

foreign currency deposits, invest in securities, issue e-money products and credit cards, sell micro-insurance products, and buy and sell foreign exchange currencies, among others.

Lenders that will be granted a digital bank license are required to put up a minimum capital of P1 billion, a physical office in the country to serve as the main point of contact for stakeholders and regulators, and are subject to the same regulatory requirements as traditional banks.

Existing banks converting to digital banks will be given a period of three years from the BSP's approval to meet the minimum capital requirement and implement the transition, which include divesting or closing branches or branch lite units; limiting stocks of foreign individuals or nonbank entities, Filipino individuals or local nonbank parties, and family groups at 40% of the voting stocks; and phasing out activities not associated with a digital-only bank and submitting the amended Articles of Incorporation and By-Laws registered with the Securities

and Exchange Commission within six months from the date of receipt of the approval notice.

These all-online banks are expected to help the BSP reach its goal to bring 70% of Filipino adults into the banked population and 50% of payments done online by 2023.

Initially, the BSP limited the number of digital bank licenses to five for the next three years as it wants to monitor these new lenders as well as gain experience on digital banking. This was later expanded to seven in August.

As of this writing, the BSP has granted five digital bank licenses: the state-owned Overseas Filipino Bank (OFBank); the Singapore-based Tonik Digital Bank, Inc. (Philippines); UNObank; the UnionBank of the Philippines, Inc.'s Union Digital Bank; and a partnership between the Singapore-headquartered Tyme and Philippine-based Gokongwei Group's GOtyme.

The central bank is still evaluating two more applications as the window for applications is set to close on Aug. 31. Still, BSP Governor Benjamin E. Diokno has said the chances for other firms to get a digital bank license or convert their existing banking licenses at this point are "very slim" given the applications are processed on a first-come, first-served basis and that the two applications would have to be disqualified or would be unable to comply with all requirements for other applications to be considered.

As noted in the BSP Circular, the authority to establish a digital bank "shall be automatically revoked" if the lender is not organized and opened for business within one year after it receives the approval of its

“By leveraging a branch-less structure and latest agile technology, which directly leads to significant savings in operational costs, it will also be able to make loans and lower much more competitive rates than traditional lenders.”

