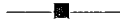


S. No. 2159  
H. No. 3984

Republic of the Philippines  
Congress of the Philippines  
Metro Manila  
Sixteenth Congress  
First Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day  
of July, two thousand thirteen.



[ REPUBLIC ACT NO. **10641** ]

AN ACT ALLOWING THE FULL ENTRY OF FOREIGN  
BANKS IN THE PHILIPPINES, AMENDING FOR THE  
PURPOSE REPUBLIC ACT NO. 7721

*Be it enacted by the Senate and House of Representatives of the  
Philippines in Congress assembled:*

SECTION 1. Section 2 of Republic Act No. 7721 is hereby  
amended to read as follows:

“SEC. 2. *Modes of Entry.* – The Monetary Board  
may authorize foreign banks to operate in the  
Philippine banking system through any one of the  
following modes of entry: (i) by acquiring, purchasing  
or owning up to one hundred percent (100%) of the  
voting stock of an existing bank; (ii) by investing in  
up to one hundred percent (100%) of the voting stock

of a new banking subsidiary incorporated under the laws of the Philippines; or (iii) by establishing branches with full banking authority.”

SEC. 2. Section 3 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 3. *Guidelines for Approval.* - In approving entry applications of foreign banks, the Monetary Board shall: (i) ensure geographic representation and complementation; (ii) consider strategic trade and investment relationships between the Philippines and the country of incorporation of the foreign bank; (iii) study the demonstrated capacity, global reputation for financial innovations and stability in a competitive environment of the applicant; (iv) see to it that reciprocity rights are enjoyed by Philippine banks in the applicant's country; and (v) consider willingness to fully share their technology.

“Only established, reputable and financially sound foreign banks shall be allowed entry in accordance with Section 2 of this Act. The foreign bank applicant must be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin.

“In the exercise of this authority, the Monetary Board shall adopt such measures as may be necessary to ensure that the control of at least sixty percent (60%) of the resources or assets of the entire banking system is held by domestic banks which are majority-owned by Filipinos.”

SEC. 3. Section 4 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 4. *Capital Requirements.* - (i) *For Locally Incorporated Subsidiaries* - The minimum capital required for locally incorporated subsidiaries of foreign banks shall be equal to that prescribed by the Monetary Board for domestic banks of the same category.

“(ii) *For Foreign Bank Branches* - Foreign banks that shall be authorized to establish branches pursuant to Section 2(iii) of this Act shall permanently assign capital of an amount not less than the minimum capital required for domestic banks of the same category. The permanently assigned capital shall be inwardly remitted and converted into Philippine currency.

“The foreign bank branch may open up to five (5) sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks pursuant to Section 2(ii) of this Act shall have the same branching privileges as domestic banks of the same category.”

SEC. 4. Section 6 of Republic Act No. 7721 is hereby repealed.

SEC. 5. Section 8 of Republic Act No. 7721 is hereby amended to read as follows:

“SEC. 8. *Equal Treatment.* - Foreign banks authorized to operate under Section 2 of this Act, shall perform the same functions, enjoy the same privileges, and be subject to the same limitations imposed upon a Philippine bank of the same category. The single borrower's limit of a foreign bank branch shall be aligned with that of a domestic bank.

“The foreign banks shall guarantee the observance of the rights of their employees under the Constitution.

“Any right, privilege or incentive granted to foreign banks or their subsidiaries or affiliates under this Act, shall be equally enjoyed by and extended under the same conditions to Philippine banks.”

SEC. 6. A new provision in Section 9 is hereby inserted in the same Act, in lieu of the original provisions of Section 9 repealed by Section 11 of Republic Act No. 10000. Section 9 shall now read as follows:

"SEC. 9. *Participation in Foreclosure Proceedings.* – Foreign banks which are authorized to do banking business in the Philippines through any of the modes of entry under Section 2 hereof shall be allowed to bid and take part in foreclosure sales of real property mortgaged to them, as well as to avail of enforcement and other proceedings, and accordingly take possession of the mortgaged property, for a period not exceeding five (5) years from actual possession: *Provided, That in no event shall title to the property be transferred to such foreign bank. In case said bank is the winning bidder, it shall, during the said five (5)-year period, transfer its rights to a qualified Philippine national, without prejudice to a borrower's rights under applicable laws. Should the bank fail to transfer such property within the five (5)-year period, it shall be penalized one half (1/2) of one percent (1%) per annum of the price at which the property was foreclosed until it is able to transfer the property to a qualified Philippine national.*"

SEC. 7. *Transitory Provisions.* – Foreign banks which are already authorized to do banking business in the Philippines through any of the modes of entry under Section 2 hereof may apply to change their original mode of entry.

Foreign banks operating through branches in the Philippines upon the effectivity of this Act shall retain their original privilege upon entry to establish a limited number of sub-branches. However, the previous restriction on the locations of such additional branches is hereby lifted.

The existing Philippine branches of foreign banks shall comply within one (1) year from the effectivity of this Act with the minimum capital requirements as prescribed under Section 4(ii) of this Act, unless otherwise extended by the Monetary Board.

SEC. 8. Section 12 of Republic Act No. 7721 is hereby amended to read as follows:

"SEC. 12. *Applicability of Other Banking Laws.* – The provisions of Republic Act No. 7653, otherwise known as the New Central Bank Act and the

provisions of Republic Act No. 8791, otherwise known as 'The General Banking Law of 2000', insofar as they are applicable and not in conflict with any provision of this Act, shall apply to banks authorized pursuant to this Act."


SEC. 9. Section 13 of Republic Act No. 7721 is hereby amended to read as follows:

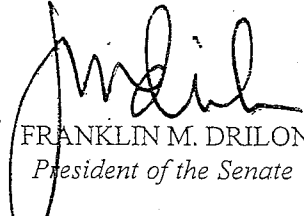
"SEC. 13. *Rule-Making Powers of the Monetary Board of the Bangko Sentral ng Pilipinas and Compliance Reports.* – The Monetary Board is hereby authorized to issue such rules and regulations as may be needed to implement the provisions of this Act. On or before May 30 of each year, the Monetary Board shall file a written report to Congress and its respective Banks Committees, on the developments in the implementation of this Act. The implementing rules and regulations of this Act shall be published in at least two (2) newspapers of general circulation."

SEC. 10. *Repealing Clause.* – All laws, decrees, executive orders, proclamations, rules and regulations and other issuances or parts thereof insofar as they are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.


SEC. 11. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation.


Approved,

  
FELICIANO BELMONTE JR.  
Speaker of the House  
of Representatives

  
FRANKLIN M. DRILON  
President of the Senate

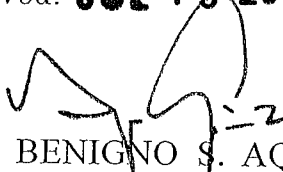
This Act which is a consolidation of Senate Bill No. 2159 and House Bill No. 3984 was finally passed by the Senate and the House of Representatives on June 11, 2014 and June 10, 2014, respectively.

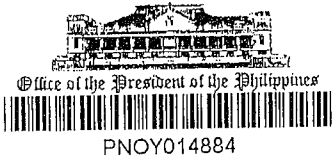
  
MARILYN B. BARUA-YAP  
Secretary General  
House of Representatives

  
OSCAR G. YABES  
Secretary of the Senate

Approved: **JUL 15 2014**



  
BENIGNO S. AQUINO III  
President of the Philippines



**CERTIFIED COPY:**

  
MARIANITU M. DIMAANDAL  
DIRECTOR IV *7/18/2014*  
MALACANANG RECORDS OFFICE

*7/18/2014*