

374 INVESTMENTS IN VENTURE CAPITAL CORPORATIONS

The following rules and regulations shall implement Presidential Decree No. 1688 entitled “Authorizing Banks to Invest in the Equity of Venture Capital Corporations (VCCs) to Assist Small and Medium- Scale Enterprises”.

For purposes of this Section, a VCC shall refer to an entity organized jointly by private banks, the National Development Corporation and the Technology Livelihood and Resource Center and/or such other government agency as may be authorized by the appropriate authority, the primary purpose of which is to develop, promote and assist, thru debt or equity financing or any other means, any small and medium- scale enterprise in the country.

Requirements for investors. Banks may invest in a VCC organized to assist small and medium-scale enterprises, subject to the following conditions:

- a. The bank shall have a minimum capital of P100.0 million as defined in Sec. 121;
- b. Two (2) or more banks may own up to sixty percent (60%) of the total voting equity and of the total equity of a VCC. A bank shall not be allowed to invest in the equity of more than one VCC;
- c. The initial paid-in capital of VCC shall not exceed P5.0 million. Any subsequent increase in paid-in capital of the VCC in which a bank owns equity shall be subject to prior approval of the Monetary Board;
- d. Loans which the investor-bank may grant to a VCC shall be limited to such amounts as would enable the VCC to promote equity financing to viable small and medium scale enterprise: *Provided, however,* That unless otherwise authorized by the Monetary Board, the aggregate outstanding loans of such bank to a VCC shall not exceed twice the amount of its equity investment in the VCC: *Provided, further,* That loans to the VCC, or the small and medium-scale enterprises shall not be subject to the ceilings on DOSRI, except where bank DOSRI are likewise stockholders in the VCC or in the small and medium-scale enterprise;
- e. The combined equity investments in, and loans of, the bank to its VCC shall not exceed fifteen percent (15%) of the bank’s net worth; and
- f. The aggregate investments in equities by a bank, including equity investments in a VCC, shall not exceed the prescribed ceilings under Sec. 378 on other limitations and restrictions.

The guidelines in determining compliance with ceilings on equity investments in a VCC are shown in

Appendix 84.

Banks with acquired shares of stock of VCCs in excess of limits provided in this Section which have not been previously confirmed by the Monetary Board shall seek confirmation of the Monetary Board of such acquisition not later than ninety (90) banking days from 20 December 2009: *Provided*, That said confirmation shall be subject, among others, to the condition that such shares of stock shall be disposed of within a reasonable period not to exceed five (5) years from the date of acquisition thereof.

Equity investments of venture capital corporations. Equity investment of a VCC in small and medium-scale enterprises shall be subject to the following conditions:

- a. Equity financing by a VCC may be extended to a small and medium-scale enterprise engaged in an industry certified as desirable by the Department of Trade and Industry; and
- b. The total assets of the enterprises shall not exceed P4.0 million, including the VCC's equity investment. Should the total assets of the small and medium-scale enterprise subsequently exceed the prescribed P4.0 million maximum, the VCC equity investment therein made before the total assets of the enterprise exceeded P4.0 million, may be maintained but shall not be increased.

Business name of venture capital corporations. A VCC shall be known by any name not otherwise appropriated: *Provided, however*, That the words "venture capital corporation" are made a part thereof.

Reportorial requirements; examination by Bangko Sentral. A VCC in which a bank owns equity shall be subject to Bangko Sentral reportorial requirements prescribed for non-bank financial intermediaries and may be subject to examination by the Bangko Sentral.

Interlocking directorships and/or officerships. Subject to prior approval of the Monetary Board, a person may concurrently hold the position of a director or officer in a bank and a VCC.