

# Asia Market Intelligence

## The Philippines

### Presence

HSBC has been operating in the Philippines since 1875 and is licensed to operate as a universal bank. As one of the oldest banks in the Philippines, HSBC offers a full range of banking and financial services. In 2000, HSBC in the Philippines acquired 100% ownership and control of a local savings bank now operating under the name HSBC Savings Bank (Philippines) Inc. HSBC has a combined total of 24 branches (16 of which are branches of HSBC Savings Bank Inc) operating in key locations in Metro Manila, Cebu and Davao.

**Population:**  
87.96 million (as at Aug 07)

**Total Area:**  
300,000 sq km

**Currency:**  
Philippine peso (PHP)

**Capital:**  
Manila

**Major Languages:**  
Filipino and English

**Time zone:**  
GMT +8 hrs

**Central bank:**  
Bangko Sentral ng Pilipinas (BSP)

**Gross domestic product:**  
299.6bn total (2007); 7.3% real growth rate (2007); 3,378 per capita (2007 est.)

**Inflation rate (consumer prices):**  
2.8% (2007)



**HSBC**   
The world's local bank

## Clearing Systems and Payment Instruments

Clearing system	Comments
Philippine Clearing House Corporation (PCHC) Local Cheque Clearing	This is a paper-based clearing system operated by PCHC, which is the only entity authorised by BSP to clear cheques in Metro Manila and its integrated regions. Local currency cheques and cashier's orders take three working days to clear.
PCHC Regional Cheque Clearing	Local currency cheques presented by banks and branches located in specific provinces are cleared through BSP and PCHC. These cheques usually take seven days to clear.
Provincial Cheques for Collection	Cheques presented through areas not mentioned in either local or regional clearing are mailed to these areas and cleared in approximately 30–45 working days. Such items are also referred to as out-of-town cheques.
PCHC PHP and US dollar (USD) foreign exchange clearing	Funds in local currency can be electronically transferred between member banks' head offices through PCHC end-of-day-netting. Electronic interbank transfers are now settled within 24 hours or by the next working. The cut-off time is 4:00pm.
PDDTS (Philippines Domestic Dollar Transfer System)	The PDDTS has online, real-time and end-of-day batch netting transfer capabilities with final settlement on the same day. All USD transfers processed via GSRT mode are delivered through PDDTS online. The cut-off time is 3:00pm.
PPS (Philippine Payment System or PhilPaSS)	The PhilPass is the Philippines' version of real-time gross settlement (RTGS) for PHP. Payments are sent via SWIFT and are a same-day transfer provided within set cut-off times, with settlement on the same day via BSP. The cut-off time is 3:00pm.

- Clearing systems in the Philippines are owned and operated by the Banker's Association of the Philippines (BAP), which in turn is owned by BAP member banks.
- Many banks offer cheque outsourcing and low-value electronic payments. Some also offer on-site cheque-writers and payments advising.
- Banks with nationwide branch networks allow over-the-counter deposit of cheques and cash at any point in the network to a single account. Foreign banks, whose branch networks are not as extensive, will usually partner with local banks, enabling payments through the latter's branches into a central account. Both local and foreign banks offer collections outsourcing via a third-party courier. Electronic collections via direct electronic debit of accounts are implemented within a single bank as the country lacks the infrastructure to enable this seamlessly on an interbank basis.

## Banking System and Bank Accounts

- The Bangko Sentral ng Pilipinas (BSP), the primary regulator, issues policy guidelines for general bank supervision.
- There are 38 banks active in the Philippines, with all but three of the major local banks being majority-owned and controlled by the private sector. Foreign banks, of which there are 17, can operate as a branch or a subsidiary subject to the same regulations as the local commercial banks. The Philippines' banking sector is considered overpopulated, and a trend towards consolidation continues.
- Documentation requirements for opening corporate bank accounts include identification documents (Securities and Exchange Commission registration and articles of incorporation for corporations) to satisfy Know Your Customer (KYC) requirements and a Board Resolution/Secretary's Certificate.
- If foreign corporations are registered to do business in the Philippines, there are no special requirements regarding their bank accounts. If they are not registered, then they are considered non-resident accounts and limitations in terms of repatriation of funds will apply.
- The following types of bank account are currently available:

ACCOUNT TYPE	LOCAL CURRENT <sup>2</sup>	LOCAL SAVINGS <sup>2</sup>	FOREIGN CURRENT <sup>2</sup>	FOREIGN SAVINGS <sup>2</sup>
Resident	Yes	Yes	Yes	Yes
Non-resident <sup>1</sup>	No	No	Yes	Yes
Credit interest	Yes	Yes	Yes	Yes
<p>1. Accounts opened by non-resident companies must be funded by inward remittances of foreign currencies, or by over-the-counter deposits of local currency as long as there is proof that the source is income derived from a property or asset located in the Philippines.</p> <p>2. Account types: CUN (current accounts) and SSV (savings accounts) are available.</p>				

