN NOTICE OF SUCH OPENING SIGNED BY THE HEAD OF BRANCHES DEPARTMENT WITH THE RANK OF VICE PRESIDENT OR ITS EQUIVALENT RANK OR BY A HIGHER RANKING OFFICER SHALL BE SUBMITTED BY THE ACQUIRING BANK TO THE APPROPRIATE DEPARTMENT OF THE SES.

Subsec. X151.11 Relocation/Transfer of branch licenses of closed banks. Buyers of closed banks shall be allowed to relocate/transfer acquired branches subject to the conditions stated under Items "3" and "4" of Subsec. X151.9.

Subsec. X151.12 Sanctions.

1. Any violation of the provisions of THIS SECTION shall be a ground for the cancellation of the franchise and closure of any branch/OTHER BANKING OFFICE established hereunder without prejudice to the imposition of the applicable criminal and administrative sanctions prescribed under Sections 36 and 37, respectively, of R.A. No. 7653.
2. If any part of ANY certification submitted by the bank as required in this Section is found to be false, the following sanctions shall be imposed:
 - a) *On the bank.* Suspension for one (1) year of the privilege to establish and/or open approved BRANCHES/OTHER BANKING OFFICES, AND/OR RELOCATE BRANCHES/OTHER BANKING OFFICES.
 - b) *On the certifying officer.* A fine of ₱ 5,000 per day (₱ 200 per day for RBs/Coop Banks) from the time the certification was made up to the time the certification was found to be false for each BRANCH/OTHER BANKING OFFICE

opened, RELOCATED, closed OR SOLD without prejudice to the sanctions under Section 35 of R. A. No. 7653.”

Section 2. Section X152 on relocation/transfer of head offices is hereby amended to read as follows:

“Section 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:

1. REQUEST FOR MONETARY BOARD APPROVAL OF THE RELOCATION OF THE BANK’S HEAD OFFICE SIGNED BY THE PRESIDENT OF THE BANK OR OFFICER OF EQUIVALENT RANK SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES TOGETHER WITH THE FOLLOWING DOCUMENTARY REQUIREMENTS:
 - a) A CERTIFIED TRUE COPY OF THE RESOLUTION OF THE BANK’S BOARD OF DIRECTORS AUTHORIZING THE PROPOSED RELOCATION/TRANSFER OF THE HEAD OFFICE, AND STATING THE JUSTIFICATION/ REASONS THEREFOR;
 - b) A CERTIFIED TRUE COPY OF THE STOCKHOLDERS’ RESOLUTION AUTHORIZING THE AMENDMENT OF THE ARTICLES OF INCORPORATION OF THE BANK;
 - c) DESCRIPTION OF THE BUILDING AND/OR PLACE OF RELOCATION, MANNER OF OCCUPANCY, I.E., WHETHER LEASE OR PURCHASE, ESTIMATE OF THE TOTAL COSTS TO BE INCURRED IN CONNECTION WITH THE TRANSFER, AND THE PROPOSED TIMETABLE FOR SUCH RELOCATION; AND
 - d) PLAN FOR THE DISPOSITION OF THE ORIGINAL SITE.
2. UPON RECEIPT OF THE NOTICE OF MONETARY BOARD APPROVAL BUT AT LEAST THREE (3) MONTHS PRIOR TO THE RELOCATION, NOTICE OF RELOCATION SHALL BE SENT TO DEPOSITORS AND OTHER CREDITORS BY REGISTERED MAIL OR POD SERVICE OF THE PHILPOST OR OTHER MAIL COURIERS, AND POSTERS SHALL BE DISPLAYED IN CONSPICUOUS PLACES IN THE PREMISES OF THE HEAD OFFICE TO BE RELOCATED: *PROVIDED*, THAT SAID NOTIFICATION PERIOD MAY BE REDUCED TO FORTY-FIVE (45) CALENDAR DAYS UNDER ANY OF THE FOLLOWING CIRCUMSTANCES:

- a) AS AN INCENTIVE TO MERGER OR CONSOLIDATION OF BANKS;
 - b) AS AN INCENTIVE TO THE PURCHASE OR ACQUISITION OF MAJORITY OR ALL OF THE OUTSTANDING SHARES OF STOCK OF A DISTRESSED BANK FOR THE PURPOSE OF REHABILITATING THE SAME; OR
 - c) THE PROPOSED RELOCATION SITE IS WITHIN THE SAME MUNICIPALITY/CITY OF THE HEAD OFFICE TO BE RELOCATED.
3. WITHIN FIVE (5) BANKING DAYS FROM THE DATE OF RELOCATION, A NOTICE OF RELOCATION TOGETHER WITH A CERTIFICATION SIGNED BY THE PRESIDENT OF THE BANK OR OFFICER OF EQUIVALENT RANK THAT THE NOTIFICATION REQUIREMENT UNDER ITEM "2" ABOVE HAS BEEN COMPLIED WITH SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES.

A BANK'S HEAD OFFICE MAY BE RELOCATED ONLY IN AREAS WHERE THE BANK MAY BE AUTHORIZED TO ESTABLISH BRANCHES AS PROVIDED IN SUBSEC. X151.4.

THE EXECUTIVE OFFICES OF A BANK SHALL NOT BE SEPARATED FROM THE HEAD OFFICE, I.E., THESE SHALL BE LOCATED WHERE THE BANK'S HEAD OFFICE IS LOCATED.

RELOCATION OF ANY OTHER DEPARTMENT/UNIT OF THE BANK NOT PERFORMING FRONT-OFFICE OPERATIONS, I.E., NOT DEALING WITH THE BANKING PUBLIC, SHALL NOT REQUIRE PRIOR MONETARY BOARD APPROVAL: *PROVIDED, HOWEVER,* THAT WITHIN FIVE (5) BANKING DAYS FROM DATE OF RELOCATION, A NOTICE OF RELOCATION SIGNED BY A VICE PRESIDENT OR OFFICER OF EQUIVALENT RANK OR BY A HIGHER RANKING OFFICER, TOGETHER WITH A CERTIFIED TRUE COPY OF THE RESOLUTION OF THE BANK'S BOARD OF DIRECTORS AUTHORIZING THE RELOCATION, SHALL BE SUBMITTED TO THE APPROPRIATE DEPARTMENT OF THE SES.

Section 3. The first paragraph of Subsec. X102.2 of the MORB is hereby amended to read as follows:

"Subsec. X102.2 Partial lifting of general moratorium on the licensing of new thrift banks and rural banks. The general moratorium on the licensing of new TBs and RBs is partially lifted to allow the entry of microfinance-oriented banks.

FOR THIS PURPOSE, 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 FARMER-PEASANTS, ARTISANAL FISHERFOLK, WORKERS IN THE FORMAL SECTOR AND MIGRANT WORKERS, WORKERS IN THE INFORMAL SECTOR, 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. Microfinance-oriented banks may be established on a very selective basis, preferably in places not fully served by existing RBs x x x

xxx xxx xxx"

Section 4. Repealing Clause. The provision/s of the MORB and existing circulars/regulations which are inconsistent with the provisions of this Circular are hereby repealed and/or amended accordingly.

Section 5. 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:


NESTOR A. ESPENILLA, JR.
Officer-in-Charge

13 October 2008