

GUIDELINES FOR THE ISSUANCE OF A UNIVERSAL BANKING AUTHORITY ***(Appendix to Sec. 102 on Prerequisites for the Grant of a Universal Banking Authority)***

I. QUALIFICATION REQUIREMENTS

A. Minimum Capital Required

A KB applying for a universal banking (UB) authority shall have capital equivalent to at least the amount prescribed by the Monetary Board for UBs. The term *capital* shall have the same meaning as defined in Sec. 121 prescribing the required minimum capitalization for each bank category.

The merger or consolidation of banks, or that of a bank and an investment house as a means of meeting the minimum capitalization requirement for a UB is encouraged. The revaluation of the premises, improvements and equipment of the institutions involved in a merger or consolidation may be allowed under Sec. 104.

B. Financial Resources, Past Performance and General Compliance with Banking Laws and Regulations

1. Applicant bank shall not have incurred any deficiency in the minimum capital to risk assets ratio prescribed by the Monetary Board pursuant to Section 34 of R.A. No. 8791 for the year preceding the filing of application. It shall have sufficient valuation reserves to cover estimated losses.
2. Applicant bank shall not have incurred net deficiencies in its reserves against deposit and deposit substitute liabilities for the three (3)-month period immediately preceding the filing of application. In addition, applicant bank's liquidity ratios such as primary reserves to deposit liabilities and primary and secondary reserves to deposit and demand liabilities shall at least be equal to the averages of the UB sector as of the end of the quarter immediately preceding the date of application.
3. Applicant bank shall show profitable operations for the past calendar year immediately preceding the filing of application. Its ratio of net earnings to average capital accounts should indicate satisfactory returns on stockholders' investments.
4. Applicant bank has substantially complied with banking laws or orders, instructions, or regulations issued by the Monetary Board or orders, instructions, or rulings by the Governor. Major/important exceptions and findings by Bangko Sentral examiners have been corrected or

satisfactorily explained.

C. Banking Facilities, Managerial Capability, Competence, Experience and Integrity of Directors, Principal Officers and Key Personnel

1. The applicant bank shall manifest adequate banking facilities and managerial capability in commercial banking operations as shown by, among other things, its branch network, subsidiaries and allied undertakings, FCDU/EFCDU and foreign trade transactions, participation in syndicated lending, trust services, etc.
2. The applicant bank shall indicate in the application those officers and key personnel having the appropriate training and/or experience in investment banking and related functions are available/ obtainable by the bank.

The application shall be supported by the updated bio-data of the bank's directors and principal officers, including the officers and key personnel who will handle the investment banking and related functions.

II. FEASIBILITY STUDY

The applicant bank shall submit a feasibility study, which shall include, in addition to the usual content of such study, the following information:

A. Capitalization and Ownership

1. A schedule showing the computation of the applicant bank's capital accounts taking into consideration capital as defined under Sec. 121 and, if applicable, the merger or consolidation scheme to meet the capitalization requirement as allowed under Sec. 104.
2. A list of direct and indirect loans to DOSRI which are unsecured, indicating the original amount, date granted, outstanding balance and classification (i.e., whether current or past due) of each DOSRI loan.
3. A summary of holdings of stockholders classified as to citizenship and family/business group indicating the number of shares subscribed in the applicant bank and the corresponding percentage of each shareholding to total shareholdings.
4. A list of individual stockholders grouped according to family/business group, indicating the TIN, citizenship, type of shares held (whether voting or non-voting, common or preferred), number

of shares subscribed and percentage of holdings to total of each shareholder.

5. A list of individual stockholders in the applicant bank with equity investment in other financial institutions, indicating the type and number of shares held in the other institution and the corresponding percentage of holdings to total of each shareholder.

B. Organization and Management

1. The names of the members of the board of directors and principal officers of the applicant bank.
2. The proposed organization chart of the department within the applicant bank that will be responsible for the investment banking functions, indicating the designation of officers and other key positions and the names of persons proposed for appointment to those positions.

C. Financial Capability and Previous Year's Operation

A brief discussion of the applicant bank's general financial condition, operating performance, solvency and liquidity position, supported by appropriate financial ratios as seen from the latest condensed balance sheet and income statement. The discussion shall include major banking activities, exposure concentrations (in terms of top borrowers and major industries), equity and credit exposures in subsidiaries and affiliates, and other significant information.

D. Corporate Strategy

1. The statement of corporate strategy of the proposed UB, its immediate and long-term goals and objectives.
2. The lending program and special policies lined up for the first five (5) years including details on guidelines and standards to be established on exposure limits, portfolio diversification, collateral requirements, geographical expansion, assistance to pioneer and priority areas of economic activities and relationship with clients.
3. The investment policies and programs to be implemented within the first five (5) years of operation including broad categories of undertakings in which the proposed UB will invest, the portfolio mix to be observed, the extent of control over subscribed capital stock and voting stock to be exercised in the financial allied undertakings, QBs and non-financial allied undertakings.