## Cash management products and services at a glance\*

INVESTMENT PRODUCT	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> <li>Local currency current account</li> <li>Local currency/foreign currency statement savings</li> <li>Time deposits</li> <li>Treasury products</li> </ul>	<ul style="list-style-type: none"> <li>Cheques/demand drafts</li> <li>Cheque Outsourcing Service (automated cheque disbursement service)</li> <li>Electronic payments (high value/low-value)</li> <li>Over-the-counter services</li> <li>Payments Advising</li> <li>Electronic tax Payments</li> <li>Payables Financing</li> </ul>	<ul style="list-style-type: none"> <li>Nationwide cheque/cash pick-up service or self-remit option (National Network Collections)</li> <li>Post-dated cheque warehousing service</li> <li>Wholesale lockbox</li> <li>In-branch deposit services</li> <li>Electronic collections</li> <li>Direct debit facility<sup>1</sup> (autoPay-in)</li> <li>USD cash letters</li> <li>Receivables Management System (centralised database, accounts receivables reconciliation, consolidated reporting)</li> <li>Receivables Advising</li> </ul>	<ul style="list-style-type: none"> <li>Cash sweeping/cash concentration</li> <li>MT940 Third Party Bank Reporting</li> </ul>

\* Cash management services are delivered via HSBC*net*, HSBC's global Internet banking platform, and HSBC Connect, HSBC's host-to-host electronic banking system.

<sup>1</sup> Electronic batch collection is limited to accounts from HSBC only.

### Alliance Network

There are existing partnerships with several major local banks and third party service providers for both collections and disbursements services extending HSBC's reach to over 2,500 locations nationwide.

### Legal, Company and Regulatory

- Apart from the central bank, other relevant regulatory bodies include the Securities and Exchange Commission, the Insurance Commission and the Philippine Deposit Insurance Corporation.
- There are no minimum capitalisation requirements for companies in unregulated industries, but these do apply in the case of the financial services industry. This distinction also applies to local subsidiaries of foreign corporations.

### Liquidity, Currency and Tax

- Some banks offer automated sweeping and cash concentration services. Overdrafts and, consequently, offsetting of negative and positive balances, are not allowed in the Philippines. Notional pooling is not allowed.
- The most common investment instruments for surplus liquidity are time deposits, but there is also some activity in commercial paper and other money market instruments.
- There are several restrictions and regulatory requirements that are intended to curb speculative attacks against PHP, which is not readily convertible into other currencies.

Australia    Bangladesh    Brunei    Hong Kong SAR    India    Indonesia    Japan    Korea    Macau SAR    Malaysia  
Mauritius    New Zealand    People's Republic of China    **The Philippines**    Singapore    South Africa    Sri Lanka    Taiwan    Thailand    Vietnam

- Corporate income tax is levied at 32%, while a 20% withholding tax is applied to all interest income. Documentary stamp tax applies to all time deposit products. Any interest paid on a deposit account that is 50% higher than the regular CASA rates is also subject to documentary stamp tax. There are no offshore/onshore distinctions as regards corporate taxes.

## Market Watch

- In general, the regulatory landscape in the Philippines is fluid. Therefore any corporation contemplating direct foreign investment in the Philippines is well-advised to seek professional advice in advance.

## Contacts

### Ms Patricia R Olbes

Head of Global Payments and Cash Management, HSBC, the Philippines

7/F, Tower 1, The Enterprise Centre, 6766 Ayala Avenue corner Paseo de Roxas, Makati City

Tel: (632) 830-5289

Fax: (632) 755-5375

E-mail: [patriciaolbes@hsbc.com.ph](mailto:patriciaolbes@hsbc.com.ph)

### Banking hours:

Mon – Fri

8:30am – 5:30pm (office hours)

9:00am – 4:00pm (business hours)

Sat

Closed

*The information contained herein is for general information purposes only. It is not intended to provide professional advice and should not be relied upon in that regard. Readers should seek appropriate professional advice where necessary before taking any action based on the information contained in this document. HSBC makes no guarantees, representations or warranties and accepts no responsibility or liability as to its accuracy or completeness. Information in this document is subject to change without notice.*

Australia    Bangladesh    Brunei    Hong Kong SAR    India    Indonesia    Japan    Korea    Macau SAR    Malaysia  
Mauritius    New Zealand    People's Republic of China    **The Philippines**    Singapore    South Africa    Sri Lanka    Taiwan    Thailand    Vietnam