

## 377 INVESTMENTS IN SUBSIDIARIES AND AFFILIATES ABROAD

The establishment or acquisition of subsidiaries or affiliates abroad shall require prior approval of the Bangko Sentral.

**Application for authority to establish or acquire subsidiaries and affiliates abroad.** The application for such authority shall be signed by the president of the bank and shall be accompanied, as a minimum, by the following information/ documents:

- a. Certified true copy of the resolution of the bank's board of directors authorizing the establishment or acquisition of a subsidiary or an affiliate abroad;
- b. Economic justification for such establishment, indicating the services to be offered, the minimum outlay for furniture, fixture and equipment, rental and other expenses;
- c. A certification that an application for such establishment has been filed with the appropriate government agency of the host country;
- d. Organizational set-up of the proposed banking office showing the proposed positions and the names, qualifications and experience of the proposed manager and other officers; and
- e. Certification signed by the president or the executive vice-president that the bank has complied with all the requirements enumerated below.

**Requirements for establishing subsidiaries or affiliates abroad.** In addition to the standard pre-qualification requirements for the grant of banking authorities in *Appendix 5*, the applicant bank shall comply with the following:

- a. The citizenship, ownership ceilings and other limitations on voting stockholdings in banks under existing law and regulations; and
- b. The experience and expertise in international banking operations with proof to the effect that:
  - (1) It must have conducted international banking for at least three (3) years prior to the date of application; and
  - (2) Its international banking operations must have contributed a substantial portion to its total earnings.

**Conditions for approval of application.** The approval of the application to establish or acquire a subsidiary of an affiliate abroad shall be subject to the following conditions:

- a. Without prejudice to the qualification requirements of the country where the subsidiary or the affiliate is to be established, the proposed officer(s), at the time of appointment, must be at least:

- (1) Twenty-five (25) years of age;
  - (2) A college graduate, preferably with training and experience abroad;
  - (3) With three (3) years experience in international banking; and
  - (4) Must not be disqualified as an officer under existing regulations.
- b. The applicant shall also comply with the licensing requirements of the host country and the necessary license to operate shall be secured from the appropriate government agency of the host country;
  - c. The outward investment representing initial capital outlay and other outlays shall be subject to existing regulations;
  - d. All dividends earned shall be inwardly remitted to the Philippines no later than sixty (60) days after the date of payment. For purposes of this Section, re-investment of said dividend proceeds or deposits/placements thereof in accounts of the investor banks with foreign correspondent banks abroad shall be deemed compliance with the requirements of this Section;
  - e. The proposed subsidiary or affiliate shall submit the reports required by the Bangko Sentral;
  - f. The proposed subsidiary or affiliate shall not carry any of the business of a bank contemplated within the context of the Philippine banking system;
  - g. The proposed subsidiary or affiliate shall not engage in stock trading activity;
  - h. The applicant shall submit a certification from the host country that the duly authorized personnel/examiners of the Bangko Sentral will be authorized to examine the proposed subsidiary or affiliate; and
  - i. The applicant shall defray the necessary cost and expenses to be incurred by the appropriate supervising department of the Bangko Sentral in the examination of the foreign subsidiary.

**Investment of a bank subsidiary in a foreign subsidiary.** The following guidelines shall govern the investment in a foreign subsidiary by a bank subsidiary:

- a. The investment of a bank subsidiary in the equity of a subsidiary located abroad shall be subject to prior Bangko Sentral approval;
- b. The bank subsidiary may invest in a subsidiary if it meets the following pre-qualification requirements:

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- (1) It has complied with the minimum capital requirement of the host country;
  - (2) It has booked the required allowance for credit losses and other capital adjustments, if any; and
  - (3) Its operations in the preceding three (3) years were profitable; otherwise, the feasibility study on the proposed subsidiary should show profits in the first two (2) years of operations.
- c. The application for authority of a bank subsidiary shall be accompanied by the following:
- (1) Certified true copy of the resolution authorizing the investment by the board of directors of the parent bank and the bank subsidiary;
  - (2) Feasibility studies on the proposed subsidiary indicating, among others, the economic justification, the type of industry and organizational expenses to be incurred, including the capital expenditures; and
  - (3) Proposed organizational structures, including the proposed officers and their qualifications.
- d. The applicant parent subsidiary shall comply with the licensing requirements of the host country and the necessary license to operate shall be secured from the appropriate government agency of the host country;
- e. The proposed subsidiary may invest in another subsidiary with prior approval of the Bangko Sentral;
- f. Any outward investment representing initial capital and other outlays shall be subject to existing regulations;
- g. At least fifty percent (50%) of the yearly net profits of the proposed subsidiary shall be declared and paid as cash dividends to the parent subsidiary;
- h. The proposed subsidiary shall be subject to -
- (1) the applicable reportorial requirements such as the submission of quarterly Statement of Condition (SOC) and Statement of Income and Expenses (SIE); and
  - (2) the supervision and examination by the Bangko Sentral and the cost of such examination shall be charged against the grandparent bank; and
- i. Any additional funding or advances of the parent bank in the Philippines to its subsidiaries abroad or the subsidiary will require prior Bangko Sentral approval.