4. The fund generation program for the first five (5) years of operation to support the expansion in loans and investments.
5. The quarterly underwriting program for one (1) year stating industry of issuer, the volume of underwriting business classified into equity and debt, public offering and private placement and other information.

E. Financial Projections

1. The detailed statement of underlying assumptions made in projecting the financial statements and ratios.
2. The detailed projected statement of income and expenses for the first five (5) years of operation.
3. The projected operating ratios for the first five (5) years of operation.
4. The actual statement of condition of applicant bank at month-end before filing of application and the projected statement of condition as of the first five (5) years-end of operation.
5. The projected balance sheet ratios as of the first five (5) years-end of operation.
6. The projected funds flow for the first five (5) years of operation.

III. PUBLIC OFFERING AND LISTING OF BANK SHARES

A domestic bank applying for a UB authority shall cause the public offering and listing of its shares under the following terms and conditions:

1. The shares to be publicly offered may be voting or non-voting shares and may come from the bank's existing authorized and unsubscribed stock or from an increase in its authorized capital stock: Provided, That in the case of an applicant bank whose authorized capital has been fully subscribed and paid-up and that bank does not intend to increase its authorized capital stock, the shares to be publicly offered may come from existing stockholders who may be willing to divest themselves of such holdings.
2. The offering bank shall accept offers to buy or invest in its publicly offered shares of stock from new investors or from existing stockholders whose stockholdings, together with those of their relatives within the fourth degree of consanguinity or affinity or of firms, partnerships,

corporations or associations, at least a majority of the voting stock of which are owned by such stockholders, constitute less than twenty percent (20%) of the bank's subscribed capital stock. The bank's articles of incorporation shall have an explicit provision stating that existing stockholders who are disqualified under these rules shall waive their pre-emptive rights to the additional shares to be publicly offered unless the articles of incorporation already provide that such stockholders do not have pre-emptive rights. The waiver may be limited to three (3) months after which period the disqualified stockholders may purchase shares from the unsubscribed/unsold publicly offered shares.

The publicly offered shares of stock shall be sold to at least twenty-one (21) qualified buyers or group of buyers but the total shares of stock which may be purchased by any qualified buyer or group of buyers shall not exceed ten percent (10%) of the publicly offered shares of stock.

Buyers of publicly offered shares shall in no case exceed the ownership ceilings under Sections 11, 12, and 13 of R.A. No. 8791 and Section 2 of R.A. No. 7721.

3. The bank shall fix the price of the shares of stock. In the case of subscribed and fully paid-up shares which shareholders are willing to divest, the price shall be set by agreement of the parties.
4. The offering bank shall submit to the appropriate supervising and examining department for evaluation, a prospectus containing the following minimum information:
 - (a) Name and address of issuing bank;
 - (b) A brief history of the bank's operations and a description of its premises and facilities;
 - (c) The current authorized capital stock and the stock offered for subscription/sale to the public indicating the classes of stock and the amount for each class presented in tabular form;
 - (d) Features of the offer:
 - (i) The number and amount of each class of stock offered;
 - (ii) The per share and aggregate offering price of each class of stock and the per share and aggregate proceeds to be received by the bank;
 - (iii) The proposed means of distribution;
 - (iv) Specific terms of the offer (minimum subscription, payment terms, etc.); and
 - (v) The expiry date of the offer.
 - (e) Audited statements of condition (format similar to published statement of condition) and

earnings and expenses for the last three (3) calendar years; *Provided*, That banks in operation for less than three (3) years shall disclose their audited financial statements from the start of operations to the year last ended;

- (f) Names and addresses of all directors and principal officers and their respective designations, and stock options and other similar plans for directors and officers; and
 - (g) A list of stockholders owning ten percent (10%) or more of the subscribed capital stock, the number of shares held by each, whether voting or non-voting, and the par value of such shares. The list shall likewise show the ratio of subscribed capital stock held by directors and principal officers to the authorized capital stock; the ratio of the publicly offered shares of stock to the authorized capital stock, the citizenship and family groupings of stockholders with their corresponding percentage of ownership.
5. The bank shall cause the publication of the public offering in a newspaper of general circulation at least twice within a period of one (1) month prior to the offering.
 6. The provisions of the guidelines on public offering shall be deemed substantially complied with if the bank causes its shares of stock to be publicly offered in the manner and under the conditions herein prescribed for a period of three (3) months. In cases where there are no buyers willing and/or qualified to purchase or invest in the shares of stock being publicly offered within said period, the bank, after written notice to the appropriate supervising and examining department of the Bangko Sentral, may sell said shares to its existing stockholders, subject to the limitations on equity holdings prescribed by law and regulations.

The requirements of public offering and listing shall be complied with by all applicant banks including those that are able to meet the prescribed minimum capital requirement on their own or through merger/consolidation with other banks or non-bank financial intermediaries.